

RNB

YEAR-END REPORT

1 SEPTEMBER 2018 – 31 AUGUST 2019

4

RNB RETAIL AND BRANDS

POLARN O. PYRET
DEPARTMENTS & STORES

Man of a kind
BROTHERS

Negative restructuring effects

Lower net sales but e-commerce growth continued in the quarter. Discount-driven sales squeezed gross margins and profit. Restructuring work continues at a steady rate but affected business operations. Operating income before restructuring expenses and impairment of goodwill was SEK -32 M (3) in the quarter.

FOURTH QUARTER, JUNE 1, 2019 – AUGUST 31, 2019 IN SUMMARY

- Net sales decreased to SEK 552 M (561).
- Comparable sales for the Group on all national markets decreased by -1.3 percent.
- Sales for comparable units in Sweden decreased by -0.3 percent, which was lower than the market upturn of 1.3 percent.
- Operating income before restructuring costs and impairment of goodwill was SEK -32 M (-3).
- Operating income was SEK -101 M (-3).
- Profit after tax amounted to SEK -106 M (-13).
- Earnings per share was SEK -3.13 (-0.38).
- Cash flow from operating activities was SEK -43 M (-39).

THE PERIOD, SEPTEMBER 1, 2018 – AUGUST 31, 2019 IN SUMMARY

- Net sales increased to SEK 2,267 M (2,238).
- Comparable sales for the Group on all national markets increased by 0.6 percent.
- Sales for comparable units in Sweden increased by 0.9 percent, outperforming the market downturn of -2.7 percent.
- Operating income before depreciation, amortization and restructuring costs was SEK 29 M (89).
- Operating income before restructuring costs and impairment of goodwill was SEK -18 M (47).
- Operating income was SEK -110 M (47).
- Profit after tax amounted to SEK -142 M (36).
- Earnings per share was SEK -4.20 (1.07).
- Cash flow from operating activities was SEK 50 M (10), and after investments SEK -7 M (-57).

EVENTS AFTER THE END OF THE QUARTER

- RNB announced a guaranteed rights issue of SEK 85 M. The rights issue is subject to approval by an Extraordinary General Meeting.
- The company announced a proposed two-year extension of the bond loan, until February 2023.

CONTACT

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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 26 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:

+46 850 558 352 (Sweden)
+44 333 3009 030 (UK)

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

FINANCIAL CALENDAR

Annual General Meeting 2018/2019	December 19, 2019
Interim Report, first quarter 2019/2020	December 19, 2019
Interim Report, second quarter 2019/2020	March 26, 2020
Interim Report, third quarter 2019/2020	June 25, 2020
Interim Report, fourth quarter 2019/2020	October 8, 2020

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 contact person above on October 10, 2019 at 07.00 (CEST).

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

SIGNIFICANT NEGATIVE RESTRUCTURING EFFECTS

The fourth quarter and full year 2018/19 were characterized by significant restructuring costs on multiple levels. For the Group, the reorientation process towards establishing separate operational companies was more demanding than anticipated, although the changes will now soon be fully implemented. For Departments & Stores the year was characterized by the reorientation of departments under the NK2020 program, and some stores/departments aren't fully streamlined yet and consequently weigh down profits. Brothers is in the midst of a turnaround and repositioning effort that is expected to yield results gradually during the financial year 2019/20. Polarn O. Pyret, which completed a similar turnaround and repositioning effort in recent years with a positive profit impact, was adversely affected by a clothing range that was less well received than in previous seasons, and which was also partially incorrectly priced.

In the fourth quarter, RNB's sales in Sweden underperformed the market by -0.3% LFL compared to Stilindex +1.3% LFL. For the full year, the corresponding figure was +0.9% for RNB, against Stilindex -2.7%.

Operating profit decreased in all three companies, with Polarn O. Pyret returning the largest profit downturn on weak sales and a lower gross margin. Operating income for RNB before restructuring costs and goodwill amortization was SEK -32 M in the fourth quarter, against SEK -3 M in the previous year. Restructuring costs in the quarter amounted to just over SEK 3 M and SEK 27 M for the full year. Comparable operating income for the full year was SEK -18 M and EBITDA excluding restructuring costs was SEK 29 M.

Positive effects from lower inventories of some SEK 14 M in the quarter, compared to an increase of SEK 46 M in the corresponding quarter of the previous year, and a full-year figure of SEK 40 M, implied an overall positive change in working capital of SEK 70 M for the full year. Although this made a positive contribution it was insufficient to offset the profit decrease. Consequently, cash flow after investments was negative, at some SEK 7 M for the full year. RNB's operations, which have operated with a high rate of indebtedness for several years, experienced a challenging liquidity situation from time to time during the year. The focused initiatives aimed at reducing inventories had some negative impact on profit (through lower purchasing volumes and increased discounting).



POLARN O. PYRET – WEAK SALES ON HEAVILY DISCOUNTED MARKET

The two final quarters of the financial year were weak in terms of sales, while gross margins were also down. In the main, we're continuing to implement the previously outlined strategy which has been successful in recent years. E-commerce growth continued as a part of our omni channel offering. We expect the new clothing range to perform better as early as this fall, while we're also making some tactical adjustments to our price ladders in order to improve commercial efficiency.

BROTHERS – TURNAROUND IN PROGRESS

The financial year 2018/19 was characterized by reorientation. The company has formulated a new marketing strategy based on an extensive customer survey. With a new approach and a partially adjusted market position, Brothers will gradually improve the conditions for achieving increased organic growth. Adaptations and renewal of the clothing range with the aim of adjusting it to the new marketing strategy will start to have an impact when the spring collections are delivered. The turnaround will continue throughout 2019/20 before taking full effect.

