



# RNB

**RNB RETAIL AND BRANDS**

**ANNUAL REPORT 2012/2013**

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RNB RETAIL AND BRANDS owns, operates and develops fashion, clothing, accessories, jewelry and cosmetics stores that focus on providing excellent service and a world-class shopping experience. The number of stores comprising the RNB Group totals 379, of which 151 are operated by franchisees. The RNB RETAIL AND BRANDS share has been listed on the NASDAQ OMX Nordic Exchange since 2001 in the Small Cap segment under the ticker RNBS.

The store concept strategy is to offer attractive and target-group-oriented ranges of fashion and accessories in major cities, towns and shopping centers. The Brothers business area offers a mix of

strong proprietary and external brands, with a distinct profile in the volume segment. Polarn O. Pyret is the leading brand and store concept for baby and children's wear in the quality segment of the Swedish market and also has a growing international presence.

In the Department and Stores business area, RNB focuses on the customer interface and on providing high-quality product ranges and store environments. The stores offer fashion for women, men and children, as well as accessories, jewelry and cosmetics for customers demanding top-class service and quality. Sales are conducted in the NK department stores in Stockholm and in Gothenburg.

# The year in brief

## 2012/2013 fiscal year in figures

- Net sales totaled SEK 2,620 M (2,791), a decrease of 6.1 percent.
- Provisions and write-downs of SEK 152 M have been made, primarily related to closing down JC stores and the closure of Sisters.
- The JC trademark was written-down by SEK 260 M.
- Operating income, incl. provisions and write-downs, amounted to SEK -342 M (-102) excluding impairment of trademark (goodwill) during the year of SEK 260 M (201).
- Profit before tax amounted to SEK -628 M (-360).
- Profit after tax amounted to SEK -629 M (-329), corresponding to SEK -54.56 (-397.72) per share.
- The result includes a write-down of SEK 203 M after tax of the JC trademark and the previous year's impairment of goodwill in Brothers & Sisters of SEK 201 M.
- Cash from operating activities amounted to SEK -95 M (-4).
- A rights issue of SEK 463 M in total was completed. Net proceeds from the issue have been utilized for repayment of loans and to strengthen the company's cash flow.
- Kosta Outlet Mode AB was sold to Airport Retail Group. The transaction was completed on June 1, 2013.
- 15 new stores were opened (excluding stores taken over and closed).

## Significant events, after the end of the fiscal year

- On November 1, 2013, RNB Agreement entered into an agreement to divest the subsidiary JC to Denim Island AB. The buyer, Denim Island Group, is a leading producer of denim products and wholesaler of a number of denim brands, which are sold in Western Europe and in the US. The agreement means that Denim Island will acquire all of JC's operations in the subsidiaries JC Sverige AB and Finland-based JC Jeans & Clothes Oy.
- Polarn O. Pyret AB entered into an agreement in November 2013 to acquire WAM AS in Norway with effect from January 1, 2014. WAM AS is the master franchisee of Polarn O. Pyret in Norway. The acquisition includes all 24 of WAM's Polarn O. Pyret stores, e-commerce store as well as the head office and store staff.

# Goals and strategy

## Business concept

RNB RETAIL AND BRANDS develops and distributes its brands through clear-cut concepts and stores offering an attractive range of fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics, with the aim of providing customers with excellent service and a world-class shopping experience.

## Vision

To offer our customers the ultimate shopping experience.

## Goals

RNB RETAIL AND BRANDS aims to create value for its shareholders and other stakeholders through profitable and sustainable growth. This overriding goal of profitable, sustainable growth is to be achieved by pursuing a clear strategy with operational goals.

## Operational goals

RNB aims to offer customers exceptional service and a world-class-shopping experience with the help of skilled and highly motivated personnel, combined with an attractive store concept. The objective is to achieve a conversion rate (proportion of paying customers to the number of store visitors) of 20%.

# CEO's comments

The recently concluded fiscal year may be described as one of change. The group-wide conversion work that we initiated during the autumn of 2011 has enabled us to restructure RNB. We are now stronger and better equipped to meet the future than for quite some time. As we have completed the divestment of JC and are in the final phase of closing-down the Sisters concept, RNB now comprises three distinct concepts – Departments & Stores, Polarn O. Pyret and Brothers. Apart from the conversion work, we also strengthened the Group's financial position through a rights issue during the spring of 2013, while we renegotiated the terms of our loans with considerably lower interest expenses as a positive result.

After the end of our fiscal year, Polarn O. Pyret AB entered into an agreement to acquire WAM AS in Norway. WAM AS is the master franchisee of Polarn O. Pyret in Norway and is expected to generate sales of about SEK 130 M this year with good profitability. The acquisition was carried out in November 2013, and will take effect on January 1, 2014 and includes all 24 of WAM's Polarn O. Pyret stores, e-commerce store as well as the head office and store staff. The acquisition will contribute to further strengthening Polarn O. Pyret's profitability and was made in light of the fact that Polarn O. Pyret successfully operates proprietary stores in Sweden. There are also organizational synergies between the Swedish and Norwegian operations, which we will gradually realize.

## Weak market impacting sales

The past fiscal year was also characterized by a weak market trend. Even though the Swedish economy continued to perform well compared to many other countries, there is still some uncertainty among consumers regarding the future. Just like other companies in our sector, we are also meeting a continued increase in competition from e-commerce players. Cross merchandising between the sports goods and clothing trade has continued where sportswear stores are increasingly attracting customers through aggressive advertising campaigns. All in all, we are operating in a market where an increased supply of goods will compete for demand that is decreasing slightly. This means that the underlying market displayed negative growth for the fourth consecutive year

in comparable stores and that net prices are continuing to fall somewhat. The negative market trend moderated during the fourth quarter for comparable stores and has now bottomed out. During the first quarter of the new fiscal year, the market once again displayed a positive trend.

Consolidated net sales totaled SEK 2,620 M during 2012/2013, corresponding to a decrease of 6.1 percent. Operating income amounted to SEK -601 M. Of the total operating income of SEK -601 M, SEK 502 M was related to JC, which included a write-down of the JC trademark of SEK 260 M, write-down of assets connected to the divestment of JC equivalent to SEK 105 M and an operating loss of SEK 137 M.

Our Departments & Stores concept is the market leader in the premium and luxury goods segment with the NK department stores in Stockholm and Gothenburg as a marketplace. During the 2012/2013 fiscal year, sales were stable while the earnings trend weakened. The concept's market position is basically strong, however.

Polarn O. Pyret, with a continued market-leading position despite strong competitive pressure, primarily from sportswear stores, displayed a marginal decrease in sales during the year and lower profitability during the first half of the year. However, sales showed a positive trend during the spring and summer and the profitability trend has stabilised. Gross margin developed favorably during the year, compared to the previous year, as a consequence of reduced levels of discounted sales, in combination with somewhat lower cost prices. Fixed costs for proprietary stores increased compared to the previous year, as a consequence of new stores opening in Sweden and in Holland. Meanwhile, overhead costs for other business areas remained stable overall.

During the 2012/2013 fiscal year, the Brothers & Sisters business area underwent a major overhaul. In January 2013, a number of group-wide rationalization measures were introduced. The measures involved rationalization of all head office functions at Brothers & Sisters. The objective of the measures is to clearly contribute to improved profitability. The ongoing closure of Sisters will be finalized in early 2014. Some stores are being fully closed while other stores will become complete Brothers

stores. We noted a positive underlying sales trend for Brothers during the year. However, the business area as a whole was adversely impacted in terms of profitability by the complex restructuring involved in closing down Sisters in a number of locations (23 proprietary and 14 franchise-operated stores) where Brothers and Sisters shared retail space, cash desk systems and personnel.

### **Sustainability – an important part of the business**

Sustainability issues are an integrated and important part of our commercial strategy and business plan and significant challenges still exist in the environmental and human rights areas. We focused on Bangladesh to a considerable extent during the year in order to ensure acceptable working conditions and a safe working environment in factories. We carry out regular checks on all suppliers and conduct a dialogue on how they can improve their operations.

By establishing production offices in the countries where our products are manufactured, we have gained entirely new opportunities to exert an influence. With improved methods for evaluating and developing suppliers, we have been able to streamline our purchasing and establish closer cooperation regarding products, quality and working conditions.

Much work remains to be done in order to meet the challenges facing us and other players in our industry. We are a relatively small organisation globally and therefore we are participating in several national and international industry initiatives in order to bring about change in a collective and coordinated way. We also strive to integrate sustainability issues into all areas of our operations in order to harness the commercial power and commitment thereby created.

### **Outlook**

Continued international expansion of Polarn O. Pyret is a strategically prioritised activity. The expansion will occur by opening some physical stores in the first phase and will then be followed by establishing e-commerce sales. We will also increase the pace of our work on renewing and advancing Polarn O. Pyret in order to clarify the concept's position and modernise how Polarn O. Pyret is distinguished from the medium-priced alternatives.

We will also continue to work with the Brothers concept in order to make it more distinctive and cohesive with high-quality development of proprietary products within the tailored garment and smart casual segments at moderate prices. In the coming years, we will also complete the work on implementing the new store concept reflected in our exclusive collection – The Tailoring Club (TTC) by presenting this collection more

distinctly as well as the well-dressed offering represented by our proprietary Riley brand. An increased offering from these parts of our range should be given more space. A clear approach will be taken to the denim range as a complement to our well-dressed offering and we will also introduce new external brands that complement the brands currently sold.

With a large number of important measures implemented at a Group level combined with our clear plan for advancing our three concepts, we have now created a platform for boosting sales and profitability. I want to thank all employees for their fantastic efforts during the past year where everyone contributed to creating a stronger RNB.

Magnus Håkansson,  
President and CEO



Business area	Stores	
<b>JC</b>	<b>112</b>	of which, 35 franchise
Sweden	95	of which, 35 franchise
Finland	17	of which, 0 franchise
<b>Brothers &amp; Sisters</b>	<b>86</b>	of which, 29 franchise
Sweden	74	of which, 29 franchise
Finland	12	of which, 0 franchise
<b>Departments &amp; Stores</b>	<b>45</b>	11,145 m2
NK Stockholm	29	
NK Gothenburg	16	
<b>Polarn O. Pyret</b>	<b>140</b>	of which, 79 franchise
Sweden	67	of which, 9 franchise
Norway	26	of which, 26 franchise
Finland	16	of which, 16 franchise
England	12	of which, 12 franchise
Scotland	2	of which, 2 franchise
Ireland	4	of which, 4 franchise
Iceland	2	of which, 2 franchise
Estonia	2	of which, 2 franchise
USA	5	of which, 5 franchise
Latvia	1	of which, 1 franchise
Netherlands	3	of which, 0 franchise

# RNB RETAIL AND BRANDS' world

## Polarn O. Pyret

Polarn O. Pyret is a fully integrated brand for baby and children's wear, with products that are designed, produced and distributed through proprietary stores and franchise stores in Sweden and abroad. Since its inception in 1976, Polarn O. Pyret has established a position as the leading brand and store concept for children's clothing in the quality segment of the Swedish market and its clothing is famous for its high quality, functionality and design. Polarn O. Pyret is currently established in eleven markets.

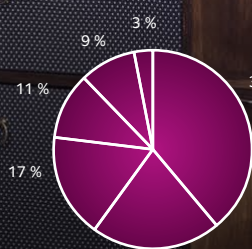
## Departments & Stores

Departments & Stores offers a unique distribution platform for national and international brands in strong marketplaces. The company has extensive operations in the Nordic region's two leading department stores – NK in Stockholm and NK in Gothenburg. A common feature of RNB's department stores

concept is a focus on the customer interface, combined with a high-quality product range and store environment as well as excellent customer service. The operations cover all from children's clothing to jewelry, and all of our customers impose strict demands when it comes to service, knowledge and quality.

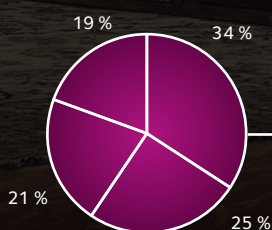
## Brothers

Brothers is a volume-oriented, comprehensive concept for men. The concept offers well-tailored garments and casual fashion in an inspiring store environment, with a strong emphasis on service. The range consists of proprietary brands, which are supplemented with external brands in the upper mid-price segment. The first Brothers store was opened in Sweden in 1992 and the first international establishment took place in Finland in 2006. The stores in Sweden are operated either by RNB or independent franchisees. In Finland, RNB owns all stores.



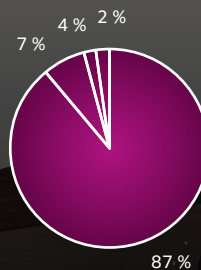
**Sales 2012/2013  
per product category, %**

Men	39 %
Women	21 %
Children	17 %
Underwear & accessories	11 %
Cosmetics	9 %
Jewelry	3 %



**Sales 2012/2013  
per business area, %**

Department & Stores	34 %
JC	25 %
Brothers & Sisters	21 %
Polarn O. Pyret	19 %



**Sales 2012/2013  
per geographic market, %**

Sweden	89 %
Finland	7 %
Norway	2 %
Other	2 %

## Board of Directors' report 2012/2013

**The Board of Directors and President of RNB RETAIL AND BRANDS AB (publ), Corp. Reg. No. 556495-4682, hereby submits its annual report and consolidated financial statements for the fiscal year, September 1, 2012 – August 31, 2013.**

### Operations

RNB RETAIL AND BRANDS owns, operates and develops fashion, clothing, accessories, jewelry and cosmetics stores that focus on providing excellent service and a world-class shopping experience. Sales are mainly conducted in Scandinavia through the three store concepts Brothers & Sisters, JC and Polarn O. Pyret, as well as through shops in the department stores NK in Stockholm and Gothenburg. At August 31, 2013, RNB had a total number of 383 (376) stores, of which 143 (148) were operated by franchisees.

### Group

In addition to the Parent Company, RNB RETAIL AND BRANDS AB (publ), the Group includes the wholly-owned subsidiaries Ångsviol Blomstern AB, Polarn O. Pyret AB, PO.P International IP AB, PO.P International NO AB, PO.P International UK AB, PO.P International OTH AB, PO.P International Suomi AB, Polarn o. Pyret Netherlands B.V., Portwear AB, Departments & Stores Europe, DSE Konfektion AB, Departments & Stores Denmark ApS, Brothers & Sisters AB, JC Sverige AB, Brothers & Sisters Sverige AB, Nordic Textile Grosshandels GmbH, JC Jeans & Clothes Oy and JC Jeans & Clothes AS, Far East Ltd.

### Significant events during the year

#### *Launch of e-commerce sales for JC and Brothers*

The 2012/13 fiscal year began with JC and Brothers launching e-commerce sales, whereby all of RNB's store-network-based business areas began to offer e-commerce sales – previously e-commerce was only available for Polarn O. Pyret.

#### *Changes in Group Management*

At the start of the 2012/13 fiscal year, Maria Öqvist took over as president of Brothers & Sisters, after previously holding a similar role in Polarn O. Pyret. She was succeeded in PO.P by Anders Wiberg, who in turn left his position as Supply Chain Director of RNB. Peter Bondelid took over as the new Supply Chain Director. In the third quarter, JC's president Marthyn Ingham resigned from his position and Peter Bondelid took over as acting president until the end of the fiscal year.

In June, Amelie Söderberg, president of DSE, announced that she was resigning from the company, whereupon Hanna Graflund-Sleyman was appointed as her successor, with effect from early 2014.

#### *Increased business financing from the company's principal owner*

In December 2012, RNB entered into an agreement with its main shareholder KfS on refinancing of half of the company's overdraft facility, in connection with the decision of the company's bank to reduce the company's overdraft facility by half, from SEK 200 M to SEK 100 M. In view of this, KfS also granted the company a credit pledge of a further SEK 50 M.

#### *Rationalization measures in Group-wide functions*

During the second quarter, RNB conducted a review and alignment of head office functions in JC and Brothers, and a rationalization of group-wide functions, implying personnel reductions of about 30 persons.

#### *Closure of Sisters initiated*

RNB decided in January 2013 that the Sisters concept would be discontinued. The work began immediately on preparing the closure, and the process has continued during the fiscal year. All RNB's Sisters concept stores are expected

to be closed during the first calendar quarter of 2014, after which some ten stores will remain under franchise management through a licence agreement with RNB.

#### *Rights issue completed*

In February, the company announced a fully guaranteed rights issue. The rights issue was completed in May 2013, and meant that the company received about SEK 463 before issue expenses. The issue proceeds were partly used to pay down loans from the main owner KfS, while the remaining funds were provided to the company as business financing. As a consequence of the rights issue, the company's loans from KfS were restructured, which resulted in significantly improved loan terms within the framework of an available credit line totaling SEK 400 M.

After the completed rights issue, a reverse split of the company's shares was performed, whereby 200 existing shares became 1 share.

#### *Strategic review and impairment of JC trademark*

In connection with introducing the rights issue, the company announced that it was conducting a strategic review of JC in order to examine the basis for achieving profitability. As part of this work, the company decided to write-down the remaining carrying amount of the JC trademark by SEK 260 M.

#### *Financial goals for RNB*

In connection with introducing the rights issue, the Company announced that it had decided on new financial goals – these goals are:

- The Group shall achieve a long-term EBIT margin of 5 percent
- Departments and Stores shall achieve a long-term EBIT margin of 6–7 percent
- Polarn O. Pyret shall achieve a long-term EBIT margin of 10 percent
- Brothers shall achieve a long-term EBIT margin of 4–6 percent

#### *Polarn O. Pyret opens stores in the Netherlands*

During the year, PO.P began an expansion involving proprietary stores in the Netherlands. During the fiscal year, two stores were established (Eindhoven, Utrecht), and a third store (Maastricht) was opened just after the end of the fiscal year.

#### *Sale of Kosta Outlet Mode AB*

On June 1, 2013, all shares were divested in the subsidiary Kosta Outlet Mode AB. The business was acquired by the Norwegian retailing group Airport Retail Group AS. The divestment resulted in a positive effect on the Group's cash flow.

#### *Significant events after the end of the fiscal year*

##### *Divestment of JC concept*

As mentioned earlier, the Group has conducted a strategic review of the operations within JC, which was ongoing during the 2012/2013 fiscal year. In this strategic review, we worked on the basis of a number of alternatives, including a divestment. In September 2013, the divestment option became more concrete and was the main route pursued by the Group. Accordingly, an agreement was entered into on November 1, 2013 on a divestment of the operations in JC, in which Denim Island Group acquired the companies JC Sverige AB and Finland-based JC OY. The acquiring company is part of Denim Island Group, a leading producer of denim products with an extensive international wholesale business involving denim brands. The group of companies has a Chinese owner. The divestment meant that assets had to be written-down to estimated fair values as of August 31, 2013 based on the valuation of the segment when the agreement was entered into.

#### **Polarn O. Pyret acquires Master Franchise business in Norway**

An agreement was entered into on November 11, 2013 in which Polarn O. Pyret AB acquired 100 percent of the shares of WAM AS in Norway. WAM AS, which is the master franchisee of Polarn O. Pyret in Norway, operates 24 physical stores as well as an e-commerce store and is expected to generate sales of about SEK 130 M. Takeover will occur on January 2, 2014.

#### **Change of bank for the Group**

In December 2013, RNB entered into an agreement with Danske Bank for provision of banking services and business financing, for the Group including an overdraft facility, of a maximum of SEK 140 M. This replaces the existing financing with SEB.

#### **The concepts**

##### **Polarn O. Pyret business area**

Net sales during the period amounted to SEK 509 M (515). The decrease was related to reduced sales to franchise stores, while total sales across all proprietary stores increased in Sweden and the Netherlands. Sales in comparable proprietary stores decreased by 4.1 percent compared to the previous year.

Gross margin developed favorably during the year, compared to the previous year, as a consequence of reduced levels of discounted sales, in combination with somewhat lower cost prices.

Fixed costs for proprietary stores increased compared to the previous year, as a consequence of new stores opening in Sweden and in Holland. Meanwhile, overhead costs for other business areas remained stable overall.

Due to lower sales and higher overhead costs, operating income decreased compared to the previous year, and amounted to SEK 14 M (33), corresponding to an operating margin of 2.7 percent (6.4). The inventory trend during the year was positive as a whole, with slightly reduced levels and a continued improvement in quality, which contributed to improved gross margins.

##### **Departments & Stores business area**

Net sales in the Department & Stores business area amounted to SEK 899 M (957), a decrease of 6.1 percent, of which, SEK 30 M was related to Kosta. During the corresponding period last year, sales of SEM 22 M were included from the now discontinued Danish operation. Sales in comparable stores decreased by 3.0 percent.

Gross margin during the period was essentially unchanged compared to the previous year.

Fixed costs for stores fell compared to the previous year, due to the sale of Kosta. Remaining overhead costs increased somewhat on account of higher personnel expenses in stores and due to the fact that last year's positive non-recurring effects were not repeated this year. Operating income totaled SEK 47 M (58), distributed as follows: NK department stores SEK 53 M (63), Kosta -6 M (4) and Illum, Denmark O M (-9).

Inventory levels in the business area developed positively during the year, primarily due to the sale of Kosta, with a reduced level and an improvement in the aging structure.

##### **JC business area**

Net sales in JC amounted to SEK 675 M (779), a decrease of 13.4 percent. Of this decrease, SEK 61 M related to sales in the now closed-down Norwegian operation. Sales in comparable proprietary stores decreased by 10.0 percent.

Gross margin during the period continued to develop positively compared to the previous fiscal year for the business as whole. The decreased sales volume meant that gross profit fell compared to the previous year.

Overhead costs for the business area increased compared to the same period last year, due to new stores (newly opened and taken over). Overhead costs for comparable stores decreased marginally, while costs for head office functions fell by almost 5% compared to the previous year.

Operating income amounted to SEK -501 M (-111), including write-down of trademark of SEK 260 M and write-downs of assets as a consequence of measurement to fair value of SEK 105 M.

##### **Brothers & Sisters business area**

Net sales for Brothers & Sisters totaled SEK 539 M (549), a decrease of 1.8 percent. Sales in comparable proprietary stores decreased by 2.2 percent.

Net sales for Sisters decreased, in line with the company's plan for discontinuing the internal product range and reduced sales areas, to SEK 80 M (123). This represented a decline of 34.6 percent.

Gross margin for the business area increased overall, which resulted in higher gross profit compared to the previous year.

Increases in overhead costs for new stores have been largely covered by gross profits from additional proprietary sales. Overhead costs in comparable stores and for the franchise business increased slightly, while costs for head office functions decreased. In addition, significant cost reductions have been obtained from closed stores compared to last year. However, there was a net increase in overhead costs due to the new stores. Operating income, excluding close-down costs and the previous year's write-down of goodwill, for Brothers & Sisters amounted to SEK -46 M (-43). In addition to this, non-recurring costs, mainly related to the decision to close down Sisters stores, of SEK 30 M were charged to results and last year a write-down of SEK 201 M was made in respect of goodwill.

Inventory levels increased during the period, mainly for non-seasonal goods, which means that there is still a good inventory mix and quality.

##### **Parent Company**

The Parent Company provides Group-wide services.

Net sales in the Parent Company amounted to SEK 146 M (146). After net financial items, a loss of SEK -637 M was recognized, including SEK 588 M (201) for impairment of shares in subsidiaries. Investments amounted to SEK 16 M (32).

##### **Net sales and earnings**

RNB's net sales during the period totaled SEK 2,620 M (2,791), which was a decrease of 6.1 percent. Sales in comparable proprietary stores fell 4.5%, year-on-year.

Provisions and write-downs, primarily related to closing down JC stores, closure of Sisters and remeasurements related to effects of the JC divestment, have been made of SEK 152 M.

A write-down of the JC trademark of SEK 260 M has been made. In the previous year, a write-down of SEK 201 M was made in respect of goodwill in Brothers & Sisters.

Gross margin for the fiscal year was 46.9% (47.7).

Operating income, including provisions and write-downs, amounted to SEK -342 M (-102) excluding write-down of trademark (goodwill) during the year of SEK 260 M (201).

Operating income, including provisions and write-downs, amounted to SEK -342 M (-102) excluding write-down of trademark (goodwill) during the year of SEK 260 M (201).

Profit before tax amounted to SEK -628 M (-360).

Profit after tax amounted to SEK -629 M (329), corresponding to SEK -54.56 (-397.72) per share. The 2012/2013 fiscal year includes a write-down after tax of the JC trademark. Profit after tax for the 2011/2012 fiscal year includes a write-down of SEK 201 M of goodwill in Brothers & Sisters.

##### **Financial position and liquidity**

The Group had total assets of SEK 1,301 M compared to SEK 1,802 M at the end of the previous fiscal year. Shareholders' equity amounted to SEK 428 M (628), providing an equity/assets ratio of 32.9 percent (34.9).

At August 31, 2013, inventories totaled SEK 410 M (484).

