RNB

RNB RETAIL AND BRANDS

ANNUAL REPORT **2015/2016**

RNB RETAIL AND BRANDS

owns, operates and develops fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics stores that focus on providing excellent service and a world-class shopping experience. RNB has operations in 11 countries and the total number of stores in the RNB Group amounts to 263, of which 61 are operated by franchisees. The RNB RETAIL AND BRANDS share has been listed on the Nasdaq Stockholm Exchange since 2001 in the Small Cap segment, retail sector under the ticker RNBS. Sales are mainly conducted through the store concepts Brothers and Polarn O. Pyret. In the Departments & Stores business area, RNB RETAIL AND BRANDS manages departments at NK in Stockholm and in Gothenburg.

BROTHERS

The Brothers business area is a fashion concept for men and offers a strong mix of proprietary and external brands with a distinct profile featuring tailored and smart casual.

DEPARTMENTS & STORES

The Departments & Stores business area conducts sales of fashion wear for women, men and children as well as accessories, jewelry and cosmetics at the NK department stores in Stockholm and in Gothenburg.

POLARN O. PYRET

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 it also has an international presence.

Contents

The year in brief

Q1

During the first quarter, Nanna Hedlund was recruited to the position as CEO of Polarn O. Pyret. Nanna joined the company from the cosmetics chain Kicks where she most recently held the position as marketing director.

Q2

During the quarter, a comprehensive overview was initiated of the entire operations in Polarn O. Pyret. The overview includes all aspects of the operations and is aimed at clearly boosting profitability in the business area and at creating a platform for future profitable growth.

During the quarter, the Group's headquarters were also moved from Regeringsgatan to Drottninggatan in central Stockholm.

Q3

Polarn O. Pyret acquired 51 percent of Kids Company Oy, which is the master franchise business in Finland with 12 stores, an e-commerce store and three franchisee stores.

About 60 departments at NK in Stockholm and Gothenburg were updated during Q3 and Q4.

Q4

During the fourth quarter, Man of a kind was launched – an e-commerce concept exclusively in men's fashion.

RNB extended the existing long term loan during the fourth quarter from the company's main owner (Konsumentföreningen Stockholm) so that also the second tranch of SEK 200 M was transformed to mature 2018.

The Brothers business area reported positive operating income for the fiscal year 2015/2016.

The fiscal year in figures

Net sales	Operating income	Sales increase	Cash flow from operating activities
SEK **2,173** M	SEK **36** M	**1.9** %	SEK **64** M
(SEK 2,136 M)	(SEK 48 M)	(market 2.6%)	(SEK 73 M)

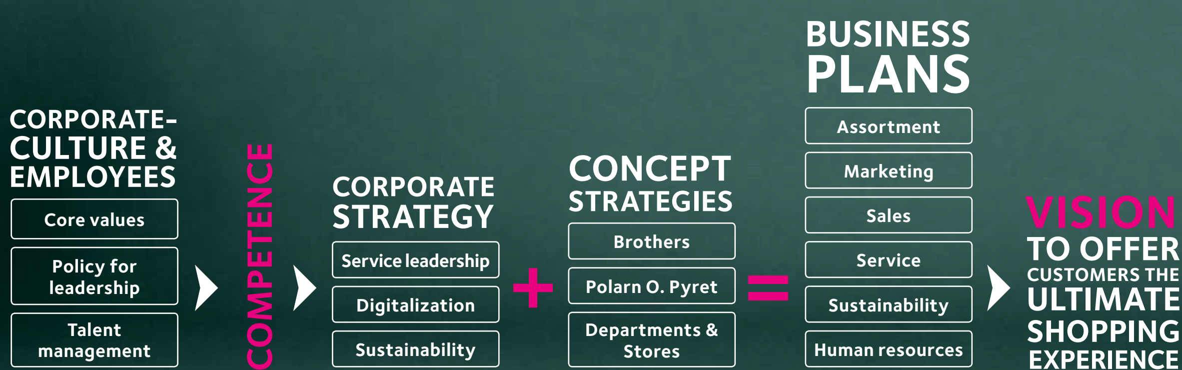
Vision

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

Business concept

RNB RETAIL AND BRANDS' business concept is to realize synergies among the operations as an active owner, which develops and distributes brands through distinct concepts and stores offering an attractive range of fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics where the customer is provided with excellent service and a world-class shopping experience.

Business model



The core values define RNB's operations and strong culture, which in turn is an important basis for the strategy. The strategy is subsequently made concrete in the business plans for each subsidiary with the aim of realizing the vision. Creating and maintaining a strong corporate culture is a crucial factor for realizing the vision through the strategy and business plans.

Financial goals

- The Group shall achieve a long-term EBIT margin of 5 percent
- Departments & 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

Comments from the CEO

The positive earnings trend for RNB in recent years slowed during the 2015/2016 fiscal year. Comparable operating income only improved from SEK 48 M to SEK 50 M during the year. Including non-recurring restructuring costs, which were mainly provisions for the closure of Polarn O. Pyret's operations in Holland, positive operating income of SEK 36 M was reported. The implementation of our distinct strategies for the concepts is continuing and our customer offerings for Brothers and Departments & Stores were well received during the year. In Brothers, the market share has clearly increased as a consequence. In Polarn O. Pyret, we formulated a strategic reorientation during the year. The implementation of this has begun and will gradually lead to improved operating income in due course.

A challenging year for Polarn O. Pyret

In Polarn O. Pyret, a significant strategic reorientation was formulated during the year. This work resulted in a slightly weakened operational focus during part of the fiscal year with reduced operating income short term (Q2) as a consequence.

According to HUI's index, the Swedish market for comparable stores grew by 1.9 percent during the fiscal year. RNB reported increased sales in Sweden in line with the market during the same period. For a long time, our sales trend was better than the market but it slowed during the final quarter of the year. This was explained by a changed approach to discounts in Polarn O. Pyret, which in the near term has resulted in somewhat weaker sales but has strengthened the gross margin.

"The implementation of our distinct strategies for the concepts is continuing and our customer offering for Brothers and Departments & Stores were well received during the year."

Full-year sales in Departments & Stores were also weaker than the market. Brothers continued to display strong sales, which were significantly better than the market. My view is that RNB has good potential to once again increase its sales at a higher rate than the market during the coming fiscal year, mainly driven by an expected positive performance in Polarn O. Pyret.

Sustainability – high ambitions

Our sustainability vision, which reads "Responsible production, attractive products and long-term sustainable operations", provides the foundation for our sustainability efforts, which aim to ensure that we as a company take a genuine responsibility for creating an economically, ecologically and socially sustainable development. A success factor for achieving our vision is to integrate the sustainability work into the business models. During the year, the sustainability work was firmly established and strengthened, which resulted in a direction for each subsidiary's action plan. Other important activities were the move to a new office with a sustainable profile, the definition of sustainability as a main focus in the ownership strategy and as one of our core values as well as increased training and division of responsibility in sustainability questions among our employees.

Apart from strengthening the internal platform for sustainability questions, progress was also made during the year in our day-to-day work, including in relation to chemical management, sustainable materials and implementation of a new Code of Conduct. During the coming fiscal year, we will focus on carrying out clear activities, which are integrated in the business models of the concepts. The activities are being carried out based on our prioritized goals in the following areas; internal training, production, products, environmental impact and circular flows.

Brothers – leading men's fashion chain with stronger momentum

Brothers has undergone major changes in the past three years and as a result the sales and earnings trends were very strong for the third consecutive year. We delivered

”My view is that RNB has good potential to once again increase sales at a higher rate than the market during the coming fiscal year, mainly driven by an expected positive performance of Polarn O. Pyret.”

on our promise of reaching positive operating income in the concept for the 2015/16 fiscal year. Brothers is established as a leading men's fashion chain with tailored and smart casual in focus and competitive offers based on the proprietary brands Riley, East West and the Tailoring Club. The concept has a special position in the tailored segment, which is shown by gradually increasing visitor figures and market shares. The service content is market-leading and is under continual development through both the physical interface with our store staff and through e-commerce. After several years of clear improvements and satisfied customers, employees and franchisees, I can confidently state that the momentum is strong for a continued positive development of Brothers' operations. We will continue to exceed the expectations with Brothers.

Departments & Stores – service leadership and attractive brands

During the year, Departments & Stores reported operating income in line with the previous year, which is satisfactory. Departments & Stores is at the absolute forefront in terms of service and sales and therefore plays a key role in the efforts to realize the vision that NK should be a world-class department store.

This vision also means that the present brands should always be the most attractive on the market and that our customers should perceive a very high level of service. In brief – our departments should be perceived as destinations and not just as parts of a larger department store. With our high level of ambition in terms of continuous improvement and modernization, about 60 departments at NK in Stockholm and Gothenburg underwent changes, some involving new brands or an entirely new look. These comprehensive conversions caused some sales disruptions, which had a negative impact on results. During the coming fiscal year, the positive effects from these converted departments will become apparent. We noted falling visitor numbers during a large part of the fiscal year, mainly due to the roadworks outside the NK department store in Stockholm. In view of this, combined with the fact that almost half of the departments were modernized, the operating income reported during the year is considered to be strong.

Polarn O. Pyret – value proposition under renewal

In recent years, Polarn O. Pyret displayed sales growth but to some extent this was based on extensive price reductions at the expense of the gross margin. Just over one year ago, the assessment was made that the modernization rate in Polarn O. Pyret had been much too weak for a long time and that the actual profitability was unsatisfactory in relation to the potential. A strategic reorientation was thus necessary to create the basis for significantly higher profitability. This strategic reorientation resulted in a major change process addressing three dimensions – International structure, Organization and Value proposition in the core markets.

Polarn O. Pyret will continue to strengthen its position as an expert in children's wear with a distinct service content in both the physical and e-commerce customer interfaces. Major changes implemented during the year included the closure of the operations in Holland, acquisition of 51 percent of the franchisee-owned Polarn O. Pyret business in Finland, closure of the operations in China, a new organizational structure, a new management organization and a reorientation and modernization of the brand, the fashion range and marketing. The Swedish operations performed much weaker overall than the previous year. Most of the divergence was related to the second quarter when we executed a challenging part of the reorientation work. The development in Polarn O. Pyret in Norway levelled out during the year and the operations are still not performing in line with our goals. Improvement of the Norwegian operations, together with the positive effects of the reorientation work, are expected to contribute to stronger profitability during the 2016/2017 fiscal year. A provision for expected final costs for the closure of the operations in Holland has been made in the annual accounts and will therefore not impact operating income during the 2016/2017 fiscal year.

Digital transformation and service leadership go hand in hand

RNB is driven by a corporate strategy on compassing digital transformation, service leadership, sustainability and skills development. As part of this, comprehensive efforts are being made in order to advance our omnichannel offer. In addition, towards year-end, we launched Man of a kind as a new e-commerce business with focus and emphasis on "the best in masculine style and fashion". The development of service occurs within the framework of each of the three concepts in order to further strengthen our service-leading positions. HR and skills development are in focus in a number of different ways. As an employer in the retail clothing/fashion industry, we are the most attractive employer for many people.

We are continuing to implement our clear strategies in our three concepts – Brothers, Departments & Stores and Polarn O. Pyret. Based on strong collections and distinct store looks, we expect a good earnings trend during the coming year. Operational success depends on our employees, and for this reason we continually work to strengthen our culture, which is defined by teamwork with degrees of freedom for and encouraged individual power of initiative. After a challenging year in Polarn O. Pyret, RNB is once again displaying a strong positive trend.

Magnus Håkansson,
President and CEO

An overview of RNB

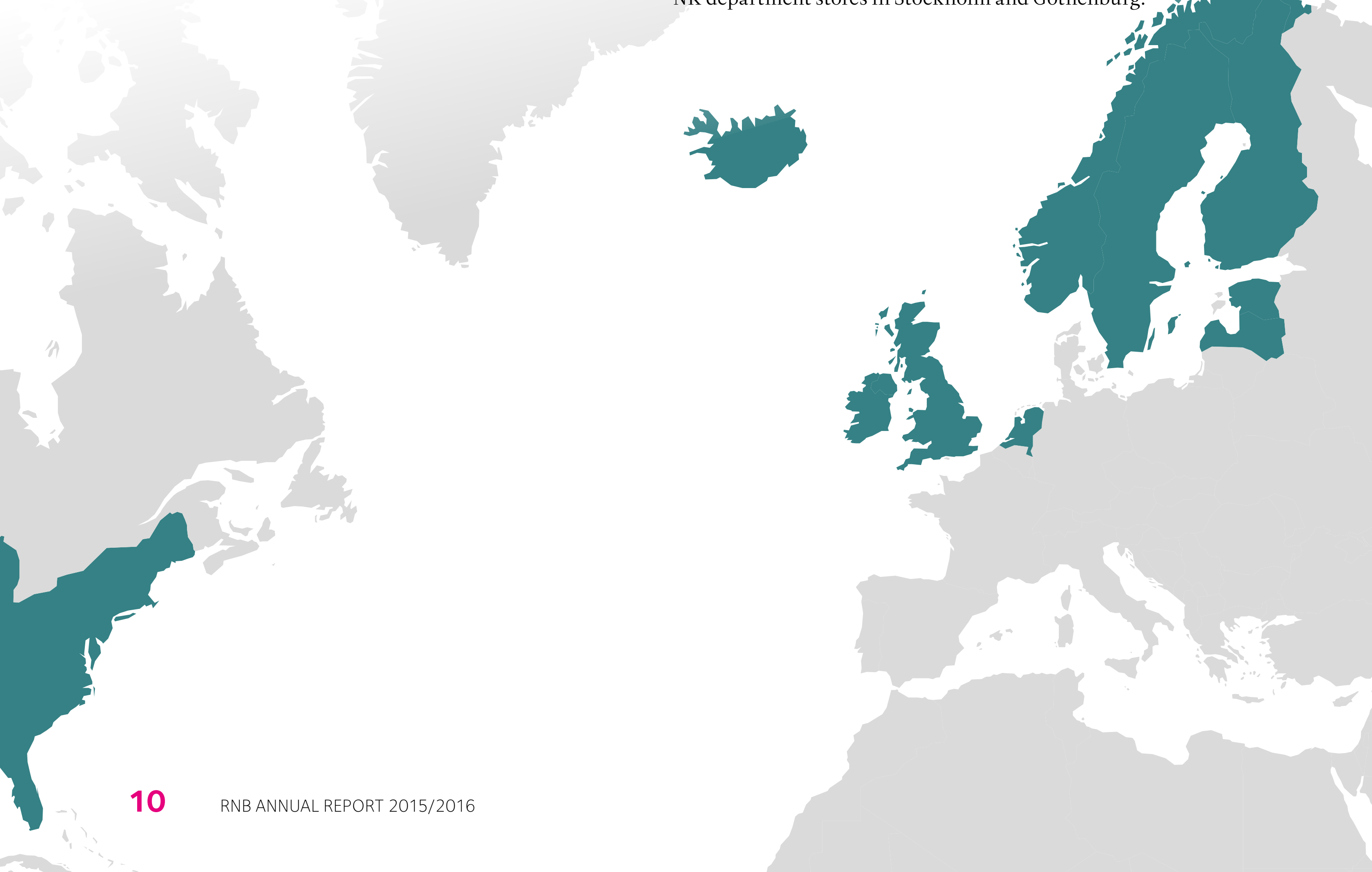
RNB RETAIL AND BRANDS owns, operates and develops fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics stores. The vision is to offer customers excellent service and a world-class shopping experience. Sales are conducted in larger cities, smaller towns and shopping centers through the store concepts Brothers and Polarn O. Pyret. In the Departments & Stores business area, RNB RETAIL AND BRANDS manages departments at the NK department stores in Stockholm and Gothenburg. The three store concepts are clearly positioned and differentiated with inspiring stores, a high level of service as well as attractive and target-group-oriented ranges of fashion.