DEPARTMENTS & STORES STABILIZES AS NEW DEPARTMENTS ARE COMPLETED

The NK building in Stockholm is gradually taking shape after a series of conversions and relocations of many departments throughout the building. This work will be completed in summer 2020. Over the past two financial years, results of operations have been characterized by the extensive reorientation work. The effect of RNB's new departments and the effects of a department store that is now more attractive to its target customers will gradually become more tangible during the financial year 2019/20. Goodwill related to Department & Stores was impaired by SEK 65 M in the quarter.

MAN OF A KIND UNDER EVALUATION

Operations are expanding but need to grow faster to reach break-even. The current year will be critical, and the operations' potential will be evaluated during the year.

RNB'S PROSPECTS

A rationalization program is underway across all three business areas, with planned measures including reduced in-store hours, reduced staffing at head office and continued efforts to reduce inventories. The full cost effect is expected to be felt towards the end of the next financial year.

On 30 September, we announced a guaranteed rights issue of SEK 85 M and a 2-year extension of the bond loan until 2023. This improves the conditions for completing the Group restructuring and continuing the work of developing the operations. RNB remains open to ownership changes for one or several of the companies.

Overall, conditions are in place for profit gradually turning upwards in the financial year 2019/20.

Magnus Håkansson
President and CEO

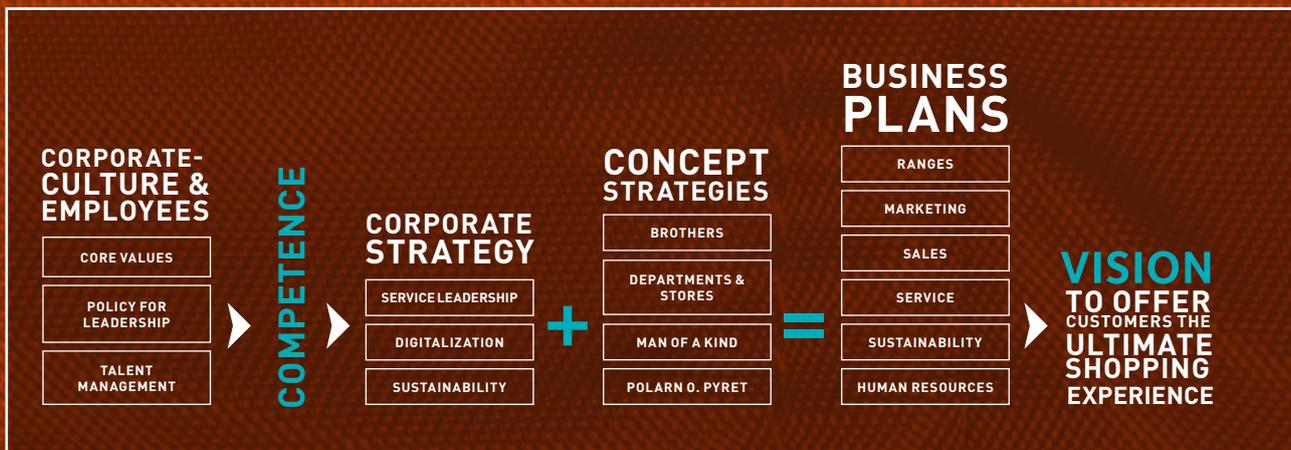
RNB RETAIL AND BRANDS

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

Vision

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

Business model



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

The starting point for RNB’s strategy is to operate through four clearly positioned and differentiated store concepts aimed at the respective target groups. The concepts are characterized by inspiring stores, excellent service with a pronounced digital presence, accessibility and attractive fashion ranges. Sales are conducted in large cities, smaller towns and shopping centers and through e-commerce. All aspects of operations are carried out on the basis of achieving clear and long-term sustainability.

Revenue and earnings RNB Group

FOURTH QUARTER, JUNE 1, 2019 – AUGUST 31, 2019

Reported net sales for the Group were SEK 552 M (561) in the fourth quarter. Business areas with e-commerce platforms all experienced sales growth in online sales in the quarter. Brothers and Man of a kind increased net sales. For comparable units in Sweden, sales were down by -0.3 percent, and for all national markets sales decreased by -1.3 percent expressed in SEK.

The Group's gross margin decreased to 43.9 percent (46.3) in the quarter, with Man of a kind increasing margins and Brothers margin staying unchanged. Margins decreased in the two other business areas, due to more campaigns, increased discounting and significant negative exchange rate effects in the quarter.

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

In the quarter, costs for restructuring totaled SEK 3 M, reported under "Group wide and eliminations". Costs are reported under Other external expenses and personnel expenses. Goodwill related to Department and Stores was impaired by SEK 65 M in the quarter, after an impairment test was carried out.

Operating income was SEK -101 M (-3). Operating income before restructuring expenses and impairment of goodwill was SEK -32 M (3).

Net financial items totaled SEK -6 M (-8), of which unrealized gains on currency hedges not affecting cash flow affected net financial items by SEK 0 M (-2).

Profit after tax amounted to SEK -106 M (-13).

Market progress in the quarter

According to Stilindex (the Swedish Retail and Wholesale Trade Research Institute), clothing sales in Sweden increased by 1.3 (-3.9) percent in the quarter. Sales in Finland of men's, women's and children's clothing increased by 4.6 percent (-4.1).

THE PERIOD, SEPTEMBER 1, 2018 – AUGUST 31, 2019

Consolidated net sales totaled SEK 2,267 M (2,238) in the period. Business area Brothers, Man of a kind and Polarn O. Pyret experienced net sales growth in the period. Business areas with e-commerce platforms all experienced continued significant sales growth in online sales in the period. For comparable units in Sweden, sales were up by 0.9 percent, and for all national markets sales increased by 0.6 percent expressed in SEK.