Cash from operating activities amounted to SEK -96 M (-4). Working capital was positively impacted by a decrease in inventory levels (SEK 66 M) and lower current receivables. However, lower accounts payable have resulted in an increase in working capital. Working capital (excluding inventories) fell by SEK 30 M net. The change in inventory levels for the corresponding period of the previous year (SEK 89 M) was significantly impacted by discounted sales and write-downs, which largely explains the variance in cash flow during the period.

Cash flow after investments amounted to SEK -167 M (-113).

Net loan debt amounted to SEK 325 M compared to SEK 604 M during the year-earlier period.

The Group's cash and cash equivalents at the end of the period, including unutilized overdraft facilities, amounted to SEK 147 M compared to SEK 146 M at the end of the previous fiscal year.

During the year, the company renegotiated its loans from the company's principal owner, Konsumentföreningen Stockholm. The rights issue carried out during the year meant that the loans could be paid down, and the loan terms were renegotiated in connection with this. The company has two loans of SEK 200 M each, of which one is a promissory note loan and the other is a revolving loan. The utilized loan facility on August 31, 2013 was SEK 349 M. Both loans run until May 2016, with possibility of extension of the promissory note loan until May 2017. Both loans are free from redemption until the maturity date. The terms of the loans are market-based. The Group fulfills the covenants contained in the prevailing agreements with creditors.

After the end of the fiscal year, the Company entered into an agreement with Danske Bank for provision of banking services and business financing, including an overdraft facility, of a maximum of SEK 140 M. This replaces the existing financing with SEB.

#### **Investments, depreciation and impairments**

Investments during the period totaled SEK 84 M (123). Depreciation/amortization and impairments amounted to SEK 464 M (289), which included this year's write-down of the JC trademark of SEK 260 M and the previous year's write-down of SEK 201 M in respect of goodwill.

#### **Personnel**

The average number of employees during the fiscal year was 1,399 (1,404).

RNB RETAIL AND BRANDS' vision is to offer our customers the ultimate service and shopping experience. RNB develops and distributes brands through distinct concepts and stores with an attractive range of fashion, clothing, accessories, jewelry and cosmetics. We want customers to feel appreciated and inspired to shop. To achieve this, it is crucial that we have committed motivated and experienced employees.

Our distinct Talent Management process embracing all employees in the Group is an important part of the work on achieving our vision.

The employee handbook, which is a guide for our supervisors and our information channel to our employees, is updated with policies, processes and work methods as part of the Talent Management work. RNB is affiliated to the employers' organization, the Swedish Trade Federation, as well as collective agreements with trade unions Unionen and the Swedish Commercial Employees' Union.

#### **Sustainability reporting/environment**

RNB presents a separate sustainability report. The company has adopted a policy document, a vision and a comprehensive business plan for sustainability issues.

The expectations in terms of corporate responsibility continue to rise and sustainability issues are becoming an increasingly important part of our everyday work. As a player in the fashion and beauty industry, with the objective of offering customers the ultimate shopping experience, it is crucial that RNB lives up to the expectations from customers, employees and other stakeholders in respect of responsibility for ethical and environmental issues, and that the company constantly strives to improve in this area.

RNB uses the term CSR, Corporate Social Responsibility, to summarize the work that is performed in order to contribute to sustainable development. CSR at RNB includes the company's total impact on people and the environment, with the following five primary areas identified as the most important focus areas:

- Working conditions in production
- The impact of products on people and the environment
- The impact of business activities on the external environment
- Animal welfare issues
- Social sponsorship

Based on this definition of CSR, two distinct focus areas have been established: production and products. In goods production, major emphasis is placed on working conditions for factory employees, but this also includes environmental issues in manufacturing. The second major focus area concerns the direct impact from products and ranges where the key issues mainly relate to material selection, chemicals and child-proofing.

The priority attached to these focus areas is clearly visible in the work performed during the year.

A complete description of RNB's work on achieving a more sustainable company is available in the separate sustainability report, which is published annually on [www.rnb.se](http://www.rnb.se).

#### **Related-party transactions**

No transactions were conducted between the RNB Group and related parties that significantly impacted the Group's position and earnings.

The Company has two loans from its main shareholder Konsumentföreningen Stockholm, totaling SEK 349 M, which run subject to market-related interest- and covenant terms.

For further information on transactions with related parties, refer to Note 5, page 33.

#### **Tax paid**

During the period, the Group paid tax totaling SEK 0 M (7).

#### **Risk factors**

RNB is exposed to a number of risk factors that are fully or partly beyond the company's control, but which could adversely impact consolidated results. These risks are described in detail in Note 41.

#### **Corporate Governance**

RNB is governed through the Annual General Meeting, the Board of Directors and the President in accordance with the Swedish Companies Act, the company's Articles of Association and the Swedish Code of Corporate Governance. The company's Corporate Governance report is presented on pages 50 – 57.

#### **The Board's work**

At the beginning of the fiscal year, RNB's Board of Directors consisted of seven members elected by the Annual General Meeting.

The Board is appointed at the Annual General Meeting for the period until the next Annual General Meeting. The company's Articles of Association does not include any provisions on the appointment or dismissal of Board members.

RNB's Board of Directors is subject to a formal work plan that complies with the Swedish Companies Act with respect to division of duties and reporting. The formal work plan governs Board meetings, issues to be addressed at Board meetings, the Chairman's duties, the President's duties and certain other matters. Within the Board, there is a Remuneration Committee and an Audit Committee. The Remuneration Committee deals with salaries, bonuses and other remuneration for the President and the senior executives that report directly to the President.

In addition to the statutory meeting, the Board held six scheduled Board meetings and nine extraordinary meetings during the 2012/13 fiscal year. The scheduled meetings were primarily devoted to earnings follow-ups, investment matters, external reporting, budgets and strategy issues. The extraordinary meetings dealt with financing and liquidity issues, the strategic review and acquisition of the master franchise business in Norway.

#### **Nomination Committee**

The Nomination Committee's duties include preparing and submitting proposals to shareholders of the company concerning election of Board members and, when applicable, auditors.

The Chairman of the Board shall annually, not later than six months prior to the Annual General Meeting, contact the four largest shareholders in the company. The Chairman of the Board is to be co-opted to the Nomination Committee, but not as its Chairman. The Chairman of the Board shall

also ensure that information about the composition of the Nomination Committee, with contact information, is published well in advance of the Annual General Meeting. The Chairman of the Board shall also report to the Nomination Committee regarding the conditions for the Board of Directors' work and specific expertise requirements that may be important for the Nomination Committee's work. Shareholders must be able to submit proposals to the Nomination Committee for further evaluation within the framework of its work. The Nomination Committee shall hold meetings as necessary, but at least once each year.

Ahead of the Annual General Meeting on January 16, 2014, the members of the Nomination Committee were appointed pursuant to the resolution at the 2013 Annual General Meeting. The Nomination Committee consists of Sune Dahlqvist, Chairman of Konsumentföreningen Stockholm, Ulf Strömsten, Catella Fondförvaltning, Patrick von Schenck, representing Michael Löfman and Mikael Jönsson, Vätterledens Invest AB.

#### Guidelines for remuneration to Senior Executives

The Annual General Meeting on January 17, 2013 resolved on guidelines for remuneration and other terms of employment for the company management. These are described in Note 5.

The Board of Directors proposes that the Annual General Meeting resolve to adopt the following guidelines.

The company shall offer market-based total remuneration, making it possible to recruit and retain senior executives. The remuneration structure for company management shall comprise fixed and variable salary as well as pension and other remuneration. Combined, these parts make up the individual's total remuneration. Fixed salary and variable salary together represent the employee's salary.

The fixed salary, in SEK per month, is based on the individual's areas of responsibility and experience. The variable salary shall primarily relate to the outcome of the subsidiaries' operating results and/or consolidated results after financial items compared to established targets.

In respect of the currently applicable bonus, it is proposed that the maximum outcome in terms of the company's costs for the variable salary may not exceed SEK 3,250,000 (excluding social security expenses), of which SEK 750,000 to the President and CEO and SEK 500,000 to the other senior executives, which implies fulfillment of all bonus-based targets, and the bonus to be paid shall be fully financed by the surplus generated. The calculation is based on the six people who currently comprise the company management. The bonus will be evaluated annually and the bonus structure will be re-established each year based on budgeted earnings as the target. The bonus does not qualify for vacation or pension.

The variable salary in the bonus program may not exceed 40% of the fixed salary.

As in the past, the President is entitled to an occupational pension corresponding to a maximum premium of 30% of his current annual salary. Other members of the company management are entitled to a pension according to the ITP plan or equivalent. The retirement age is 65.

Other remuneration and benefits shall be market-related and contribute to facilitating the employee's possibility of fulfilling his/her duties.

The company management's terms of employment include provisions governing notice of termination. Under these agreements, employment may normally be terminated by the employee subject to a notice period of three to six months and, if termination is initiated by the company, a notice period of six to twelve months. Unchanged salary is paid during the notice period. For the President, a notice period of up to 12 months applies if termination is initiated by the company.

The Board is entitled to deviate from the above guidelines if the Board deems that there are specific grounds to justify such a deviation in an individual case.

#### Ownership

The number of shareholders on August 31, 2013 was 9,231, of whom 7,994 were registered in Sweden. The largest owners as of August 31, 2013 were as follows:

#### Ownership on August 31, 2013

The largest shareholders	Number of shares	Share capital/Voting rights, %
Konsumentföreningen Stockholm	11,246,598	33.2
Catella Fondförvaltning	2,359,940	7.0
Avanza Pension	1,744,615	5.1
Client Long	954,074	2.8
Vätterleden AB	690,605	2.0
Löfman Michael	575,000	1.7
Nordnet Pensionsförsäkring	567,917	1.7
Nortal Capital AB	527,168	1.6
Handelsbanken Fonder AB RE JPMEL	500,602	1.5
Goldman Sachs International LTD, W8IMY	478,294	1.4
<b>Total largest shareholders</b>	<b>19,644,813</b>	<b>57.9</b>
Other	14,267,363	42.1
<b>Total</b>	<b>33,912,176</b>	<b>100.0</b>

The number of shares in the company on August 31, 2013 was 33,912,176, which were all common shares, each with a quota value of SEK 6. Each share carries one vote at the Annual General Meeting and all shares have an equal right to share in the company's assets and profits. There are no provisions in the company's Articles of Association limiting the number of votes that each shareholder can cast at the Annual General Meeting nor any limitations on the right to transfer shares. Aside from Konsumentföreningen Stockholm, no shareholder, directly or indirectly, holds more than 10% of the shares in RNB RETAIL AND BRANDS AB (publ) as of August 31, 2013. Further information is available in the section "the RNB Share" on pages 58–59.

#### Expected future trend

The market climate is still weak combined with aggressive offers from e-commerce players and cross merchandising between sportswear and clothing stores. In the near term, we expect this market climate to persist, while the company is picking up indications of improved market conditions in the medium term due to increased consumer demand.

#### Dividend

The Board proposes that no dividend be paid for the 2012/13 fiscal year.

#### Proposed treatment of loss

##### The following funds are at the disposal of the Annual General Meeting, SEK:

Share premium reserve	1,940,087,000
Retained earnings	-1,264,762,569
Loss for the year	-701,154,683
	<b>-25,794,252</b>

##### The Board of Directors proposes that the accumulated loss be set off against share premium reserve and dealt with as follows.

Set off against statutory reserve	-25,794,252
To be carried forward	-
	<b>-25,794,252</b>

For further information regarding RNB's earnings and financial position, refer to the following income statements and balance sheets with accompanying notes. All amounts are presented in thousands of SEK (SEK 000s) unless otherwise stated.

# Consolidated statement of comprehensive income

SEK 000s	Note	Sep 12 – Aug 13	Sep 11 – Aug 12
Net sales	4	2,619,920	2,791,031
Other operating income	7	9,597	10,077
		<b>2,629,517</b>	<b>2,801,108</b>
<b>Operating expenses</b>			
Goods for resale	9.21	-1,392,453	-1,459,248
Other external expenses	6,8,34	-735,970	-731,493
Personnel expenses	5	-637,905	-625,165
Depreciation/amortization and impairment of property, plant and equipment and intangible assets	14,16,17,19	-204,189	-87,053
Impairment of goodwill and trademark	14,15,18	-259,712	-201,432
Capital loss on sale of subsidiaries		-700	-
<b>Operating income</b>		<b>-601,412</b>	<b>-303,283</b>
<b>Profit/loss from financial investments</b>			
Interest income and similar profit/loss items	10	9,342	4,770
Interest expenses and similar profit/loss items	11	-36,257	-60,999
<b>Profit/loss after financial items</b>		<b>-628,327</b>	<b>-359,512</b>
Tax on net income for the year	12	-392	30,595
<b>Net loss for the year</b>		<b>-628,719</b>	<b>-328,917</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income, which will be reclassified to net income in subsequent periods</i>			
Translation differences		-615	-2,560
<b>Comprehensive income for the year</b>		<b>-629,334</b>	<b>-331,477</b>
<b>Net income for the year attributable to:</b>			
Parent Company's shareholders		-628,719	-328,917
Non-controlling interests		-	-
<b>Comprehensive income attributable to:</b>			
Parent Company's shareholders		-629,334	-331,477
Non-controlling interests		-	-
Earnings per share (SEK)*	13	-54.56	-397.72
Number of outstanding shares (thousands)*	13	11,523	827

\* In connection with the completed rights issue, a 200:1 reverse share split was carried out. Historical comparative figures regarding the average number of shares and earnings per share have been adjusted for this.

# Consolidated statement of cash flows

SEK 000s	Note	Sep 12 – Aug 13	Sep 11 – Aug 12
<b>Operating activities</b>			
Operating income		-601,412	-303,283
Interest received		4,674	4,770
Interest paid		-42,894	-54,302
Tax paid		-500	-6,638
Adjustment for non-cash items	35	448,312	264,942
<b>Cash flow from operating activities before change in working capital</b>		<b>-191,820</b>	<b>-94,511</b>
<b>Cash flow from changes in working capital</b>			
Decrease (+)/increase (-) in inventories		66,249	88,753
Decrease (+)/increase (-) in current receivables	36	49,735	-4,052
Decrease (-)/increase (+) in current liabilities		-19,280	6,209
<b>Cash flow from operating activities</b>		<b>-95,116</b>	<b>-3,601</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment and intangible assets		-81,280	-92,900
Change in non-current receivables		10,939	-16,364
Acquisition of subsidiaries	36	-	-
Divestment of subsidiaries	36	-798	-
Divestment of other non-current assets		-	412
<b>Cash flow from investing activities</b>		<b>-71,139</b>	<b>-108,852</b>
<b>Financing activities</b>			
Increased utilization of overdraft facilities		-	-
Decreased utilization of overdraft facilities		-83,683	-31,204
Redemption of pension provisions		-10,753	-3,328
Rights issue		429,237	-
Borrowings		85,000	123,909
Repayment of loans		-236,000	-
<b>Cash flow from financing activities</b>		<b>183,801</b>	<b>89,377</b>
<b>Cash flow for the year</b>		<b>17,546</b>	<b>-23,076</b>
Cash and cash equivalents at beginning of year		29,711	53,495
Exchange difference in cash and cash equivalents		-411	-708
<b>Cash and cash equivalents at end of year</b>	24	<b>46,846</b>	<b>29,711</b>

# Consolidated balance sheet

SEK 000s	Note	Aug 31, 2013	August 31, 2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>			
Trademarks	14	-	259,712
Software	15	25,039	93,850
Rental rights	16	12,162	27,620
Goodwill	17	483,673	483,673
	18	<b>520,874</b>	<b>864,855</b>
<i>Property, plant and equipment</i>			
Equipment and store fittings	19	105,776	144,615
		<b>105,776</b>	<b>144,615</b>
<i>Financial assets</i>			
Other non-current receivables	38	5,425	16,364
		<b>5,425</b>	<b>16,364</b>
<b>Total non-current assets</b>		<b>632,075</b>	<b>1,025,834</b>
<b>Current assets</b>			
<i>Inventories</i>			
Goods for resale	21	409,769	483,763
		<b>409,769</b>	<b>483,763</b>
<i>Current receivables</i>			
Accounts receivable	38	114,994	134,343
Current tax assets		10,390	9,094
Other receivables	22	16,833	20,679
Prepaid expenses and accrued income	23	69,668	98,204
		<b>211,885</b>	<b>262,320</b>
<i>Cash and cash equivalents</i>			
	24,26,28	46,846	29,711
<b>Total current assets</b>		<b>668,500</b>	<b>775,794</b>
<b>TOTAL ASSETS</b>		<b>1,300,575</b>	<b>1,801,628</b>

SEK 000s

Note

**Aug 31, 2013**

August 31, 2012

**SHAREHOLDERS' EQUITY AND LIABILITIES****Shareholders' equity**

Share capital		203,473	165,425
Other contributed capital		2,240,118	1,848,929
Other reserves		-8,777	-8,162
Loss brought forward		-1,378,317	-1,049,400
Net loss for the year		-628,719	-328,917
<b>Total equity</b>		<b>427,778</b>	<b>627,875</b>

**Non-current liabilities**

Liabilities to credit institutions	26	14,420	21,934
Provisions for pensions	25	-	12,309
Deferred tax liabilities	12	0	210
Other non-current liabilities	26,27	349,000	500,000
<b>Total non-current liabilities</b>		<b>363,420</b>	<b>534,453</b>

**Current liabilities**

Liabilities to credit institutions	26	7,111	15,423
Provisions for pensions	25	1,556	-
Overdraft facilities	26,28	-	83,683
Accounts payable	29	260,972	331,338
Other liabilities	30	60,076	52,051
Accrued expenses and deferred income	31	179,662	156,805
<b>Total current liabilities</b>		<b>509,377</b>	<b>639,300</b>

**TOTAL EQUITY AND LIABILITIES****1,300,575****1,801,628**

Pledged assets	32	382,251	822,569
Contingent liabilities	33	127	458

# Consolidated changes in shareholders' equity

SEK 000s	Share capital	Other contributed capital	Other reserves	Profit/loss brought forward	Net income for the year	Total equity
<b>Shareholders' equity, August 31, 2011</b>	<b>165,425</b>	<b>1,848,929</b>	<b>-5,602</b>	<b>-604,234</b>	<b>-445,166</b>	<b>959,352</b>
Transfer of previous year's profit/loss				-445,166	445,166	0
Net loss for the year					-328,917	-328,917
Other comprehensive income for the year			-2,560			-2,560
<i>Comprehensive income for the year</i>			<i>-2,560</i>		<i>-328,917</i>	<i>-331,477</i>
<b>Shareholders' equity, August 31, 2012</b>	<b>165,425</b>	<b>1,848,929</b>	<b>-8,162</b>	<b>-1,049,400</b>	<b>-328,917</b>	<b>627,875</b>
Transfer of previous year's profit/loss				-328,917	328,917	0
Net loss for the year					-628,719	-628,719
Other comprehensive income for the year			-615			-615
<i>Comprehensive income for the year</i>			<i>-615</i>		<i>-628,719</i>	<i>-629,334</i>
<i>Transactions with the Group's owners</i>						
Rights issue	38,048	425,000				463,048
Issue expenses		-33,811				-33,811
<i>Total transactions with owners</i>	<i>38,048</i>	<i>391,189</i>				<i>429,237</i>
<b>Shareholders' equity, August 31, 2013</b>	<b>203,473</b>	<b>2,240,118</b>	<b>-8,777</b>	<b>-1,378,317</b>	<b>-628,719</b>	<b>427,778</b>

## Presentation of shareholders' equity for the Group

Pursuant to IAS 1, shareholders' equity must be broken down into its constituent components. RNB has chosen to specify shareholders' equity as follows: Share capital, Other contributed capital, Other reserves, Profit/loss brought forward and Net income for the year.

The item "Share capital" encompasses the registered share capital of the Parent Company. "Other contributed capital" consists essentially of all funds contributed by shareholders in excess of shareholders' equity. Other reserves" consists of those items that are recognized directly in "Other comprehensive income." In RNB's case, this item comprises translation

differences attributable to translation of foreign subsidiaries pursuant to IAS 21.

"Profit/loss brought forward" corresponds to the total accumulated profits and losses of the Group less dividends paid.

"Share capital" comprised 33,912,176 shares on August 31, 2013. All shares are common shares.

No dividend is proposed to be paid for the September 1, 2012 - August 31, 2013 fiscal year.

## Parent Company's income statement

SEK 000s	Note	Sep 12 - Aug 13	Sep 11 - Aug 12
Net sales	40	145,883	145,538
Other operating income	7	11,506	5,822
		<b>157,389</b>	<b>151,360</b>
<b>Operating expenses</b>			
Other external expenses	6,8,34	-94,414	-115,533
Personnel expenses	5	-71,177	-64,119
Depreciation/amortization and impairment of property, plant and equipment and intangible assets	14,16,19	-79,545	-14,729
<b>Operating income</b>		<b>-87,747</b>	<b>-43,021</b>
<b>Profit/loss from financial investments</b>			
Result from participations in group companies	37	-516,952	-236,682
Interest income and similar profit/loss items	10	1,554	1,853
Interest expenses and similar profit/loss items	11	-34,110	-43,451
<b>Profit/loss after financial items</b>		<b>-637,255</b>	<b>-321,301</b>
<b>Appropriations</b>			
Changes in depreciation in excess of plan		0	12,500
<b>Profit before tax</b>		<b>-637,255</b>	<b>-308,801</b>
Tax on net income for the year	12	-63,900	22,477
<b>Net loss for the year</b>		<b>-701,155</b>	<b>-286,324</b>

## Parent Company's statement of comprehensive income

SEK 000s	Note	Sep 12 - Aug 13	Sep 11 - Aug 12
Net loss for the year		-701,155	-286,324
Other comprehensive income		-	-
<b>Comprehensive income for the year</b>		<b>-701,155</b>	<b>-286,324</b>

# Parent Company's balance sheet

SEK 000s	Note	Aug 31, 2013	August 31, 2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>			
Software	16	22,940	86,369
		<b>22,940</b>	<b>86,369</b>
<i>Property, plant and equipment</i>			
Equipment	19	1,097	1,937
		<b>1,097</b>	<b>1,937</b>
<i>Financial assets</i>			
Participations in subsidiaries	20	651,654	945,226
Deferred tax assets	12	0	63,900
		<b>651,654</b>	<b>1,009,126</b>
<b>Total non-current assets</b>		<b>675,691</b>	<b>1,097,432</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Accounts receivable	38	0	0
Receivables from group companies	39	46,297	188,372
Current tax assets		1,536	1,536
Other receivables	22	934	365
Prepaid expenses and accrued income	23	6,632	9,035
		<b>55,399</b>	<b>199,308</b>
<i>Cash and cash equivalents</i>			
	24,26,28	19,119	78
<b>Total current assets</b>		<b>74,518</b>	<b>199,386</b>
<b>TOTAL ASSETS</b>		<b>750,209</b>	<b>1,296,818</b>

SEK 000s

Note

**Aug 31, 2013**

August 31, 2012

**SHAREHOLDERS' EQUITY AND LIABILITIES****Shareholders' equity***Restricted equity*

Share capital		203,473	165,425
Statutory reserve		183,647	183,647
<b>Total restricted equity</b>		<b>387,120</b>	<b>349,072</b>

*Accumulated loss/non-restricted equity*

Share premium reserve		1,940,087	1,548,898
Loss brought forward		-1,264,726	-978,402
Net loss for the year		-701,155	-286,324
<b>Total accumulated loss/non-restricted equity</b>		<b>-25,794</b>	<b>284,172</b>
<b>Total equity</b>		<b>361,326</b>	<b>633,244</b>

**Non-current liabilities**

Other non-current liabilities	26,27	349,000	500,000
<b>Total non-current liabilities</b>		<b>349,000</b>	<b>500,000</b>

**Current liabilities**

Overdraft facilities	26,28	0	83,683
Accounts payable	29	12,972	16,136
Liabilities to group companies	39	2,096	23,997
Other liabilities	30	2,665	4,871
Accrued expenses and deferred income	31	22,150	34,887
<b>Total current liabilities</b>		<b>39,883</b>	<b>163,574</b>

**TOTAL EQUITY AND LIABILITIES****750,209****1,296,818**

Pledged assets	32	316,654	254,593
Contingent liabilities	33	46,789	46,465

# Parent Company's statement of cash flows

SEK 000s	Note	Sep 12 - Aug 13	Sep 11 - Aug 12
<b>Operating activities</b>			
Operating income		-87,747	-43,021
Interest received		1,554	1,853
Interest paid		-42,930	-40,759
Tax paid		0	-533
Adjustment for non-cash items	35	79,545	14,729
<b>Cash flow from operating activities before change in working capital</b>		<b>-49,578</b>	<b>-67,731</b>
<b>Cash flow from changes in working capital</b>			
Decrease (+)/increase (-) in current receivables		143,909	63,353
Decrease (-)/increase (+) in current liabilities		-32,422	2,654
<b>Cash flow from operating activities</b>		<b>61,909</b>	<b>-1,724</b>
<b>Investing activities</b>			
Acquisition of intangible assets and property, plant and equipment		-14,042	-31,744
Acquisition of subsidiaries	36	-	-250
Divestment of subsidiaries	36	-	250
Divestment of other non-current assets		-	-
Shareholders' contribution paid		-294,105	-
<b>Cash flow from investing activities</b>		<b>-308,147</b>	<b>-31,744</b>
<b>Financing activities</b>			
Increased utilization of overdraft facilities		-	-
Decreased utilization of overdraft facilities		-83,683	-31,204
Group contributions received		70,725	101,150
Group contributions paid		-	-136,400
Dividends received		-	-
Rights issue		429,237	-
Borrowings		85,000	100,000
Repayment of loans		-236,000	-
<b>Cash flow from financing activities</b>		<b>265,279</b>	<b>33,546</b>
<b>Cash flow for the year</b>		<b>19,041</b>	<b>78</b>
Cash and cash equivalents at beginning of year		78	0
Cash and cash equivalents at end of year	24	19,119	78

## Parent Company's changes in shareholders' equity

SEK 000s	Restricted equity		Accumulated loss/non-restricted equity			Total equity
	Share capital	Statutory reserve	Share premium reserve	Profit/loss brought forward	Net income	
<b>Shareholders' equity, August 31, 2011</b>	<b>165,425</b>	<b>183,647</b>	<b>1,548,898</b>	<b>-506,623</b>	<b>-471,779</b>	<b>919,568</b>
Transfer of previous year's profit/loss				-471,779	471,779	0
Net loss for the year					-286,324	-286,324
Other comprehensive income for the year						0
<i>Comprehensive income for the year</i>					-286,324	-286,324
<b>Shareholders' equity, August 31, 2012</b>	<b>165,425</b>	<b>183,647</b>	<b>1,548,898</b>	<b>-978,402</b>	<b>-286,324</b>	<b>633,244</b>
Transfer of previous year's profit/loss				-286,324	286,324	0
Net loss for the year					-701,155	-701,155
Other comprehensive income for the year						0
<i>Comprehensive income for the year</i>					-701,155	-701,155
<i>Transactions with the Group's owners</i>						
Rights issue	38,048		425,000			463,048
Issue expenses			-33,811			-33,811
<i>Total transactions with owners</i>	<i>38,048</i>		<i>391,189</i>			<i>429,237</i>
<b>Shareholders' equity, August 31, 2013</b>	<b>203,473</b>	<b>183,647</b>	<b>1,940,087</b>	<b>-1,264,726</b>	<b>-701,155</b>	<b>361,326</b>

"Share capital" comprised 33,912,176 shares on August 31, 2013. All shares are common shares.