RNB has operations in 11 countries and the total number of stores in the RNB Group amounts to 263, of which 61 are operated by franchisees.

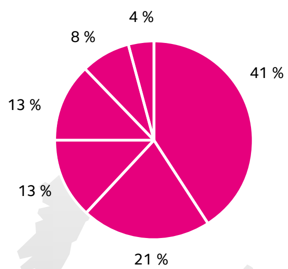
The **Brothers** business area is a fashion concept for men and offers a strong mix of proprietary and external brands with a distinct profile towards tailored and smart casual wear with a high level of service.

Polarn O. Pyret is the leading brand and store concept for high quality baby and children's wear with a high level of service in the Swedish market and it also has an international presence.

In the **Departments & Stores** business area, RNB focuses on the customer interface and on providing high-quality fashion 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 Gothenburg.

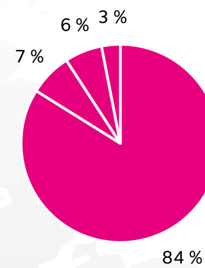


Sales 2015/2016 per product category, %



41 %	Men
21 %	Children
13 %	Women
13 %	Cosmetics
8 %	Underwear & accessories
4 %	Jewelry

Sales 2015/2016 per geographical market, %



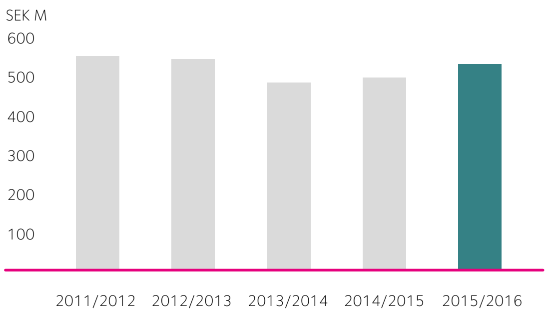
84 %	Sweden
7 %	Norway
6 %	Finland
3 %	Others

Business area	Total sales	Share, %	Stores			Number of employees
BROTHERS	SEK526M	24%	**Total**	75	of which, 21 franchise	239
			Sweden	61	of which, 21 franchise	
			Finland	14	of which, 0 franchise	
DEPARTMENTS & STORES	SEK959M	44%	**Total**	44	11 309 m²	358
			NK Stockholm	29	6 650 m²	
			NK Gothenburg	15	4 659 m²	
POLARN O. PYRET	SEK689M	32%	**Total**	144	of which, 40 franchise	356
			Sweden	64	of which, 7 franchise	
			Norway	29	of which, 0 franchise	
			Finland	17	of which, 3 franchise	
			England	15	of which, 15 franchise	
			USA	5	of which, 5 franchise	
			Netherlands	4	of which, 0 franchise	
			Estonia	4	of which, 4 franchise	
			Ireland	2	of which, 2 franchise	
			Scotland	2	of which, 2 franchise	
			Iceland	1	of which, 1 franchise	
			Latvia	1	of which, 1 franchise	
Total **RNB** RETAIL AND BRANDS	SEK2,173M		263store 11countries			1,047

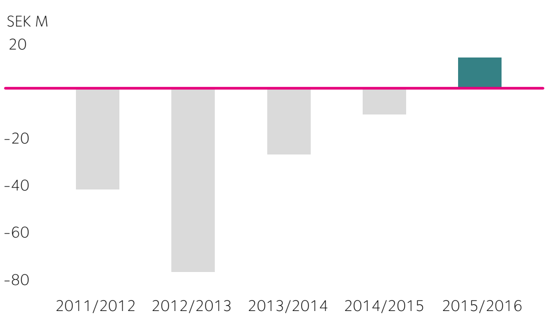
BROTHERS

Brothers is a leading men's fashion chain in the mid-priced, affordable high quality, segment and offers a broad range from ready-to-wear clothing to casual clothing in an inspiring store environment with a high level of service. The range mainly consists of the proprietary collections, Riley, East West and the Tailoring Club, supplemented with external brands. The stores are operated both as proprietary stores and through franchisees. Brothers' identity is based on the traditional menswear store.

Net sales



Operating profit



Excluding impairment of goodwill

Vision

Take a position and ownership of male tailored and smart casual fashion.

Mission

Brothers is a **service concept** in men's fashion that represents the **smart alternative** to brands in the premium segment.

Business concept

What: Commercial and attractive fashion range that appeals during all user occasions within the stylish "tailored" and "smart casual" segments. Strong and well-designed products featuring proprietary designs and looks – "Value for money".

How: Attractive stores featuring an inspiring garment display while also making it easy for the customer to navigate among the range.

Unique: Exceptional shopping experience and personal service based on a high level of knowledge among all Brothers' sales staff and advisors.

Key ratios Brothers

SEK M	**15/16**	14/15
Net sales	526	492
Share of RNB's sales, %	24	23
Operating income	13	-11
Number of employees	239	240
Number of stores	75	78
Of which, franchise	21	25
Of which, abroad	14	13

Another positive year

Brothers' turnaround work was completed during the year and the concept delivered on its promise of reaching positive operating income for the 2015/2016 fiscal year. For the second year in a row, Brothers displayed sales growth in comparable stores of more than 10 percent and an increased number of visitors and customers and higher market shares. The product development was strong during the year in all brands – Riley, East West and the Tailoring Club – with a more modern look, material choice and fit. The East West brand showed a considerable improvement, which was reflected in both the store look and sales figures. Brothers' campaigns had a strong impact on customers during the year, where the suit campaign during the spring of 2016 was particularly successful.

More distinct concept with value-adding services

The Brothers' concept includes a high level of service combined with a good value for the tailored as well as fashion range. It is crucial to continue on this track to further clarify the concept to customers and distinguish it from the competitors. During the year, a new Suit & Style Service was launched – with appointments for suit and style advice. The service may be ordered via www.brothers.se and was well received by customers. The focus also increased on the Made-to-Measure service – custom-made suits – where a number of "trunk shows" were arranged, where the service was presented in stores around the country.

Sustainable development

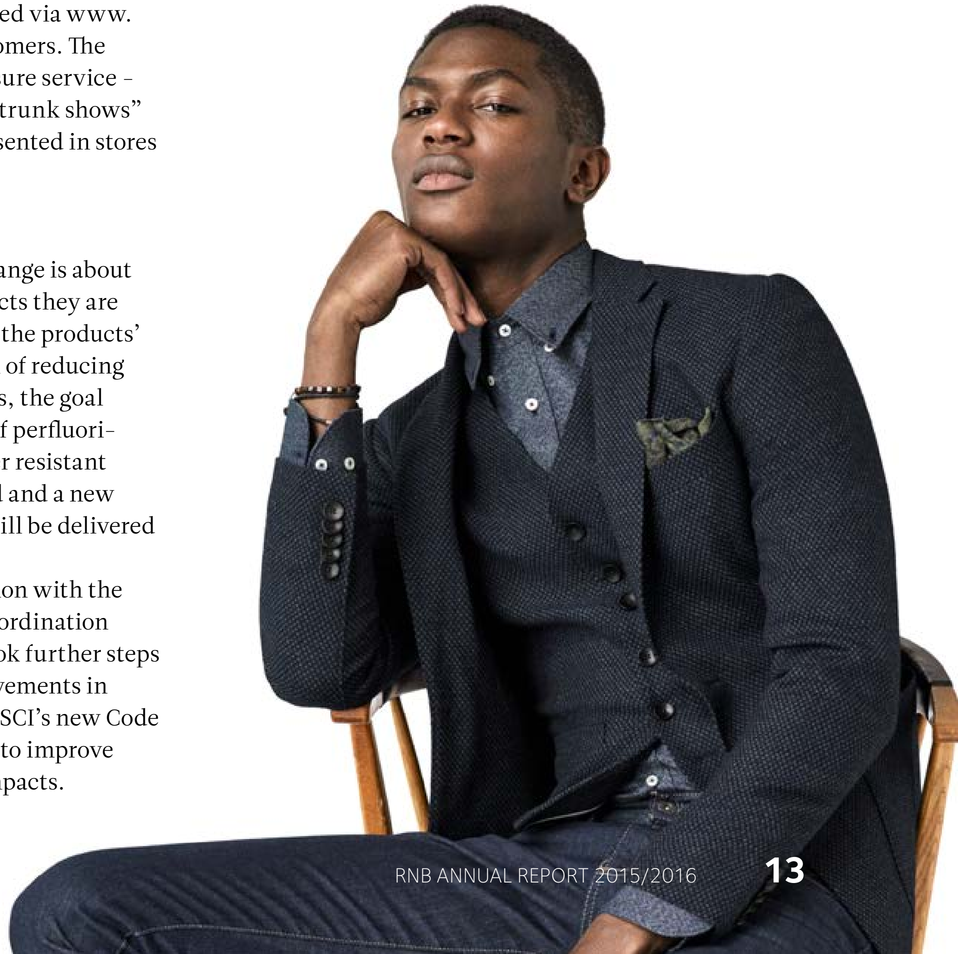
Offering customers an attractive fashion range is about offering customers the high quality products they are requesting but it is also about considering the products' environmental impact. With the ambition of reducing the use of potentially hazardous chemicals, the goal before the year was to phase-out the use of perfluorinated compounds, (PFCs) in dirt and water resistant finishes. This goal has now been achieved and a new method is being used in the jackets that will be delivered in spring 2017.

During the year, Brothers in collaboration with the production office in Hong Kong, and in coordination with the Polarn O. Pyret business area, took further steps in the work on control and making improvements in factories through the implementation of BSCI's new Code of Conduct as well as initiation of projects to improve water management and environmental impacts.

Bright future with continued strong growth

After the work in recent years, Brothers is now a profitable and competitive concept with a growing customer base and a leading market position. The men's fashion market segment is currently undergoing an exciting development with a changed view of fashion. The classic dark suit is being replaced as a "work uniform", for example by well-dressed jeans with a non-matching blazer. The term "well-dressed" has gained a more diverse meaning and the choice of fit is becoming more individual, which means that men are generally better dressed today compared to the past.

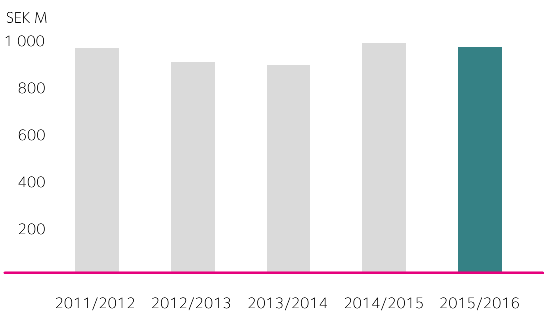
The future for a service-oriented men's fashion concept like Brothers is bright with continued growth – organic in existing stores, through new stores and not the least through e-commerce. In light of this, we will focus in the coming years on further developing the customer interface and service delivery, both in physical stores and in the digital e-commerce service concept. Brothers' e-commerce business is growing strongly and will represent a significantly larger share of sales in the future while the number of physical stores will also increase over the next few years.



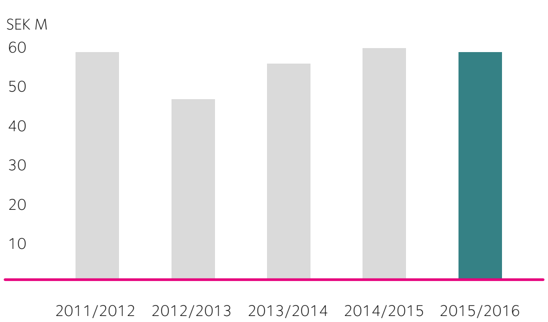
DEPARTMENTS & STORES

Departments & Stores (DSE) offers a unique distribution platform for national and international brands in the premium and luxury segment in strong marketplaces. The company has extensive operations in the Nordic region's two leading department stores – NK in Stockholm and NK in Gothenburg. The concepts in the department stores share a focus on the customer interface and on providing high-quality product ranges and store environments. The operations extend from children's wear to jewelry and all our customers have high demands in terms of service, knowledge and quality.