The Group's gross margin decreased to 49.1 percent (49.9) in the period, with Departments & Stores and Man of a kind increasing margins. Margins decreased in the two other business areas, due to more campaigns, increased discounting and significant negative exchange rate effects in the period.

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

The Annual General Meeting held in December 2018 resolved to reorganize the Group to independent operating subsidiaries, and in addition, identify strategic options, including divestments of one or more of the operating business areas. Restructuring costs relating to this was SEK 27 M in the period. The costs are reported under Other external expenses, personnel expenses and impairment of non-current assets of SEK 4 M. The cash flow effect was just under SEK 9 M in the period and just over SEK 14 M will not affect cash flow until 2020.

Goodwill related to Department and Stores was impaired by SEK 65 M in the quarter, after an impairment test was carried out.

Operating income was SEK -110 M (47). Operating income before restructuring expenses and impairment of goodwill was SEK -18 M (47).

Net financial items totaled SEK -32 M (-8), of which unrealized gains on currency hedges not affecting cash flow affected net financial items by SEK -3 M (14).

Profit after tax amounted to SEK -142 M (36).

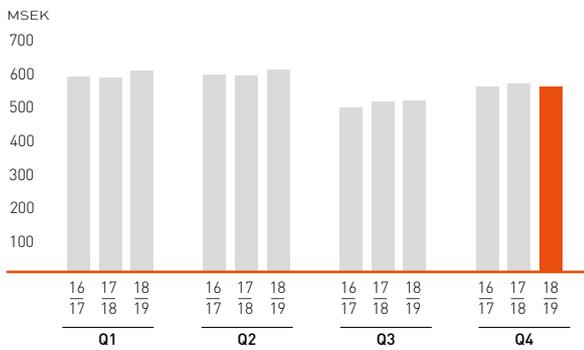
Market progress in the period

According to Stilindex (the Swedish Retail and Wholesale Trade Research Institute), clothing sales in Sweden decreased by -2.2 percent (-2.6) in the period. Sales in Finland of men's, women's and children's clothing decreased by -1.5 percent (-1.8).

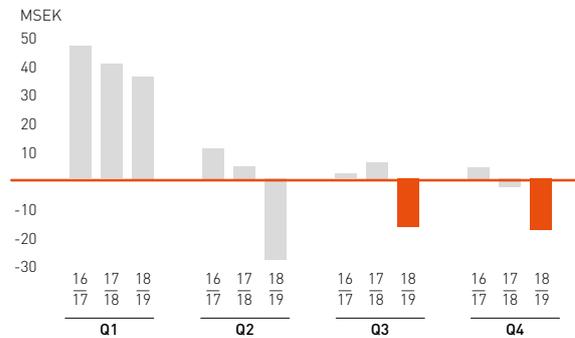
Group overview

	3 months		12 months	Full Year
	Jun 2019 -Aug 2019	Jun 2018 -Aug 2018	Sep 2018 -Aug 2019	Sep 2017 -Aug 2018
Net sales, SEK M	552	561	2 267	2 238
Gross margin,(%)	43.9	46.3	49.1	49.9
Operating income ,SEK M	-101	-3	-110	47
<i>Operating income before restructuring expenses and impairment of goodwill, SEK M</i>	-32	-3	-18	47
Profit after tax, SEK M	-106	-13	-142	36
Operating margin (%)	-18.2	-0.5	-4.9	2.1
<i>Operating margin before restructuring expenses and impairment of goodwill, (%)</i>	-5.8	-0.5	-0.8	2.1
Earnings per share, SEK	-3.13	-0.38	-4.20	1.07
Cash flow from operating activities, SEK M	-43	-39	50	10
Number of sales points	247	261	247	261

Net sales per quarter



Operating income per quarter before Impairment of goodwill



Financial overview, business areas

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

Business area	Net sales, Sept-May	Share, %	Operating income, Sept-May	Own stores		Franchise	
				Stores	E-com	Stores	E-com
BROTHERS	539MSEK	 24%	-12MSEK	Total	54	2	11
				Sweden	43	1	11
				Finland	11	1	
DEPARTMENTS & STORES	920MSEK	 41%	17MSEK*	Total	42		
				NK Stockholm	27		
				NK Gothenburg	15		
Man of a kind	24MSEK	 1%	-14MSEK	Total		1	
POLARN O. PYRET	784MSEK	 35%	20MSEK	Total	97	5	29
				Sweden	53	3	7
				Norway	24	1	
				Finland	18	1	1
				England			11
				USA			3
				Estonia	2		
				Ireland			2
				Scotland			3
				Iceland			1
				Latvia			1
Total	2 267MSEK		-45MSEK		193	8	40
RNB RETAIL AND BRANDS				233 stores	14 e-com	10 countries	6

Net sales and operating income per business area	3 months		Full Year	Full Year
	Jun 2019 -Aug 2019	Jun 2018 -Aug 2018	Sep 2018 -Aug 2019	Sep 2017 -Aug 2018
Net sales, SEK M				
Brothers	139.1	138.2	539.1	537.3
Departments & Stores	229.4	230.8	919.7	923.5
Man of a kind	7.1	4.3	23.5	12.5
Polarn O. Pyret	176.4	187.4	784.4	765.1
Central operations & eliminations	0.0	0.0		0.0
Total	552.0	560.7	2 266.7	2 238.4
Operating income, SEK M				
Brothers	-3.9	5.3	-12.3	23.1
Departments & Stores*	-6.7	3.1	16.9	28.8
Man of a kind	-3.0	-2.9	-13.6	-12.4
Polarn O. Pyret	-12.1	-0.1	20.0	43.1
Central operations & eliminations	-9.8	-8.2	-56.1	-35.5
Total*	-35.5	-2.8	-45.1	47.1
<i>Operating income before restructuring expenses</i>	<i>-32.1</i>	<i>-2.8</i>	<i>-18.2</i>	<i>47.1</i>