"Profit/loss brought forward" corresponds to the total accumulated profits and losses of the Group less dividends paid.

No dividend is proposed to be paid for the September 1, 2012 – August 31, 2013 fiscal year.

# Notes to the financial statements

Amounts in SEK 000s unless otherwise stated.

## Note 1 Accounting policies, etc.

### Information about the company and the Annual Report

RNB RETAIL AND BRANDS AB (publ), Corp. Reg. No. 556495-4682, is a Swedish public limited liability company with its registered office in the Municipality of Stockholm, Stockholm County. The company is listed on NASDAQ OMX Nordic, Stockholm, Small Cap segment. RNB RETAIL AND BRANDS AB (publ) is the Parent Company of the Group. The Group owns, operates and develops stores that sell fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics. The company's fiscal year runs from September 1 to August 31.

The Annual Report for the Group and the Parent Company for the 2012/2013 fiscal year was signed by the Board of Directors and the President on December 23, 2013, thereby approving the consolidated accounts for publication. The consolidated statements of comprehensive income and balance sheets for the Parent Company and the Group will be subject to adoption at the Annual General Meeting to be held on January 16, 2014.

### Conformity with standards and statutes

The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and International Financial Reporting Standards (IFRS), as approved by the European Commission for application within the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied.

The Parent Company applies the same accounting policies as the Group except in the instances described below in the section "Parent Company's accounting policies". The deviations that occur between the Parent Company and Group accounting policies are due to limitations in the possibilities of fully applying IFRS in the Parent Company on account of the Annual Accounts Act and in certain cases due to tax considerations. The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities issued by the Swedish Financial Reporting Board.

### Basis of preparation of financial statements for the Parent Company and the Group

The Parent Company's functional currency is SEK, which is also the presentation currency for the Parent Company and the Group. This means that the financial statements are presented in SEK. All figures, unless otherwise stated, are rounded off to the nearest thousand. Recognition of assets and liabilities is based on historical cost (cost), with the exception of certain financial assets and liabilities that are measured at fair value. Financial assets and liabilities, which are measured at fair value consist of derivatives (currency futures contracts).

Preparing the financial statements in accordance with IFRS requires that the company management makes assessments and estimates as well as assumptions that affect the application of accounting policies and the recognized amounts for assets, liabilities, revenue and expenses. Estimates and assumptions are based on historical experience and on a number of other factors that, under prevailing circumstances, are considered reasonable. The results of these estimates and assumptions are then used in determining the carrying amounts of assets and liabilities, which are not otherwise evident from other sources. The actual outcome may differ from these estimates and assumptions.

In the application of IFRS, assessments made by the company management that have a significant impact on the financial statements and the estimates made and that can cause substantial adjustments in the following years' financial statements are described in detail in Note 2.

Events after the balance sheet date refer to both favorable and unfavorable events that occur after the balance sheet date but before the

date in the following year on which the financial statements are authorized for issue by the members of the Board of Directors. Information is disclosed in the annual accounts concerning significant events after the balance sheet date that were not taken into account when preparing the balance sheets and income statements. Only such events that provide evidence of conditions that existed on the balance sheet date have been considered when presenting the financial statements.

The most important accounting policies applied when these consolidated financial statements were prepared are presented below. These policies have been applied consistently for all of the years presented unless otherwise stated.

### New and amended accounting policies

The following updated standards have been applied as of the current fiscal year:

- IAS 1 Presentation of Financial Statements – amendment (approved by the EU on June 5, 2012)

None of the above-mentioned amendments had any effects on the prepared financial statements.

### New IFRS standards, IFRIC interpretations and amendments that have been issued but not yet adopted

A brief description follows below of the standards and interpretations that have not yet been adopted by RNB RETAIL AND BRANDS but, which are expected to have a future impact.

#### *IFRS 7 Financial Instruments: Disclosures – amendment (approved by the EU on December 13, 2012)*

This amendment will not give rise to any effects on the presented financial statements.

#### *IFRS 9 Financial Instruments (not yet approved by the EU and no date for approval has currently been scheduled)*

The standard entails a reduction in the number of measurement categories for financial assets and stipulates that the main classifications for recognizing financial assets and liabilities are at cost (amortized cost) and at fair value through profit or loss. For certain equity investments, there is the option of recognition at fair value in the statement of financial position, with changes in value recognized directly in other comprehensive income, where no transfer is made to net income for the period on divestment. New rules have also been introduced regarding how changes in own credit spreads are to be presented when liabilities are measured at fair value.

This standard will be supplemented by impairment and hedge accounting rules.

This amendment will not give rise to any material impact on the content of the financial statements, apart from the reclassification of certain financial instruments.

#### *IFRS 10 Consolidated Financial Statements and amendment to IAS 27 Consolidated and Separate Financial Statements (Approved by the EU in December 2012)*

IFRS 10 and the amendment to IAS 27 shall be applied to fiscal years beginning on or after January 1, 2014. IFRS 10 replaces the section in IAS 27 dealing with preparation of consolidated financial statements. The rules pertaining to how the consolidated financial statements shall be prepared have not been changed. More specifically, the amendment provides further guidance on how a company is to determine whether a controlling influence exists and thus whether a company is to be consolidated.

IFRS 10 will impact the prepared financial statements in terms of the companies that are to be consolidated and on what grounds such consolidation is to take place.

***Investment Entities (Approved on November 20, 2013)***

The supplement to IFRS 10 will not have any impact on the financial statements.

***IFRS 11 Joint Arrangements and amendment to IAS 28 Investments in Associates and Joint Ventures (Approved by the EU on December 11, 2012)***

IFRS 11 and the amendment to IAS 28 shall be applied to fiscal years beginning on or after January 1, 2014. IFRS 11 addresses the recognition of two types of joint arrangements; joint operations where the parties (joint operators) have rights and obligations to assets and liabilities and joint ventures where parties (joint venturers) have rights to the net assets. In a joint operation, joint operators shall recognize their assets, liabilities, revenue and expenses, and/or their relative share. In a joint venture, the rules in IAS 28 shall be applied, i.e. the joint venture shall be recognized in accordance with the equity method.

Since RNB does not have any joint arrangements as defined by IFRS 11, the application of this standard will not have any impact on the financial reporting.

***IFRS 12 Disclosures of Interest in Other Entities (Approved on December 11, 2012)***

IFRS 12 is to be applied to fiscal years beginning on or after January 1, 2014. The standard contains more extensive disclosure requirements than previous disclosure standards in annual reports and will impact the content of the financial statements.

IFRS 12 will affect the financial statements since it pertains to disclosures of subsidiaries, associates, joint arrangements and unconsolidated structured entities.

***IFRS 13 Fair Value Measurement (Approved on December 11, 2012)***

IFRS 13 shall be applied to fiscal years beginning on or after January 1, 2013. It does not describe when fair value is to be used but rather how it is to be measured when such a valuation shall be or may be used in accordance with a specific IFRS. In accordance with IFRS 13, new disclosures are to be provided to clarify the valuation techniques to be applied and the data (inputs) to be used in these techniques, as well as the effects that the measurement has had on profit or loss. It should be noted that new disclosure requirements are to be provided for both assets and liabilities that are continuously measured at fair value and for assets and liabilities that are measured at fair value only for disclosure purposes.

The standard will impact on the financial statements in the form of more fair value disclosures.

***IAS 19 Employee Benefits - amendment (Approved by the EU on June 5, 2012)***

The amendment to IAS 19 shall be applied to fiscal years beginning on or after January 1, 2013. Examples of changes under the amendment:

- the option of deferring actuarial gains and losses as a part of the "corridor" limit or recognizing actuarial gains and losses directly in profit or loss is no longer permissible. Instead, such gains and losses are to be recognized continuously in other comprehensive income.
- remeasurement recognized in other comprehensive income (not reclassification) comprises actuarial gains and losses and the difference between actual and estimated returns on pension assets shall be recognized in other comprehensive income.
- the interest rate applied to the calculation of pension liabilities shall also be used for the calculation of returns on pension assets.
- sensitivity analyses are to be conducted regarding reasonable changes to all assumptions made in the calculation of the pension liability.

For the Swedish entities, the actuarial calculations will also include future payments of special employer's contributions.

The standard will impact on the financial statements as the main change will mean that defined-benefit pensions will be recognized in another way and will be recomputed in accordance with the amended IAS 19.

***IAS 27 Separate Financial Statements (Approved on December 11, 2012)***

This revised version of IAS 27 shall be applied to fiscal years beginning on or after January 1, 2014. The standard shall be applied in recognition of holdings in subsidiaries, joint ventures and associated companies when a company opts, or is obliged under local regulations, to prepare separate financial statements. The standard contains accounting and disclosure requirements.

The revision is not expected to imply any changes in the financial statements.

***IAS 28 Investments in Associates and Joint Ventures (Approved on December 11, 2012)***

This revised version of IAS 28 shall be applied to fiscal years beginning on or after January 1, 2014. The standard describes the equity method for both associated companies and for joint ventures. The standard shall be applied by all companies that have joint control or significant influence over the investment object.

The revision is not expected to imply any changes in the financial statements.

***IAS 32 Financial Instruments: Presentation - revised (Approved by EU on December 13, 2012)***

The amendment to IAS 32 shall be applied to fiscal years beginning on or after January 1, 2014. With the amendment to IAS 32, the application guidance section has been clarified regarding offsetting financial assets and financial liabilities. Clarification has been provided of the definition of "a legally enforceable right of set-off" and what is meant by "items that can be settled net" in various contexts.

The amendment is not expected to give rise to any changes in the financial statements.

***IAS 38 Intangible Assets - revised (Not yet approved by EU)***

The amendment to IAS 38 shall be applied to fiscal years beginning on or after January 1, 2014. The amendment means that the requirement to disclose the recoverable amount of all cash-generating units to which goodwill is allocated, introduced in connection with the introduction of IFRS 13, is removed. Instead additional fair value disclosure requirements are introduced when the recoverable amount of an impaired asset is based on fair value less selling expenses. In addition, disclosure requirements are harmonized when the recoverable amount is calculated on the basis of fair value less selling expenses and based on value in use.

The revision is not expected to imply any changes in the financial statements.

***IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (Approved on December 11, 2012)***

This interpretation will not have any impact on the prepared financial statements.

***IFRIC 21 Levies (Not yet approved by EU)***

The interpretation shall be applied to fiscal years beginning on or after January 1, 2014. The interpretation clarifies when a liability for "levies" shall be recognized. "Levies" are fees/taxes that governmental or equivalent organs impose on companies in accordance with laws/regulations with the exception of income taxes, penalties and fines. The interpretation states that a liability shall be recognized when the company has an obligation to pay the fee as a result of an event that has occurred. A liability is progressively recognized if the obligating event occurs over a period of time. If a certain minimum threshold must be reached in order for the obligation to arise, the liability is not recognized until this minimum threshold is reached.

### **UFR 9 Recognition of tax on returns**

Application of the statement UFR 9 from the Swedish Financial Reporting Board is to commence at the same time as the amendment to IAS 19, i.e. for fiscal years beginning on or after January 1, 2013. The tax on returns charged on provisions in the balance sheet shall be recognized continuously as an expense in profit or loss for the period to which the tax pertains. Accordingly, such tax on returns is not to be included in the calculation of liabilities for defined-benefit pension plans.

### **Amended accounting policies for the Parent Company**

#### **Significant amendments to RFRs**

A significant amendment to the Swedish Financial Reporting Board's recommendation RFR 2 means that new guidance has been introduced regarding the recognition of group contributions. The amendment shall be applied to fiscal years beginning on or after January 1, 2014 but early application is permitted. The guidance shall be applied earlier if a company at the same time applies the new and revised IAS 27 in the consolidated accounts.

A company can apply either the main rule or the alternative rule in connection with recognition of group contributions. The rule selected must be applied consistently to all group contributions. The main rule means that:

- The Parent Company recognizes group contributions received from subsidiaries as financial income and group contributions paid to subsidiaries as an increase in participations in Group companies.
- Subsidiaries recognize group contributions received from the Parent Company in equity and group contributions paid to the Parent Company are also recognized in equity.
- Group contributions received from fellow subsidiaries are recognized in equity and group contributions paid to fellow subsidiaries are also recognized in equity.

The alternative rule means that both group contributions received and paid are to be recognized as appropriations. RNB has opted to apply the main rule for recognition of group contributions.

#### **Classification**

Non-current assets and long-term liabilities consist essentially of amounts that are expected to be recovered or paid after more than twelve months from the balance sheet date. Current assets and current liabilities consist essentially of amounts that are expected to be recovered or paid within twelve months from the balance sheet date.

#### **Consolidation principles**

The consolidated financial statements cover the Parent Company and subsidiaries in which the Parent Company has a controlling influence, which implies having the right, directly or indirectly, to formulate the company's financial and operational strategies for the purpose of obtaining financial benefits.

Subsidiaries are accounted for according to the purchase method. This method means that the acquisition of a subsidiary is treated as a transaction in which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The cost on consolidation is established through an acquisition analysis performed in conjunction with the acquisition. In the analysis, the cost of shares or operations is established, as is the fair value of acquired identifiable assets, assumed liabilities and contingent liabilities. All transaction costs connected with acquisitions are expensed. The difference between the cost of the subsidiaries' shares and the fair value of acquired assets, assumed liabilities and contingent liabilities is recognized as goodwill. If the cost is less than the fair value of the acquired subsidiary's assets, liabilities and contingent liabilities, the difference is recognized directly through profit or loss. The subsidiaries'

financial statements are included in the consolidated financial statements from the date of acquisition until the date the controlling influence ceases.

Intra-Group transactions and intra-Group unrealized gains and losses have been eliminated when preparing the consolidated financial statements.

### **Foreign currency translation**

#### **Functional currency and presentation currency**

Items included in the financial statements of the various units in the Group are measured in the currency used in the economic environment in which each company mainly operates (functional currency). In the consolidated financial statements, the Swedish krona (SEK) is the Parent Company's functional currency and the Group's presentation currency.

#### **Transactions and balance sheet items**

Transactions in foreign currency are translated using the exchange rate that applied on the transaction date to the unit's functional currency. Receivables and liabilities in foreign currencies are measured at the closing day rate.

Exchange gains and losses attributable to loans and cash and cash equivalents are recognized through profit or loss as financial income or expenses. Other exchange gains and losses are recognized in Goods for resale.

#### **Group companies**

For all Group companies whose earnings and financial position are in a functional currency other than the presentation currency, amounts are translated to the Group's presentation currency, namely SEK, as follows:

- (a) assets and liabilities for each and every balance sheet are translated at the closing day rate;
- (b) revenues and costs for each and every income statement are translated at the average rate and
- (c) the translation differences that arise are recognized separately in other comprehensive income.

Goodwill and fair value adjustments of assets and liabilities that arise in connection with the acquisition of a foreign operation are treated as assets and liabilities in the particular operation and are translated at the closing day rate.

#### **Hedging**

When hedging future cash flows, hedging instruments are restated at fair value. Hedge accounting is not applied.

#### **Revenue**

Group revenues derive from sales to consumers in proprietary stores and from wholesale sales to franchisees. Franchisees also pay a franchise fee based on their sales. The franchise fee is recognized through profit or loss in the item "Net sales" for the same period in which the sale to the consumer occurred.

Sales of goods are recognized on delivery of the product to the customer, in accordance with the terms and conditions of sale. All store sales are conducted on a 10-30 days sale-or-return basis. Sales are recognized following deductions for discounts and excluding VAT.

Customer loyalty programs, which mainly comprise discounts provided in relation to customers' actual purchases, are recognized as a special component of the sales transaction in which they are awarded by reducing sales revenues by this component. The reduction of sales revenues is based on the value for the customer and not the cost for RNB. The reduction is recognized as deferred income and included through profit or loss over the periods during which the commitment is fulfilled.

### Financial income and expenses

Financial income and expenses primarily consists of interest income on cash and bank balances, interest expenses on loans, changes in value of currency derivatives and other financial items.

Dividend income is recognized as financial income when the right to receive payment has been established.

### Borrowing expenses

Borrowing expenses for the acquisition of qualified non-current assets are capitalized. Other borrowing expenses are expensed through profit or loss.

### Financial instruments

All financial assets and liabilities are classified in accordance with IAS 39 in the following categories:

- *Financial assets measured at fair value through profit or loss*, comprise available-for-sale financial assets, which from RNB's viewpoint consist of currency futures contracts with positive fair values.
- *Investments held to maturity* comprise non-derivative financial assets with fixed or determinable payments and fixed terms that the Group intends to retain until maturity. RNB has no financial assets classified in this category.
- *Loan receivables and Accounts receivable* consist of non-derivative financial assets with fixed or determinable payments. For RNB, this category comprises cash and cash equivalents, accounts receivable, accrued income and loan receivables. Accounts receivable are initially recognized at fair value and thereafter at accrued cost less doubtful receivables, which are assessed individually. Since the estimated duration of accounts receivable is generally short, their value is recognized at the nominal amount without discounting. Impairment losses on accounts receivable are recognized in operating expenses.
- *Available-for-sale financial assets* comprise non-derivative financial assets that are either classified as available-for-sale or are not classified in any of the other categories. RNB has no financial assets classified in this category.
- *Financial liabilities measured at fair value through profit or loss* comprise financial liabilities held for trading purposes, which from RNB's viewpoint consist of futures contracts with negative fair values.
- *Other financial liabilities*, comprise financial liabilities that are not held for trading purposes. From RNB's viewpoint, this category consists of accounts payable, accrued costs and loan liabilities. Loan liabilities are measured at accrued cost. Accrued cost is determined on the basis of the effective interest rate that was calculated when the liability was raised. This means that surplus and deficit values, as well as direct issue expenses, are allocated over the term of the liability. Non-current liabilities have an anticipated maturity that exceeds one year, while current liabilities have a maturity of less than one year. Since the estimated maturity of accounts payable is short, their value is recognized at the nominal amount without discounting.

Financial assets are recognized initially at fair value plus transaction costs. Financial liabilities are recognized at amortized cost. Financial liabilities and assets measured at fair value via profit and loss, i.e. RNB's currency futures contracts, are recognized at fair value, while attributable transaction costs are recognized through profit or loss.

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party to the contractual terms and conditions of the instrument. Accounts receivable are recognized in the balance sheet when the invoice has been sent. A liability is recognized when the counterparty has performed a service and a contractual payment obligation prevails, even if the invoice has not yet been received. Accounts payable are recognized when the invoice has been received.

A financial asset is derecognized from the balance sheet when the contractual rights to the asset are realized, extinguished or the company loses control over them. The same applies to a portion of a financial asset. A financial liability is derecognized from the balance sheet when the contractual obligation has been fulfilled or in some other manner extinguished. The same applies to a portion of a financial liability.

On each reporting date, the company assesses if there are objective indications that a financial asset, or group of financial assets, requires impairment.

The indications used primarily by the Group to determine whether there is objective evidence that an impairment need exists include:

- significant financial difficulties displayed by the issuer or the debtor,
- breach of contract, such as lack of or delayed payment of interest or capital amount,
- probability that the borrower will enter bankruptcy or some other form of financial reconstruction,
- an active market for the particular asset ceases to operate due to financial difficulties.

Financial assets and liabilities are offset against each other and recognized as a net amount in the balance sheet only when there is a legal right to offset the recognized amounts and there is an intention to settle them with a net amount.

### Intangible assets

**Goodwill:** Goodwill is the amount by which the cost exceeds the fair value of the Group's participation in the net assets of acquired subsidiaries at the date of acquisition. Goodwill is measured at cost less any accumulated impairment. Goodwill is allocated to cash-generating units that comprise the Group's operating segments and is not amortized; instead, it is tested for impairment annually or as soon as indications arise suggesting that the asset in question has decreased in value. Any impairment losses are not reversed.

**Trademarks:** In addition to goodwill, the Group held the JC trademark as of August 31, 2013. Trademarks are not amortized; instead, they are tested for possible impairment annually or as soon as any indications arise that suggest that the asset in question has decreased in value. The JC trademark has been written-down in full. The JC segment was divested after the balance sheet date.

**Rental rights:** Rental rights are recognized at cost less amortization and impairments. Rental rights are amortized over ten years, which corresponds to their estimated useful lives, in light of the fact that these rights pertain to stores primarily located in central locations.

**Software:** Software is recognized at cost less amortization and impairments. Software is amortized over five years, which corresponds to its expected useful life.

### Property, plant and equipment

Property, plant and equipment refers to equipment and store fittings and is recognized at cost less depreciation and any impairments.

Additional expenditure is added to the asset's carrying amount or is recognized as a separate asset, depending on what is most suitable, only if it is probable that the future economic benefits associated with the asset will accrue to the Group and that the cost of the asset can be measured in a reliable manner. Repair and maintenance expenditure is expensed during the period that such expenditure arises. Property, plant and equipment is depreciated systematically over the estimated useful life of the assets concerned. The straight-line method of depreciation is used for all types of property, plant and equipment. For equipment and store fittings, a depreciation period of five years is used.

The assets' residual values and useful lives are tested for impairment at the close of each reporting period and adjusted if required. The carrying amount of an asset is impaired immediately to the asset's recoverable amount should the carrying amount of the asset exceed its estimated recoverable amount.

#### **Lease agreements**

When lease agreements mean that the Group, as the lessee, essentially enjoys the financial benefits and bears the financial risks associated with the leased object, the lease agreements are classified as financial and the object is recognized as a non-current asset in the consolidated balance sheet and is written-down to the shorter of the leasing period or the useful life. The corresponding obligation to pay leasing fees in the future is recognized as non-current and current liabilities. Each leasing payment is allocated between amortization of the recognized debt and financial expenses.

Other lease agreements, mainly rental agreements for premises, are recognized as operating leases.

Operating leasing means that the leasing fee is expensed over the term of the lease.

In a certain number of the Group's rental contracts, the rent is divided into basic rent and revenue-based rent, whereby the rental amount is based on the store's sales during the fiscal year. In such cases, only the basic rent is expensed on a straight-line basis. The revenue-based rent is expensed during the period to which the revenue pertains.

#### **Inventories**

Inventories are measured at the lower of cost and net realizable value.

When calculating the cost of inventories, the first-in, first-out principle is applied, and includes expenses arising after the acquisition of inventory items and the transportation of them to their current location and condition.

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash funds and immediately available balances with banks and similar institutions.

#### **Impairment losses**

On each balance sheet date, an impairment test is performed to determine whether there is any indication that the carrying amounts of Group assets have fallen in value. If such indications exist, the recoverable amount of the asset concerned is calculated (the highest of value in use or net realizable value). If the recoverable amount is lower than the carrying amount, an impairment loss shall be recognized in the income statement.