Net sales



Operating profit



Vision

Departments & Stores shall offer a world-class shopping experience.

Mission

Departments & Stores shall offer the customer an international range mix in an inspiring environment with world-class service.

Business concept

Departments & Stores develops inspiring destinations with world-class brands and service.

Key ratios Departments & Stores

SEK M	**15/16**	14/15
Net sales	959	977
Share of RNB's sales, %	44	46
Operating income	58	59
Number of employees	358	366
Number of stores	44	44
Total area, m^2	11 309	11 055

Strong performance despite a number of challenges
Despite unfavorable weather, the sales and earnings trends were strong for Departments & Stores during fall 2015. However, visitor figures fell in connection with the terrorist attack in Paris in the middle of November 2015. During the same period, the Mall of Scandinavia also opened, Sweden's largest shopping center. Both of these events had a negative impact on city center retail trading in Stockholm, something that was also noted at NK in Stockholm.

During the past year, significant roadworks were in progress outside of NK in Stockholm, which also had a negative impact on customer flows with reduced traffic to the department store as a consequence. According to a report from the organization City i samverkan, city trading in the central parts of Stockholm declined by the equivalent of 10 percent in the past year. The report estimates that part of the decrease was due to the opening of the Mall of Scandinavia but most of it was estimated to have been due to the reconstruction project around the Gallerian mall in central Stockholm.

Despite these challenges, Departments & Stores reported essentially unchanged operating income and a marginal decline in sales for the full-year. Visitor numbers decreased more than sales seen over the entire fiscal year. Both conversion rates and average spend increased during the period, which explains why the business area managed to compensate for the lower visitor numbers.

High modernization rate
During the year, Departments & Stores carried out more than 60 store conversions at NK in Stockholm and in Gothenburg. The updates included both completely new departments and so-called "shop-in-shops" and aim to renew the stores and offer customers an even better shopping experience. Some examples of new departments that have been added to NK in Stockholm during the year are NK Fashion Essentials, NK Woman, Michael Kors, Rebecca Minkoff, Dagmar and Tommy Hilfiger. During the year, shop-in-shops were also built featuring Ganni and Rodebjer at NK Nordic Designers and with Damiani, Chanel and Efva Attling at NK Jewelry department. NK Women's Accessories was also supplemented with the Coach and Kate Spade brands.

It is gratifying that Departments & Stores increased its floor space by 255 square meters during the year at NK in Gothenburg. This area is a part of NK Cosmetics, which was totally renovated. The new department is of a top class international standard featuring unique concepts such as Les Exclusifs de Chanel and brands such as Hermès, Diptyque, AESOP, Tom Ford and MAC. During the year, the NK Beauty Lounge was introduced, where customers are offered assistance with nails, eyebrows and eyelashes in an exclusive and relaxed environment. NK in Gothenburg also gained new shop-in-shops during the year including Boss Black and Diane von Furstenberg at NK Fashion.

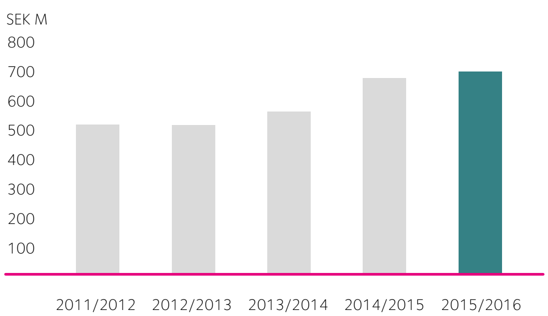
The recently completed fiscal year saw the most comprehensive conversion period for a long time. This had some impact on the sales trend as converted departments had to be closed for a certain period of time. The comprehensive investments made are expected to have a positive impact on sales during the next fiscal year.

Service leadership and attractive brands
Departments & Stores' vision is to offer a world-class shopping experience, which reflects NK's vision to be a world-class department store. The vision will be reached by developing destinations where customers are offered an international fashion range mix in an inspiring environment with world-class service. From a Swedish perspective, Departments & Stores is at the absolute forefront in terms of service and during the past year we achieved some of the best results in the market for service measured through mystery shopping. Today there are already a number of services that improve the customer experience, for example Master class in watches, fragrance consultation and beauty treatments in Cosmetics and made-to-measure in ready-to-wear clothing. To further strengthen the shopping experience at NK, Departments & Stores will make an effort to increase the number of unique services and thereby further advance the service concept.

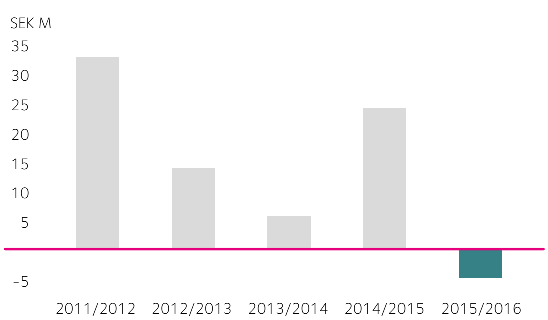
POLARN O. PYRET

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 wear in the quality segment of the Swedish market and its clothing is famous for its high quality, functionality, design and service. Polarn O. Pyret is currently established in 11 markets.

Net sales



Operating profit



Vision

Polarn O. Pyret's vision is to best understand and cater to what children want and need.

Mission

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

Business concept

What: Smart clothing for all children's needs

Who: Parents and buyers of presents, based on children's needs and wishes.

Key ratios Polarn O. Pyret

SEK M	**15/16**	14/15
Net sales	689	667
Share of RNB's sales, %	32	31
Operating income	–5	24
Number of employees	356	337
Number of stores	144	140
Of which, franchise	40	52
Of which, abroad	80	77

The year was dominated by a major reorientation of Polarn O. Pyret in order to better meet the needs and driving forces of today's and tomorrow's parents. Polarn O. Pyret placed a greater focus during the year on its core markets and also carried out a relatively comprehensive reorganization and skills transfer process. This transformation work was based on customer surveys and analyses carried out in order to identify and reinforce the concept's strengths – while also identifying areas for development. A successful change during the year was the introduction of a new campaign strategy with a reduced level of discounts, together with higher degree of precision regarding customer targeting, which strengthened the gross profit and confirmed that target groups perceive that the strong quality and brand jointly are worth its full price.

Development of value proposition

Polarn O. Pyret has a strong concept with high quality as the main characteristic. During the past years, 40 years of stripes and playfulness was celebrated with retrospectives, anniversary collections and parties in all stores. Meanwhile, comprehensive development work began on updating and broadening the range. The strength of garment quality and long lifecycles are key success factors that should obviously be maintained – just like children's play and comfort are the starting points for all design development. The development work aims to boost the differentiation between age groups and achieve a more contemporary design. With a new brand platform in place, the brand image is being updated as well as marketing efforts.

Sustainability

For many years, an important and increasingly requested goal at Polarn O. Pyret has been the development of a sustainable product range. During the year, the work on securing sustainable materials accelerated sharply with intensive sourcing and product development. In light of this, Polarn O. Pyret is on a good way toward reaching its goal during 2017 of 100 percent sustainable cotton – a full three years ahead of target. Another high priority question for Polarn O. Pyret is the garments' capacity to handle a lot of play where garments are passed down from one child to another. Balancing demands for sustainability in connection with choice of material and production processes with garment durability and comfort is thus continually challenging.

During the year, Polarn O. Pyret in collaboration with the production office in Hong Kong, and in coordination with the Brothers business area, took further steps in the work on control and making improvements in factories through the implementation of BSCI's new Code of Conduct as well as initiation of projects to improve water management and environmental impacts.

Digitalization

The concentration on core markets also means key investments and particularly in digitalization. E-commerce performed very strongly for Polarn O. Pyret during the year. Thus expectations and efforts have been further raised for the coming years. The potential for digital trading in children's wear is good as the need to try on is relatively limited and returns are therefore much less of a problem than for the rest of the clothing trade.

Service and experts

An important success factor for Polarn O. Pyret is the high level of service and guidance offered in the stores. First-time parents are often in great need of expert advice in order to choose the best solution for their children and here Polarn O. Pyret has a unique position. A number of efforts were made during the year to further boost customer focus, including a changed sales organization.

It was an intense year, which was dominated by comprehensive investments and changes to strengthen profitability, boost efficiency and develop the value proposition for today's and tomorrow's customers. This work has placed Polarn O. Pyret in a much stronger position for the future – ready to offer new generations of parents the market's most relevant and attractive range of qualitative children's wear.

Core Values

RNB is defined by four core values that make the company unique. The core values constitute the RNB Group's common foundation and describe the corporate culture and also firmly underpin the vision. The core values provide guidance to all employees in the day-to-day operations and clarify how we work, what we focus on and how we act in relation to others.

The customer is most important

- We are passionate about satisfying customers through our products and our service
- Customer value is always in focus in what we do, in how we act and in all decisions we make
- We strive for a world-class shopping experience and to exceed the customer's expectations every time.

We do sustainable and smart business

- We invest our time and money where it has the most benefit
- We work based on a long-term approach and sustainability in all relations – with our customers, suppliers and our environment
- We operate sustainably and with business acumen in all situations

We believe in people

- We believe in the strength and potential of people
- We take responsible initiatives on our own and learn from each other
- We show loyalty to one another and set a good example
- By acting together we make one another even better

Direct communication

- We say what we feel and think – constructive, well-reasoned and with consideration
- We listen to each other, are open for feedback and the opinions of others
- Even if decisions go against what we said and think, we are loyal to decisions taken
- We talk with each other and not about each other

RNB

Financial statements

Board of Directors' Report 2015/2016

The Board of Directors and the President of RNB RETAIL AND BRANDS AB (publ), Corp. Reg. No. 556495-4682, hereby submit the annual accounts and consolidated financial statements for the fiscal year, September 1, 2015 – August 31, 2016.

Operations, business concept and strategy
RNB RETAIL AND BRANDS owns, operates and develops fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics stores that focus on providing excellent service and a world-class shopping experience. The Group has operations in 11 countries where sales are mainly conducted in Scandinavia through the two store concepts Brothers and Polarn O. Pyret, as well as through stores in the NK department stores in Stockholm and in Gothenburg. At August 31, 2016, the total number of stores amounted to 263 (262), of which 61 (77) are operated by franchisees.

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 is a fashion concept for men and offers a mix of strong proprietary and external brands with a distinct profile towards tailored and smart casual. In the Departments & 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 Gothenburg. 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 an international presence.

Events during the year
Sales increased slightly compared to the previous year. Operating income increased in three of the four quarters compared to the previous year. During the year, conversion work was initiated in the Polarn O. Pyret business area. The aim is to focus on the larger markets and create better potential for profitable growth. The closure of Polarn O. Pyret's operations in Holland was initiated and the business area's e-commerce store in China was discontinued. Polarn O. Pyret acquired 51 percent of Kids Company Oy in Finland through a subsidiary during the fiscal year, with an opportunity/obligation to acquire the remaining 49 percent. The company operates 12 Polarn O. Pyret stores, an e-commerce store and three franchise stores.

In June 2016, RNB entered into an agreement on possible extension of the existing business financing facility (SEK 400 M) from the company's principal owner, Konsumentföreningen Stockholm. The agreement implies a possibility to extend the financing from 2017 to 2018 subject to unchanged contractual terms.

Market
According to HUI Research, clothing sales increased in specialist stores by 2.6 perent during the fiscal year. RNB's sales in comparable stores increased by 1.9 percent during the same period, compared to an 11.9 percent increase during the previous fiscal year.

Net sales and earnings
Consolidated net sales totaled SEK 2,173 M (2,136) during the fiscal year, which was an increase of 1.7 percent. Gross margin during the period was 50.3 percent (50.1).

Operating income amounted to SEK 36 M (48). During the year, restructuring costs amounted to SEK 13 M in Polarn O. Pyret. These costs mainly related to a provision for estimated remaining costs to close the business area's operations and retail space in Holland and other restructuring and termination expenses. Operating income before these restructuring costs totaled SEK 50 M (48).

Profit before tax amounted to SEK 26 M (42).

Net income amounted to SEK 26 M (42), which corresponds to SEK 0.76 (1.25) per share.

Concepts' performance during the fiscal year

Brothers business area
Net sales for the business area totaled SEK 526 M (492), an increase of 6.8 percent. Net sales for Brothers showed an increase in proprietary stores and in e-commerce during the fiscal year, and lower sales on the franchise side. Sales in comparable proprietary stores in Sweden and Finland increased by 10.0 percent. The number of visitors increased as well as the number of customers combined with an increased average spend. Gross margin in the business area increased compared to the previous year, where less price activities and lower negative currency effects contributed to the increased gross margin and higher gross profit. Overhead costs for Brothers were at a slightly higher level than the previous year, but lower than planned. The main reason was higher payroll taxes for young people and costs for premises as a consequence of new stores and additional sales. Operating income amounted to SEK 13 M (-11), with an operating margin of 2.4 percent (-2.2). Inventories were higher during most of the period compared to the previous period but were lower at the end of the period compared to the previous year. The quality of inventories is considered to be good and corresponds to the planned increase in product demand.