* The group's operating profit is charged with impairment of goodwill assignable to Department & Stores

BROTHERS

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

FOURTH QUARTER, JUNE 1, 2019 – AUGUST 31, 2019

Net sales in the Brothers business area totaled SEK 139 M (138). Sales in comparable stores in Sweden and Finland increased by 5.1 percent expressed in SEK. E-commerce sales increased by 21 percent in the quarter. Store sales increased every month in the quarter. Net sales from franchise stores were down in the quarter compared to the corresponding period in the previous year, mainly due to a decrease in the number of franchise stores. Total brand sales (total sales to consumers excluding VAT across all markets) were SEK 603 M (603) on a rolling 12-month basis.

The number of paying customers in comparable stores increased in the quarter on all national markets compared to the corresponding quarter in the previous year. The in-store conversion rate was unchanged. In e-commerce, the increase of number of visitors continued, whilst the conversion rate remained unchanged.

The business area's gross margin was unchanged in the quarter in year-on-year terms, despite a larger negative exchange rate effect this year. Expenses and allocations to periods were up in the quarter.

Operating income was SEK -4 M (5) in the quarter, implying an operating margin of -2.8 percent (3.8).

Inventories decreased in the quarter and were lower at the end of the quarter in year-on-year terms.

One proprietary store closed in September. During the quarter, the franchise store in Luleå was taken over and the reopening will take place at the end of October.

In September, Brothers launched its new communication concept "A Brothers world". With the new world, Brothers wants to move from being a well-dressed suit destination to a place for more well-dressed and casual fashion.

THE PERIOD, SEPTEMBER 1, 2018 - AUGUST 31, 2019

Net sales in the Brothers business area totaled SEK 539 M (537). Sales in comparable stores in Sweden and Finland increased by 0.7 percent expressed in SEK. E-commerce sales increased by more than 150 percent in the quarter while store sales decreased slightly. Net sales from franchise stores were down in the period compared to the corresponding period in

the previous year, partly due to a decrease in the number of franchise stores. Paying visitors in comparable physical stores were stable on both national markets. In e-commerce, visitor numbers increased month-on-month throughout the year on both markets. The conversion rate increased significantly on both markets.

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

Operating income was SEK -12 M (23) in the period, implying an operating margin of -2.3 percent (4.3).

Inventories decreased in the period and were lower at the end of the year in year-on-year terms.

In the period, seven stores closed and three opened.



DEPARTMENTS & STORES

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

FOURTH QUARTER, JUNE 1, 2019 – AUGUST 31, 2019

Net sales in the Departments & Stores business area was SEK 229 M (231), a decrease of -0.6 percent. Visitors to RNB's stores in the two department stores increased in the quarter year-on-year, where July and August reported significant increases. Average spend per customer increased, but the conversion rate declined.

Gross margin decreased compared to the corresponding quarter of the previous year. Total expenses were higher in the quarter year-on-year, mainly due to rent and personnel costs related to newly opened departments. Goodwill related to the business area was impaired by SEK 65 M in the quarter after performed impairment test.

Operating income amounted to SEK -58 M (3). Operating income, before impairment of goodwill was SEK -7 M (3), with an operating margin of -2.9 percent (1.3).

Business area inventories decreased in the quarter and were unchanged in year-on-year terms at the end of the quarter. This was despite increased in-store floor space.

The refurbishment of the department stores continued unabated. In September 2019, NK Details opened with an extensive range of luxury jewelry and sunglasses. NK Manlig Depå, a specialist department for men's underwear, shaving sets, fragrances and hair and skin products, moved to new floor space and reopened in September.

Other companies in the Stockholm department store presented further news in the quarter, as part of the NK2020 renewal project. NK Stockholm opened a new premium destination within Sports and lifestyle. NK Travel Essentials, with a wide range of luggage, opened in Stockholm.

THE PERIOD, SEPTEMBER 1, 2018 - AUGUST 31, 2019

Net sales in the Departments & Stores business area were SEK 920 M (924), a decrease of -0.4 percent. The number of visitors in the two in-store departments in Stockholm and Gothenburg was slightly down in the period year-on-year. Average spend per customer increased and the conversion rate declined.

Gross margin increased compared to the corresponding period of the previous year. Total expenses were higher in the

period year-on-year, mainly due to increased costs of premises as a result of newly opened departments. Goodwill related to the business area was impaired by SEK 65 M in the fourth quarter after performed impairment test.

Operating income amounted to SEK -48 M (29). Operating income before impairment of goodwill amounted to SEK 17 M (29), with an operating margin of 1.8 percent (3.1).

Business area inventories were unchanged in the period. This despite a larger floor space, in year-on-year terms.

Refurbishment of several spaces was completed in the quarter. NK Fine Jewelry & Watches in Stockholm was relocated and extensively rebuilt. NK Beauty increased its floor space and launched several new brands and services. The business area opened an outlet store at Stockholm Quality Outlet in Barkarby. NK Details opened in Stockholm.



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

FOURTH QUARTER, JUNE 1, 2019 – AUGUST 31, 2019

Net sales in the Man of a kind business area were SEK 7 M (4). Visitor numbers continue to increase significantly in year-on-year terms. Gross margin was significantly higher compared to the corresponding quarter of the previous year. Expenses relating to performance marketing and freight were down in relation to net sales, both compared to the previous year and the previous quarter.