For goodwill and trademarks with indefinite useful lives, the recoverable amount is calculated on an annual basis. If it is not possible to assign essentially independent cash flows to a single asset, the assets are grouped at the lowest level in which it is possible to identify essentially independent cash flows when the impairment test is performed. An impairment loss is recognized when the carrying amount of the asset or cash-generating unit exceeds its recoverable amount. An impairment loss is recognised in the income statement. Impairment testing of goodwill and trademark occurs on an operating segment level that is deemed to represent the lowest cash-generating units that it is possible to calculate.

#### **Dividends paid**

Dividends paid are recognized as a liability after the Annual General Meeting has approved the dividend.

#### **Pensions**

The Group has both defined-contribution and defined-benefit pension plans.

Employees in Sweden are covered by both defined-benefit and defined-contribution plans, while employees in Norway, Denmark and Finland are only covered by defined-contribution plans.

#### **Defined-contribution plans**

For employees covered by defined-contribution plans, contributions are paid to a separate legal entity and there is no obligation to pay additional contributions. Commitments pertaining to defined-contribution plans are recognized as a personnel cost through profit or loss when they arise.

#### **Defined-benefit plans**

For employees covered by defined-benefit plans, remuneration is paid to employees and former employees based on such factors as salary level on retirement and the number of years of service. The Group bears the risk of paying the promised remuneration. For RNB, one defined-benefit pension plan (PRI) is unfunded; in this plan, no new vesting occurs. New vesting is secured through payment of insurance premiums to Alecta. The calculated present value of the obligations is recognized in the balance sheet as a liability.

Pension expenses and pension commitments for defined-benefit pension plans are calculated according to the Projected Unit Credit Method. This method allocates the cost of pensions in line with employees performing services for the Group, which increases their right to future remuneration. The Group's commitment is calculated annually by independent actuaries. This commitment comprises the present value of the expected future payments. Prior to finalizing the annual accounts for 2012/2013, RNB considered the choice of discount rate to be used in calculating the pension liability. In RNB's assessment, there is reason to believe that the market for corporate bonds, primarily housing bonds, has the breadth and the depth that would warrant seeking support for the discount rate in this market. Accordingly, RNB has used housing bonds with comparable terms as a basis for its interest-rate assumption and has applied a discount rate of 4.25% (3.7%). The most important actuarial assumptions are described in Note 25.

The accounting policy described above is applied only to the consolidated financial statements. Each legal entity in the Group recognizes defined-benefit pension plans in accordance with local rules and regulations.

#### **Alecta**

Certain commitments for salaried employees in Sweden are also secured through insurance with Alecta. According to statement UFR 3 from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, the pension insurance with Alecta constitutes a multi-employer defined-benefit plan. Similar to previous years, Alecta has not had access to such information that would make it possible to recognize this plan as a defined-benefit plan. Accordingly, the ITP pension plan secured through insurance with Alecta is recognized as a defined-contribution plan. At September 30, 2013, Alecta's surplus in the form of the collective consolidation level amounted to 153% (123). The collective consolidation level is calculated as the market value of Alecta's asset portfolio in relation to insurance obligations according to actuarial assumptions set by Alecta, which do not comply with IAS 19.

#### **Remuneration upon termination of employment**

A provision is recognized in conjunction with termination of employment only if the company is unquestionably obligated to terminate the employment prior to the scheduled time or when remuneration is paid as an offer to encourage voluntary resignation. In cases where the company terminates employment, a detailed plan is prepared, which at a minimum includes workplace, positions held, the approximate number of employees involved, the remuneration for each personnel category or position and the time for implementation of the plan.

#### **Taxes**

Income taxes recognized through profit or loss include tax that shall be paid or received pertaining to the current year, adjustments of current tax in prior years and changes in deferred tax. These taxes have been calculated

in accordance with the applicable tax regulations in each country.

Tax liabilities/assets are measured at nominal amounts in accordance with the taxation rules and tax rates that have been decided or announced and that with considerable certainty will be enacted. In the balance sheet, current tax receivables and current tax liabilities are recognized as current items.

For items recognized through profit or loss, the associated tax effects are also recognized through profit or loss. Tax effects of items recognized directly in equity are recognized in equity and for items recognized directly in other comprehensive income, the tax effect is also recognized in other comprehensive income.

Deferred tax is calculated and recognized on all temporary differences between the tax-assessment value and the carrying amount of assets and liabilities and for loss carryforwards. Deferred tax assets are recognized as non-current receivables and deferred tax liabilities are recognized as non-current liabilities.

The value of deferred tax assets is assessed every time the annual accounts are prepared and is reduced to the extent that it is no longer probable that sufficiently large taxable profits will be available to offset all or portions of the deferred tax assets.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets against tax liabilities against each other and when the deferred tax assets and tax liabilities relate to taxes charged by the same tax authority and that pertain either to the same taxpayer or to different taxpayers, where there is an intention to settle the balances through a net payment.

#### **Statement of cash flows**

The statement of cash flows was prepared in accordance with the indirect method. The recognized cash flow only includes transactions that involve incoming or outgoing payments.

#### **Reporting by operating segment**

Based on how management monitors the operations, RNB has defined the Group Management as its chief operating decision maker. RNB reports four operating segments, namely Polarn O. Pyret, Departments & Stores, JC and Brothers & Sisters. The operating segments' earnings, assets and liabilities include directly attributable items that can be allocated to the operating segments in a reasonable and reliable manner. The Group Management assesses the earnings of the operating segments on the basis of operating income. This measurement does not vary from the measurement of operating income recognized in the consolidated income statement. In the financial statements of the operating segments, central administration is recognized under the heading "Other."

#### **Contingent liabilities**

A contingent liability is recognized when a possible obligation arises from past events whose existence will only be confirmed by one or more uncertain future events or when an obligation exists that is not recognized as a liability or provision, since it is not probable that an outflow of resources will be required.

#### **Recognition of discontinued operation and assets available for sale**

In February 2013, RNB RETAIL AND BRANDS AB (publ) announced that the company was conducting a strategic review of the JC business area. The strategic review has continued since then during the fiscal year and after its expiry and the entire time the Group has worked on the basis of a number of alternatives for JC. One of the many alternatives in this strategic review has been a divestment of JC. In line with this, the divestment option became more concrete in September and RNB RETAIL AND BRANDS AB (publ) has entered into an agreement on divestment of JC to an external buyer. The operations in the JC segment were reported as a separate segment during the 2012/2013 fiscal year. As the divestment option was decided on after the balance sheet date, RNB RETAIL AND BRANDS AB

(publ) has recognized the effects of holding JC as assets available for sale in these notes. In Note 3, the JC segment's earnings and net cash flow are presented for the 2012/2013 fiscal year and its assets and liabilities as of August 31, 2013. In Note 3, the RNB RETAIL AND BRANDS' consolidated statement of comprehensive income for 2012/2013 and balance sheet on August 31, 2013 are presented as they would have looked with the JC segment classified as assets available for sale.

#### **Parent Company accounting policies**

The Parent Company prepares its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2. Accounting for Legal Entities. According to RFR 2, the Parent Company, in the annual accounts for the legal entity, must apply all EU-approved IFRS and statements, to the greatest possible extent, within the framework of the Annual Accounts Act and taking into consideration the relationship between accounting and taxation. The recommendation specifies the exceptions and supplements that are permissible in relation to IFRS. The most important differences between the Group's and the Parent Company's accounting policies are presented below.

#### **Lease agreements**

All lease agreements in the Parent Company are recognized as rental agreements, irrespective of whether they are financial or operating.

#### **Taxes**

In the Parent Company, the deferred tax liability on untaxed reserves is recognized as part of untaxed reserves, on account of the relationship between accounting and taxation. However, in the consolidated financial statements, untaxed reserves are divided into deferred tax liabilities and equity.

#### **Shareholders' contributions and Group contributions**

The Parent Company recognizes group contributions in accordance with RFR 2, IAS 18 paragraph 3, which means that group contributions received are recognized as financial income through profit or loss. Group contributions paid are recognized in accordance with RFR 2, IAS 27 paragraph 2, which, as a result of the link between accounting and taxation, means that group contributions paid are recognized as a financial expense through profit or loss.

Shareholders' contributions received are recognized directly in the recipient's equity and shareholders' contributions paid are recognized as investments in participations in Group companies. Insofar as impairments are required, the impairment is recognized as a cost through profit or loss under the heading "Profit from participations in Group companies."

#### **Participations in subsidiaries**

Participations in subsidiaries are recognized in the Parent Company in accordance with the cost method. All dividends received from subsidiaries are recognized as income through profit or loss under the heading "Profit from participations in Group companies." The balance sheet item "Participations in subsidiaries" is tested for impairment insofar as there are indications or reasons to assume that the recoverable amount is less than the carrying amount.

## Note 2 Critical estimates and judgements

When preparing the financial statements, certain accounting methods and accounting policies are used whose application may be based on difficult, complex and subjective assessments on the part of the company management. The company management makes its assessments on the basis of previous experience and assumptions that, taking the present circumstances into account, are considered reasonable and realistic. The use of such estimates and assumptions influences carrying amounts. Using other assumptions and under different circumstances, actual outcomes could differ from these estimates. According to the company management, critical assessments pertaining to applied accounting policies and sources of uncertainty in estimates, are primarily related to the valuation of goodwill, trademarks, taxes, doubtful accounts receivable and recognition of inventories.

### Goodwill and trademarks

In accordance with what is stated in Note 14, RNB conducts impairment testing of goodwill and trademarks, each year or more often in the event of an indication of impairment. Goodwill is attributable to the following operating segments: Departments & Stores, SEK 233,445,000 (233,445,000); Polarn O. Pyret, SEK 1,660,000 (1,660,000); and Brothers & Sisters, SEK 248,569,000 (248,569,000). Written-down trademarks of SEK 0 (259,712,000), is attributable entirely to the JC operating segment. In order to calculate the recoverable amount, value in use is deployed. For these calculations, certain estimates must be made. The principal assumptions pertain to the discount rate, the cash flow forecast for the 2013/14-2017/18 period and for the period thereafter and assumptions concerning growth after the forecast period. See Note 14, for an overview of the sensitivity analysis performed on the assumptions made.

### Taxes

When preparing the financial statements, RNB conducts a calculation of the income tax applicable in each tax jurisdiction in which the company operates, and also of deferred taxes attributable to temporary differences. Deferred tax assets are recognized insofar as it is probable that future taxable surpluses will be available against which the temporary differences can be offset. Changes in assumptions concerning forecast future taxable income, as well as changes in tax rates and actual future outcomes, could result in significant differences in the measurement of deferred taxes. RNB has unrecognized deferred tax assets attributable to tax-loss carryforwards in both Swedish and foreign entities. An additional description of the Group's deferred tax assets is provided in Note 12.

### Accounts receivable

Accounts receivable are recognized net after provisions for bad debts. The provision pertaining to accounts receivable is based mainly on receivables from franchisees. In-store sales take the form of payment in cash or by credit card, in which the bank bears the risk. The net value corresponds to the value that is expected to be received. In RNB's assessment, the current provision is sufficient. At year-end, the total provision for bad debts amounted to SEK 45,980,000 (52,165,000) and accounts receivable, net after provisions, amounted to SEK 120,419,000 (150,707,000), of which SEK 5,425,000 (16,364,000) was recognized as non-current receivables taking into account the agreed terms of payment.

### Inventories

Inventories have been measured at the lower of cost and net realizable value. The amount of net realizable value reflects calculations of such factors as future selling prices, where anticipated discounts are taken into account. The actual outcome of future selling prices could deviate from the assessments made.

## Note 3 Disposal group that is for sale/discontinuation

In February 2013, RNB RETAIL AND BRANDS AB (publ) announced that the company was conducting a strategic review of the JC business area. One of the alternatives in this strategic review has been a divestment of JC. In line with this, the divestment option became more concrete in September and RNB Retail and Brands has now entered into an agreement on divestment of JC to an external buyer. The sale was completed with effect from November 1, 2013, by divestment of subsidiaries related to the JC segment. The operations in the JC segment were reported as a separate segment during the fiscal year September 1, 2012 - August 31, 2013. The JC segment's results are presented below:

	Sep 12 - Aug 13	Sep 11 - Aug 12
Net sales	674,467	778,869
Other operating income	2,105	9
<b>Gross income</b>	<b>676,572</b>	<b>778,878</b>
<b>Operating expenses</b>		
Goods for resale	-406,221	-408,845
Other external expenses	-282,388	-279,892
Personnel expenses	-155,675	-175,068
Depreciation and impairment of non-current assets	-73,991	-25,684
Impairment of goodwill and trademark	-259,712	0
<b>Operating income</b>	<b>-501,415</b>	<b>-110,611</b>
<b>Profit/loss from financial investments</b>		
Financial income	2,013	2,868
Financial expenses	-1,986	-13,073
<b>Net financial items</b>	<b>27</b>	<b>-10,205</b>
<b>Profit before tax of operation for disposal</b>	<b>-501,388</b>	<b>-120,816</b>
Tax on net income for the year	56,057	2,773
<b>Net income for the year of operation for disposal</b>	<b>-445,331</b>	<b>-118,043</b>

Assets and liabilities of the JC segment as of August 31, 2013 are as follows:

	31 Aug 13	31 Aug 12
<b>Assets</b>		
<i>Non-current assets</i>		
Trademarks	0	259,712
Rental rights	0	14,110
Equipment and store fittings	0	45,200
Non-current receivables	0	6,490
<i>Current assets</i>		
Inventories	82,101	138,974
Accounts receivable	49,031	58,302
Other receivables	6,822	11,237
Prepaid expenses and accrued income	18,268	32,118
Cash and cash equivalents	15,017	17,002
<b>Total assets for disposal</b>	<b>171,239</b>	<b>583,145</b>
<b>Liabilities</b>		
<i>Non-current liabilities</i>		
Provisions for pensions	0	8,616
Deferred tax liabilities	0	67,087
<i>Current liabilities</i>		
Provisions for pensions	874	0
Overdraft facilities	0	57,181
Accounts payable	80,431	115,442
Other liabilities	20,361	15,348
Accrued expenses and deferred income	65,155	40,712
<b>Total liabilities directly associated with assets for disposal</b>	<b>166,821</b>	<b>304,386</b>
<b>Net assets directly associated with operation for disposal</b>	<b>4,418</b>	<b>278,759</b>
Included in other comprehensive income:		
Translation differences	321	-2,463
<b>Other provisions for operation for disposal</b>	<b>321</b>	<b>-2,463</b>

Net cash flow in the JC segment is as follows:

	31 Aug 13	31 Aug 12
Operating activities	-218,856	-18,169
Investment	-11,289	-46,759
Financing	228,160	45,950
<b>Net cash flow</b>	<b>-1,985</b>	<b>-18,978</b>

If the decision regarding JC's disposal/discontinuation had been taken before the balance sheet date, the JC segment would have been classified as a disposal group for sale and a discontinued operation in accordance with IFRS 5, already as of August 31, 2013. In this case, the Consolidated Income Statement for RNB RETAIL AND BRANDS AB (publ) would have looked as follows:

	Sep 12 – Aug 13	Sep 11 – Aug 12
Net sales	1,945,453	2,012,162
Other operating income	7,492	10,068
<b>Gross income</b>	<b>1,952,945</b>	<b>2,022,230</b>
<b>Operating expenses</b>		
Goods for resale	-986,232	-1,050,403
Other external expenses	-453,582	-451,601
Personnel expenses	-482,230	-450,097
Depreciation and impairment of non-current assets	-130,198	-61,369
Impairment of goodwill and trademark	0	-201,432
Profit/loss on sale of subsidiary	-700	-
<b>Operating income</b>	<b>-99,997</b>	<b>-192,672</b>
<b>Profit/loss from financial investments</b>		
Financial income	7,329	1,902
Financial expenses	-34,271	-47,926
<b>Net financial items</b>	<b>-26,942</b>	<b>-46,024</b>
<b>Profit/loss before tax from continuing operations</b>	<b>-126,939</b>	<b>-238,696</b>
Tax on net income for the year	-56,449	27,822
<b>Net income for the year from continuing operations</b>	<b>-183,388</b>	<b>-210,874</b>
<b>Discontinued operations</b>		
Profit after tax for the fiscal year relating to operations for disposal	-445,331	-118,043
<b>Net loss for the year</b>	<b>-628,719</b>	<b>-328,917</b>
<b>Other comprehensive income</b>		
Translation differences	-615	-2,560
<b>Comprehensive income for the period</b>	<b>-629,334</b>	<b>-331,477</b>
<b>Net income for the period attributable to:</b>		
Parent Company's shareholders	-628,719	-328,917
Non-controlling interests		
<b>Comprehensive income attributable to:</b>		
Parent Company's shareholders	-629,334	-331,477
Non-controlling interests		
<b>Earnings per share before and after dilution (SEK)</b>	<b>-54.56</b>	<b>-397.64</b>
<b>Average number of shares, (000s) *</b>	<b>11,523</b>	<b>827</b>

\* In connection with the completed rights issue, a 200:1 reverse share split was carried out. Historical comparative figures regarding the average number of shares and earnings per share have been adjusted for this.

**Note 3 Cont.**

The Consolidated Balance Sheet for RNB RETAIL AND BRANDS AB (publ) on August 31, 2013 would have looked as follows:

	31 Aug 13	31 Aug 12		Aug 31, 13	Aug 31, 12
<b>Assets</b>			<b>Shareholders' equity and liabilities</b>		
<i>Non-current assets</i>			Equity attributable to the Parent Company's shareholders	427,778	627,875
Goodwill	483,673	483,673	<i>Non-current liabilities</i>		
Software	25,039	93,850	Liabilities to credit institutions	14,420	21,934
Rental rights	12,162	13,510	Provisions for pensions	0	3,693
Equipment and store fittings	105,776	99,415	Deferred tax liabilities	0	-66,877
Non-current receivables	5,425	9,874	Other non-current liabilities	349,000	500,000
<i>Current assets</i>			<i>Current liabilities</i>		
Inventories	327,668	344,789	Liabilities to credit institutions	7,111	15,423
Accounts receivable	65,963	76,041	Provisions for pensions	682	0
Current tax assets	10,390	9,094	Overdraft facilities	0	26,502
Other receivables	10,011	9,442	Accounts payable	180,541	215,896
Prepaid expenses and accrued income	51,400	66,086	Other liabilities	39,715	36,703
Cash and cash equivalents	31,829	12,709	Accrued expenses and deferred income	114,507	116,093
Assets that are included in disposal groups are classified as if they are held for sale/discontinuation	171,239	583,145	Liabilities included in disposal groups are classified as if they are held for sale/discontinuation	166,821	304,386
<b>Total assets</b>	<b>1,300,575</b>	<b>1,801,628</b>	<b>Total equity and liabilities</b>	<b>1,300,575</b>	<b>1,801,628</b>

**Note 4 Segment and revenue reporting by country**

Sep 12 – Aug 13	Polarn O. Pyret	Departments & Stores	JC	Brothers & Sisters	Other	Eliminations	Total
<b>Revenue</b>							
External sales	507,573	898,560	674,467	539,320	-	-	2,619,920
Internal sales	1,661	0	0	0	145,883	-147,544	0
Interest income	282	226	2,013	2,486	-333	4,668	9,342
Other revenue	7,443	49	2,105	-	24,819	-24,819	9,597
<b>Total</b>	<b>516,959</b>	<b>898,835</b>	<b>678,585</b>	<b>541,806</b>	<b>170,369</b>	<b>-167,695</b>	<b>2,638,859</b>
<b>Earnings</b>							
Operating income	13,730	46,602	-501,415	-77,690	-82,639	-	-601,412
<b>Profit/loss after financial items</b>	<b>13,713</b>	<b>46,746</b>	<b>-501,388</b>	<b>-74,906</b>	<b>-112,492</b>	<b>-</b>	<b>-628,327</b>
<b>Other disclosures</b>							
Assets	173,565	382,811	171,239	463,286	154,892	-45,218	1,300,575
Liabilities and provisions	113,719	132,896	166,821	112,947	391,632	-45,218	872,797
Investments	14,521	8,946	20,464	23,580	16,375	-	83,886
Depreciation, amortization and impairments	7,793	9,020	333,703	14,793	98,592	-	463,901
<b>Non-current assets by country</b>							
Sweden	28,929	257,566	-	292,863	38,530	-	617,888
Norway	-	-	-	-	-	-	0
Finland	-	-	-	6,617	-	-	6,617
Denmark	-	-	-	-	-	-	0
Netherlands	5,877	-	-	-	-	-	5,877
Hong Kong	-	-	-	-	1,693	-	1,693

**Note 4 Cont.**

<b>Sep 11 – Aug 12</b>	Polarn O. Pyret	Departments & Stores	JC	Brothers & Sisters	Other	Eliminations	<b>Total</b>
Revenue							
External sales	510,664	957,120	775,603	547,644	-	-	2,791,031
Internal sales	4,372	139	3,266	1,793	145,538	-155,108	0
Interest income	196	7	2,868	1,699	-	-	4,770
Other revenue	7,793	753	9	-	14,720	-13,198	10,077
<b>Total</b>	<b>523,025</b>	<b>958,019</b>	<b>781,746</b>	<b>551,136</b>	<b>160,258</b>	<b>-168,306</b>	<b>2,805,878</b>
<b>Earnings</b>							
Operating income	32,772	58,431	-110,610	-244,150	-39,726	-	-303,283
<b>Profit/loss after financial items</b>	<b>32,829</b>	<b>57,527</b>	<b>-120,789</b>	<b>-243,719</b>	<b>-85,360</b>	<b>-</b>	<b>-359,512</b>
<b>Other disclosures</b>							
Assets	146,181	447,520	583,426	483,057	353,913	-212,469	1,801,628
Liabilities and provisions	106,680	174,845	226,706	131,289	746,702	-212,469	1,173,753
Investments	15,501	8,592	40,339	24,216	40,035	-	128,683
Depreciation, amortization and impairments	4,075	10,151	25,684	10,210	36,933	0	87,053
<b>Non-current assets by country</b>							
Sweden	21,711	258,440	320,194	289,539	121,535	-	1,011,419
Norway	-	-	-	-	-	-	0
Finland	-	-	8,733	3,742	-	-	12,475
Denmark	-	-	-	-	-	-	0
Hong Kong	-	-	-	-	1,940	-	1,940

Central administration is recognized under the heading "Other" in the segment reporting.

**Net sales per country**

	<b>Sep 12 – Aug 13</b>	Sep 11 – Aug 12
Net sales in Sweden	2,341,571	2,419,909
Net sales in Norway	43,580	104,288
Net sales in Denmark	0	22,162
Net sales in Finland	188,257	194,733
Net sales in other countries	46,512	49,939
	<b>2,619,920</b>	<b>2,791,031</b>

No individual customer represents more than 10% of total revenues.

**Note 5 Personnel and personnel costs**
**Average number of employees distributed among women and men**

<b>Group</b>	<b>Sep 12 – Aug 13</b>		<b>Sep 11 – Aug 12</b>	
	Total	Of whom, men	Total	Of whom, men
Sweden	1,256	241	1,231	230
Norway	0	0	31	5
Finland	115	15	145	19
Denmark	0	0	12	1
Hong Kong	22	5	-	-
Netherlands	6	1	-	-
	<b>1,399</b>	<b>262</b>	<b>1,419</b>	<b>255</b>

<b>Parent Company</b>	<b>Sep 12 – Aug 13</b>		<b>Sep 11 – Aug 12</b>	
	Total	Of whom, men	Total	Of whom, men
Sweden	88	27	88	26
	<b>88</b>	<b>27</b>	<b>88</b>	<b>26</b>

**Distribution between women and men in the Board of Directors and Management Team at August 31**

<b>Group</b>	<b>Aug 31, 13</b>		<b>Aug 31, 12</b>	
	Total	Of whom, men	Total	Of whom, men
Board of Directors	7	6	7	6
Management Team incl. President	6	4	10	5

**Note 5 Cont.**
**Wages, salaries, other remuneration and social security expenses**

Group total	Sep 12 – Aug 13			Sep 11 – Aug 12		
	Board and CEO	Other employees	Total	Board and CEO	Other employees	Total
Wages, salaries and other remuneration	12,984	407,842	420,826	11,875	469,040	480,915
Social security expenses	4,839	122,471	127,310	4,817	119,400	124,217
Pension expenses	4,879	29,596	34,475	2,985	30,036	33,021
	<b>22,702</b>	<b>559,909</b>	<b>582,611</b>	<b>19,677</b>	<b>618,476</b>	<b>638,153</b>

Parent Company	Sep 12 – Aug 13			Sep 11 – Aug 12		
	Board and CEO	Other employees	Total	Board and CEO	Other employees	Total
Wages, salaries and other remuneration	5,138	40,923	46,061	4,170	41,965	46,135
Social security expenses	2,055	16,369	18,424	1,641	12,648	14,289
Pension expenses	2,133	7,279	9,412	1,017	4,427	5,444
	<b>9,326</b>	<b>64,571</b>	<b>73,897</b>	<b>6,828</b>	<b>59,040</b>	<b>65,868</b>

**Remuneration to the Board and Senior Executives**
**Principles**

The Chairman and Board members receive directors' fees in accordance with resolutions of the Annual General Meeting. A special fee is paid to the Chairman of the Audit Committee. Remuneration of the President and other senior executives consists of basic salary, variable remuneration and provision for pensions. Other senior executives are defined as those persons who together with the President are the members of Group Management.