Departments & Stores business area
Net sales in the business area totaled SEK 959 M (977), a decrease of 1.8 percent. Sales increased significantly in Stockholm and also in Gothenburg early in the fiscal year but showed a slight decline in the latter part of the year. The number of visitors decreased more than sales although the conversion rate and average spend increased during the period. Gross margin was at a stable level compared to the corresponding period of the previous year. Gross profit fell slightly as a consequence of the lower sales. Overhead costs were lower than the previous year due to adjustment of overhead costs to the lower sales. Operating income amounted to SEK 58 M (59), with an increased operating margin of 6.1 percent (6.0). Inventories in the business area increased during the year and were higher at the end of the year than the previous year. The increase in inventories was a result of new premium brands, more exclusive and expensive products and altered contractual terms, which combined led to increased inventory values.

Polarn O. Pyret business area
Net sales during the fiscal year amounted to SEK 689 M (667), equivalent to an increase of 3.2 percent. Sales decreased in comparable stores but this was offset by new stores and a continued increase in the e-commerce business. The operations acquired during the third quarter in Finland also contributed to the increased sales. Franchise sales decreased during the year for the same reason. Gross margin decreased slightly during the year compared to the previous year. However, gross profit was higher compared to the previous year. Overhead costs increased compared to the previous year due to the consolidation of Finland and restructuring costs of SEK 13 M (0) related to the reorientation and modernization of the business, which began in the second quarter. Operating income before restructuring costs totaled SEK 8 M (24). The restructuring costs mainly related to a provision for estimated remaining costs to close Polarn O. Pyret's operations and retail space in Holland as well as restructuring and termination expenses incurred during the year related to the conversion work initiated in Polarn O. Pyret during the second quarter. Operating income totaled SEK -5 M (24), equivalent to an operating margin of -0.8 percent (3.6). The results from the Finnish business for the period April-August are included in the business area's operating income. Inventory levels increased during the year and were at a higher level at the end of the year compared to the previous year. Current inventory levels are considered to be effective and of good quality.

Parent company
The Parent Company provides company-wide services. Net sales in the Parent Company amounted to SEK 98 M (85) The result after net financial items amounted to SEK 1 M (62). Investments totaled SEK 18 M (6).

Financial position and liquidity
The Group had total assets of SEK 1,103 M compared to SEK 1,076 M at the end of the previous fiscal year. Shareholders' equity amounted to SEK 324 M at the end of the period, and to SEK 306 M at the end of the previous fiscal year, providing an equity/assets ratio of 29.3 percent (28.4).

At August 31, 2015, inventories totaled SEK 404 M (401), where Departments & Stores and Polarn O. Pyret increased their inventory levels compared to the previous year. The increase was due to the consolidation of Polarn O. Pyret's Finnish operations, currency effects, additional purchasing and ongoing deliveries of the fall and winter collections.

Cash flow from changes in working capital remained at the same level as the previous period at SEK -12 M (-12). Current receivables increased and current liabilities decreased, which was offset by slightly lower inventories. Cash flow from operating activities amounted to SEK 64 M (74) during the period. Cash flow after investments amounted to SEK -14 M (22), which is equivalent to a deterioration of SEK 36 M compared to the previous year and was explained by higher investments and the acquisition of Polarn O. Pyret's Finnish operations during the period.

Net debt amounted to SEK 379 M compared to SEK 341 M at the end of the previous fiscal year. A substantial part of the increase was due to the acquisition of Kids Company Oy. The Group's cash and cash equivalents at the end of the period, including unutilized overdraft facilities, amounted to SEK 124 M compared to SEK 147 M at the end of the previous fiscal year. Blocked funds relating to hedging were reclassified, as a changed assessment was made due to changed circumstances, in the third quarter from cash and cash equivalents to non-current receivables, which decreased the balance-sheet item "cash and cash equivalents".

Investments, depreciation and impairments
Investments during the period, excluding investment in subsidiaries totaled SEK 56 M (42). Depreciation/amortization totaled SEK -52 M (-48).

Personnel
The average number of employees during the fiscal year was 1,047 (1,024).

RNB has employees in 5 countries who work with production, marketing, sales and in various support functions. Our successes are build on working according to a high level of service in stores and the fact that we presented revised core values relating to our corporate culture in 2015, which we are now working actively with.

RNB's core values
- The customer is most important
- We do sustainable and smart business
- We believe in people
- Direct communication

We also implemented new management guidelines in connection with the relaunch of RNB's core values. RNB's management guidelines aim to serve as a compass for our managers to act according to but also to provide information for our employees about what they can expect from their manager. Our personnel policy is based on mutual responsibility and sets out what the company offers and what is expected of the employee. We are convinced that a good reputation as an employer attracts employees who can build a strong company, which grows and continues to be successful. Our organization is multicultural with international experience and we work in an open and informal working environment, which has the ability to adapt to changes.

RNB is affiliated to the employers' organization, the Swedish Trade Federation, as well as collective agreements with trade unions Unionen and the Commercial Employees' Union.

Sustainability reporting
As a player in the fashion and cosmetics industry, RNB has a responsibility for how the operations impact the environment and people at a local and global level. We strive to make continual improvements based on Sweden's environmental objectives and the UN's sustainability goals.

RNB proceeds from the concept of CSR, Corporate Social Responsibility, in order to summarize the work performed to contribute to an ecologically, economically and socially sustainable development. CSR is not the efforts of an individual employee but an integrated part of everyone's duties, and for this reason a long-term approach and sustainability are a part of RNB's company-wide core values.

CSR and sutainability questions at RNB are based on the following three goals:
- Responsible production
- Attractive products
- Operations that are sustainable in the long term

The basis of RNB's sustainabilty work is managed at a Group level through a CSR platform, from where common guidelines are set for each subsidiary regarding communication, policies and memberships. Apart from common guidelines, each subsidiary has action plans that are adapted to its business profile in the following four areas:
- Supply chain
- Product and value proposition
- Point-of-Sales and charity
- Internal environmental work and RNB as an employer

All action plans are relevant for the operations and the most important are supplemented with prioritized goals for the coming three years, as follows:
- UThorough knowledge about conditions in factories that are used for production of proprietary brands.
- No suppliers for production of proprietary brands with serious violations of the Code of Conduct.
- Improved water and chemical management in production
- Reduced impacts based on choice of material and method
- Increased recycling and reuse
- Internal knowledge and engagement regarding CSR and sustainability

RNB presents a separate sustainability report that follows the fiscal year in which the sustainability work of the Group and subsidiaries is described. This is published on https://www.rnb.se/en/Our-responsibility/.

Related-party transactions
No transactions were conducted between the RNB Group and related parties, which have materially impacted the Group's financial position and results. The company has two loans from its principal shareholder Konsumentföreningen Stockholm, totaling SEK 400 M, of which SEK 385 M is utilized, based on market-related interest rate terms. For further information on transactions with related parties, refer to Note 4.

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

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 38.

Corporate governance
RNB is governed by 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 58–66.

The Board's work
RNB's Board of Directors after the Annual General Meeting (AGM) in December consisted of six members. The Board is appointed at the AGM for the period until the next AGM. The company's Articles of Association do not include any provisions on the appointment or dismissal of Board members.

RNB's Board of Directors is governed by 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.

In addition to the statutory meeting, the Board held six scheduled Board meetings and two extraordinary meetings during the fiscal year. The regular meetings were primarily devoted to earnings follow-ups, investment matters, external reporting, budgets and strategy issues.

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 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 to 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 shall 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.

Prior to the AGM on December 21, 2016, members of the Nomination Committee were appointed in accordance with the resolution of the AGM in December 2015. The Nomination Committee consists of Sune Dahlqvist, Chairman of Konsumentföreningen Stockholm, Ulf Strömsten, Catella Fondförvaltning and Joel Lindeman, Novobis AB.

Guidelines for remuneration to senior executives
The AGM on December 17, 2015 resolved on guidelines for remuneration and other terms of employment for the company management. These are described in Note 4.

The Board of Director proposes that the Annual General Meeting resolve on the following guidelines.
The Company is to offer market-based total remuneration that facilitates the recruitment and motivates executives. Remuneration paid to members of company management is to comprise fixed and variable salary, a pension and other remuneration. Combined, these components comprise the individual's total remuneration. The fixed and variable salary components jointly represent the employee's salary.

The fixed salary, paid monthly in SEK, must take into account the employee's areas of responsibility and experience. The variable salary shall primarily be related to the outcome of the subsidiaries and the Group's operating results and cash flow compared with established targets.

In respect of the currently applicable bonus, it is proposed that the maximum outcome for the company's costs for the variable salary, which presupposes fulfillment of all bonus-based targets and that the bonus to be paid is fully financed by the surplus generated, may not exceed a total of SEK 3,250,000 (excluding social security contributions), of which SEK 750,000 to the President and SEK 500,000 or SEK 250,000 to other senior executives depending on positions. The calculation is based on the seven individuals, including the President, who currently comprise company management. The bonus will be evaluated annually and the bonus structure will be re-established each year. The bonus does not qualify for vacation or pension.

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

The President is entitled to an occupational pension corresponding to a pension premium of approximately 30% of current annual salary. Other members of company management are entitled to pension according to the ITP plan or similar. The retirement age is 65.

Other remuneration and benefits are to be market-based and contribute to facilitating the employee's possibilities to fulfill his/her assignments.

Terms of employment for company management include regulations governing notice of employment termination. According to these agreements, employment may normally be terminated by the employee subject to a period of notice of six months and by the company subject to a period of notice of six to 12 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 it has specific reasons to justify such a deviation in an individual case.

Ownership
The number of shareholders on August 31, 2016 was 6,903, of whom 6,385 were registered in Sweden. The three largest shareholders as of August 31, 2016 were Konsumentföreningen Stockholm (with 33.2 percent of the share capital/votes), Novobis AB (with 9.4 percent) and Catella Fondförvaltning (with 9.3 percent). Aside from Konsumentföreningen Stockholm, no shareholder, directly or indirectly, holds more than 10 percent of the shares in RNB RETAIL AND BRANDS AB (publ) as of August 31, 2016.

The number of shares in the company on August 31, 2016 was 33,912,176, which were all common shares, each with a quota value of SEK 6. Each share carries one vote at the AGM 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 may cast at the AGM nor any limitations on the right to transfer shares. Further information is available in the section "the RNB Share" on pages 67–68.

Expected future trend
We will continue with the implementation of the Group's clear strategies in our three concepts – Brothers, Departments & Stores and Polarn O. Pyret. Based on strong collections and distinct store looks, a good earnings trend is expected during the coming year. Brothers' operations are expected to perform positively both in terms of sales and results. The performance in Departments & Stores remains stable and together with expected positive effects from the turnaround work in Polarn O. Pyret, RNB has a good basis for delivering improvements in earnings during the coming fiscal year. Long-term investments are being made concurrently in IT and e-commerce in order to meet the stronger digitalization trend.

Dividend

The Board of Directors proposes a dividend of SEK 0.25 per share for the 2015/2016 fiscal year. Full coverage exists for the Parent Company's equity after the proposed dividend. As a basis for its dividend proposal, the Board according to Chapter 18 Section 4 of the Swedish Companies Act, has deemed that the proposed dividend is defensible in relation to the requirements imposed by the operations on the size of the Parent Company's and the Group's need to strengthen the balance sheet, liquidity and financial position generally.

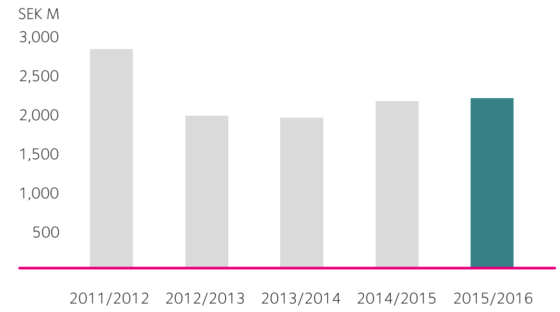
Proposed distribution of the company's earnings

The following funds are at the disposal of the Annual General Meeting, SEK:	
Retained earnings	52,175,594
Net income for the year	1,028,695
	53,204,289

The Board proposes that the retained earnings be allocated as follows:	
Dividend (SEK 0.25 per share)	8,478,044
To be carried forward	44,726,245
	53,204,289

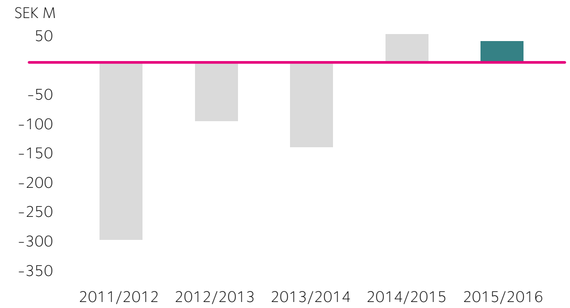
For further information regarding the company's earnings and financial position, refer to the following statements of comprehensive income and balance sheets with accompanying notes. All amounts are presented in thousands of SEK (SEK 000s) unless otherwise stated.