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

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

THE PERIOD, SEPTEMBER 1, 2018 – AUGUST 31, 2019

Net sales in the Man of a kind business area were SEK 24 M (13). Visitor numbers more than doubled in the period year-on-year. Gross margin was higher compared to the corresponding period in the previous year. Expenses such as performance marketing and freight were up in absolute numbers but down in relation to sales.

Operating income was SEK -14 M (-12).

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

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



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 customers to make better purchases—today and in the future

FOURTH QUARTER, JUNE 1, 2019 – AUGUST 31, 2019

Net sales totaled SEK 176 M (187) in the quarter. Sales in comparable proprietary stores on all national markets decreased by -7.6 percent year-on-year, expressed in SEK. E-commerce continued to increase. Brand sales (total sales to consumers excluding VAT across all markets and distribution channels) were SEK 918 M (891) on a rolling 12-month basis.

The number of paying customers in comparable stores was down slightly compared to the corresponding period in the previous year. The in-store conversion rate decreased while average spend per customer was unchanged. In e-commerce, the number of visitors were slightly down albeit with increased conversion rate, but with a lower average spend per customer.

Gross margin for the quarter was down year-on-year, fully attributable to negative exchange rate effects.

Operational expenses were slightly lower compared to the corresponding quarter of the previous year. However, an allocation to periods for accountancy purposes, cost of goods contribution, had a negative impact year-on-year.

Operating income amounted to SEK -12 M (0), with an operating margin of -6.9 percent (-0.1).

Business area inventories increased as per usual in the quarter but were down at the end of the quarter in year-on-year terms.

During the quarter, four stores were closed in Sweden and Norway.

THE PERIOD, SEPTEMBER 1, 2018 – AUGUST 31, 2019

Net sales totaled SEK 784 M (765) in the period. Sales in comparable proprietary stores on all national markets increased by 0.7 percent year-on-year, expressed in SEK. All national markets decreased comparable sales in physical stores but increased e-commerce sales.

The number of paying customers in comparable stores was slightly down compared to the corresponding period in the previous year. The in-store conversion rate is lower but with average spend unchanged. In e-commerce, the increase of number of visitors and the conversion rate continued, but with a slightly lower average spend per customer.

Gross margin in the period was down year-on-year as a result of more discounting, campaigns and significant negative exchange rate effects.

Expenses increased in the period year-on-year.

Operating income amounted to SEK 20 M (43), with an operating margin of 2.5 percent (5.6).

Business area inventories decreased in the period and the inventory was lower at the end of the period in year-on-year terms.

Polarn O. Pyret won several awards in the period. In 2018, Polarn O. Pyret won Design Concept of the Year at the Habit Fashion Show. In 2019, Polarn O. Pyret won the Signum Award for best Nordic branding work and was awarded Sweden's Greenest Brand 2018 in clothing and Best Ethical Brand in the 2019 Babyccino Awards.

During the period, nine proprietary stores were closed, four new opened and the Estonia operations were taken over.



Financial position and liquidity

The Group's total assets amounted to SEK 1,112 M, compared to SEK 1,225 M at the end of the previous financial year. At the end of the period, equity was SEK 235 M, against SEK 389 M at the end of the previous financial year, providing an equity/assets ratio of 21.1 percent (31.8) at year-end.

As of August 31, inventories totaled SEK 458 M, compared to SEK 499 M at the end of the previous financial year.

Cash flow from changes in working capital was positive in the period at SEK 70 M (-61). Cash flow from operating activities was SEK 50 M (11) in the period. After investments, cash flow was SEK -7 M (-56).

Net debt increased to SEK 442 M, compared to SEK 434 M at the end of the previous financial year. The Group's cash and cash equivalents including unutilized overdraft facilities totaled SEK 58 M at the end of the period, compared to SEK 65 M at the end of the previous financial year.

INVESTMENTS AND DEPRECIATION/AMORTIZATION

Investments during the period, excluding investments in subsidiaries, totaled SEK 60 M (67). Depreciation/amortization totaled SEK -47 M (-42). A goodwill impairment of SEK 65 million relating to the business area Departments & Stores, was recorded in the fourth quarter.

EMPLOYEES

The average number of employees decreased to 992 (1,021) 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. In September 2019, RNB announced a rights issue where the company's two largest shareholders have committed to subscribe to approximately 45 percent of the rights issue. For more information on transactions with related parties, see Note 34 of the 2017/2018 Annual Report.

TAX

During the financial year, the Group paid tax totaling SEK 2 M (0). As the company had non-capitalized loss carry forwards of SEK 711 M at the end of the previous year, tax expenses are expected to remain low. For more information, see Note 9 of the 2017/2018 Annual Report.

PARENT COMPANY

Parent Company net sales were SEK 103 (92) M. Profit/loss after net financial items was SEK -35 (1) M. Investments totaled SEK 22 (26) M.

SEASONAL VARIATIONS

Retail sales are affected by seasonal variations, with the highest sales generated during the fall and winter. Gross margin is

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

RISKS AND UNCERTAINTIES

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

Financial risks

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

Operational risks

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

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

EVENTS AFTER THE END OF THE PERIOD

On September 30, RNB announced the Board of Director's decision to complete a fully underwritten rights issue expected to raise some SEK 84.8 M for the company. The new issue is conditional on authorization by the Extraordinary General Meeting to be held on 30 October 2019.

On September 30, the company announced that holders of just over 83 percent of bonds in the company have committed to vote in favor of changing the terms of the bonds at the forthcoming meeting of bondholders scheduled for mid-October 2019. The revised terms and conditions include a 2-year extension of the bonds until February 2023.

On September 30, the company also announced that anticipated operating income for the fourth quarter and full year would diverge significantly from previous quarters and full year figures.