**Guidelines for remuneration of senior executives**

On January 17, 2013, the Annual General Meeting resolved on the guidelines set out below for remuneration and other terms of employment for the company management.

The company shall offer market-related total remuneration, making it possible to recruit and retain senior executives. Remuneration of the company management consists of fixed salary, variable salary, pension and other remuneration. These parts combined make up the individual's total remuneration. Fixed salary and variable salary together represent the employee's salary.

The fixed salary, in SEK per month, is based on the individual's areas of responsibility and experience. The variable salary shall be related to the outcome of the subsidiaries' results and/or the Group's results after financial items compared with established targets.

As regards the current bonus, the company's cost for the variable salary in the event of a maximum outcome, provided that all bonus-based targets are fulfilled may not exceed SEK 3,750,000 (excluding social security expenses), of which SEK 750,000 to the President, and the bonus to be paid must be fully financed by the surplus generated. This calculation is based on the six people who currently form the company management. The bonus will be evaluated annually and the bonus structure will be re-established each year based on budgeted earnings as the target. The bonus does not qualify for vacation or pension. The variable salary in the bonus program may not exceed 40% of the fixed salary.

The President is entitled to an occupational pension corresponding to a premium amounting to 30% of his current annual salary. Other members of the company management are entitled to a pension based on the ITP plan or equivalent. The retirement age is 65.

Other remuneration and benefits must be at market-related and contribute to the ability of executives to fulfill their duties.

The company management's terms of employment include provisions governing notice of termination. Under these agreements, employment may normally be terminated by the employee subject to a notice period of three to six months and, if termination is initiated by the company, a notice period of six to twelve months.

Unchanged salary is paid during the notice period. The notice period for the President is 12 months if termination is initiated by the company. The Board is entitled to deviate from the above guidelines if the Board deems that particular grounds exist that motivate doing so in an individual case.

**Preparation and decision-making process**

The Board of Directors has appointed a Remuneration Committee that deals with the remuneration paid to the President and other executives who report directly to the President.

**Board of Directors**

During the 2012/2013 fiscal year, the Board Directors received total fees of SEK 1,225,000, allocated as follows: SEK 325,000 (300,000) to the Chairman of the Board, SEK 257,000 (200,000) to the Deputy Chairman of the Board who also served as Chairman of the Audit Committee (this fee refers to the total fees to the outgoing Deputy Chairman and the incoming Deputy Chairman), SEK 163,000 (69,000) to Board members who are ordinary members of the Audit Committee and SEK 138,000 (138,000) to each of the other Board members who served on the Board during the entire fiscal year (see table below). The Chairman of the Board and the other Board members who are not employed by the Group received no other remuneration or benefits during the fiscal year and no pension costs were charged against consolidated earnings.

**President**

During the 2012/2013 fiscal year, President and CEO Magnus Håkansson received salary and other remuneration totaling SEK 3,913,000 (3,211,000), excluding bonus. The President is entitled to a maximum bonus of SEK 750,000 based on the Group's profit before tax and the Group's cash flow. The President received a bonus of SEK 0 (250,000) for the 2012/2013 fiscal year.

RNB's pension costs for President and CEO Magnus Håkansson amounted to SEK 2,133,000 (1,017,000) during the fiscal year, this year including a retroactive premium for the ITP 2 plan. The President is covered by an occupational pension plan corresponding to a premium of 30% of his current annual salary. No restrictions apply to the President's choice of pension solution. The parties agree that the pension provision selected must, under all circumstances, be tax deductible for the company. The ordinary age of retirement is 65.

The President is subject to a notice period of 12 months if termination is initiated by the company, and six months if termination is initiated by the President. Unchanged salary is paid during the notice period for the President.

**Other senior executives**

Other senior executives are defined as those persons who, apart from the President, are members of the Management Team.

During the 2012/2013 fiscal year, the following individuals, in addition to the President, were members of the Group Management: Stefan Danieli, Maria Öqvist, Amelie Söderberg, Marthyn Inghamn, Anders Wiberg, Peter Bondelid and Yongan Kim.

During the 2011/2012 fiscal year, the following individuals, in addition to the President, were members of the Group Management: Gunnar Bergquist, Maria Öqvist, Amelie Söderberg, Marthyn Inghamn, Yongan Kim, Anders Wiberg, Oscar Edholm, Madelene Granath and Sarah Köniq.

## Note 5 Cont.

Remuneration of other senior executives comprises fixed salary, variable salary, pension and other remuneration. Fixed salary and variable salary together constitute the employee's salary. The variable salary is related in part to the outcome of the Group's operating income and the Group's cash flow.

Salary and other remuneration totaling SEK 10,940,000 (11,703,000) were paid to senior executives during the 2012/2013 fiscal year. Bonus amounts totaling SEK 0 (1,211,000) were paid to senior executives during the 2012/2013 fiscal year.

Other senior executives are subject to a notice period of six to twelve months if their employment is terminated by the company and three to six months if it is terminated by the executive. Unchanged salary is paid during the notice period.

The age of retirement for other senior executives is 65. Pension fees are payable either in accordance with the ITP plan or of amounts corresponding to 20–25% of the gross salary of the senior executives. RNB's pension costs for the other senior executives amounted to SEK 3,425,000 (3,060,000) for the 2012/2013 fiscal year.

### Related-party transactions

In January 2005, Polarn O. Pyret signed an agreement relating to a purchasing joint venture with the New Wave Group for the Chinese market and the cooperation has been developed since then by RNB establishing an outlet store in Kosta. RNB's Board member Torsten Jansson is the President of New Wave Group AB. The joint venture commenced before Torsten Jansson was elected

to RNB's Board of Directors. Total procurement from affiliated companies to Torsten Jansson amounted to SEK 3,164,000 (6,940,000). Pricing of the products was based on market-related terms. At August 31, 2013, the RNB Group's outstanding liability to these related companies totaled SEK 0 (734,000).

During the fiscal year, Polarn O. Pyret procured goods from a company in which Mikael Solberg and Ivar Fransson are Board members. Pricing of the products was based on market-related terms. Total procurement from a related company to Mikael Solberg and Ivar Fransson amounted to SEK 209,000 (0). At August 31, 2013, the RNB Group's outstanding debt to the related company amounted to SEK 0.

During the 2009/2010 fiscal year, the RNB Group signed a loan agreement with Konsumentföreningen Stockholm at market-related terms. The loan agreement was renegotiated during the 2012/2013 fiscal year. Further information about both loan agreements is provided in Note 27 and Note 38. During the year, interest charges amounted to SEK 22,679,000 (37,147,000) for loan one and SEK 2,215,000 (2,023,000) for loan two, equivalent to an average interest rate of 6.3% (9.3) for loan one and 5.0% (10.9) for loan two. During the year, interest charges also amounted to SEK 942,000 (0) for the promissory note loan and SEK 2,105,000 (0) for the revolving loan, equivalent to an average interest rate of 1.5% for the promissory note loan and 4.5% for the revolving loan. Outstanding debt on August 31, 2013 amounted to SEK 349 M (500) and accrued interest of SEK 297,000 (8,482,000).

### Remuneration of Board of Directors and President

	Sep 12 – Aug 13			Sep 11 – Aug 12		
	Salaries and directors' fees	Varav bonus	Pensionskostnad	Salaries and directors' fees	Varav bonus	Pensionskostnad
Chairman of the Board, Laszlo Kriss	325.0			300.0		
Board member, Mikael Solberg	137.5			80.2		
Board member, Jan Carlzon	137.5			137.5		
Board member, Torsten Jansson	68.8			137.5		
Board member, Lilian Fossum Biner	112.9			200.0		
Board member, Ann-Sofie Danielsson	143.8			-		
Board member, Nils Vinberg	-			68.8		
Board member, Ivar Fransson	137.5			68.8		
Board member, Per Thunell	162.5			68.8		
Board member, Michael Lemner	-			-		
President and CEO/Board member Magnus Håkansson,	3,913.0	0	2,132.6	3,210.7	250.0	1,017.0
	<b>5,138.5</b>	<b>0</b>	<b>2,132.6</b>	<b>4,272.3</b>	<b>250.0</b>	<b>1,017.0</b>

## Note 6 Remuneration to auditors

	Group		Parent Company	
	Sep 12– Aug 13	Sep 11– Aug 12	Sep 12– Aug 13	Sep 11– Aug 12
Ernst & Young AB				
Audit assignment	2,994	2,674	997	790
Audit work apart from the audit assignment	633	280	589	236
Tax consultancy	446	587	421	287
Other services	0	236	0	115
	<b>4,073</b>	<b>3,777</b>	<b>2,007</b>	<b>1,428</b>

Audit assignments refer to the examination of the annual report and the accounts, as well as the administration of the Board of Directors and President, and advisory services or other assistance resulting from observations made during such examinations or carrying out of such duties. Audit activities beyond audit assignments refer to various forms of quality assurance services that result in reports or certificates etc. and include review of interim reports, for example. Tax consultancy services include advice relating to tax, VAT and private taxation. Everything else is regarded as other services.

**Note 7 Other operating income**

	<b>Group</b>		<b>Parent Company</b>	
	<b>Sep 12– Aug 13</b>	<b>Sep 11– Aug 12</b>	<b>Sep 12– Aug 13</b>	<b>Sep 11– Aug 12</b>
Capital gain on divestment of property, plant and equipment and intangible assets	-	-	-	-
Forwarding other expenses to franchisees	7,351	7,793	-	-
Forwarding other expenses to subsidiaries	-	-	11,506	5,822
Other revenue	2,246	2,284	-	-
	<b>9,597</b>	<b>10,077</b>	<b>11,506</b>	<b>5,822</b>

**Note 8 Other external expenses**

	<b>Group</b>		<b>Parent Company</b>	
	<b>Sep 12– Aug 13</b>	<b>Sep 11– Aug 12</b>	<b>Sep 12– Aug 13</b>	<b>Sep 11– Aug 12</b>
Expenses for premises	395,843	416,799	12,665	18,939
Marketing	98,834	106,649	91	174
Other	241,293	208,045	81,658	96,420
	<b>735,970</b>	<b>731,493</b>	<b>94,414</b>	<b>115,533</b>

**Note 9 Exchange differences**

Group operating income was impacted by exchange differences of SEK +12,202,000 (+15,345,000) during the fiscal year. The exchange differences were attributable to the Group's purchases of goods and are recognized through profit or loss in the item "Goods for resale."

**Note 10 Interest income and similar profit/loss items****Group**

Interest income for 2012/2013 included SEK 4,668,000 (0) for changes in value of currency futures contracts to fair value.

**Parent Company**

Interest income for 2012/2013 included interest income from Group companies of SEK 1,554,000 (1,852,000).

**Note 11 Interest expenses and similar profit/loss items****Group**

Interest expenses for 2012/2013 included SEK 0 (2,141,000) for changes in value of currency futures contracts to fair value.

**Parent Company**

Interest expenses for 2012/2013 included interest expense from Group companies of SEK 0 (312,000).

**Note 12 Taxes****Tax on net income for the year**

	<b>Group</b>		<b>Parent Company</b>	
	<b>Sep 12– Aug 13</b>	<b>Sep 11– Aug 12</b>	<b>Sep 12– Aug 13</b>	<b>Sep 11– Aug 12</b>
Current tax	-578	-47	-	-
Current tax attributable to prior years	78	-54	-	-
Deferred tax	108	30,696	-63,900	22,477
	<b>-392</b>	<b>30,595</b>	<b>-63,900</b>	<b>22,477</b>

**Deferred tax for the year**

	<b>Group</b>		<b>Parent Company</b>	
	<b>Sep 12– Aug 13</b>	<b>Sep 11– Aug 12</b>	<b>Sep 12– Aug 13</b>	<b>Sep 11– Aug 12</b>
Deferred tax pertaining to change in untaxed reserves	-	8,758	-	-
Deferred tax pertaining to loss carryforwards	-63,900	21,538	-63,900	22,477
Deferred tax revenue attributable to impairment of trademark	67,840	-	-	-
Deferred tax expense pertaining to other temporary differences	275	1,130	-	-
Deferred tax revenue pertaining to other temporary differences	-4,107	-730	-	-
	<b>108</b>	<b>30,696</b>	<b>-63,900</b>	<b>22,477</b>

**Tax pertaining to items recognized directly in equity**

	<b>Group</b>		<b>Parent Company</b>	
	<b>Sep 12– Aug 13</b>	<b>Sep 11– Aug 12</b>	<b>Sep 12– Aug 13</b>	<b>Sep 11– Aug 12</b>
Other tax effects*	8,892	-	8,892	-
Unutilized tax effect due to unconsidered effects of loss carryforwards.	-8,892	-	-8,892	-
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* Other tax effect refers to tax recognized directly against equity related to the costs attributable to the rights issue during the year. Tax effect for the year is equivalent to 26.3% of the costs of the rights issue during the year amounting to SEK 33,811,000.

**Note 12** Cont.

**Difference between the Group's tax expense and tax expense based on the current tax rate:**

	<b>Group</b>		<b>Parent Company</b>	
	<b>Sep 12– Aug 13</b>	<b>Sep 11– Aug 12</b>	<b>Sep 12– Aug 13</b>	<b>Sep 11– Aug 12</b>
Recognized loss before tax	-628,327	-359,512	-637,255	-308,801
Tax according to current tax rate, 26.3%	165,250	94,552	167,598	81,215
<b>Tax effect of non-deductible items</b>				
- Impairment of participations in subsidiaries	-	-	-154,559	-52,977
- Impairment of goodwill	-	-52,977	-	-
- Profit/loss on divestment of subsidiaries	-184	-	-	-
- Other, non-deductible	-50,071	-363	-412	-51
<b>Tax effect of non-taxable items</b>				
- Dividends received	-	-	-	-
- Other, non-taxable	1,421	6	1,038	-
Effect of tax change attributable to prior years	78	-54	-	-
Effect of changed tax rate*	34	-	-	-
Effect of other tax rates in foreign subsidiaries	-141	131	-	-
Unutilized and reassessed items**	-116,779	-10,700	-77,565	-5,710
	<b>-392</b>	<b>30,595</b>	<b>-63,900</b>	<b>22,477</b>

\*) Swedish corporation tax has been changed from 26.3% to 22% from fiscal periods beginning on January 1, 2013. Deferred tax is calculated according to the new 22% percentage rate.

\*\*) The tax effect of unutilized and reassessed loss carryforwards.

**Temporary differences relating to the following items have resulted in deferred tax liabilities and deferred tax assets:**

	<b>Group</b>		<b>Parent Company</b>	
	<b>Aug 31, 13</b>	<b>Aug 31, 12</b>	<b>Aug 31, 13</b>	<b>Aug 31, 12</b>
<b>Deferred tax liabilities</b>				
Untaxed reserves	-	-	-	-
Non-current assets				
- Rental rights	-	-280	-	-
- Trademarks	-	-68,304	-	-
- Equipment	-	-	-	-
<b>Deferred tax assets</b>				
Non-current assets				
- Equipment	-	1,224	-	-
Provisions for pensions	-	2,018	-	-
Derivative liabilities	-	1,232	-	-
Loss carryforwards in Sweden	-	63,900	-	63,900
Loss carryforwards in foreign subsidiaries	-	-	-	-
	<b>0</b>	<b>-210</b>	<b>0</b>	<b>63,900</b>

Given the past earnings trend, deferred tax assets attributable to loss carryforwards are recognized only insofar as deferred tax liabilities exist against which to offset them. Unutilized, unrecognized loss carryforwards are found in both the Group's foreign and Swedish units. These amount to SEK 791,180,000 (321,603,000) in total and are allocated as follows between different countries: Sweden SEK 475,643,000 (17,763,000), Norway SEK 113,480,000 (117,501,000), Denmark SEK 109,109,000 (102,839,000), Germany SEK 87,300,000 (83,500,000) and Netherlands SEK 5,648,000 (-).

Utilization of loss carryforwards is not subject to any time limitations.

Deferred tax assets and tax liabilities are offset against each other if there is a legal right to offset the particular tax assets and tax liabilities and if the deferred taxes pertain to the same tax authority. After such offsetting, the following amounts arose and were recognized in the balance sheet:

	<b>Group</b>		<b>Parent Company</b>	
	<b>Aug 31, 13</b>	<b>Aug 31, 12</b>	<b>Aug 31, 13</b>	<b>Aug 31, 12</b>
Deferred tax assets	-	-	-	63,900
Deferred tax liabilities	-	-210	-	-
	<b>0</b>	<b>-210</b>	<b>0</b>	<b>63,900</b>

#### Note 13 Earnings per share

RNB has no outstanding equity instruments that imply a dilutive effect. With this in mind, earnings per share and the average number of shares refers to before and after dilution. Calculation of the average number of shares was based on the following reconciling items and has been adjusted to take account of the 200:1 reverse share split, which was carried out during the 2012/2013 fiscal year.

Period	Number of shares at end of period	
	Sep 12–Aug 13	Sep 11–Aug 12
Sep 1 – May 5	827,126	827,126
May 6 – May 31	33,912,176	827,126
June 1 – Aug 31	33,912,176	827,126

The average number of outstanding shares based on the above amounted to 11,523,115 (827,126)

Earnings per share are obtained by dividing net income for the year by the average number of shares.

#### Note 14 Intangible assets

The Group has significant values in respect of goodwill. The previous carrying amount in respect of trademarks has been written-down in full during 2012/2013.

##### Goodwill

The goodwill that resulted from previous year's acquisition of subsidiaries pertained to synergies that became available as a result of the acquisitions. The anticipated synergies relate to more streamlined logistics, mergers and more favorable purchasing terms from external suppliers. The carrying amount for the Group's goodwill at August 31, 2013 was SEK 483,673,000 (483,673,000). Goodwill is allocated among the operating segments as follows: Polarn O. Pyret SEK 1,660,000 (1,660,000), Departments & Stores SEK 233,445,000 (233,445,000) and Brothers & Sisters SEK 248,568,000 (248,568,000). Impairment testing of the carrying amount of goodwill was conducted in accordance with the conditions described below.

##### Trademark

In addition to goodwill, the Group held the JC trademark, which after impairment testing in quarter 2 2012/13 was written-down to SEK 0 (259,712,000). The impairment testing was carried out according to the conditions described below.

##### Impairment testing

Goodwill associated with the Group's operating segments that are deemed to be the lowest cash-generating units is tested for impairment every year. The Group has a considerable value in respect of goodwill and the recoverable amount of the items included is based on the same key assumptions.

Impairment testing is based on calculations of future values in use. The calculations are based on forecasts of cash flows over the period 2013/2014– 2017/2018 (5 years), linked to the Group's budget and strategic plans, and, thereafter, on a perpetual flow (terminal period), since it is not possible to establish a limited useful life for these assets.

The cash flows of the operating segments are affected by commercial factors such as market growth, competitiveness, margins, cost trend, investment levels and tied-up working capital. Additional assessment of such factors the interest rate level, borrowing costs, market risk, beta values and tax rates is performed in connection with discounting. Refer also to the comments below regarding key assumptions.

Forecast cash flows during the terminal period are based on an annual growth rate of 3% (3), which corresponds to the long-term growth rate of the market. The forecast cash flows have been calculated at present value based on a discount rate of 9.5% (9.7) after tax, corresponding to approximately 11.0% (11.3) before tax. The discount rate is calculated as a weighted average between return on equity and borrowed capital (WACC). The forecast corresponds to prior experiences and external sources of information. All operating segments are deemed to have a similar risk profile, which is why the same discount rate is used.

The impairment tests conducted in 2012/2013 resulted, as a result of the then trend and performance in the JC operating segment, in a revision of future expectations, which meant that the prior carrying amount of the trademark was indefensible. Therefore, as described above, an impairment of SEK 259,712,000 was made to the trademark associated with the JC operating segment. The impairment tests carried out in 2011/2012 resulted in an impairment of goodwill of SEK 201,432,000 related to the Brothers & Sisters operating segment. After prior impairments, a carrying amount for goodwill of SEK 248,568,000 remains for the Brothers & Sisters operating segment and a total of SEK 483,673,000 for all of the operating segments.

##### Sensitivity analysis

A general analysis of the sensitivity of the variables utilized has been performed.

Assuming a decline in the annual growth rate from 3% to 2% does not imply any need for impairment of the carrying amounts of either the goodwill or trademarks of the Polarn O. Pyret and Departments & Stores operating segments. (Nor does a decline to 1% imply any need for impairment.) A corresponding decline for the Brothers & Sisters operating segment would imply an additional goodwill impairment need of SEK 25 M (SEK 51 M in the event of a decline to 1%).

An assumption of an increase in the discount rate from 11.0% to 12.0% or 13.0% before tax, does not imply any impairment need for the Polarn O. Pyret and Departments & Stores operating segments. A corresponding increase for the Brothers & Sisters operating segment would result in an additional need to impair the goodwill by SEK 33 M (SEK 67 M in the event of an increase to 13.0%).

For both the Polarn O. Pyret and Departments & Stores operating segments, a combination of the above-mentioned changed assumptions would not result in any impairment need either.

A maintained level of results during the entire forecast period for the Polarn O. Pyret and Departments & Stores operating segments would mean that the carrying amounts were defensible, and that no impairment need would exist. Deviations in the forecast cash flows during individual years affect impairment testing, although the decisive factor for the model is the expected sustainable operating income and cash flow. To justify the book value of the carrying amount for goodwill, the Brothers & Sisters operating segment must operate on the basis of sustainable operating income of about SEK 24 M, corresponding to operating on the basis of a sustainable cash flow of about SEK 31 after tax. A deviation from the sustainable operating income and cash flow after tax for the Brothers & Sisters operating segment of about SEK 10 M would impact the value of goodwill by about SEK 80–90 M.

##### Other key assumptions

In addition to the above, comments are provided below on a number of assumptions linked to the assessment of future cash flows.

##### Sales, market share and growth

In the past fiscal year, the company lost market shares since the product range did not match customer expectations. It is a natural part of all fashion retail operations that collection outcomes vary. The company's assessment is based on the downturn not being structural and on recapturing at least some of the market shares by performing "normally" in terms of range creation. Accordingly, sales in comparable stores are expected to be positive during the forecast period. The performed impairment tests are based on the

**Note 14 Cont.**

existing store network and franchisee structure. Sensitivity analysis relating to sales growth for the Brothers & Sisters operating segment indicates that a decrease in annual sales growth of 1%, would impact sustainable operating income negatively by about SEK 12 M, based on the adopted budget for 2013/2014. In such a scenario, an impairment need of about SEK 100 of the carrying amount of goodwill would arise.

**Gross margins**

During the preceding fiscal year, gross margins improved slightly, primarily due to less discount sales on account of normalized inventory levels, and improved initial margins from lower costs prices. Inventories are still satisfactory both in terms of level and composition. In light of this and certain other measures that have been taken, our view is that the gross margin will increase, not least due to the completed closure of Sisters during 2013/2014. The calculation model is based on an assumption that the gross margin over a 5-year period will increase by about 3% overall. Sensitivity analysis relating to the impact of the gross margin on sustainable operating income shows that an unchanged gross margin during the entire period would impact sustainable operating income by about SEK -19 M, resulting in an impairment need of just over SEK 150 M.

**Overhead costs**

Overhead costs are essentially expected to grow with sales except certain common expenses that are expected to grow with inflation.

**Personnel expenses**

The forecast for personnel expenses is based on expected inflation, a certain increase in real salaries and planned efficiency improvements. Personnel expenses are the largest individual cost item for the Brothers & Sisters operating segment, corresponding to just over 35% of total overhead costs. A 1% change in personnel expenses annually would impact sustainable operating income by about SEK 1-2 M.

**Expenses for premises**

The forecast for expenses for premises is based on expected inflation and certain rent adjustments. Expenses for premises are equivalent to almost 25% of total overhead costs. A 1% change in expenses for premises annually would impact sustainable operating income by about SEK 1 M.

Measures have been taken to improve the trend/performance, such as enhancing the product range, optimizing inventories, streamlining processes and cost savings.