Net sales



Including divested operation

Operating profit



Including divested operation

Consolidated statement of comprehensive income

SEK 000s	Note	**Sep 15–Aug 16**	Sep 14–Aug 15
Net sales	3	2,173,133	2,136,164
Other operating income	3,6	16,677	15,340
		2,189,810	**2,151,504**
Operating expenses			
Goods for resale	8,20	–1,079,505	–1,065,684
Other external expenses	5,7,31	–477,353	–467,824
Employee benefit expenses	4	–544,725	–522,176
Depreciation/amortization and impairment of property, plant and equipment and intangible assets	14,15,16,18	–51,935	–47,871
Operating income	3	**36,292**	**47,949**
Profit/loss from financial investments			
Interest income and similar profit/loss items	3,9	2,186	5,511
Interest expenses and similar profit/loss items	10	–12,629	–11,167
Profit/loss after financial items	3	**25,849**	**42,293**
Tax on net income for the year	11	3	0
Net income for the year		**25,852**	**42,293**
Other comprehensive income			
Other comprehensive income, which will be reclassified to net income in subsequent periods			
Translation differences		387	–2,742
Comprehensive income for the year		**26,239**	**39,551**
Net inome for the year attributable to:			
The parent company’s shareholders		25,852	42,293
Comprehensive income attributable to:			
The parent company’s shareholders		26,239	39,551
Earnings per share, (SEK)	12	0.76	1.25
Average number of outstanding shares (thousands)	12	33,912	33,912

Consolidated statement of cash flows

SEK 000s	Note	**Sep 15–Aug 16**	Sep 14–Aug 15
Operating activities			
Operating income from continuing operations		36,292	47,949
Interest received		1,888	4,940
Interest paid		-12,122	-14,164
Tax paid		0	0
Adjustment for non-cash items	32	49,817	47,044
Cash flow from operating activities before change in working capital		**75,875**	**85,769**
Cash flow from changes in working capital			
Decrease (+)/increase (-) in inventories		9,280	-54,568
Decrease (+)/increase (-) in current receivables		-6,261	3,434
Decrease (-)/increase (+) in current liabilities		-15,068	38,966
Cash flow from operating activities		**63,826**	**73,601**
Investing activities			
Acquisition of property, plant and equipment and intangible assets		-53,518	-37,900
Divestment of property, plant and equipment		0	918
Investment of non-current receivables		-18,318	-
Received repayment of non-current receivable		1,850	3,129
Acquisition of subsidiares	33	-8,128	-17,386
Divestment of subsidiaries	33	-	-
Cash flow from investing activities		**-78,114**	**-51,239**
Financing activities			
Redemption of pension provisions		-	-
Borrowings		-	-
Amortisation of loans		-324	-15,000
Dividend		-8,478	-
Cash flow from financing activities		**-8,802**	**-15,000**
Cash flow for the year		**-23,090**	**7,362**
Cash and cash equivalents at the beginning of the year		47,193	40,225
Exchange difference in cash and cash equivalents		47	-394
Cash and cash equivalents at the end of the year	22	**24,150**	**47,193**

Consolidated balance sheet

SEK 000s	Note	**Aug 31, 2016**	Aug 31, 2015
ASSETS			
Non-current assets			
Intangible assets	13		
Software	14	23,002	15,776
Rental rights	15	7,926	12,808
Goodwill	2,16	391,753	379,218
		422,681	**407,802**
Property, plant and equipment			
Equipment and store fittings	17	90,286	87,562
		90,286	**87,562**
Financial assets			
Non-current receivables	2,19,35	22,794	5,650
		22,794	**5,650**
Total non-current assets		**535,761**	**501,014**
Current assets			
Inventories			
Goods for resale	2,20	404,090	400,921
		404,090	**400,921**
Current receivables			
Trade receivables	2,35	45,620	48,701
Current tax assets		6,750	9,004
Other receivables		11,924	9,708
Derivative assets	35	2,282	4,056
Prepaid expenses and accrued income	21	72,020	55,264
		138,596	**126,733**
Cash and cash equivalents	22,23,25	24,150	47,193
Total current assets		**566,836**	**574,847**
TOTAL ASSETS	3	**1,102,597**	**1,075,861**

SEK 000s	Note	**Aug 31, 2016**	Aug 31, 2015
EQUITY AND LIABILITIES			
Equity attributable to the parent company's shareholders			
Share capital		203,473	203,473
Other contributed capital		2,240,118	2,240,118
Other reserves		-11,754	-12,141
Retained earnings		-2,134,233	-2,168,048
Net income for the year		25,852	42,293
Total equity attributable to the parent company's shareholders		**323,456**	**305,695**
Non-current liabilities			
Liabilities to credit institutions	23	133	510
Deferred tax liabilities	11	0	0
Other non-current liabilities	23,24	401,700	385,000
Total non-current liabilities		**401,833**	**385,510**
Current liabilities			
Liabilities to credit institutions	23	1,299	2,215
Trade payables	26	180,503	202,000
Other liabilities	27	65,595	53,386
Derivative liabilities	35	52	2,123
Accrued expenses and deferred income	28	129,859	124,932
Total current liabilities		**377,308**	**384,656**
TOTAL EQUITY AND LIABILITIES	3	**1,102,597**	**1,075,861**
Pledged assets	29	496,466	428,934
Contingent liabilities	30	-	-

Consolidated changes in shareholders' equity

SEK 000s	Share capital	Other contrib-uted capital	Other reserves	Profit/loss brought forward	Net income for the year	**Total equity**
	Equity attributable to the Parent Company's shareholders					
Shareholders´equity, August 31, 2014	**203,473**	**2,240,118**	**-9,399**	**-2,007,036**	**-161,012**	**266,144**
Transfer of previous year's profit/loss				-161,012	161,012	0
Net income for the year					42,293	42,293
Other comprehensive income for the year			-2,742			-2,742
Comprehensive income for the year			*-2,742*		*42,293*	*39,551*
Shareholders´equity, August 31, 2015	**203,473**	**2,240,118**	**-12,141**	**-2,168,048**	**42,293**	**305,695**
Transfer of previous year's profit/loss				42,293	-42,293	0
Dividend				-8,478		-8,478
Net income for the year					25,852	25,852
Other comprehensive income for the year			387			387
Comprehensive income for the year			*387*		*25,852*	*26,239*
Shareholders´equity, August 31, 2016	**203,473**	**2,240,118**	**-11,754**	**-2,134,233**	**25,852**	**323,456**

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, 2016. All shares are common shares.

A dividend of SEK 0.25 per share is proposed for the fiscal year September 1, 2015 – August 31, 2016.

Parent Company income statement

SEK 000s	Note	**Sep 15–Aug 16**	Sep 14–Aug 15
Net sales	37	97,998	85,236
Other operating income	6	5,650	8,633
		103,648	**93,869**
Operating expenses			
Other external expenses	5,7,31	–64,950	–59,613
Employee benefit expenses	4	–59,281	–50,558
Depreciation/amortization and impairment of property, plant and equipment and intangible assets	13,14,16,17	–8,082	–9,341
Operating income		**–28,665**	**–25,643**
Profit/loss from financial investments			
Result from participations in group companies	34	39,435	95,453
Interest income and similar profit/loss items	9	886	1,500
Interest expenses and similar profit/loss items	10	–10,627	–9,810
Profit/loss after financial items		**1,029**	**61,500**
Tax on net income for the year	11	–	–
Net income for the year		**1,029**	**61,500**

Parent Company statement of comprehensive income

SEK 000s	Note	**Sep 15–Aug 16**	Sep 14–Aug 15
Net income for the year		1,029	61,500
Other comprehensive income		–	–
Comprehensive income for the year		**1,029**	**61,500**

Parent Company balance sheet

SEK 000s	Note	**Aug 31, 2016**	Aug 31, 2015
ASSETS			
Non-current assets			
Intangible assets			
Software	14	21,681	15,324
		21,681	**15,324**
Property, plant and equipment			
Equipment	17	5,943	2,835
		5,943	**2,835**
Financial assets			
Participations in subsidiaries	18	561,654	561,654
Other non-current receivables	19	15,000	0
		576,654	**561,654**
Total non-current assets		**604,278**	**579,813**
Current assets			
Current receivables			
Trade receivables	35	176	26
Receivables from group companies	36	73,415	61,409
Current tax assets		1,895	3,267
Other receivables		17	136
Prepaid expenses and accrued income	21	7,237	5,504
		82,740	**70,342**
Cash and bank balances	22, 23, 25	9,325	35,961
Total current assets		**92,065**	**106,303**
TOTAL ASSETS		**696,343**	**686,116**

SEK 000s	Note	**Aug 31, 2016**	Aug 31, 2015
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		203,473	203,473
Statutory reserve		–	–
Total restricted equity		**203,473**	**203,473**
Non-restricted equity			
Retained earnings		52,175	–845
Net income for the year		1,029	61,500
Total non-restricted equity		**53,204**	**60,655**
Total equity		**256,677**	**264,128**
Non-current liabilities			
Other non-current liabilities	23,24	385,000	385,000
Total non-current liabilities		**385,000**	**385,000**
Current liabilities			
Trade payables	26	8,056	5,227
Liabilities to group companies	36	32,268	18,394
Other liabilities	27	3,533	2,939
Accrued expenses and deferred income	28	10,809	10,428
Total current liabilities		**54,666**	**36,988**
TOTAL EQUITY AND LIABILITIES		**696,343**	**686,116**
Pledged assets	29	121,000	121,000
Contingent liabilities	30	16,939	16,881

Parent Company statement of cash flows

SEK 000s	Note	**Sep 15–Aug 16**	Sep 14–Aug 15
Operating activities			
Operating income		-28,665	-25,643
Interest received		886	1,500
Interest paid		-10,628	-13,143
Tax paid		0	0
Adjustment for non-cash items	32	8,082	9,341
Cash flow from operating activities before change in working capital		**-30,325**	**-27,945**
Cash flow from changes in working capital			
Decrease (+)/increase (-) in current receivables		-12,398	20,471
Decrease (-)/increase (+) in current liabilities		17,677	288
Cash flow from operating activities		**-25,046**	**-7,186**
Investing activities			
Acquisition of intangible assets and property, plant and equipment		-18,535	-6,216
Divestment of property, plant and equipment		988	-
Investment of non-current receivables		-15,000	-
Shareholders' contribution paid		-33,000	-60,000
Cash flow from investing activities		**-65,547**	**-66,216**
Financing activities			
Group contributions received		72,435	95,453
Group contributions paid		-	-
Borrowings		-	-
Amortization of loans		0	-15,000
Dividend		-8,478	-
Cash flow from financing activities		**63,957**	**80,453**
Cash flow for the year		**-26,636**	**7,051**
Cash and cash equivalents at the beginning of the year		35,961	28,910
Cash and cash equivalents at the end of the year	22	9,325	35,961

Parent Company changes in shareholders' equity

SEK 000s	Restricted equity Share capital	 Statutory reserve	Non-restricted equity Retained earnings	 Net income for the year	**Total equity**
Shareholders´equity, August 31, 2014	**203,473**	**157,853**	**0**	**-158,700**	**202,626**
Transfer of previous year's profit/loss		-157,853	-847	158,700	0
Net income for the year				61,500	61,500
Other comprehensive income for the year					0
Comprehensive income for the year				*61,500*	*61,500*
Shareholders´equity, August 31, 2015	**203,473**	**0**	**-847**	**61,500**	**264,126**
Transfer of previous year's profit/loss			61,500	-61,500	0
Dividend			-8,478		-8,478
Net income for the year				1,029	1,029
Other comprehensive income for the year					0
Comprehensive income for the year				*1,029*	*1,029*
Shareholders´equity, August 31, 2016	**203,473**	**0**	**52,175**	**1,029**	**256,677**

"Share capital" comprised 33,912,176 shares on August 31, 2016. All shares are common shares.
A dividend of SEK 0.25 per share is proposed for the fiscal year September 1, 2015 – August 31, 2016.

Notes to the financial statements

Amounts in SEK 000s unless otherwise stated.

Note 1 Accounting policies, etc.

Information about the company and the annual accounts
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 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 consolidated financial statements and financial statements for the Parent Company for the 2015/2016 fiscal year were signed by the Board of Directors and the President on November 30, 2016, thereby approving these consolidated financial statements for publication. The consolidated statement 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 December 21, 2016.

Conformity with standards and statutes
The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and International Financial Reporting Standards (IFRS), as approved by 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".

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 reports are presented in Swedish kronor. 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) and liabilities in respect of contingent consideration.

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 recognised amounts of assets, liabilities, revenue and costs. Estimates and assumptions are based on historical experience and on a number of other factors that, under prevailing circumstances, are considered reasonable. The result of these judgments and assumptions is then used to judge the carrying amounts of assets and liabilities that would not be 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 the 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
None of the new and amended IFRS, which will be applied from and including the current fiscal year have had any material impact on the Group's or Parent Company's financial statements. No new or amended IFRS were early adopted.

New IFRS standards 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 9 Financial Instruments:
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 profit for the period on divestment. In addition, IFRS 9 includes new rules relating to impairment and hedge accounting. This standard shall be applied from and including January 1, 2018.

RNB RETAIL AND BRANDS during the period has conducted work to investigate what effects the standard will give rise to in the financial statements.

IFRS 15 Revenue from Customer contracts
The standard introduces new principles for revenue recognition and extended disclosure requirements for revenue. This standard shall be applied from and including January 1, 2018. RNB RETAIL AND BRANDS during the period began the work of evaluating what effects the standard will give rise to in the financial statements.

IFRS 16 Leases
This standard replaces IAS 17 from and including January 1, 2019. Under the new standard, lessees should recognize most leased assets in the balance sheet and divide up the leasing cost in interest payments and amortization.

In the coming year, a review will be initiated to examine how IFRS 16 will affect the financial statements of the Group and the Parent Company. The effect is expected to be significant as the standard will result in the reporting of material assets and liabilities attributable to the Group's leases for premises.

None of the IFRSs or IFRIC interpretations which have not yet become effective, are expected to have any material impact on the financial statements of the Group and the Parent Company.

Note 1 **Cont.**

Classification
Non-current assets and non-current 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.

Basis of consolidation
The consolidated financial statements cover the Parent Company and its subsidiaries. Subsidiaries are all entities over which the Parent Company exercises control.

The purchase method is used for recognition of business combinations. The acquisition analysis establishes the consideration transferred, as well as the fair value of separately acquired identifiable assets, assumed liabilities and contingent liabilities. Non-controlling interests are recognized either at fair value or at the interest's proportionate share of the entity's separately identifiable net assets on acquisition. All transaction costs connected with acquisitions are expensed. The financial statements of subsidiaries are consolidated from the date of acquisition until the date when control ceases.