REVIEW

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

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

Stockholm, Sweden, October 10, 2019
The Board of Directors and Chief Executive Officer of
RNB RETAIL AND BRANDS AB (publ)

Laszlo Kriss
Chairman

Per Thunell
Deputy Chairman

Monika Elling
Board member

Michael Lemner
Board member

Joel Lindeman
Board member

Sara Wimmercranz
Board member

Magnus Håkansson
President and CEO

Consolidated Income Statement

SEK M	3 months		12 months	Full Year
	Jun 2019 -Aug 2019	Jun 2018 -Aug 2018	Sep 2018 -Aug 2019	Sep 2017 -Aug 2018
Net sales	552.0	560.7	2 266.7	2 238.4
Goods for resale	-309.4	-301.0	-1 154.1	-1 122.0
Gross income	242.6	259.7	1 112.6	1 116.4
Other operating income	5.8	6.5	29.6	33.8
Other external expenses	-141.3	-133.1	-570.4	-516.9
Personnel expenses	-132.0	-124.8	-570.2	-544.3
Depreciation and impairment of non-current assets	-10.6	-11.1	-46.7	-41.9
Impairment of goodwill	-65.0	-	-65.0	-
Operating income	-100.5	-2.8	-110.1	47.1
Financial income	1.4	2.7	2.2	5.2
Financial expenses	-7.2	-9.1	-32.0	-27.4
Unrealized profit/loss on futures contracts	-0.1	-1.5	-2.6	13.8
Net financial items	-5.9	-7.9	-32.4	-8.4
Profit before tax from continuing operations	-106.4	-10.7	-142.5	38.7
Tax on net income for the period	0.2	-2.1	0.1	-2.3
Net income for the period	-106.2	-12.8	-142.4	36.4
Other comprehensive income				
<i>Other comprehensive income, which will be reclassified to net income in subsequent periods</i>				
Cash flow hedges – value changes	5.3	2.7	15.2	28.3
Cash flow hedges recognised in income	-8.4	-1.6	-28.4	-1.6
Translation differences	1.0	-0.7	1.2	-3.5
Tax attributable to items in other comprehensive income	-	-	-	-
Comprehensive income for the period	-108.3	-12.4	-154.4	59.6
Net income for the period attributable to:				
Parent Company's shareholders	-106.2	-12.8	-142.4	36.4
	-106.2	-12.8	-142.4	36.4
Comprehensive income attributable to:				
Parent Company's shareholders	-108.3	-12.4	-154.4	59.6
	-108.3	-12.4	-154.4	59.6
Earnings per share before and after dilution (SEK)	-3.13	-0.38	-4.20	1.07
Average number of shares, (000s)	33 912	33 912	33 912	33 912

Consolidated Cash Flow Statement, in summary

SEK M	3 months		12 months	Full Year
	Jun 2019 -Aug 2019	Jun 2018 -Aug 2018	Sep 2018 -Aug 2019	Sep 2017 -Aug 2018
Operating activities				
Operating income	-100.5	-2.8	-110.1	47.1
Interest received and other financial income	1.4	-2.2	2.2	0.3
Interest paid	-8.5	-4.7	-29.7	-17.3
Adjustment for non-cash items	72.7	12.1	115.3	43.1
Tax paid	2.0	-1.7	2.0	-1.7
Cash flow before change in working capital	-32.9	0.7	-20.3	71.5
Cash flow from change in working capital				
Change in inventories	13.7	-45.7	40.3	-69.6
Decrease (+)/increase (-) in current receivables	-30.5	-5.1	-4.6	-6.7
Decrease (-)/increase (+) in current liabilities	7.0	11.0	34.2	15.2
Change in working capital	-9.7	-39.8	70.0	-61.1
Cash flow from operating activities	-42.6	-39.1	49.7	10.4
Cash flow from investing activities	-5.0	-17.7	-56.9	-66.9
Cash flow after investments	-47.6	-56.8	-7.2	-56.5
Financing activities				
Change in overdraft facility	32.9	26.3	6.6	26.3
Change in liabilities to financial institutions	0.0	0.1	0.0	0.0
Issue of Corporate bond	0.0	0.3	0.0	395.1
Amortization of loan	0.0	0.0	0.0	-380.0
Paid dividend	0.0	0.0	0.0	-10.2
Cash flow from financing activities	32.9	26.7	6.6	31.2
Cash flow during the period	-14.7	-30.0	-0.6	-25.3
Cash and cash equivalents at beginning of period	25.4	41.7	11.3	36.4
Exchange difference in cash and cash equivalents	-0.1	-0.3	-0.1	0.2
Cash and cash equivalents at end of period	10.6	11.3	10.6	11.3

Consolidated Balance Sheet, in summary

SEK M	Aug 31, 2019	Aug 31, 2018
Assets		
Intangible assets	386.3	446.9
Tangible assets	84.8	77.3
Financial assets	9.7	13.5
Total non-current assets	480.8	537.7
Inventories	458.4	499.3
Current receivables	162.1	177.2
Cash	10.6	11.3
Total current assets	631.1	687.8
Total assets	1 111.9	1 225.5
Shareholders' equity and liabilities		
Equity attributable to the Parent Company shareholders	235.0	389.4
Total equity	235.0	389.4
Non-current liabilities	422.7	418.5
Current liabilities	454.2	417.6
Total liabilities	876.9	836.1
Total equity and liabilities	1 111.9	1 225.5

Changes in shareholders' equity, in summary

SEK M	Sep 2018 –Aug 2019	Sep 2017 –Aug 2018
Opening balance	389,4	340,0
Net income for the period	-142,4	36,4
Other comprehensive income		
Changes to cash flow hedges	15,2	28,3
Cash flow hedges recognised in income	-28,4	-1,6
Translation differences	1,2	-3,5
Total comprehensive income for the year	-154,4	59,6
Paid dividend	0,0	-10,2
Balance at end of period	235,0	389,4