**Note 15 Trademarks**

Group	Aug 31, 13	Aug 31, 12
Opening cost	500,000	500,000
<b>Closing accumulated cost</b>	<b>500,000</b>	<b>500,000</b>
Opening impairment	-240,288	-240,288
Impairment for the year	-259,712	-
<b>Closing accumulated impairment</b>	<b>-500,000</b>	<b>-240,288</b>
<b>Closing residual value</b>	<b>0</b>	<b>259,712</b>

**Note 16 Software**

Group	Aug 31, 13	Aug 31, 12
Opening cost	162,356	124,054
Acquisitions during the year	14,442	38,302
Disposals for the year	-88,738	-
<b>Closing accumulated cost</b>	<b>88,060</b>	<b>162,356</b>
Opening amortization	-68,506	-44,606
Disposals for the year	26,881	-
Amortization for the year	-21,396	-23,900
<b>Closing accumulated amortization</b>	<b>-63,021</b>	<b>-68,506</b>
Opening amortization	0	0
Disposals for the year	60,686	-
Amortization for the year	-60,686	-
<b>Closing accumulated impairment</b>	<b>0</b>	<b>0</b>
<b>Closing planned residual value</b>	<b>25,039</b>	<b>93,850</b>

The Group's non-current assets include lease items pertaining to IT platforms held on the basis of financial lease agreements with a cost of SEK 52,837,000 (57,007,000) and accumulated amortization amounting to SEK 51,110,000 (47,892,000). The carrying amount thus amounts to SEK 1,727,000 (6,115,000).

Parent Company	Aug 31, 13	Aug 31, 12
Opening cost	104,066	72,341
Disposals for the year	-87,352	-
Acquisitions during the year	14,442	31,725
<b>Closing accumulated cost</b>	<b>31,156</b>	<b>104,066</b>
Opening amortization	-17,697	-6,659
Disposals for the year	26,666	0
Amortization for the year	-17,185	-11,038
<b>Closing accumulated amortization</b>	<b>-8,216</b>	<b>-17,697</b>
Opening impairment	0	0
Disposals for the year	60,686	-
Impairment for the year	-60,686	-
<b>Closing accumulated impairment</b>	<b>0</b>	<b>0</b>
<b>Closing planned residual value</b>	<b>22,940</b>	<b>86,369</b>

All lease agreements in the Parent Company are recognized as operating leases, irrespective of whether they are financial or operating leases.

**Note 17 Rental rights**

Group	Aug 31, 13	Aug 31, 12
Opening cost	191,910	188,157
Acquisitions during the year	2,432	15,861
Divestments and disposals for the year	-600	-12,498
Translation difference	0	390
<b>Closing accumulated cost</b>	<b>193,742</b>	<b>191,910</b>
Opening amortization	-150,088	-153,926
Divestments and disposals for the year	436	7,863
Amortization for the year	-4,616	-3,744
Translation difference	0	-281
<b>Closing accumulated amortization</b>	<b>-154,268</b>	<b>-150,088</b>
Opening impairment	-14,202	-18,730
Divestments and disposals for the year	-	4,605
Impairment for the year	-13,110	-
Translation difference	0	-77
<b>Closing accumulated impairment</b>	<b>-27,312</b>	<b>-14,202</b>
<b>Closing planned residual value</b>	<b>12,162</b>	<b>27,620</b>

**Note 18 Goodwill**

Group	Aug 31, 13	Aug 31, 12
Opening cost	483,673	685,105
Impairment for the year	-	-201,432
<b>Closing accumulated cost</b>	<b>483,673</b>	<b>483,673</b>

**Goodwill item allocated by segment:**

	Aug 31, 13	Aug 31, 12
Polarn O. Pyret	1,660	1,660
Departments & Stores	233,445	233,445
JC	-	0
Brothers & Sisters	248,568	248,568
<b>Closing accumulated cost</b>	<b>483,673</b>	<b>483,673</b>

**Note 19 Equipment and store fittings**

Group	Aug 31, 13	Aug 31, 12
Opening cost	544,710	570,206
Acquisitions during the year	66,385	74,520
Divestments and disposals for the year	-75,846	-93,606
Translation difference	1,853	-6,410
<b>Closing accumulated cost</b>	<b>537,102</b>	<b>544,710</b>
Opening depreciation	-400,095	-437,807
Divestments and disposals for the year	74,439	91,790
Depreciation for the year	-55,985	-59,409
Translation difference	-1,289	5,331
<b>Closing accumulated depreciation</b>	<b>-382,930</b>	<b>-400,095</b>
Opening impairment	0	-458
Disposals for the year	-	458
Impairment for the year	-48,396	-
<b>Closing accumulated impairment</b>	<b>-48,396</b>	<b>0</b>
<b>Closing planned residual value</b>	<b>105,776</b>	<b>144,615</b>

The Group's non-current assets include lease items pertaining to store fittings held on the basis of financial lease agreements with a cost of SEK 41,461,000 (51,593,000) and accumulated depreciation amounting to SEK 28,695,000 (24,568,000). The carrying amount is thus SEK 12,766,000 (27,025,000).

Parent Company	Aug 31, 13	Aug 31, 12
Opening cost	54,992	57,506
Purchasing during the year	868	19
Divestments and disposals for the year	-251	-2,533
<b>Closing accumulated cost</b>	<b>55 609</b>	<b>54 992</b>
Opening depreciation	-53,055	-51,897
Divestments and disposals for the year	217	2,533
Depreciation for the year	-1,675	-3,691
<b>Closing accumulated depreciation</b>	<b>-54,513</b>	<b>-53,055</b>
Opening impairment	0	0
Disposals for the year	-	-
Impairment for the year	-	-
<b>Closing accumulated impairment</b>	<b>0</b>	<b>0</b>
<b>Closing planned residual value</b>	<b>1,096</b>	<b>1,937</b>

All lease agreements in the Parent Company are recognized as operating leases, irrespective of whether they are financial or operating leases.

## Note 20 Participations in subsidiaries

Company	Corporate identity no.	Registered office	Number	Share of equity (%)	Carrying amount
Ängsviol Blomstern AB	556539-1926	Stockholm	1,000	100	-
Polarn O. Pyret AB	556235-7383	Stockholm	10,000	100	46,000
PO.P International NO AB	556889-3662	Stockholm	500	100	-
PO.P International IP AB	556889-3704	Stockholm	500	100	-
PO.P International OTH AB	556889-3613	Stockholm	500	100	-
PO.P International Suomi AB	556890-1630	Stockholm	500	100	-
PO.P International UK AB	556899-3654	Stockholm	500	100	-
Polarn O. Pyret Netherlands B.V.	852 123 747	Amsterdam	1	100	-
Portwear AB	556188-7513	Stockholm	1,911,680	100	270,654
Departments & Stores Europe AB	556541-8778	Stockholm	810,000	100	-
DSE Konfektion AB	556911-5081	Stockholm	500	100	-
Departments & Stores Denmark ApS	30 27 43 18	Copenhagen	1	100	-
Brothers & Sisters AB	556468-8991	Stockholm	37,147,880	100	335,000
JC Sverige AB	556308-6734	Stockholm	1,000	100	-
Brothers & Sisters Sweden AB	556513-6826	Stockholm	1,000	100	-
JC Jeans & Clothes AS	961 313 880	Oslo	500	100	-
Nordic Textile Grosshandels GmbH	HR B 52245	Cologne	1	100	-
JC Jeans & Clothes Oy	760.404	Helsinki	4,000	100	-
Far East Ltd.	1 642 223	Hong Kong	1	100	-
<b>Carrying amount</b>					<b>651,654</b>

The shareholding and proportion of voting rights are the same in all companies.

Parent Company	Aug 31, 13	Aug 31, 12
Opening carrying amount	945,226	1,146,658
Acquisitions during the year	-	250
Divestments during the year	-	-250
Shareholders' contribution paid	294,105	-
Impairments during the year	-587,677	-201,432
<b>Closing carrying amount</b>	<b>651,654</b>	<b>945,226</b>

Impairment losses for the year of SEK 355,633,000 (201,432,000) are attributable to Brothers & Sisters AB as well as the shareholders' contributions paid from the Parent Company to the subsidiaries, which were impairment tested.

## Note 21 Inventories

Of the total recognised inventories of SEK 409,769,000 (483,763,000), SEK 105,567,000 (56,589,000) represents inventories recognized at fair value less selling expenses. The remainder is recognized at cost. Inventories consist exclusively of goods for resale.

## Note 22 Other receivables

Group	Aug 31, 13	Aug 31, 12
Other receivables	16,833	20,679
	<b>16,833</b>	<b>20,679</b>

Parent Company	Aug 31, 13	Aug 31, 12
Other receivables	934	365
	<b>934</b>	<b>365</b>

Other receivables are expected to be received within 12 months.

**Note 23 Prepaid expenses and accrued income**

Group	Aug 31, 13	Aug 31, 12
Prepaid rent	30,215	34,445
Prepaid other expenses	29,343	42,697
Derivative assets	-	-
Accrued income	10,110	21,062
	<b>69,668</b>	<b>98,204</b>

Parent Company	Aug 31, 13	Aug 31, 12
Prepaid rent	1,257	471
Prepaid leasing	423	696
Prepaid other expenses	4,952	7,868
	<b>6,632</b>	<b>9,035</b>

In accordance with IAS 39, derivative assets are classified in the category financial assets measured at fair value through profit or loss and accrued income is classified in the loan receivables category; read more in Note 38.

**Note 24 Cash and cash equivalents**

Cash and cash equivalents are held in the following currencies.

Group	Rate Aug 31, 13	Rate Aug 31, 12	Aug 31, 13	Aug 31, 12
SEK			21,161	1,995
NOK	1.08	1.15	610	899
DKK	1.17	1.12	15	162
USD	6.59	6.68	4,116	3,284
EUR	8.73	8.35	18,269	21,868
HKD	0.85	0.86	2,675	1,503
			<b>46,846</b>	<b>29,711</b>

Parent Company	Rate Aug 31, 13	Rate Aug 31, 12	Aug 31, 13	Aug 31, 12
SEK			19,119	-
EUR	8.73	8.35	-	78
			<b>19,119</b>	<b>78</b>

**Note 25 Provisions for pensions**

The Group's net obligation relating to defined-benefit plans is calculated by estimating the future payments vested to employees through their employment during both the current and prior periods. This amount is discounted to present value and the fair value of any plan assets is deducted.

The defined-benefit pension plans are unfunded, which is why no plan assets are recognized. All defined-benefit plans relate to Sweden. As shown in Note 1 Accounting policies, the pension insurance with Alecta is treated as a defined-contribution plan.

**Pensions and other remuneration, post-employment Defined-benefit plans**

Group	Aug 31, 13	Aug 31, 12
Present value of unfunded obligations	1,556	9,626
Unrecognized actuarial gains (+) and losses (-)	0	2,683
	<b>1,556</b>	<b>12,309</b>

**Historical development of current value of unfunded obligations**

Group	Aug 31, 13
August 31, 2011	20,627
August 31, 2010	24,050
August 31, 2009	27,131

**Change in net obligation for defined-benefit plans recognized in the balance sheet**

Group	Aug 31, 13	Aug 31, 12
Net obligation for defined-benefit plans, September 1	12,309	15,637
Remuneration paid	-	-
Costs recognized through profit or loss	-2,887	5,930
Redemption of obligations	-7,866	-9,258
<b>Net obligation for defined-benefit plans, August 31</b>	<b>1,556</b>	<b>12,309</b>

**Assumptions underlying defined-benefit obligations Principal actuarial assumptions on the balance sheet date**

Group	Aug 31, 13	Aug 31, 12
Discount rate on August 31, %	4.25	3.70
Future increase in pensions, %	1.50	1.50

**Costs recognized through profit or loss**

Group	Sep 12 – Aug 13	Sep 11 – Aug 12
Adjustments of unrecognized actuarial gains/losses due to redemption	-2,193	2,240
Actuarial gains/losses through profit or loss for the period	-910	2,927
Interest	216	763
	<b>-2,887</b>	<b>5,930</b>

**Costs recognized under the following items through profit or loss**

Group	Sep 12 – Aug 13	Sep 11 – Aug 12
Personnel expenses	-3,103	5,167
Interest expenses and similar profit/loss items	216	763
	<b>-2,887</b>	<b>5,930</b>

**Note 25 Cont.**

For the 2012/2013 fiscal year, the Group's expenses for defined-contribution pension plans amounted to SEK 37.6 M (27.9).

For the 2013/2014 fiscal year, redemption of pension liabilities is expected to be significantly lower than the redemption, which took place in fiscal year 2012/2013. Redemption during 2013/2014 is expected to be at a level corresponding to outstanding liabilities as of August 31, 2013.

**Note 26 Liabilities to credit institutions and other non-current liabilities**

The Group has raised loans from Konsumentföreningen Stockholm (refer to Notes 27 and 38), which are recognized as other non-current liabilities. The entire liability falls due for repayment within five years.

Remaining liabilities to credit institutions pertain to financial lease agreements. The present value of future repayment obligations resulting from these financial lease agreements is recognized as "liabilities to credit institutions" amounting to SEK 21,531,000 (37,357,000), including a short-term portion of SEK 7,111,000 (15,423,000). The entire liability falls due for repayment within 5 years.

The Group's average interest rates on loans and overdraft facilities amounted to:

Group	Sep 12 – Aug 13	Sep 11 – Aug 12
Konsumentföreningen Stockholm, loan 1	6.26%	9.29%
Konsumentföreningen Stockholm, loan 2	5.00%	10.86%
Konsumentföreningen Stockholm, promissory note loan	1.50%	-
Konsumentföreningen Stockholm, revolving loan	4.50%	-
Overdraft facilities with SEB	4.41%	3.20%

**Note 27 Other non-current liabilities**

During the year, the company renegotiated its loans from the company's principal owner, Konsumentföreningen Stockholm. The rights issue carried out during the year meant that the loans could be paid down, and the loan terms were renegotiated in connection with this. The company has two loans of SEK 200 M each, of which one is a promissory note loan and the other is a revolving loan. The utilized loan facility on August 31, 2013 was SEK 349 M. Both loans run until May 2016, with possibility of extension of the promissory note loan until May 2017. Both loans are free from redemption until the maturity date. The terms of the loans are market-related. The Group fulfills the covenants contained in the prevailing agreements with creditors.

Note 38 describes the terms and conditions of the loan agreements entered into.

**Maturity structure of long-term borrowing is distributed as follows:**

	Group		Parent Company	
	Aug 31, 2013	Aug 31, 2012	Aug 31, 2013	Aug 31, 2012
between 1 and 2 years	-	-	-	-
between 2 and 5 years	349,000	500,000	349,000	500,000
more than 5 years	-	-	-	-
	<b>349,000</b>	<b>500,000</b>	<b>349,000</b>	<b>500,000</b>

**Note 28 Overdraft facilities****Group**

On August 31, 2013, approved overdraft facilities amounted to SEK 100 M (200).

**Parent Company**

On August 31, 2013, approved overdraft facilities amounted to SEK 100 M (200).

**Note 29 Accounts payable**

Accounts payable are held in the following currencies.

Group	Rate Aug 31, 13	Rate Aug 31, 12	Aug 31, 13	Aug 31, 12
SEK			181,252	266,175
NOK	1.08	1.15	4	-613
DKK	1.17	1.12	78	49
USD	6.59	6.68	17,219	23,664
EUR	8.73	8.35	61,292	36,816
HKD	0.85	0.86	584	5,137
GBP	10.23	10.54	543	110
			<b>260,972</b>	<b>331,338</b>

The payment terms of accounts payable are 10-90 days.

Parent Company	Rate Aug 31, 13	Rate Aug 31, 12	Aug 31, 13	Aug 31, 12
SEK			12,267	16,123
NOK	1.08	1.15	0	7
USD	6.59	6.68	0	1
EUR	8.73	8.35	705	5
			<b>12,972</b>	<b>16,136</b>

The payment terms of accounts payable are 10-90 days.

**Note 30 Other liabilities**

Group	Aug 31, 13	Aug 31, 12
Value added tax	16,536	9,063
Personnel-related taxes	18,090	16,263
Gift vouchers	20,193	21,972
Other	5,257	4,753
	<b>60,076</b>	<b>52,051</b>

Parent Company	Aug 31, 13	Aug 31, 12
Value added tax	1,135	2,489
Personnel-related taxes	1,530	2,382
Gift vouchers	-	-
Other	-	-
	<b>2,665</b>	<b>4,871</b>

**Note 31** Accrued expenses and deferred income

Group	Aug 31, 13	Aug 31, 12
Accrued vacation and payroll liabilities	67,877	67,561
Accrued social security expenses	38,525	36,410
Derivative liabilities	16	4,685
Accrued interest	171	8,991
Accrued expenses related to stores and concepts approved for discontinuation.	35,262	-
Other accrued expenses	37,538	37,470
Deferred income	273	1,688
	<b>179,662</b>	<b>156,805</b>

Accrued expenses related to stores and concepts approved for discontinuation consist partly of rental costs and termination expenses for personnel in JC stores which have been earmarked for closure and well as reserved expenses for discontinuation of retail space related to the Sisters concept.

Parent Company	Aug 31, 13	Aug 31, 12
Accrued vacation and payroll liabilities	5,103	4,314
Accrued social security expenses	6,701	3,660
Accrued interest	171	8,991
Other accrued expenses	10,175	17,922
	<b>22,150</b>	<b>34,887</b>

In accordance with IAS 39, derivative liabilities are classified in the category financial liabilities measured at fair value through profit or loss and accrued expenses are classified in the category other financial liabilities; read more in Note 38.

**Note 32** Pledged assets**For liabilities to credit institutions and overdraft facilities**

Group	Aug 31, 13	Aug 31, 12
Chattel mortgages	790	175,790
Assets with reservation of title	14,493	33,140
Shares in subsidiaries	366,968	613,639
	<b>382,251</b>	<b>822,569</b>

Parent Company	Aug 31, 13	Aug 31, 12
Shares in subsidiaries	316,654	254,593
	<b>316,654</b>	<b>254,593</b>

**Note 33** Contingent liabilities

Group	Aug 31, 13	Aug 31, 12
Other guarantees	127	458
	<b>127</b>	<b>458</b>

Parent Company	Aug 31, 13	Aug 31, 12
Guarantees for subsidiaries	46,789	46,465
	<b>46,789</b>	<b>46,465</b>

**Note 34** Rental and operating lease agreements**Group and Parent Company**

The Group and the Parent Company have entered into operating lease agreements regarding stores and offices subject to the following non-terminable rental commitments.

Fees during the fiscal year	Group	Parent Company
September 2012 – August 2013	407,056	23,972
September 2011 – August 2012	412,437	26,824

Fixed rental fees for the year amounted to SEK 404,397,000 (SEK 409,152,000) and the sales-based fee to SEK 2,659,000 (3,285,000).

**The Group's future commitments for lease and rental agreements amount to the following:**

	Group		Parent Company	
Fees that are due	Sep 12 – Aug 13	Sep 11 – Aug 12	Sep 12 – Aug 13	Sep 11 – Aug 12
Within 1 year	371,048	390,393	25,855	33,473
Within 2-5 years	407,835	454,076	38,632	27,662
More than 5 years	237	3,027	-	-

This refers to both of the fixed rental fees.

Of the future rental commitments listed above, SEK 24,738,000 (43,011,000) consists of financial lease agreements in the Group. This amount refers to undiscounted rental commitments. Discounted rental commitments relating to financial lease agreements amounted to SEK 21,531,000 (37,357,000).

**Note 35** Statement of cash flows**Adjustment for non-cash items**

Group	Aug 31, 13	Aug 31, 12
Depreciation, amortization and impairments	204,189	87,054
Impairment of goodwill and trademark	259,712	201,432
Capital gain on sale of non-current assets	1,108	-
Capital loss on sale of subsidiaries	700	-
Other adjustments	-17,397	-23,544
	<b>448,312</b>	<b>264,942</b>

Parent Company	Aug 31, 13	Aug 31, 12
Depreciation, amortization and impairments	79,545	14,729
Capital gain on divestment of dormant companies	-	-
	<b>79,545</b>	<b>14,729</b>

Cash and cash equivalents in the cash flow statement comprise cash and bank balances amounting to SEK 46,846,000 (29,711,000) for the Group and SEK 19,119,000 (78,000) for the Parent Company at August 31, 2013.

### Note 36 Acquisition and divestment of subsidiaries

During the 2012/2013 fiscal year, Polarn O. Pyret Netherlands B.V. was formed with a capital investment of EUR 1 and DSE Konfektion AB through a new issue of SEK 50 M.

During the comparative year 2011/2012, PO.P International UK AB, PO.P International NO AB, PO.P International Suomi AB, PO.P International IP AB, PO.P International OTH AB and RNB Far East Ltd were formed. These five PO.P companies were formed through rights issues of SEK 50,000 per company. RNB Far East Ltd. was formed through a capital contribution of HKD 1. Accordingly, the formation of these companies did not have any impact on the Group's cash and cash equivalents.

#### The fair value of the assets and liabilities acquired during the 2011/2012 fiscal year is stated below:

Item	Stores acquired by the JC segment	Stores acquired by the Brothers & Sisters segment
Rental rights	8,360	3,800
Store equipment	9,650	7,750
<b>Purchase price paid</b>	<b>18,010</b>	<b>11,550</b>
Set-off against outstanding receivables	-18,010	-11,550
<b>Impact on the Group's cash and cash equivalents</b>	<b>0</b>	<b>0</b>

#### The fair value of the assets and liabilities sold during the 2012/2013 fiscal year is stated below:

Item	Kosta Outlet Mode AB
Equipment	101
Inventories	7,844
Current receivables	592
Cash and cash equivalents	208
Current liabilities	-9,335
<b>Purchase price paid</b>	<b>-590</b>
Cash and cash equivalents in the divested company	-208
<b>Impact on the Group's cash and cash equivalents</b>	<b>-798</b>

### Note 37 Results from participations in Group companies

Parent Company	Aug 31, 13	Aug 31, 12
Impairment of shares in subsidiaries	-587,677	-201,432
Group contributions received	70,725	101,150
Group contributions paid	0	-136,400
	<b>-516,952</b>	<b>-236,682</b>

### Note 38 Financial instruments

#### Financial assets

The financial assets that are available for utilization by the Group consist of cash and cash equivalents, accounts receivable, loan receivables, accrued income and financial assets measured at fair value through profit and loss. All amounts stated below under cash and cash equivalents, loan receivables, accounts receivables, accrued income and currency futures contracts correspond to the carrying amounts in the Group. The carrying amounts correspond to the fair values of each particular asset.

#### Cash and cash equivalents

Cash and cash equivalents are deposited in bank accounts at standard rates of interest. On August 31, 2013, cash and cash equivalents amounted to SEK 46,846,000 (29,711,000) for the Group and SEK 19,119,000 (78,000) for the Parent Company.

#### Loan receivables and accounts receivables

The terms for payment of accounts receivables are 10-30 days. Certain customers benefitted from extended repayment plans. On August 31, 2013, accounts receivable falling due within one year amounted to SEK 114,994,000 (134,343,000) for the Group and SEK 0 (0) for the Parent Company. In addition, non-current receivables, which are interest-based, amounted to SEK 5,425,000 (16,364,000).

Age analysis accounts receivable	Aug 31, 13	Aug 31, 12
Not due	98,773	73,493
< 60 days	14,013	18,148
60-90 days	3,296	4,449
90-180 days	6,825	16,564
> 180 days	27,176	73,854
<b>Total accounts receivable</b>	<b>150,083</b>	<b>186,508</b>
Provision for depreciation/amortization	-35,089	-52,165
<b>Total</b>	<b>114,994</b>	<b>134,343</b>

Age analysis other non-current receivables	Aug 31, 13	Aug 31, 12
Not due	16,316	16,364
<b>Total other non-current receivables</b>	<b>16,316</b>	<b>16,364</b>
Provision for depreciation/amortization	-10,891	0
<b>Total</b>	<b>5,425</b>	<b>16,364</b>

The need for impairment concerning accounts receivable is tested on an individual basis as well as according to certain general principles. Receivables from customers benefitting from extended repayment plans are not recognized as due in the above age analysis as long as the repayment plans are followed.

Provisions for doubtful receivables have been changed as follows:

	Aug 31, 13	Aug 31, 12
Opening provisions	52,165	56,321
Provisions for probable losses	33,199	16,292
Confirmed losses	-39,384	-20,448
<b>Closing provisions</b>	<b>45,980</b>	<b>52,165</b>

**Note 38 Cont.****Accrued income**

Accrued income amounted to SEK 10,110,000 (21,062,000).

**Financial liabilities**

The financial liabilities that are available for utilization by the Group consist of accounts payable, overdraft facilities, loans from credit institutions, other loan liabilities, accrued costs and financial liabilities measured at fair value through profit and loss. All amounts stated below under financial liabilities correspond to the carrying amounts in the Group. The carrying amounts correspond to the fair values of each particular liability.

**Accounts payable**

The Group's accounts payable consist mainly of liabilities in SEK, EUR and USD. The terms for payment of accounts payable are 10–90 days. Also refer to Note 29, for a description of the composition of accounts payable by currency.

**Financial liabilities measured at fair value through profit or loss**

Outstanding hedging and value on August 31, 2013:

Currency	Hedged volume	Fair value	Number of hedged months
USD	500	41	0–6 months
EUR	2,000	–57	0–6 months
<b>Total</b>		<b>–16</b>	

Changes in fair value of futures contracts are recognized through profit or loss; also refer to Notes 10 and 11. The item is recognized in the balance sheets under "Prepaid expenses and accrued income." All hedging contracts mature within 12 months.