Intra-group transactions, balance sheet items 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 the 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 are recognized through profit or loss as financial income or expenses. Other exchange gains and losses, which relate to purchasing and trade payables, are recognized in Goods for resale.

Group companies
All Group companies whose earnings and financial position are in a functional currency other than the Group's presentation currency, are translated as follows:

(a) assets and liabilities are translated at the closing day rate;

(b) revenues and costs are translated at the average exchange rate. The average rate is considered to be a reasonable approximation of the cumulative effect of the rates prevailing on the transaction date.

and

(c) the translation differences that arise are recognized in other comprehensive income and in other reserves in equity.

Revenue
Group revenues mainly derive from sales of goods to consumers in proprietary stores and from wholesale sales to franchisees. Sales of goods are recognized on delivery 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 revenue is recognized after deductions for discounts and estimated returns and excluding VAT on net sales. Customer loyalty programs, which mainly comprise discounts provided in relation to the customers' actual purchases, are recognized as a special component by reducing sales revenues by an estimate value for the customer and are recognized as deferred income until RNB RETAIL AND BRANDS's obligation is performed.

The Group's net sales also includes franchise fees. The franchise fee is based on the franchisee's sales and is reported in the consolidated income statement in the same period as the sale was made to a consumer.

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.

Financial instruments
The Group has financial assets and liabilities in the following categories:

- *Financial assets measured at fair value through profit or loss.*
  This category includes currency futures with positive fair values. Hedge accounting is not applied. Related transaction costs are recognized in the income statement.
- *Loans and receivables.*
  This category comprises cash and cash equivalents, trade receivables, accrued income and loan receivables.
  Lånefordringar och Kundfordringar redovisas initialt till verkligt värde och därefter till upplupet anskaffningsvärde. Kundfordringars förväntade löptid är huvudsakligen kort, varför värdet redovisas utan diskontering.
  Vid varje rapporttillfälle utvärderar företaget om det finns objektiva indikationer på att dessa tillgång är i behov av nedskrivning. Till de indikationer som koncernen främst använder sig av för att fastställa om det föreligger objektiva bevis för att nedskrivningsbehov föreligger är:
  – 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.
  – Impairment testing is performed individually and where appropriate impairment losses recognized in other external costs..
- *Financial liabilities measured at fair value through profit or loss.*
  This category includes currency futures with negative fair values. Hedge accounting is not applied. Related transaction costs are recognized in the income statement. This category also includes a liability related to contingent consideration due to the combined option to purchase/sell agreed between the Group and minority shareholders in the acquired subsidiary Kids Company Oy.
- *Other financial liabilities.*
  This category consists of trade payables, accrued costs and loan liabilities. Other liabilities are measured at amortized cost. Since the estimated maturity of trade payables is short, their value is recognized without discounting.
  EA 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. Trades receivables 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. Trade payables are recognized when the invoice has been received.

Note 1 Cont.

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.

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 arises during acquisition of businesses. Goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized; instead, it is tested for any impairment annually or as soon as any indications arise that suggest that the asset in question has decreased in value. In order to test the impairment of goodwill, it is allocated to cash-generating units, which are made up of the Group's operating segments. Any impairment losses are not reversed.

Rental rights: Rental rights are recognized at cost less accumulated amortization. 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 situated in central locations. 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.

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

Property, plant and equipment

Property, plant and equipment refers to equipment and store fittings and is recognized at cost less accumulated 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, mainly leases for shop fittings, the leasing 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 is recognized as non-current and current liabilities. Each leasing payment is allocated as 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 depends 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 recognized during the period to which the revenue pertains.

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 property, plant and equipment and intangible 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 is recognized in the income statement.

For goodwill, 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 where it is possible to identify essentially independent cash flows when the impairment test is performed.

Inventories

Inventories are measured at the lower of the 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 the Group's warehouses.

Cash and cash equivalents

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

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, Finland, the Netherlands and Hong Kong 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.

Note 1 Cont.

Alecta
Certain commitments for salaried employees in Sweden are also secured through insurance with Alecta. According to statement UFR 10 from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, the 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. See also Note 24.

Remuneration upon termination of employment
A provision is recognized in conjunction with the termination of employment only if the company is unquestionably obligated to terminate 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
Recognized income taxes include tax that will 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 in other comprehensive income, the tax effect is also recognized in other comprehensive income.

Deferred tax is calculated and recognized on all temporary differences and 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 deferred tax 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 pertain 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
RNB RETAIL AND BRANDS has identified the Group Management as its chief operating decision maker. RNB reports three operating segments as of the end of the 2015/16 fiscal year, namely: Polarn O. Pyret, Departments & Stores 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 for the operating segments, central administration is recognized under the header "Other."

Contingent liabilities
A contingent liability is recognised 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 recognised as a liability or provision, since it is not probable that an outflow of resources will be required.

Parent Company's 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. RFR 2 means that the Parent Company in the annual accounts for the legal entity should apply all International Financial Reporting Standards and interpretations approved by the EU as far as possible within the framework of the Annual Accounts Act, and taking into account the connection between recognition and taxation. The recommendation sets out which exceptions and additions are to be made from 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 operating leases, irrespective of whether they are financial or operating.

Shareholders' contributions and Group contributions
The Parent Company recognizes group contributions received and group contributions paid according to the general rule in RFR 2, which means group contributions received from subsidiaries are recognized as financial income and group contributions paid to subsidiaries are recognized as an increase in participations in Group companies.
Shareholders' contributions received are recognized directly in the recipient's equity and shareholders' contributions paid are recognized as an increase in participations in Group companies.
Insofar as impairments are required after group contributions and shareholders' contributions paid, the impairment loss 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 recognised 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 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 estmates, are primarily related to the valuation of goodwill, taxes, doubtful trade receivables and recognition of inventories.

Goodwill

In accordance with what is stated in Note 16, RNB conducts impairment testing of goodwill, each year or more often in the event of an indication of impairment. Goodwill is attributable to the following operating segments: Department & Stores, SEK 233,445,000 (233,445,000); Polarn O. Pyret, SEK 60,640,000 (48,105,000); and Brothers & Sisters, SEK 97,668,000 (97,668,000). In order to calculate the recoverable amount, value in use is deployed. For these calculations, certain assumptions and estimates must be made. The principal assumptions pertain to the discount rate, the cash flow forecast for the 2016/17-2020/21 period and for the period thereafter and assumptions concerning growth after the forecast period. See Note 13, for an overview of the sensitivity analysis performed of 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, as well as 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 loss carryforwards in both Swedish and foreign entities. An additional description of the Group's deferred tax assets is provided in Note 11.

Trade receivables

Trade receivables are recognized net after provisions for bad debts. The provision pertaining to trade receivables 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 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 14,321,000 (15,617,000) and trade receivables, net after provisions, amounted to SEK 53,414,000 (54,351,000), of which SEK 7,794,000 (5,650,000) 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, in which anticipated discounts are taken into account. The actual outcome of future selling prices could deviate from the assessments and assumptions made.

Other liabilities related to contingent consideration

Under Other non-current liabilities, liabilities related to contingent consideration of SEK 16,700,000 are recognized. A liability arose in connection with the RNB Group's acquisition of the Finnish master franchisee Kids Company Oy. The Group acquired 51 percent of Kids Company Oy during the 2015/16 fiscal year and in connection with the acquisition, a combined option to purchase/sell was issued in respect of the remaining 49 percent of the company. The Group has made the assessment that no non-controlling interests are recognized in the Group's equity, but instead a liability is recognized in respect of contingent consideration. This assessment is based on the combination of holding an option to purchase and an option to sell issued on the same terms. The estimated value of the expected contingent consideration for the remaining 49 percent is recognized as other non-current liabilities and is valued in the annual financial statements at SEK 16,700,000 equivalent to the estimated fair value. In order to calculate the fair value of the liability, certain key assumptions and estimates must be made where the most important assumptions are the discount rate and EBITDA forecast for the coming years included in the option agreements entered into. The actual outcome of the parameters in the agreed measurement of the object of purchase could deviate from the assessments and assumptions made of the liability's value in the annual financial statements.

Note 3 Segment and revenue reporting by country

Sep 15 – Aug 16	Polarn O. Pyret	Departments & Stores	Brothers	Other	Eliminations	Total
Revenue						
External sales	688,507	958,616	526,010	–	–	2,173,133
Internal sales		22	–	113,812	-113,834	0
Interest income	1,455	282	98	1,184	-833	2,186
Other revenue	9,075	5,018	8,930	5,650	-11,996	16,677
Total	**699,037**	**963,938**	**535,038**	**120,646**	**-126,663**	**2,191,996**
Earnings						
Operating income	-5,310	56,104	12,750	-27,252	–	36,292
Profit/loss after financial items	**-5,580**	**56,250**	**12,467**	**-37,288**	**–**	**25,849**
Other disclosures						
Assets	296,881	487,022	304,222	114,784	-100,312	1,102,597
Liabilities and provisions	136,282	183,294	101,251	458,626	-100,312	779,141
Investments	18,711	13,321	5,877	18,535	–	56,444
Depreciation and impairment losses	16,086	11,079	14,696	10,074	–	51,935
Non-current assets by country						
Sweden	22,982	265,812	128,180	43,099	–	460,073
Norway	55,347	–	–	–	–	55,347
Finland	15,065	–	4,137	–	–	19,202
Denmark	–	–	–	–	–	0
Netherlands	276	–	–	–	–	276
Hong Kong	–	–	–	863	–	863

Sep 14 – Aug 15	Polarn O. Pyret	Departments & Stores	Brothers	Other	Eliminations	Total
Revenue						
External sales	667,148	976,591	492,425	–	–	2,136,164
Internal sales	39	–	–	102,043	-102,082	0
Interest income	1,418	–	3,383	710	–	5,511
Other revenue	9,587	131	7,393	8,633	-10,404	15,340
Total	**678,192**	**976,722**	**503,201**	**111,386**	**-112,486**	**2,157,015**
Earnings						
Operating income	23,975	58,902	-10,827	-24,101	–	47,949
Profit/loss after financial items	**23,444**	**58,503**	**-7,477**	**-32,177**	**–**	**42,293**
Other disclosures						
Assets	234,701	465,048	305,690	144,833	-74,411	1,075,861
Liabilities and provisions	142,266	163,735	116,473	422,103	-74,411	770,166
Investments	8,879	15,952	10,945	6,420	–	42,196
Depreciation and impairment losses	12,215	10,415	13,876	11,365	–	47,871
Non-current assets by country						
Sweden	19,442	263,570	134,560	20,029	–	437,601
Norway	52,753	–	–	–	–	52,753
Finland	–	–	4,954	–	–	4,954
Denmark	–	–	–	–	–	0
Netherlands	4,403	–	–	–	–	4,403
Hong Kong	–	–	–	1,303	–	1,303

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

Note 3 Cont.

Net sales per country

	Sep 15 - Aug 16	Sep 14 - Aug 15
Net sales in Sweden	1,829,938	1,826,008
Net sales in Norway	128,271	131,326
Net sales in Finland	143,238	106,448
Net sales in other countries	71,686	72,382
	2,173,133	**2,136,164**

Distribution of sales by country has been made based on the domicile of the selling company and the purchasing master franchisee.

No individual customer represents more than 10 percent of total revenue.

Note 4 Personnel and personnel costs

Average number of employees distributed among women and men

	Sep 15 - Aug 16		Sep 14 - Aug 15	
Group	Total	Of whom, men	Total	Of whom, men
Sweden	890	150	889	151
Norway	64	1	61	0
Finland	61	4	44	4
Hong Kong	23	7	22	7
Netherlands	9	1	8	0
	1,047	**163**	**1,024**	**162**

	Sep 15 - Aug 16		Sep 14 - Aug 15	
Parent company	Total	Of whom, men	Total	Of whom, men
Sweden	71	25	59	22
	71	**25**	**59**	**22**

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

	Aug 31, 2016		Aug 31, 2015	
Group	Total	Of whom, men	Total	Of whom, men
Board of Directors	6	4	6	4
Management Team incl. President	7	3	6	4

Salaries, other remuneration and social security expenses

	Sep 15–Aug 16			Sep 14–Aug 15		
Group total	Board of Directors and President	Other employees	Total	Board of Directors and President	Other employees	Total
Salaries and other remuneration	11,712	388,508	400,220	13,021	376,848	389,869
Social security expenses	3,692	114,161	117,853	3,760	102,276	106,036
Pension expenses	2,369	24,860	27,229	2,212	20,405	22,617
	17,773	**527,529**	**545,302**	**18,993**	**499,529**	**518,522**

During the fiscal year, contributions for personnel of SEK 28,215,000 (27,107,000) were obtained.

For the 2015/2016 fiscal year, the Group's expenses for defined contribution pension plans amounted to SEK 27.2 M (22.6).

Multi-employer plans

The Group has retirement and family pension obligations for white-collar employees in Sweden, which are secured through insurance with the insurance company, Alecta. This is pension plan which covers a number of employers. At present, Alecta cannot provide specific defined benefit amounts for those participating and therefore premiums paid to Alecta are recognized as a part of defined contribution plans.

Alecta's surplus in the form of the collective consolidation level amounted to 153 percent (143 percent). The collective solvency margin is defined as the market value of Alecta's assets in percent of the insurance commitments calculated in accordance with Alecta's actuarial calculation assumptions, which do not correspond to IAS 19.