Key ratios

SEK M	Sep 2018 –Aug 2019	Sep 2017 –Aug 2018
Gross margin, %	49.1	49.9
Operating margin, %	-4.9	2.1
Equity/assets ratio, %	21.1	31.8
Interest coverage ratio, x	-3.1	2.4
Ratio of net debt and operating income before depreciation/amortization	-7.0	4.9
Net debt, MSEK	442.3	433.5
Net debt/equity ratio, %	188.2	111.3
Return on equity, %	-45.6	10.0
Return on capital employed, %	-14.2	8.4
Average number of shares, 000s	33 912	33 912
Number of shares at end of period, 000s	33 912	33 912
Profit after tax per share, SEK	-4.20	1.07
Equity per share at end of period, SEK	6.93	11.48
Average number of employees, full time	992	1 021

See Definition of key ratios at page 22

Shareholders

Largest shareholders as of August 31, 2019

	Number of shares	Share capital/ Votes, %
Konsumentföreningen Stockholm	11 246 598	33.2
Novobis AB	4 000 000	11.8
Catella Fondförvaltning	1 722 813	5.1
Avanza Pension Försäkringsaktiebolaget	1 586 581	4.7
Hans Björstrand	1 474 000	4.4
Pareto Securities AS	1 141 977	3.4
Nordnet pensionsförsäkring AB	986 249	2.9
Johan Fahlin	346 500	1.0
Skandia Leben	335 503	1.0
Christian Kock	330 349	1.0
Total 10 largest shareholders	23 170 570	68.5
Other	10 741 606	31.5
Total	33 912 176	100.0

Source: Euroclear Sweden AB

Income Statement per quarter, Group

SEK M	Q4		Q3		Q2		Q1	
	2018/ 2019	2017/ 2018	2018/ 2019	2017/ 2018	2018/ 2019	2017/ 2018	2018/ 2019	2017/ 2018
Net sales	552.0	560.7	511.3	509.5	603.9	587.2	599.5	580.9
Goods for resale	-309.4	-301.0	-244.3	-243.1	-323.9	-312.1	-276.5	-265.8
Gross income	242.6	259.7	267.0	266.4	280.0	275.1	323.0	315.1
Other operating income	5.8	6.5	9.3	9.3	7.9	9.4	6.6	8.7
Other external expenses	-141.3	-133.1	-145.5	-123.1	-142.3	-128.0	-141.3	-132.7
Personnel expenses	-132.0	-124.8	-137.8	-137.0	-158.4	-141.9	-142.0	-140.6
Depreciation and impairment of non-current assets	-10.6	-11.1	-9.9	-10.0	-15.5	-10.3	-10.7	-10.5
Impairment of goodwill	-65.0	-	-	-	-	-	-	-
Operating income	-100.5	-2.8	-16.9	5.6	-28.3	4.3	35.6	40.0
Financial income	1.4	2.7	0.1	1.2	0.0	-0.7	0.7	2.0
Financial expenses	-7.2	-9.1	-8.4	-9.4	-7.5	-3.0	-8.9	-5.9
Unrealized profit/loss on futures contracts	-0.1	-1.5	0.1	5.8	-0.8	0.2	-1.8	9.3
Net financial items	-5.9	-7.9	-8.2	-2.4	-8.3	-3.5	-10.0	5.4
Profit before tax from continuing operations	-106.4	-10.7	-25.1	3.2	-36.6	0.8	25.6	45.4
Tax on net income for the quarter	0.2	-2.1	-1.8	-0.2	1.9	0.0	-0.2	0.0
Net income for the quarter	-106.2	-12.8	-26.9	3.0	-34.7	0.8	25.4	45.4
Other comprehensive income								
Other comprehensive income, to be reclassified to net income in subsequent quarters								
Cash flow hedges – value changes	5.3	2.7	5.2	7.7	6.0	4.2	-1.3	13.7
Cash flow hedges recognised in income	-8.4	-1.6	-7.8	3.9	-5.9	-0.3	-6.3	-3.6
Translation differences	1.0	-0.7	0.2	-0.3	-0.9	-1.5	0.9	-1.0
Tax attributable to items in other comprehensive income	-	-	-	-	-	-	-	-
Comprehensive income for the quarter	-108.3	-12.4	-29.3	14.3	-35.5	3.2	18.7	54.5

Key ratios per quarter

SEK M	Q4		Q3		Q2		Q1	
	2018/ 2019	2017/ 2018	2018/ 2019	2017/ 2018	2018/ 2019	2017/ 2018	2018/ 2019	2017/ 2018
Gross margin, %	43.9	46.3	52.2	52.3	46.4	46.8	53.9	54.2
Operating margin, %	-18.2	-0.5	-3.3	1.1	-4.7	0.7	5.9	6.9
Return on equity, %	-36.7	-3.2	-7.5	0.8	-8.9	0.2	6.4	12.4
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	-3.13	-0.38	-0.79	0.09	-1.02	0.02	0.75	1.34
Equity per share at end of quarter, SEK	6.93	11.48	10.12	11.85	10.99	11.43	12.03	11.63
Total equity	235.0	389.4	343.3	401.8	372.6	387.5	408.1	394.5
Cash flow per share from operating activities	-1.3	-1.1	0.5	0.1	0.8	-0.5	1.4	1.8
Cash flow from operating activities	-42.6	-38.9	18.4	3.0	27.0	-15.9	46.9	62.4
Share price at end of quarter, SEK	3.8	8.3	4.7	7.3	6.0	8.8	6.7	11.3