**Overdraft facilities**

The Group and Parent Company have an overdraft facility with SEB totaling SEK 100 M (200) at August 31, 2013. Utilized amounts at August 31, 2013 amounted to SEK 0 M (83.7) and are recognized as current liabilities.

The overdraft facility is raised with SEB and the credit agreement contains covenants, of which the key financial covenant is that the Group's net debt with SEB must have a clean down period of three days in the second quarter and of three days in the fourth quarter. In accordance with an agreement between the company and SEB, the company did not need to meet this covenant during the second quarter of 2012/2013, while the covenant was met during the fourth quarter of 2012/13.

The interest rate on the overdraft facility is variable and the average interest rate in 2012/2013 was 4.41% (3.20).

After the end of the fiscal year, the Company entered into an agreement with Danske Bank for provision of banking services and business financing, including an overdraft facility. The maximum facility amounts to SEK 140 M, with flexibility for allocation of credit between overdraft and guarantees or equivalent. The interest rate on the overdraft facility is variable and is expected to amount to about 3.25%. This financing replaces the existing financing with SEB. No specific financial covenants are attached to the new financing with Danske Bank.

**Other loan liabilities**

In a prior fiscal year, the Group raised two loans totalling SEK 500 M with Konsumentföreningen Stockholm, which is also a principal owner of the company. In the 2012/2013 fiscal year, the company raised another loan of SEK 150 in total from Konsumentföreningen Stockholm. Both loans were raised on market-related terms. As stated in the Board of Directors' Report, prior to the rights issue carried out during the spring of 2013, the company renegotiated the loans, with the effect that the outstanding loans were repaid, and two new loans were raised, each loan of SEK 200 M. Loan 1 is a promissory note loan, whereas loan 2 is a revolving loan, of which SEK 149 M was utilized at the expiry of the fiscal year. The credit facility allowed under the revolving loan is SEK 200 M and is available based on the needs of the Group. The total credit commitment with Konsumentföreningen Stockholm subsequently amounts to a maximum of SEK 400 M. Both loans run subject to a term of three years, with repayment in May 2016. The promissory note loan may be extended by one year, to maturity in May 2017. Both loans are free from redemption until the maturity date and are recognized as non-current liabilities. The entire liability falls due for repayment within five years. No specific financial covenants are attached to the loans with Konsumentföreningen Stockholm.

The current interest rate on August 31, 2013 was 1.50% for the promissory note loan and 4.50% for the revolving loan. The average interest rate in 2012/2013 was 5.71% for the previous loans. The loans run according to variable rates of interest, based on Stibor, including an additional margin.

**Loans relating to financial leases**

The present value of future repayment obligations resulting from these financial lease agreements is recognized as "liabilities to credit institutions" amounting to SEK 21,531,000 (37,357,000), including a short-term portion of SEK 7,111,000 (15,423,000). The entire liability falls due for repayment within 5 years.

**Accrued expenses**

Accrued expenses primarily comprise personnel-related items; see Note 31.

**Group, August 31, 2013**

Financial assets	Assets measured at fair value through profit or loss	Loan receivables and accounts receivable	Other financial assets	Total
Accounts receivable		114,994		114,994
Other receivables		22,258		22,258
Accrued income		10,110		10,110
Derivatives	0			0
Cash and cash equivalents			46,846	46,846
				<b>194,208</b>

**Note 38 Cont.**

<b>Financial liabilities</b>	Liabilities measured at fair value through profit or loss	Other financial liabilities	<b>Total</b>
Accounts payable		260,972	260,972
Derivatives	16		16
Loans from credit institutions		21,531	21,531
Overdraft facilities		0	0
Other loan liabilities		349,000	349,000
Other liabilities		60,076	60,076
Accrued expenses		179,646	179,646
			<b>871,241</b>

**Group, August 31, 2012**

<b>Financial assets</b>	Assets measured at fair value through profit or loss	Loan receivables and accounts receivable	Other financial assets	<b>Total</b>
Accounts receivable		134,343		134,343
Other receivables		46,137		46,137
Accrued income		21,062		21,062
Derivatives	0			0
Cash and cash equivalents			29,711	29,711
				<b>231,253</b>

<b>Financial liabilities</b>	Liabilities measured at fair value through profit or loss	Other financial liabilities	<b>Total</b>
Accounts payable		331,338	331,338
Derivatives	4,685		4,685
Loans from credit institutions		37,357	37,357
Overdraft facilities		83,683	83,683
Other loan liabilities		500,000	500,000
Other liabilities		52,051	52,051
Accrued expenses		152,120	152,120
			<b>1,161,234</b>

**Fair value hierarchy**

The Group holds financial instruments in the form of currency futures that are measured at fair value in the balance sheet. The Group uses the following hierarchy in order to classify the instruments based on valuation techniques:

1. Quoted prices (unadjusted) on active markets for identical assets or liabilities.
2. inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
3. inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**2012/2013**

	Value	Level 1	Level 2	Level 3
<b>Assets</b>				
Financial assets measured at fair value through profit or loss:				
Currency futures	-	-	-	-
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss:				
Currency futures	16	-	16	-

No transfers have occurred between the levels during the fiscal year.

**2011/2012**

	Value	Level 1	Level 2	Level 3
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
Currency futures	-	-	-	-
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss:				
Currency futures	4,685	-	4,685	-

No transfers have occurred between the levels during the fiscal year.

**Financial liabilities age analysis**

The following age analysis is based on discounted cash flows and included interest and amortization. In the analysis, the interest rate level on the balance sheet date has been assumed for future interest payments. The company has two loans of SEK 200 M each, of which one is a promissory note loan and the other is a revolving loan. The utilized loan facility on August 31, 2013 was SEK 349 M. Both loans run until May 2016, with possibility of extension of the promissory note loan until May 2017. Both loans are free from redemption until the maturity date. The terms of the loans are market-related. The Group fulfills the covenants contained in the prevailing agreements with creditors.

**Note 38** Cont.**Maturity of the Group's financial liabilities**

<b>2012/2013</b>	0-3 months	4-12 months	1-2 years	2-3 years	3-4 years	More than 4 years	<b>Total contracted cash flows</b>
Other non-current liabilities	-	-	-	349,000	-	-	349,000
Liabilities to credit institutions	3,223	6,038	5,669	4,982	1,619	-	21,531
Overdraft facilities	-	0	-	-	-	-	-
Interest rates	171	-	-	-	-	-	171
Accounts payable	260,972	-	-	-	-	-	260,972
Currency futures contracts	16	-	-	-	-	-	16

<b>2011/2012</b>	0-3 months	4-12 months	1-2 years	2-3 years	3-4 years	More than 4 years	<b>Total contracted cash flows</b>
Other non-current liabilities	-	-	-	500,000	-	-	500,000
Liabilities to credit institutions	4,494	13,376	8,356	4,982	4,378	1,771	37,537
Overdraft facilities	-	83,683	-	-	-	-	83,683
Interest rates	8,991	-	-	-	-	-	8,991
Accounts payable	331,338	-	-	-	-	-	331,338
Currency futures contracts	4,685	-	-	-	-	-	4,685

**Note 39** Receivables/liabilities from Group companies**Parent Company**

The subsidiaries' share of liabilities/receivables in the Group's central account system with banks is recognized among current liabilities/receivables from Group companies.

<b>Parent Company</b>	<b>Receivables</b>		<b>Liabilities</b>	
	<b>Aug 31, 13</b>	Aug 31, 12	<b>Aug 31, 13</b>	Aug 31, 12
Brothers & Sisters AB	-	55,418	291	-
JC Sverige	-	-	212	1,457
JC AS	-	-	907	936
JC Oy	-	-	-	7
Portwear AB	-	89,960	-	-
Polarn O. Pyret AB	17,927	36,749	-	-
Departments & Stores Europe AB	24,119	-	-	20,981
Kosta Outlet Mode AB	-	-	-	397
Brothers & Sisters Sverige AB	-	3,740	467	-
Ångsviol Blomstern AB	-	-	219	219
Far East Ltd.	4,251	2,505	-	-
	<b>46,297</b>	<b>188,372</b>	<b>2,096</b>	<b>23,997</b>

**Note 39** Receivables/liabilities from Group companies

The Parent Company's net sales of SEK 145,883,000 (145,538,000) are entirely attributable to internally debited services provided to subsidiaries. The Parent Company also recognizes other invoiced expenses of SEK 11,506,000 (5,822,000) under other operating income. The Parent Company has purchased services from subsidiaries amounting to SEK 1,192,000 (2,991,000).

**Note 41** Risks and risk management**Foreign exchange risk**

The RNB Group's currency exposure consists of the 30-35% of the Group's purchases of goods that are made in foreign currency. The Board of Directors has established a Group policy in the form of a framework for managing foreign exchange risk. The main focus is that 70-80% of the anticipated net flows in foreign currency for each season must be hedged using futures contracts. The two principal foreign currencies in which products are purchased are EUR and USD. A sensitivity analysis shows that a change in the exchange rate has the following impact on earnings:

<b>Currency</b>	<b>Change</b>	<b>Impact, SEK M</b>
EUR	+/- 10%	-/+ 9
USD	+/- 10%	-/+ 25

**Capital structure**

The Group has been under pressure due to a weak financial structure for quite some time, which led to the decision to carry out a rights issue of SEK 463 M (before issue expenses), which was completed during the fiscal year. This created opportunities for renegotiation of the company's loans as well as for implementation of structural measures, particularly the divestment of the JC concept. A considerably improved basis thus exists for continued improvement of the capital structure, provided that we see a positive development of earnings and cash flow from the Group's remaining concepts. A long-term goal of the Group is to achieve an improved ratio between net debt and operating income before depreciation/amortization and impairments, in line with, or better than similar companies in the retail sector.

**Credit, interest and liquidity risks**

RNB's credits consist of loans and overdraft facilities. Available cash and cash equivalents are used to reduce the utilization of overdraft facilities, thereby reducing interest expense.

Interest risk mainly consists of changes in market rates of interest. RNB limits its interest rate risk by endeavoring to have short interest rate refixing periods.

A change in loan interest of 1% would, in the event of maximum utilization of available loan facilities (SEK 400 M) impact the interest expense of the Group by SEK 4.0 M, while an equivalent change in the bank interest would affect interest expenses by SEK 1.4 M in the event of maximum utilization of available bank financing (SEK 140 M).

Liquidity risk refers to the risk that financing cannot be obtained or can be obtained only at significantly increased costs. The Group's goal is to strike a balance between continuity and flexibility in the financing through loans and overdraft facilities. Credits to customers, the rate of receivables due, credits from suppliers and tied-up capital in inventories affects the need for liquid assets. Note 38 describes the terms and conditions of the loan agreements entered into.

#### **Dependence on market conditions**

Demand for RNB's products, like general demand in the retail sector, is affected by changes in overall market conditions. A positive economic trend normally has a favorable effect on RNB's sales and earnings trend. Weaker market conditions could have an adverse effect on RNB's sales and earnings trends, if disposable household income declines simultaneously. Demographics are another factor impacting demand. A gradual shift toward older age groups during an extended period means that individuals between the ages of 30 and 60 are gradually accounting for a relatively large proportion of the population, thus also increasing the significance of this age group for RNB.

#### **Weather and seasonal variations**

Generally speaking, the retail sales trend varies with the seasons. Sales are at their strongest during the autumn and winter, peaking in December when Christmas shopping is a powerful driver. The beginning of the school year in August has historically proved to be a strong sales month during which sales of children's clothes increase. The price level is generally higher for autumn and winter collections, which also has a positive impact on gross profit during the first quarter (September–November) of the split fiscal year. The major discount months of January, February and July have an adverse impact on both gross margins and operating margins during these periods.

The weather is another factor that affects sales. A mild autumn and winter generally tends to have an adverse impact on sales, and a cold and rainy summer has historically proven to have a positive impact on sales.

#### **Fashion risks and changed purchasing behavior**

RNB is dependent on consumer preferences in terms of the design, quality and price of clothing, accessories, cosmetics, jewelry and clocks and watches. RNB's own brands, combined with the distribution of other national and international brands, provide an extensive decision-making base in respect of discerning fashion trends and adapting products to demand. RNB endeavors to limit dependence on fashion trends by having a basic range of classic designs included in the proprietarily developed collections. However, since the fashion industry is subject to rapid changes, the possibility of temporary declines in sales of certain collections cannot be excluded. RNB in the longer term also needs to adjust to changes in customers, e.g. due to demographic or other reasons as well as to changes in consumer purchasing behavior.

#### **Distribution centers**

Most of the goods sold in RNB's stores pass through one of the company's distribution centers in Slagsta or Borås. If one of the distribution centers or its equipment is damaged or needs to be shut down, the company may

experience problems with deliveries to stores. If these conditions are not rectified rapidly and cost-effectively, it could damage the operations. Insurance policies cover property and production interruptions, but there are no guarantees that the amounts are sufficient or that such losses can be completely recovered.

#### **Information systems**

RNB depends on information systems to monitor the flow of goods from purchasing to sales in stores, and to coordinate operational and statistical information. The risks include the suitability of existing systems as well as securing sensitive operational information. Each long-term interruption, or case of defective functionality in information systems, may result in the loss of important information or in actions being delayed, particularly if problems occur during peak season, for example, during the Christmas period.

#### **Franchise agreements**

RNB's operations are conducted in part through franchise agreements. Despite extensive and well-functioning cooperation with franchisees, agreements can be terminated with negative consequences for the company's operations.

#### **Competitive situation**

The market for RNB's products is exposed to strong competition in terms of products and markets. RNB's market position is dependent on the company's own and its competitors' resources for marketing, investments and product development, and the ability to adapt to the changing preferences of consumers. Increased competition could exacerbate pressure on prices and reduce market shares.

#### **Supplier risks**

RNB is highly dependent on suppliers for delivery of the company's products. Approximately 50% of purchases are made from suppliers in China. Companies in Turkey, Bangladesh, Pakistan and the Baltic region represent a major portion of other deliveries. Consequently, disruptions in suppliers' operations could have an impact on RNB's sales and earnings. Any trade restrictions at a national or international level, such as EU restrictions on textile imports from China, could result in the company changing its purchasing procedures, which could in turn have a negative impact on operations. Similar measures, or other restrictions in suppliers' ability to deliver goods, could have negative consequences on the company's earnings. RNB works actively to ensure its suppliers comply with specific ethical guidelines, including bans on child labor.

#### **Trademarks**

RNB's policy is to register and protect its brands and names. No guarantees exist that these measures will prove sufficient to protect the brands and other intellectual property.

In addition, unauthorized use of the brand in pirate copies or the copying of RNB's stores could damage the company's image and reputation.

#### **Risk of bad debt losses**

The risk of bad debt losses refers to the risk of franchisees not being able to pay for delivered products due to their financial situation.

#### **Translation exposure**

RNB reports items in income statements and balance sheets in SEK. Parts of the Group report in currencies other than SEK, which means that RNB's consolidated earnings and shareholders' equity are exposed to exchange rate fluctuations. This currency risk is known as translation exposure and is not hedged.

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The Board of Directors and the President provide their assurance that this Annual Report has been prepared in accordance with generally accepted accounting policies, provides a true and fair view of the Parent Company's financial position and results and that the Board of Directors' report provides a true and fair overview of the Parent Company's operations, financial position and results and also describes the material risks and uncertainties faced by the Parent Company. The Board of Directors and President also

provide their assurance that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and provide a true and fair view of the Group's financial position and results and that the Board of Directors' report for the Group provides a true and fair overview of the Group's operations, financial position and results and also describes the material risks and uncertainties faced by the Group.

**Stockholm, December 23, 2013**

Laszlo Kriss  
*Chairman of the Board*

Jan Carlzon  
*Board member*

Ann-Sofie Danielsson  
*Board member*

Ivar Fransson  
*Board member*

Michael Lemner  
*Board member*

Mikael Solberg  
*Board member*

Per Thunell  
*Board member*

Magnus Håkansson  
*President and CEO*

Our audit report was submitted on December 23, 2013.  
Ernst & Young AB

Johan Eklund  
*Authorized Public Accountant*

# Audit report

To the Annual General Meeting of the shareholders of **RNB RETAIL AND BRANDS AB** (publ)  
Corp. Reg. No. 556495-4682

## **Report on the annual accounts and consolidated financial statements**

We have audited the annual accounts and consolidated financial statements for RNB RETAIL AND BRANDS AB (publ) for the September 1, 2012 to August 31, 2013 fiscal year. The company's annual accounts and consolidated financial statements are included in the printed version of this document on pages 8–48.

### *Responsibilities of the Board of Directors and the President for the annual accounts and consolidated financial statements*

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Swedish Annual Accounts Act and of the consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of August 31, 2013 and of its financial performance and its cash flows for the year in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of August 31, 2013 and of its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory Board of Directors' Report is consistent with the other parts of the annual accounts and consolidated financial statements.

We therefore recommend that the Annual Meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the statement of comprehensive income and balance sheet for the Group.

## **Report on other legal and regulatory requirements**

In addition to our audit of the annual accounts and consolidated financial statements, we have also examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of RNB RETAIL AND BRANDS AB (PUBL) for the September 1, 2012 – August 31, 2013 fiscal year.

### *Responsibilities of the Board of Directors and the President*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for the administration under the Companies Act.

### *Auditor's responsibility*

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated financial statements, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinions*

We recommend to the Annual Meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory Board of Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Stockholm, December 23, 2013  
Ernst & Young AB

Johan Eklund  
Authorized Public Accountant

# Corporate Governance Report

## Corporate Governance Report

RNB RETAIL AND BRANDS AB (publ), RNB, is a Swedish public limited liability company whose shares are listed on the NASDAQ OMX Nordic, in the Small Cap segment. The control of RNB is divided among the shareholders at the Annual General Meeting (AGM), the Board of Directors and the President in accordance with the Swedish Companies Act, the Articles of Association and the Swedish Code of Corporate Governance.

## Swedish Code of Corporate Governance

This Corporate Governance Report was prepared in accordance with the provisions of the Swedish Code of Corporate Governance as well as with Chapter 6, sections 6–9 of the Swedish Annual Accounts Act and Chapter 9, section 31 of the Swedish Companies Act, and pertains to fiscal year 2012/2013. RNB's Articles of Association and other corporate governance information about the company are available at <http://www.rnb.se/Investor-relations/Bolagsstyrning/>.

## Shares and shareholders

At August 31, 2013, the share capital of RNB was SEK 203,473,056 distributed among 33,912,176 shares with a quota value of SEK 6. All shares are common shares. Each share carries one vote at the Annual General Meeting and all shares have an equal right to share in the company's assets and profits.

At August 31, 2013, the number of shareholders amounted to 9,231, of whom 91.5% were registered in Sweden. The three largest shareholders as of August 31, 2013 were Konsumentföreningen Stockholm (KfS) with 33.2%, Catella Fondförvaltning with 7.0% and Försäkringsaktiebolaget Avanza Pension with 5.1%. Apart from Konsumentföreningen Stockholm, no other shareholders hold more than 10% of the votes.

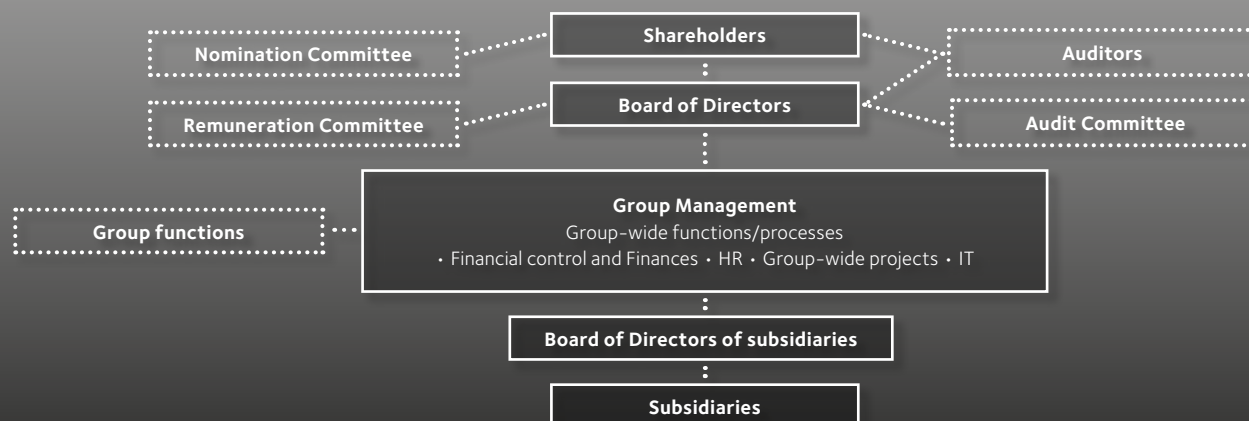
## Annual General Meeting

The Annual General Meeting (AGM) is RNB's highest decision-making body. The AGM appoints the company's Board of Directors. It is also responsible for adopting the company's balance sheets and income statements, making resolutions concerning the disposal of profits from operations and discharging members of the Board and the President from liability. The AGM also elects RNB's auditors.

At RNB's AGM on January 17, 2013, 19 shareholders participated, representing 43.1% of the number of shares and voting rights in the company.

The AGM must be held no later than six months after the end of the fiscal year. Notification of the AGM and of general shareholder meetings convened to address a motion concerning amendment of the Articles of Association must take place no earlier than six weeks before and no later than four weeks before the AGM. Notification of other extraordinary general meetings

## Governance structure



must take place no earlier than six weeks before and no later than three weeks before the meeting. All shareholders registered in the share register and who have notified their attendance in time are entitled to attend and vote at the AGM. Those shareholders who are unable to attend in person may be represented by proxy. Minutes from previous AGMs and Extraordinary General Meetings are available on [www.rnb.se](http://www.rnb.se).

### **Nomination Committee**

The Nomination Committee's duties include preparing and submitting proposals to shareholders of the company concerning election of Board members and, when applicable, auditors.

The Chairman of the Board shall annually, and no later than in connection with publication of the company's interim report for the third quarter of the fiscal year, convene the four largest shareholders in the company. They shall then appoint one member each to the Nomination Committee. The Chairman of the Board is to be co-opted to the Nomination Committee, but not as its Chairman. The Chairman of the Board shall also ensure that information about the composition of the Nomination Committee, with contact information, is published well in advance of the AGM. The Chairman of the Board shall also report to the Nomination Committee the current status of the Board's work, requirements for specialist expertise and other matters that may be important for the Committee's work. Shareholders must be able to submit proposals to the Nomination Committee for further evaluation within the framework of its work. The Nomination Committee shall hold meetings as necessary, but at least once per year.

The AGM 2013 resolved that a Nomination Committee would be appointed from among the major shareholders with the task of proposing Board members ahead of the AGM 2014. Prior to the AGM on January 16, 2014, members of the Nomination Committee were appointed in accordance with the resolution of the 2013 AGM. The Nomination Committee consists of Sune Dahlqvist, Chairman of Konsumentföreningen Stockholm, Ulf Strömsten, Catella Fondförvaltning, Patrick von Schenck, representing Michael Löfman and Mikael Jönsson, Vätterledens Invest AB.

### **Board of Directors**

RNB's Board of Directors makes decisions on matters pertaining to RNB's strategic focus, investments, financing, organizational issues, acquisitions and divestments. The Board's work is governed by the Swedish Companies Act, the Articles of Association and the formal work plan established by the Board for its work. In accordance with the Articles of Association, the Board shall consist of not less than five and no more than eight

members, with no deputies. Members are elected at the AGM for the period up to the end of the following AGM. RNB's Articles of Association does not include any provisions on the appointment or dismissal of Board members.

At the AGM on January 17, 2013, the following Board members were re-elected; Laszlo Kriss, Mikael Solberg, Jan Carlzon, Ivar Fransson and Per Thunell, and Ann-Sofie Danielsson and Michael Lemner were newly elected. The President and CEO is co-opted to the Board.

### **Articles of Association**

The Articles of Association may only be amended at the AGM or an Extraordinary General Meeting. The current Articles of Association are available on [www.rnb.se/InvestorRelations/Corporategovernance/articles of association](http://www.rnb.se/InvestorRelations/Corporategovernance/articlesofassociation).

### **Remuneration of the Board of Directors**

The 2013 AGM approved directors' fees of SEK 1,250,000, to be allocated as follows; SEK 300,000 to the Chairman of the Board and SEK 137,500 to each of the other Board members who do not receive salary from the company, SEK 75,000 to the Chairman of the Audit Committee and SEK 25,000 to each of the other two members of the Audit Committee.

### **The formal work plan of the Board**

RNB's Board of Directors is subject to a formal work plan that complies with the Swedish Companies Act with respect to division of duties and reporting. The formal work plan governs the Board's meetings, issues to be addressed at Board meetings, the Chairman's duties, the President's duties and certain other matters.