Group companies share of total savings premiums for ITP 2 in Alecta

	Aug 31, 2016	Aug 31, 2015
Brothers & Sisters AB	0.000%	0.000%
Brothers & Sisters Sverige AB	0.006%	0.006%
Departments & Stores Europe AB	0.011%	0.010%
Polarn O. Pyret AB	0.012%	0.012%
RNB Retail and Brands AB	0.006%	0.006%

Group companies share of total number of active insured persons in ITP 2

	Aug 31, 2016	Aug 31, 2015
Brothers & Sisters AB	0.000%	0.000%
Brothers & Sisters Sverige AB	0.006%	0.007%
Departments & Stores Europe AB	0.011%	0.011%
Polarn O. Pyret AB	0.012%	0.014%
RNB Retail and Brands AB	0.004%	0.004%

Note 4 **Cont.**

Parent company	Sep 15–aug 16 Board of Directors and President	Other employees	Total	Sep 14–aug 15 Board of Directors and President	Other employees	Total
Salaries and other remuneration	5,019	31,080	36,099	6,462	24,004	30,466
Social security expenses	1,634	10,678	12,312	2,059	7,655	9,714
Pension expenses	1,111	3,852	4,963	1,129	3,223	4,352
	7,764	**45,610**	**53,374**	**9,650**	**34,882**	**44,532**

Remuneration to the Board and senior executives

Guidelines for remuneration of senior executives
The AGM on December 17, 2015 resolved on the following guidelines 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. The remuneration structure for company management shall comprise fixed and variable salary as well as pension and other remuneration. Combined, these parts are to comprise 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, which implies fulfillment of all bonus-based targets and the bonus to be paid shall be fully financed by the surplus generated, may not exceed SEK 3,250,000 in total (excluding social security contributions), of which SEK 750,000 to the President and CEO and SEK 500,00 or SEK 250,000 to the other senior executives depending on the position. The calculation is based on the seven people, including the President, 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 percent of the fixed salary.

As in the past, the President is entitled to an occupational pension corresponding to a maximum premium of 30 percent 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 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. 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.

Board of Directors
The Chairman and Board members receive directors' fees in accordance with resolutions of the Annual General Meeting (AGM). A special fee is paid to the Chairman of the Audit Committee. During the 2015/2016 fiscal year, the Board Directors received total fees of SEK 1,275,000 (1,275,000) allocated as follows: SEK 350,000 (350,000) to the Chairman of the Board and SEK 160,000 (160,000) to each of the other Board members and SEK 75,000 (75,000) in special fees to the chairman of the Audit Committee and SEK 25,000 (25,000) to each of the other two members of the Audit Committee. 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 and CEO
Remuneration to the President and CEO consists of fixed salary, variable salary, pension, company car and other remuneration. During the 2015/2016 fiscal year, President and CEO Magnus Håkansson received salary and other remuneration totaling SEK 3,744,000 (4,437,000). The President is entitled to a maximum bonus of SEK 750,000 based on the Group's results after financial items. The President received a bonus of SEK 0 (750,000) for the 2015/2016 fiscal year.

RNB's pension costs for President and CEO Magnus Håkansson amounted to SEK 1,111,000 (1,129,000) during the fiscal year.

The President is covered by an occupational pension plan corresponding to a premium of 30 percent 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 years.

The President is subject to a notice period of twelve 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.

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 based on the outcome of the subsidiaries' operating results and/or consolidated results compared to established targets.

Salary and other payments totaling SEK 8,340,000 (7,544,000) were paid to other senior executives in the 2015/2016 fiscal year excluding bonus. Bonus amounts totaling SEK 375,000 (1,945,000) were paid to senior executives during the 2015/2016 fiscal year.

The retirement age for the other senior executives is 65. Pension premiums amounted to the equivalent of 20-35 percent of the current annual salary. Pension costs for the other senior executives amounted to SEK 1,986,000 (1,862,000) for the 2015/2016 fiscal year.

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

Related-party transactions
BBrothers & Sisters procured services for SEK 0 (42,000) during the fiscal year from a company controlled by Michael Lemner. The pricing was based on market-related terms. At August 31, 2016, the RNB Group's outstanding debt to the company amounted to SEK 0 (0). Departments & Stores purchased services during the year from a company where Monika Elling is a board member amounting to SEK 361,000 (92,000). The pricing

Note 4 Cont.

was based on market-related terms. At August 31, 2016, the Group's outstanding debt to the company amounted to SEK 0 (116). Departments & Stores purchased services/premises during the year from a company where Hanna Graflund-Sleyman is a board member amounting to SEK 2,169,000 (2,351,000) and sold goods for SEK 115,000 (0). The pricing was based on market-related terms. At August 31, 2016, the Group's outstanding debt to the company amounted to SEK 900,000 (180,000) and there was a claim of SEK 3,000 (0). Polarn O. Pyret purchased services during the year from a company where Magnus Håkanson is a board member amounting to SEK 16,000. The pricing was based on market-related terms. At August 31, 2016, the Group's outstanding debt to the company amounted to SEK 0. The parent company during the fiscal year purchased services from companies where the following person exercises control or is a member of the Board: Ivar Fransson amounting to SEK 40,000, Michael Lemner, SEK 125,000, Monika Elling, SEK 708,000 and Magnus Håkansson, SEK 763,000. The pricing was based on market-related terms. At August 31, 2016, the Group's outstanding debt to the companies amounted to SEK 135,000.

During the 2009/2010 fiscal year, the RNB Group signed a loan agreement with Konsumentföreningen Stockholm at market-related terms. Loan agreements were renegotiated during both 2014/2015 and 2015/2016. Further information about both loan agreements is provided in Note 24 and Note 35. During the year, interest charges also amounted to SEK 2,748,000 (872,000) for the promissory note loan and SEK 6,931,000 (7,970,000) for the revolving loan, equivalent to an average interest rate of 1.4 percent for the promissory note loan and 3.8 percent for the revolving loan. Outstanding debt on August 31, 2016 amounted to SEK 385 M (385) and accrued interest of SEK 0 (0).

Remuneration to the Board of Directors and President

	Sep 15–Aug 16			Sep 14–Aug 15		
	Salaries and other remuneration	Of which, bonus	Pension expense	Salaries and other remuneration	Of which, bonus	Pension expense
Chairman of the Board, Laszlo Kriss	375.0			375.0		
Board member, Ann-Sofie Danielsson	–			235.0		
Board member, Ivar Fransson	160.0			160.0		
Board member, Per Thunell	185.0			185.0		
Board member, Michael Lemner	160.0			160.0		
Board member, Monika Elling	235.0			160.0		
Board member, Sara Wimmercranz	160.0			–		
President and CEO, Magnus Håkansson	3,744.0	–	1,111.0	4,437.0	750.0	1,129.0
	5,019.0	**0.0**	**1,111.0**	**5,712.0**	**750.0**	**1,129.0**

Note 5 Remuneration to auditors

	Group		**Parent Company**	
	Sep 15–Aug 16	Sep 14–Aug 15	**Sep 15–Aug 16**	Sep 14–Aug 15
Ernst & Young AB				
Audit assignment	2,312	2,437	866	782
Audit work apart from the audit assignment	274	366	185	296
Tax consultancy	198	315	100	127
Other services	–	–	–	–
	2,784	**3,118**	**1,151**	**1,205**
Other auditing firms				
Audit assignment	69	56	–	–
Audit work apart from the audit assignment	–	–	–	–
Tax consultancy	–	–	–	–
Other services	–	–	–	–
	69	**56**	**0**	**0**

Audit activities apart from audit assignments refer to various forms of quality assurance services that result in reports or certificates etc. administration and advisory services or other assistance resulting from observations made during such examinations or carrying out of such other duties. Audit activities apart from 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 6 Other operating income

	Group		Parent Company	
	Sep 15– Aug 16	Sep 14– Aug 15	**Sep 15– Aug 16**	Sep 14– Aug 15
Capital gain on divestment of property, plant and equipment and intangible assets	0	75	–	–
Forwarding of other expenses to franchisees	4,883	5,192	–	–
Invoiced services and rents	5,427	10,073	5,650	8,633
Other revenue	6,367	–	–	–
	16,677	**15,340**	**5,650**	**8,633**

Note 7 Other external expenses

	Group		Parent Company	
	Sep 15– Aug 16	Sep 14– Aug 15	**Sep 15– Aug 16**	Sep 14– Aug 15
Premises expenses	308,247	307,526	10,935	9,945
Marketing	52,564	54,565	106	88
Other	116,542	105,733	53,909	49,580
	477,353	**467,824**	**64,950**	**59,613**

Note 8 Exchange differences

Group operating income was impacted by exchange differences of SEK 696,000 (1,262,000) 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 9 Interest income and similar profit/loss items

Group
Interest income and similar income statement items for 2015/2016 included SEK 298,000 (571,000) in changes in value of currency futures contracts to fair value.

Parent Company
Interest income for 2015/2016 included interest income from Group companies of SEK 698,000 (85,000).

Note 10 Interest expenses and similar profit/loss items

Group
Interest income and similar income statement items for 2015/2016 included SEK 0 (0) in changes in value of currency futures contracts to fair value.

Parent Company
Interest expenses for 2015/2016 included interest expense to Group companies of SEK 23,000 (0).

Note 11 Taxes

Tax on net income for the year

	Group		Parent Company	
	Sep 15– Aug 16	Sep 14– Aug 15	**Sep 15– Aug 16**	Sep 14– Aug 15
Current tax	–	–	–	–
Current tax attributable to prior years	3	–	–	–
Deferred tax	–	–	–	–
	3	**0**	**0**	**0**

Deferred tax for the year

	Group		Parent Company	
	Sep 15– Aug 16	Sep 14– Aug 15	**Sep 15– Aug 16**	Sep 14– Aug 15
Deferred tax revenue pertaining to other temporary differences	–	–	–	–
Deferred tax expense pertaining to other temporary differences	–	–	–	–
	0	**0**	**0**	**0**

Tax pertaining to items recognized directly in equity

	Group		Parent Company	
	Sep 15– Aug 16	Sep 14– Aug 15	**Sep 15– Aug 16**	Sep 14– Aug 15
Other tax effect	–	–	–	–
Unutilized tax effect due to unconsidered effects of loss carryforwards	–	–	–	–
	0	**0**	**0**	**0**

Note 11 Cont.

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

	Group		Parent Company	
	Sep 15– Aug 16	Sep 14– Aug 15	**Sep 15– Aug 16**	Sep 14– Aug 15
Reported profit before tax	25,849	42,293	1,029	61,500
Reported profit before tax	**25,849**	**42,293**	**1,029**	**61,500**
Tax according to current tax rate, 22% (22%)	-5,687	-9,304	-226	-13,530
Tax effect of non-deductible items				
-Impairment of participations in subsidiaries	-	-	-7,260	-
-Impairment of goodwill	-	-	-	-
-Profit/loss on divestment of subsidiaries	-	-	-	-
-Other, non-deductible	-337	-1,641	-56	-26
Tax effect of non taxable items				
-Dividends received	-	-	-	-
-Other, non-taxable	1,019	607	6	180
Effect of tax change attributable to prior years	-	-	-	-
Effect of other tax rates in foreign subsidiaries	654	412	-	-
Utilization of previously unrecognized loss carryforwards	4,351	9,926	7,536	13,376
Tax on net income for the year	**0**	**0**	**0**	**0**
Tax on net income for the year	-	-	-	-
	0	**0**	**0**	**0**

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

	Group		Parent Company	
	Aug 31, 2016	Aug 31, 2015	**Aug 31, 2016**	Aug 31, 2015
Deferred tax liabilities				
Derivative receivables	502	892	-	-
Deferred tax assets				
Non-current assets				
-Equipment	-491	-425	-	-
Derivative liabilities	-11	-467	-	-
	0	**0**	**0**	**0**

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 739,106,000 (769,812,000) in total and are allocated as follows among different countries: Sweden SEK 350,227,000 (393,867,000), Norway SEK 124,658,000 (122,136,000), Denmark SEK 119,664,000 (118,632,000) Germany SEK 105,030,000 (111,676,000) and Netherlands SEK 39,527,000 (23,500,000). The loss carryforwards in the Netherlands run subject to a time limitation, SEK 6,178,000 shall be used within 6 years at the latest and SEK 10,153,000 shall be used within 7 years at the latest, SEK 7,219,000 shall be used within 8 years at the latest and SEK 15,977,000 shall be used within 9 years at the latest. Other loss carryforwards are 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:

	Group		Parent Company	
	Aug 31, 2016	Aug 31, 2015	**Aug 31, 2016**	Aug 31, 2015
Deferred tax assets	502	892	-	-
Deferred tax liabilities	-502	-892	-	-
	0	**0**	**0**	**0**

Note 12 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.

	Number of shares at end of period	
Period	**Sep 15–Aug 16**	Sep 14–Aug 15
Sep 1 - Aug 31	33,912,176	33,912,176

The average number of outstanding shares based on the above amounted to 33,912,176 (33,912,176).

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

Note 13 Intangible assets

The Group has significant values in respect of goodwill.

Goodwill

The goodwill that resulted from the year's and previous year's acquisitions pertained to synergies that became available as a result of the acquisitions. The anticipated synergies relate to more streamlined logistics, organizational mergers, store establishments and more favorable purchasing terms from external suppliers. The carrying amount for the Group's goodwill at August 31, 2016 was SEK 391,753,00 (379,218,000). Goodwill is allocated among the operating segments as follows: Polarn O.Pyret SEK 60,640,000 (48,105,000), Department & Stores SEK 233,445,000 (233,445,000) and Brothers SEK 97,668,000 (97,668,000). Impairment testing of carrying amounts for goodwill was conducted in accordance with 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 2016/2017- 2020/2021 (5 years), based on the budget and strategic plans, and, thereafter, on a perpetual cash flow (terminal period), since it is not possible to establish a limited useful life for these assets. The future cash flows are calculated based on the present condition, in other words planned store expansions and other growth plans are not included in the cash flow forecasts.