Income Statement, Parent Company

SEK M	3 months		12 months	Full Year
	Jun 2019 –Aug 2019	Jun 2018 –Aug 2018	Sep 2018 –Aug 2019	Sep 2017 –Aug 2018
Net sales	23.7	23.5	103.5	92.4
Other operating income	0.6	-0.1	4.8	4.6
	24.3	23.4	108.3	97.0
Operating expenses				
Other external expenses	-21.4	-17.0	-88.5	-70.0
Personnel expenses	-9.8	-11.8	-58.6	-51.3
Depreciation and impairment of non-current assets	-3.2	-2.9	-17.7	-11.6
Operating income	-10.1	-8.3	-56.5	-35.9
Result from participations in group companies	-25.0	44.7	45.0	44.7
Financial income	1.5	-2.3	5.0	14.2
Financial expenses	-7.4	-6.8	-28.5	-22.1
Result after financial items	-41.0	27.3	-35.0	0.9
Taxes	-	-	-	-
Net income for the period	-41.0	27.3	-35.0	0.9

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

Balance Sheet, Parent Company, in summary

SEK M	Aug 31, 2019	Aug 31, 2018
Assets		
Intangible assets	23,2	40,0
Property, plant and equipment	1,5	3,8
Financial assets	520,3	567,0
Deferred tax assets	201,9	140,4
Other current assets	0,0	0,0
Total assets	746,9	751,2
Shareholders' equity and liabilities		
Equity	224,1	259,1
Non-current liabilities	399,9	395,1
Current liabilities	122,9	97,0
Total equity and liabilities	746,9	751,2

Reconciliation of key ratios

SEK M	12 months Sep 2018 –Aug 2019	Full Year Sep 2017 –Aug 2018
Net sales	2 266,7	2 238,4
Goods for resale	-1 154,1	-1 122,0
Gross profit	1 112,6	1 116,4
Other operating income	29,6	33,8
Other external expenses	-570,4	-516,9
Personnel expenses	-570,2	-544,3
Depreciation and impairment of non-current assets	-46,7	-41,9
Impairment of goodwill	-65,0	-
Operating income (EBIT)	-110,1	47,1
Interest income and similar profit/loss items	2,2	5,2
Interest expenses and similar profit/loss items	-32,0	-27,4
Unrealized profit/loss on futures contracts	-2,6	13,8
Net financial items	-32,4	-8,4
Profit/loss after financial items	-142,5	38,7
Adjustments:		
Tax on net profit/loss for the period	0,1	-2,3
Net income for the period	-142,4	36,4
Operating income	-110,1	47,1
Depreciation and impairment of non-current assets	46,7	41,9
Impairment of goodwill	65,0	-
Operating income before depreciation, amortization and impairment of non-current assets (EBITDA)	1,6	89,0
Loans	0,0	0,0
Contingent consideration	22,8	23,4
Other non-current interest-bearing liabilities	397,2	395,1
Other non-current liabilities	2,7	0,0
Non-current liabilities	422,7	418,5
Loans	0,0	0,0
Contingent consideration	22,8	23,4
Other non-current interest-bearing liabilities	397,2	395,1
Other current interest-bearing liabilities	32,9	26,3
Cash and cash equivalents	-10,6	-11,3
Net debt	442,3	433,5
Equity, opening balance	389,4	340,0
Equity, closing balance	235,0	389,4
Average equity	312,2	364,7
Total assets	1 111,9	1 225,5
Trade payables	-215,2	-204,1
Other current liabilities	-206,1	-187,2
Capital employed	690,6	834,2
Net income for the period	-142,4	36,4
Average equity	312,2	364,7
Return on equity, %	-45,6	10,0
Capital employed, opening balance	834,2	739,1
Capital employed, closing balance	690,6	834,2
Average capital employed	762,4	786,7
Interest expenses and similar profit/loss items	-32,0	-27,4
Unrealized expense on futures contracts	-2,6	0,0
Profit before tax from continuing operations	-142,5	38,7
Average capital employed	762,4	786,7
Return on capital employed, %	-14,2	8,4
Operating income	-110,1	47,1
Interest income and similar profit/loss items	2,2	5,2
Unrealized income on futures contracts	0,0	13,8
Profit/loss after financial income	-107,9	66,1

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

NOT 1 ACCOUNTING POLICIES

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

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

From the fourth quarter 2016/2017 unrealized losses on currency hedges that fail to comply with hedge accounting are reported, in the Group, on a dedicated line under Net financial items.

In the third quarter of 2017/2018, Brothers reclassified forwarded rents from Net sales to Other operating income. Previous periods have been adjusted.

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

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

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

From September 1, 2019, RNB will report in accordance with *IFRS 16 Leases*, where leasing agreements are recognized in the balance sheet and all leasing costs are reported as depreciation and interest expenses. The Group's leasing agreements mainly relate to leases for retail premises. The main impacts of IFRS 16 will be:

EBITDA: positive effect since all leasing costs will be reported as depreciation and interest expenses (outside EBITDA). Today, operating leases are reported as operating expenses within EBITDA.

Equity: no effect as the increase in right-of-use assets (new leases) is judged to correspond to the increase in leasing liabilities.

Net debt: increases substantially as a result of the increase in leasing liabilities.

RNB will use the modified retrospective approach, which means that the comparative figures will not be restated. RNB will also apply the practical exceptions to report payments relating to short-term leases and leases for assets of low value, as an expense in the income statement.

The Group has initiated preparations for implementing the standard and has completed an upgrade of system support and made adjustments to internal accounting to comply with the regulatory framework.

NOT 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. 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 7 (23) M.

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