The Board holds six scheduled Board meetings during a fiscal year and extraordinary meetings are held if necessary. Four of the scheduled meetings are held in connection with publication of each of the four quarterly reports, one is reserved for strategy issues and one scheduled meeting addresses the budget for the following fiscal year. In addition to the statutory meeting and scheduled meetings, the Board held nine extraordinary meetings during the 2012/2013 fiscal year. The scheduled meetings were primarily devoted to earnings follow-ups, investment matters, external reporting, budgets and strategy issues. The extraordinary meetings mainly dealt with the rights issue and the strategic review of JC. Within the Board, there is a Remuneration Committee and an Audit Committee.

RNB RETAIL AND BRANDS AB (publ) estimates that the Board of Directors complies with NASDAQ OMX Nordic's listing agreement and the Swedish Code of Corporate Governance regarding requirements for independent Board members.

**Participation in Board meetings during the fiscal year was as follows:**

Board members	Attendance at Board meetings		Attendance at meetings with	
	Ordinary (6 st)	Extraordinary (9 st)	Remuneration Committee (1)	Audit Committee (6)
Laszlo Kriss	5	9		5
Ann-Sofie Danielsson	3	5		2
Michael Lemner	4	6		
Jan Carlzon	5	8	1	
Mikael Solberg	4	7	1	
Ivar Fransson	6	9	1	
Per Thunell	5	7		5
Lilian Fossum Biner	2	2		4
Torsten Jansson	2	2		

Note. Lilian Fossum Biner and Torsten Jansson resigned from the Board of Directors in connection with the AGM on January 17, 2013. Ann-Sofie Danielsson and Michael Lemner joined the Board in connection with the AGM on January 17, 2013.

## Board of Directors



**Laszlo Kriss**, born 1946

Chairman of the Board; Member of the RNB Board since 2009.

Other directorships: Chairman of the Board of Blomsterfonden i Stockholm and Mentor Sverige.

Shareholding in RNB, August 31, 2013: 20,500 shares.

**Ivar Fransson**, born 1957, Degree in economics.

Member of the RNB Board since 2012

Management consultant in Trinovo Consulting Group

Other directorships: Member of the Board of OKQ8 Bank AB and Campadre AB

Shareholding in RNB, August 31, 2013: 13,436 shares in endowment insurance

**Per Thunell**, born 1953, Degree in business administration.

Member of the RNB Board since 2012

CFO of Konsumentföreningen Stockholm

Other directorships: No other significant directorships

Shareholding in RNB: August 31, 2013: 0 shares

### Audit Committee

The task of the company's Audit Committee, which is appointed by the Board, is to prepare the Board's work on quality assuring the company's financial reporting. The Committee maintains continuous contact with the company's auditors to keep itself informed of the focus and scope of the audit and to discuss views on the company's risks. The Audit Committee shall also adopt guidelines regarding what services other than audit, the company may procure from the company's auditor. The Committee's duties also include evaluating the audit work and providing this information to the Nomination

Committee, and assisting the Nomination Committee with the preparation of proposals for auditors and fees for audit work.

During the 2012/2013 fiscal year, the Audit Committee comprised Ann-Sofie Danielsson, Laszlo Kriss and Per Thunell.

### External auditors

RNB's auditors are elected by the AGM. RNB's auditors are Ernst & Young AB, with Johan Eklund as Auditor in Charge. Ernst & Young AB has been RNB's auditor since 2004.



**Mikael Solberg**, born 1962, Degree in economics. Member of the RNB Board since 1996. Other directorships: Chairman of Douglas Invest AS, Angelstar AB, Solberg Holding BV, Cellcomb AB and 2consiliate AB. Member of the Board of Campadre AB, among others. Shareholding in RNB, August 31, 2013: 46,158 shares via companies.

**Jan Carlzon**, born 1941, Degree in business administration. Member of the RNB Board since 2006. Other directorships: Chairman of Mentor Sverige. Member of the Board of Fyndiq AB, Aviation Capacity Resource and Eklund Stockholm New York. Shareholding in RNB, August 31, 2013: 17,670 shares in endowment insurance.



**Ann-Sofie Danielsson**, born 1959, Degree in business administration. Member of the RNB Board since 2013. CFO of NCC AB. Other directorships: No other significant directorships. Shareholding in RNB, August 31, 2013: 0 shares.

**Michael Lemner**, born 1957, Degree in economics. Member of the RNB Board since 2013. Consultant in Tim-Tam Consulting SPRL. Other directorships: Member of the Board of Pimkie (France), Orsay (Germany) and PURetail (Luxembourg). Shareholding in RNB, August 31, 2013: 0 shares.



The auditors examine the Board's and the President's administration of the company and the quality of the company's accounting records. The auditors report the results of their examination to shareholders through their Audit Report, which is presented at the AGM. In addition, the auditors submit detailed reports to the Audit Committee at scheduled Audit Committee meetings and to the Board once every year. In addition to the audit, Ernst & Young performs certain other services for RNB. RNB believes that the execution of these services does not compromise the independence of Ernst & Young. During the fiscal year, the services provided mainly consisted of consultancy services pertaining to tax and accounting.

### Internal audit

To date, RNB has not found any reason to establish a specific internal audit function. The company conducts ongoing work to strengthen the internal control and a number of control activities have been implemented. The issue of a specific internal audit function will be assessed annually.

### President and Group Management

The President manages operations in accordance with the approved formal work division between the President and the Board as well as the Board's instructions. The President is responsible for keeping the Board informed and for ensuring that the Board has the necessary

## Group Management



**Magnus Håkansson**, born 1963,  
President and CEO  
Degree in economics and MBA  
Employed since 2011  
Shareholding in RNB: 31,500



**Stefan Danieli**, born 1965  
CFO  
Degree in business administration  
Employed since 2012  
Shareholding in RNB: 0

**Amelie Söderberg\***, born 1969  
President of Departments & Stores Europe AB  
Degree in business administration  
Employed since 2000  
Shareholding in RNB: 0

\* Hanna Graflund Sleyman will succeed Amelie Söderberg as President on January 1, 2014.

information and as complete decision-making data as possible. The President also keeps the Chairman of the Board informed of the company's and Group's performance and financial position

The President and other members of the Group Management hold meetings continuously during the fiscal year to review budget follow-ups and plans and to discuss strategic issues. RNB's Executive Group Management consists of seven members, of whom two are women.

Control of the business areas is conducted via intra-Group Boards in subsidiaries, in which the CEO, CFO and at least one president of a sister company are Board members. The Boards have formal work plans that comply

with the Companies Act regarding the division of duties and reporting. The formal work plan governs Board's meetings, issues to be addressed at Board meetings, the Chairman's duties, the President's duties and certain other matters. The Boards have scheduled meetings every quarter, where matters dealt with include budget follow-ups, action plans and investments.

#### **Remuneration to the President and senior executives**

Setting of salaries for persons in the company management involves a fixed portion and a variable portion. The variable portion is dependent upon the achievement of goals set for the company and the individual. For members of the Group Management, the variable



**Maria Öqvist**, born 1968  
President of Brothers & Sisters  
Degree in business administration  
Employed since 2010  
Shareholding in RNB: 1,925

**Marthyn Inghamn\*\***, born 1968  
President of JC Sverige AB  
Secondary education  
Employed since 2011  
Shareholding in RNB: 18,796

**Anders Wiberg**, born 1961  
President of Polarn O. Pyret AB  
Secondary education  
Employed since 2009  
Shareholding in RNB: 0

**Peter Bondelid**, born 1962  
Global Supply Chain Director  
Degree in business administration  
Employed since 2012  
Shareholding in RNB: 0

\*\* Marthyn Inghamn was succeeded by Peter Bondelid who took over the role of acting President of JC on May 8, 2013.

remuneration during the fiscal year may amount to a maximum of SEK 750,000 for each person.

### **Internal control**

The Board is responsible for ensuring an efficient system for internal control and risk management. The President has been delegated the responsibility of creating a solid basis for working on these issues. Both the Group Management and managers at various levels in the company are responsible for this within their specific areas. Authority and responsibility are defined in guidelines, responsibility descriptions and authorization instructions.

The aim of the company's internal control is to create an operational basis where demands, goals and frameworks are distinctly defined. The control is ultimately aimed at protecting the company's assets and thereby the shareholders' investments. Internal control at RNB complies with an established framework and consists of the following five components: Control environment, risk assessment, control activities, information and communication and follow-up.

### **Control environment**

The control environment constitutes the foundation for the internal control. The control environment consists primarily of ethical values, integrity, expertise, management philosophy, organizational structure, responsibility and authority. RNB's internal work plans, instructions, policies, guidelines and manuals are important in this connection since they are used as guidelines for employees.

In respect of operating activities, the President is responsible for the system of internal controls that is required to create a control environment for material risks.

The President reports regularly to the Board in this respect.

### **Risk assessment and control activities**

RNB also has guidelines and policies governing financial control and monitoring, communication issues and business ethics. Frameworks for credit and currency management, financial control and follow-ups are established through approved financial-, accounting and investment policies. The company takes out insurance policies tied to property values and loss of earnings based on analysis of need and risk.

In addition, RNB has a Code of Conduct that applies to the entire Group. The Code of Conduct, which is based on a number of internationally accepted conventions, is an expression of the values and guidelines that apply within the Group in terms of business ethics, freedom and rights.

The Board's opinion is that there is sufficient understanding among employees of the need for adequate control of financial reporting. In brief, RNB's internal control structure is based on the distribution of work between company bodies, reporting to the Board, established policies and guidelines, and the fact that employees comply with the policies and guidelines, thus ensuring adequate control of financial reporting.

RNB analyzes risk on an ongoing basis to identify potential sources of error within its financial reporting. The company has identified the processes in which the risks for significant errors in financial reporting may be assumed to be relatively higher than in other processes, due to the complexity of the business process, or due to high amounts or large transaction volumes. Among other areas, RNB has documented vulnerability in certain IT systems, the risk of incorrect valuations and slow-moving inventories, including assessments of obsolescence. The documentation and subsequent risk assessment have resulted in a number of countermeasures and control activities. Normal control activities comprise account reconciliations and support controls. The aim of all countermeasures and control activities is to prevent, discover and correct any mistakes or deviations in financial reporting.

Risks are also deemed to exist regarding the valuation of goodwill and brands as well as for doubtful accounts receivable and deferred tax assets. On each balance sheet date or if indications point to a decline in value, impairment tests of goodwill and trademarks are performed to calculate the fair value of the underlying assets. In this context, assumptions concerning the future, growth, profitability and financing are key parameters. These parameters are also important in assessments of going concerns. The counterparties' ability to meet their obligations for accounts receivables is assessed continuously. Deferred tax assets tied to loss carryforwards are recognized to the extent that future surpluses can be utilized against deferred tax assets.

### **Information and communication**

Correct internal and external information requires that all parts of the operations efficiently exchange and report relevant and important information regarding the operations. To achieve this, RNB has issued policies and guidelines pertaining to the handling of information in the financial process, which have been communicated from Group Management to employees. During the fiscal year or in the period thereafter, no violations have occurred that have led to disciplinary measures from NASDAQ OMX or to a statement from the Swedish Securities Council.

### Follow-up

The Board continuously evaluates the information submitted by the company management. The Board also monitors the efficiency of the work of the company

management. The Board's work includes ensuring that measures are implemented to address the inadequacies and suggestions for corrective measures that may have arisen from the external audit.

**Stockholm, December 23, 2013**

Laszlo Kriss  
*Chairman of the Board*

Jan Carlzon  
*Board member*

Ann-Sofie Danielsson  
*Board member*

Ivar Fransson  
*Board member*

Michael Lemner  
*Board member*

Mikael Solberg  
*Board member*

Per Thunell  
*Board member*

Magnus Håkansson  
*President and CEO*

## Audit opinion concerning the corporate governance report

**To the Annual General Meeting of shareholders of RNB RETAIL AND BRANDS AB (publ),  
Corporate Registration Number 556495-4682**

The Board of Directors and the President are responsible for the corporate governance report for the fiscal year September 1, 2012 to August 31, 2013 on pages 50–57 and for its preparation in accordance with the Annual Accounts Act.

We have read the corporate governance report and based on this reading and on our knowledge of the company and the Group, we believe we have a sufficient basis for our opinion. This statutory review has another aim and direction, and is substantially less exhaustive in scope, than an audit conducted in accordance with International Standards on Auditing (ISA) and other

generally accepted auditing standards in Sweden.

We consider that a corporate governance report has been prepared and its statutory content is consistent with the annual accounts and the consolidated financial statements.

Stockholm, December 23, 2013  
Ernst & Young AB

Johan Eklund  
Authorized Public Accountant

# The RNB share

## Share capital

The RNB RETAIL AND BRANDS share has been listed on NASDAQ OMX Nordic, Stockholm, Small Cap segment, since June 2001 under the ticker RNBS. The registered share capital in RNB on August 31, 2013 amounted to SEK 203,473,056 distributed among 33,912,176 shares each with a quota value of SEK 1. All shares are common shares.

According to Euroclear, the number of RNB shareholders on August 31, 2013 was 9,231, of whom 91.5% were registered in Sweden. RNB's ten largest owners held shares corresponding to 57.9% of both the share capital and the voting rights in the company. On the same date, the shares registered outside Sweden represented 13.4% of the total number of shares in the company.

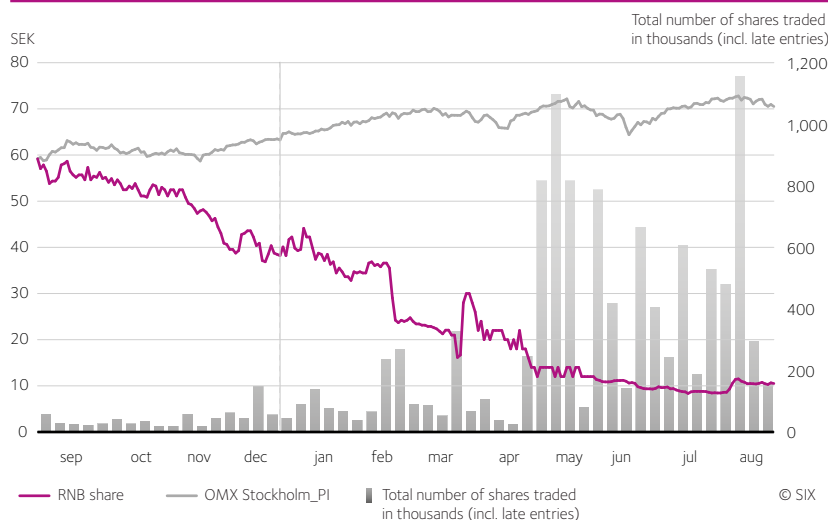
## Share-price trend

The closing share price on August 31, 2013 was SEK 10.30, equal to market capitalization of SEK 349,295,413 for RNB RETAIL AND BRANDS.

## Dividend policy

The Board of Directors' long-term objective is to distribute half of profit after taxes to shareholders. The Board proposes that no dividend be paid for the 2012/2013 fiscal year.

### The RNB share development



### Ownership structure on August 31, 2013

Size of shareholding by category	Number of shares	Share capital/ Voting rights, %
1–500	7,119	2.1
501–1,000	694	1.5
1,001–5,000	1,061	7.2
5,001–10,000	158	3.5
10,001–15,000	58	2.0
15,001–20,000	26	1.4
20,001 –	115	82.3
<b>Total</b>	<b>9,231</b>	<b>100.0</b>

### Ownership on August 31, 2013

The largest shareholders	Number of shares	Share capital/Voting rights, %
Konsumentföreningen Stockholm	11,246,598	33.2
Catella Fondförvaltning	2,359,940	7.0
Avanza Pension	1,744,615	5.1
Client Long	954,074	2.8
Vätterleden AB	690,605	2.0
Löfman Michael	575,000	1.7
Nordnet Pensionsförsäkring	567,917	1.7
Nortal Capital AB	527,168	1.6
Handelsbanken Fonder AB RE JPMEL	500,602	1.5
Goldman Sachs International LTD, W8IMY	478,294	1.4
<b>Total largest shareholders</b>	<b>19,644,813</b>	<b>57.9</b>
Other	14,267,363	42.1
<b>Total</b>	<b>33,912,176</b>	<b>100.0</b>

### Ownership on November 30, 2013

The largest shareholders	Number of shares	Share capital/Voting rights, %
Konsumentföreningen Stockholm	11,246,598	33.2
Catella Fondförvaltning	3,153,854	9.3
Avanza Pension	1,966,812	5.8
Client Long	961,774	2.8
Nordnet Pensionsförsäkring	776,856	2.3
Vätterleden AB	690,605	2.0
Löfman Michael	575,000	1.7
SEB Life International Assurance	476,512	1.4
Skandinaviska Enskilda Banken S.A., W8IMY	474,149	1.4
Handelsbanken Fonder AB RE JPMEL	435,602	1.3
<b>Total largest shareholders</b>	<b>20,757,762</b>	<b>61.2</b>
Other	13,154,414	38.8
<b>Total</b>	<b>33,912,176</b>	<b>100.0</b>

### Key data per share\*

SEK per share	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Earnings per share	-1,224	36	-538	-398	-55
Dividend per share	0	0	0	0	0
Equity per share	9.38	8.49	5.80	3.80	12.62

\* In connection with the completed rights issue, a 200:1 reverse share split was carried out. Historical comparative figures regarding the average number of shares and earnings per share have been adjusted for this.

### Share capital trend

Year, Transaction	Increase in no. of shares	Accumulated no. of shares	Increase in share capital	Accumulated share capital	Quota value per share, SEK
1997, Opening balance		90,000		9,000,000	100
1998, New share issue	11,250	101,250	1,125,000	10,125,000	100
2000, New share issue	106,125	207,375	10,612,500	20,737,500	100
2001, Split 25-for-1	4,977,000	5,184,375		20,737,500	4
2001, New share issue	150,000	5,334,375	600,000	21,337,500	4
2001, New share issue	253,740	5,588,115	1,014,960	22,352,460	4
2001, New share issue	2	5,588,117	8	22,352,468	4
2001, New share issue	1,916,320	7,504,437	7,665,280	30,017,748	4
2005, New share issue	800,000	8,304,437	3,200,000	33,217,748	4
2005, Split 2-for-1	8,304,437	16,608,874		33,217,748	2
2006, Split 2-for-1	16,608,874	33,217,748		33,217,748	1
2006, New share issue	20,871,016	54,088,764	20,871,016	54,088,764	1
2006, New share issue	1,083,562	55,172,326	1,083,562	55,172,326	1
2006, New share issue	755,286	55,927,612	755,286	55,927,612	1
2006, New share issue	151,220	56,078,832	151,220	56,078,832	1
2006, Conversion of debentures	1,000,000	57,078,832	1,000,000	57,078,832	1
2008, New share issue	57,078,832	114,157,664	57,078,832	114,157,664	1
2009, New share issue	34,959,350	149,117,014	34,959,350	149,117,014	1
2009, New share issue	16,308,237	165,425,251	16,308,237	165,425,251	1
2013, New share issue	6,617,009,949	6,782,435,200	38,047,805	203,473,056	0.03
2013, Reverse share split 200-for-1	-6,748,523,024	33,912,176		203,473,056	6

# Five-year summary

## Income statement items

SEK M	Sep 08–Aug 09	Sep 09–Aug 10	Sep 10–Aug 11	Sep 11–Aug 12	Sep 12–Aug 13
Revenues	3,212.0	3,072.3	2,987.2	2,801.1	2,629.5
Operating income	-636.0	48.0	-509.5	-303.3	-601.4
Net financial items	-52.6	-26.3	-25.1	-56.2	-26.9
Profit/loss after financial items	-688.6	21.7	-534.7	-359.5	-628.3
<b>Net income for the year</b>	<b>-662.8</b>	<b>28.9</b>	<b>-445.2</b>	<b>-328.9</b>	<b>-628.7</b>

## Balance sheet items

SEK M	Sep 08–Aug 09	Sep 09–Aug 10	Sep 10–Aug 11	Sep 11–Aug 12	Sep 12–Aug 13
Non-current assets	1,660.9	1,605.8	1,171.7	1,025.8	632.1
Inventories	590.6	563.2	573.1	483.8	409.8
Accounts receivable	222.1	201.8	191.6	134.3	115.0
Other current assets	112.0	97.5	89.2	128.0	96.9
Cash and cash equivalents	15.3	49.5	53.5	29.7	46.8
<b>Total assets</b>	<b>2,600.9</b>	<b>2,517.8</b>	<b>2,079.1</b>	<b>1,801.6</b>	<b>1,300.6</b>
Equity	1,071.3	1,404.5	959.4	627.9	427.8
Non-current liabilities	590.5	571.1	456.5	534.4	363.4
Current liabilities	939.1	542.2	663.2	639.3	509.4
<b>Total equity and liabilities</b>	<b>2,600.9</b>	<b>2,517.8</b>	<b>2,079.1</b>	<b>1,801.6</b>	<b>1,300.6</b>

## Key ratios

	Sep 08–Aug 09	Sep 09–Aug 10	Sep 10–Aug 11	Sep 11–Aug 12	Sep 12–Aug 13
Gross profit margin, %	43.0	48.4	46.9	47.7	46.9
Operating margin, %	neg	1.6	neg	neg	neg
Profit margin, %	neg	0.9	neg	neg	neg
Risk-bearing equity, SEK M	1,187.5	1,525.4	990.3	628.1	427.8
Share of risk-bearing equity, %	45.7	60.6	47.6	34.9	32.9
Equity/assets ratio, %	41.2	55.8	46.1	34.9	32.9
Capital employed, SEK M	1,913.2	1,882.5	1,520.1	1,261.2	799.8
Return on capital employed, %	neg	3.5	neg	neg	neg
Return on equity, %	neg	2.3	neg	neg	neg
Number of full-time employees	1,451	1,442	1,435	1,404	1,399
Number of proprietary stores at end of period	243	218	215	228	240
Number of franchise stores at end of period	192	184	177	148	143

## Per share data\*

	Sep 08–Aug 09	Sep 09–Aug 10	Sep 10–Aug 11	Sep 11–Aug 12	Sep 12–Aug 13
Profit after tax, SEK	-1,224	36	-538	-398	-54.56
Shareholders' equity, SEK	1,876	1,698	1,160	760	12.62
Average number of outstanding shares, thousands	542	805	827	827	11,523
Number of shares at year-end, thousands	571	827	827	827	33,912

\* In connection with the completed rights issue, a 200:1 reverse share split was carried out. Historical comparative figures regarding the average number of shares and earnings per share have been adjusted for this.

# Definition of key data

**Share of risk-bearing equity**

Risk-bearing equity in relation to total assets.

**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.

**Return on equity**

Profit after tax as a percentage of average shareholders' equity. Average shareholders' equity is calculated as shareholders' equity at the beginning of the year plus shareholders' equity at year-end divided by two.

**Return on capital employed**

Profit after 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.

**Gross profit margin**

Net sales minus cost of goods sold in relation to net sales.

**Dividend yield**

Dividend as a percentage of the share price on the balance sheet date.

**Equity per share**

Equity divided by the number of shares at the end of the period.

**Comparable sales trends**

Sales trend for comparable months in proprietary stores that have been open for more than 12 months.

**Cash flow per share**

Cash flow after investments divided by number of shares.

**Operating capital**

Total assets less cash and cash equivalents, other interest-bearing assets and non-interest-bearing liabilities

**Earnings per share**

Profit after full tax divided by the weighted average number of shares.

**Earnings per share after dilution**

Profit after full tax divided by the weighted average number of shares after conversion of the convertible debenture loan.

**Risk-bearing equity**

Total of reported shareholders' equity and deferred tax.

**Operating margin**

Operating income in relation to net sales.

**Equity/assets ratio**

Shareholders' equity in relation to total assets.

**Capital employed**

Total assets less non-interest-bearing liabilities.

**Profit margin**

Net income in relation to net sales.

# Annual General Meeting

**The Annual General Meeting will be held at 5 p.m. on January 16, 2014 at the company's premises at Regeringsgatan 29, Stockholm, Sweden.**

## **Participation**

Shareholders wishing to participate in the business of the Meeting must be recorded in the Securities Register maintained by Euroclear Sweden AB no later than Friday, January 10, 2014, and notify the company of their intention to participate no later than Monday, January 13, 2014 at the address RNB RETAIL AND BRANDS AB, PO Box 161 42, SE-103 23 Stockholm, Sweden by telephone to +46 8 410 520 00 or by e-mail to [ann-charlotte.rudels@rnb.se](mailto:ann-charlotte.rudels@rnb.se).

## **Nominee-registered shares**

To be entitled to vote at the Meeting, shareholders whose shares are registered in a nominee's name must temporarily register their shares in their own names with Euroclear Sweden AB. Shareholders requiring such registration must so inform their nominee well in advance of this date and no later than January 10, 2014, when such re-registration must be completed.

## **Dividend**

The Board proposes that no dividend shall be paid for the 2012/13 fiscal year.

# Calendar

<b>January 15, 2014</b>	Interim report for the first quarter
<b>January 16, 2014</b>	Annual General Meeting, 5.00 p.m.
<b>April 2, 2014</b>	Interim report for the second quarter
<b>June 26, 2014</b>	Interim report for the third quarter
<b>October 23, 2014</b>	Year-end report



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