The cash flows of the operating segments are affected by commercial factors such as market growth, competitiveness, margins, cost trend, investment levels and tied-up working capital. Additional assessment of such factors as interest rate situation, 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 percent (3), which is deemed to correspond 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 8.4 percent (8.4) after tax, corresponding to approximately 9.9 percent (9.6) 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.

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 percent to 2 percent does not imply any impairment need in respect of the carrying amounts for goodwill of any of the operating segments. Nor does a decline to 1 percent imply any impairment need.

An assumption of an increase in the discount rate from 9.9 percent to 10.9 percent or 11.9 percent before tax, does not imply an impairment need for any of the operating segments.

For all 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 Departments & Stores 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 the impairment testing, although the decisive factor for the model is the expected sustainable operating income and cash flow.

To warrant the carrying amount for goodwill, the Brothers operating segment must operate on the basis of sustainable operating income of just over SEK 17 M, corresponding to a sustainable cash flow of just over SEK 12 M after tax. A deviation from the sustainable operating income (stated above SEK 17 M) of SEK 11 M would impact the value of goodwill by the magnitude of almost SEK 100 M.

Other key assumptions

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

Sales, market share and growth

The operating segment in the past two years has steadily increased its sales and recaptured market shares as a result of successful work on development of the range, among other things. It is a natural part of all fashion retail operations that collection outcomes vary. The company's assessment is based on the trend towards strong market shares, which is now stable and is expected to continue to strengthen. Accordingly, sales in comparable stores are expected to be positive during the forecast period. The performed impairment tests were based on the existing store and franchisee structure. Sensitivity analysis relating to sales growth for the Brothers operating segment indicates that a decrease in the annual sales growth of 1 percentage point, based on the adopted budget and forecast, would impact sustainable operating income negatively by almost SEK 1 M.

Gross margins

During the current and preceding year, gross margins continued to improve, primarily due successful range development, combined with less discount sales on account of low/normalized inventory levels, and improved initial margins through lower costs prices and increased prices. Inventories are still favorable both in terms of level and composition. The calculation model is based on an assumption that the gross margin over a 5-year period is slightly lower than the outcome for the latest fiscal year. Sensitivity analysis relating to the impact of the gross margin on sustainable operating income shows that a lower gross margin of 1 percentage point compared to forecast would impact sustainable operating income negatively by about SEK 6 M, which means that no impairment need would arise in such a scenario.

Overhead costs

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

Employee benefit expenses

The forecast for employee benefit expenses is based on expected inflation, a certain increase in real salaries and planned efficiency improvements. Employee benefit expenses are the largest individual cost item for the Brothers operating segment, corresponding to just over 45 percent of total overhead costs. A change of 1 percentage point in employee benefit expenses annually would impact sustainable operating income by just over SEK 1 M.

Premises expenses

The forecast for premises expenses is based on expected inflation and certain rent adjustments. Premises expenses are equivalent to almost 30 percent of total overhead expenses. A change of 1 percentage point annually would impact sustainable operating income by almost SEK 1 M.

Actions have been taken to further improve the performance in previous years and in the current year, such as enhancing the product range, product display, optimizing inventories, streamlining processes and cost savings.

Note 14 Software

Group	Aug 31, 2016	Aug 31, 2015
Opening cost	89,187	91,161
Purchasing during the year	17,246	3,404
Divestments and disposals for the year	-55,824	-5,378
Translation difference	-2	-
Closing accumulated cost	**50,607**	**89,187**
Opening amortization	-72,321	-70,281
Disposals for the year	53,337	5,377
Amortization for the year	-7,635	-7,417
Closing accumulated amortization	**-26,619**	**-72,321**
Opening impairment	-1,090	0
Disposals for the year	1,090	-
Impairment for the year	-987	-1,090
Closing accumulated impairment	**-987**	**-1,090**
Closing planned residual value	**23,002**	**15,776**

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 2,814,000 (48,725,000) and accumulated amortization amounting to SEK 2,814,000 (48,450,000). The carrying amount is thus SEK 0 (275,000).

During the fiscal year, the Group carried out a comprehensive review and cleaned out and scrapped older parts of the IT platform.

Parent Company	Aug 31, 2016	Aug 31, 2015
Opening cost	37,479	34,075
Divestments and disposals for the year	-9,758	-
Purchasing during the year	13,791	3,404
Closing accumulated cost	**41,512**	**37,479**
Opening amortization	-21,065	-14,093
Divestments and disposals for the year	7,681	-
Amortization for the year	-6,447	-6,972
Utgående ackumulerade avskrivningar	**-19 831**	**-21 065**
Opening impairment	-1,090	0
Disposals for the year	1,090	-
Impairment for the year	0	-1,090
Closing accumulated impairment	**0**	**-1,090**
Closing planned residual value	**21,681**	**15,324**

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

Note 15 Rental rights

Group	Aug 31, 2016	Aug 31, 2015
Opening cost	102,409	116,238
Purchasing during the year	501	5,215
Divestments and disposals for the year	-5,567	-18,844
Translation difference	-115	-199
Closing accumulated cost	**97,228**	**102,409**
Opening amortization	-80,104	-95,583
Divestments and disposals for the year	2,900	17,746
Amortization for the year	-2,641	-2,297
Translation difference	40	30
Closing accumulated amortization	**-79,805**	**-80,104**
Opening impairment	-9,497	-9,497
Divestments and disposals for the year	-	-
Impairment for the year	-	-
Translation difference	-	-
Closing accumulated impairment	**-9,497**	**-9,497**
Closing planned residual value	**7,926**	**12,808**

Note 16 Goodwill

Group	Aug 31, 2016	Aug 31, 2015
Opening cost	379,218	379,229
Impairment for the year	-	-
Purchasing during the year	12,536	-
Translation difference	-1	-11
Closing accumulated cost	**391,753**	**379,218**

Goodwill item allocated by segment:

	Aug 31, 2016	Aug 31, 2015
Polarn O. Pyret	60,640	48,105
Departments & Stores	233,445	233,445
Brothers & Sisters	97,668	97,668
Closing accumulated cost	**391,753**	**379,218**

Note 17 Equipment and store fittings

Group	Aug 31, 2016	Aug 31, 2015
Opening cost	384,356	393,404
Accumulated cost acquired companies	3,687	0
Purchasing during the year	40,420	33,578
Divestments and disposals for the year	-82,720	-43,215
Translation difference	2,450	590
Closing accumulated cost	**348,193**	**384,356**
Opening depreciation	-296,714	-301,286
Accumulated depreciation acquired companies	- 1,017	0
Divestments and disposals for the year	81,397	40,331
Depreciation for the year	-40,672	-35,587
Translation difference	-901	-172
Closing accumulated depreciation	**-257,907**	**-296,714**
Opening impairment	-80	0
Disposals for the year	80	1,400
Impairment for the year	0	-1,480
Closing accumulated impairment	**0**	**-80**
Closing planned residual value	**90,286**	**87,562**

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 5,025,000 (15,190,000) and accumulated depreciation amounting to SEK 4,550,000 (13,596,000). The carrying amount is thus SEK 475,000 (1,594,000).

Parent Company	Aug 31, 2016	Aug 31, 2015
Opening cost	59,271	56,616
Purchasing during the year	4,744	2,812
Divestments and disposals for the year	-55,042	-157
Closing accumulated cost	**8,973**	**59,271**
Opening depreciation	-56,356	-55,158
Divestments and disposals for the year	54,961	0
Depreciation for the year	-1,635	-1,198
Closing accumulated depreciation	**-3,030**	**-56,356**
Opening impairment	-80	0
Disposals for the year	80	0
Impairment for the year	0	-80
Closing accumulated impairment	**0**	**-80**
Closing planned residual value	**5,943**	**2,835**

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

Note 18 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	106,000
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	-
Kids Company Oy	2016120-7	Helsinki	40,800	51	-
PO.P International UK AB	556899-3654	Stockholm	500	100	-
Polarn O. Pyret Netherlands B.V.	852 123 747	Amsterdam	1	100	-
Polarn O. Pyret Norge AS	985 983 860	Oslo	4,597	100	-
Portwear AB	556188-7513	Stockholm	1,911,680	100	270,654
Departments & Stores Europe AB	556541-8778	Stockholm	810,000	100	-
Departments & Stores Denmark ApS	30 27 43 18	Copenhagen	1	100	-
Brothers & Sisters AB	556468-8991	Stockholm	37,147,880	100	185,000
Brothers & Sisters Sverige AB	556513-6826	Stockholm	1,000	100	-
RNB Retail and Brands Norge AS	961,313,880	Oslo	500	100	-
Nordic Textile Grosshandels GmbH	HR B 52245	Cologne	1	100	-
Brothers Clothing Oy	2587462-8	Helsinki	100	100	-
RNB Far East Ltd.	1,642,223	Hong Kong	1	100	-
Carrying amount					**561,654**

The share of equity and share of voting power are the same in all companies.

Note 18 Cont.

Parent Company	Aug 31, 2016	Aug 31, 2015
Opening carrying amount	561,654	501,654
Purchasing during the year	–	–
Divestments during the year	–	–
Shareholders' contribution paid	33,000	60,000
Group contributions paid	–	–
Impairments during the year	-33,000	–
Closing carrying amount	**561,654**	**561,654**

Impairment losses are related to the shareholders' contributions paid from the Parent Company to the subsidiaries, which were tested for impairment.

Note 19 Non-current receivables

Group	Aug 31, 2016	Aug 31, 2015
Opening cost	5,650	8,779
Additional receivables	18,994	–
Amorizations, deductible receivables	-1,850	-3,129
Closing accumulated cost	**22,794**	**5,650**
Closing carrying amount	**22,794**	**5,650**

Parent Company	Aug 31, 2016	Aug 31, 2015
Opening cost	0	0
Additional receivables	15,000	–
Amorizations, deductible receivables	–	–
Closing accumulated cost	**15,000**	**0**
Closing carrying amount	**15,000**	**0**

Additional receivables of SEK 15,000,000 in the Parent Company and Group relate to investment of cash and cash equivalent in blocked accounts, which was reclassified to non-current receivables after a changed assessment was made.

Note 20 Inventories

Group	Aug 31, 2016	Aug 31, 2015
Carrying amount by segment		
Polarn O. Pyret	130,394	125,007
Departments & Stores	168,785	164,780
Brothers & Sisters	104,911	111,134
Closing carrying amount	**404,090**	**400,921**

Of the total recognized inventories of SEK 404,090,000 (400,921,000), SEK 19,217,000 (8,869,000) represents net realizable value less selling expenses. The remainder were recognized at cost. Inventories consist exclusively of goods for resale.

Note 21 Prepaid expenses and accrued income

Group	Aug 31, 2016	Aug 31, 2015
Prepaid rent	27,982	26,121
Prepaid other expenses	34,174	23,352
Accrued income	9,864	5,791
	72,020	**55,264**

Parent Company	Aug 31, 2016	Aug 31, 2015
Prepaid rent	808	768
Prepaid leasing	278	558
Prepaid other expenses	6,151	4,178
	7,237	**5,504**

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 35.

Note 22 Cash and cash equivalents

Cash and cash equivalents are held in the following currencies.

Group	Rate Aug 31, 2016	Rate Aug 31, 2015	Aug 31, 2016	Aug 31, 2015
SEK			-8,098	32,754
NOK	1.02	1.02	3,192	5,266
DKK	1.28	1.27	9	25
USD	8.54	8.46	9,155	8,299
EUR	9.51	9.49	15,750	-3,350
HKD	1.10	1.09	4,143	4,199
			24,150	**47,193**

Parent Company	Rate Aug 31, 2016	Rate Aug 31, 2015	Aug 31, 2016	Aug 31, 2015
SEK			-13,666	33,382
NOK	1.02	1.02	5,296	2,252
EUR	9.51	9.49	8,540	-7,972
USD	8.54	8.46	9,155	8,299
			9,325	**35,961**

Note 23 Non-current liabilities and overdraft facilities

The Group has raised loans from Konsumentföreningen Stockholm (refer to Notes 24 and 35), which are recognized as other liabilities. The entire liability falls due for repayment within five years. In connection with the acquisition of Kids Company Oy, a liability to the sellers arose for contingent consideration of SEK 16,700,000. This is based on a combined option to purchase/sell, which may not be redeemed before 2020. 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" and amounts to SEK 510,000 (2,725,000), including a short-term portion of SEK 510,000 (2,215,000). The entire liability falls due for repayment within 1 year. Interest on deposits and borrowing at Danske Bank is based on Danske BOR plus/minus a spread. Danske BOR is set daily by the bank based on short interest rates for each currency. Netting among the various currencies occurs in the Group's central account system.

Group	**Sep 15 – Aug 16**	Sep 14 – Aug 15
Konsumentföreningen Stockholm, promissory note loan	1.37%	0.43%
Konsumentföreningen Stockholm, revolving loan	3.75%	3.93%
Overdraft facilities with Danske Bank	2.03%	2.23%

Note 24 Other non-current liabilities

Group	**Aug 31, 2016**	Aug 31, 2015
Liability to the principal owner	385,000	385,000
Liability relating to contingent consideration	16,700	-
	401,700	**385,000**

Parent Company	**Aug 31, 2016**	Aug 31, 2015
Liability to the principal owner	385,000	385,000
	385,000	**385,000**

During the 2009/2010 fiscal year, a loan agreement was signed with Konsumentföreningen Stockholm. The loan agreement is divided into two loans, each loan of SEK 200 M. Loan 1 is a promissory note note, whereas loan 2 is a revolving loan. The credit facility allowed under the revolving loan is SEK 200 M and is available based on the needs of the Group. At August 31, 2016, SEK 385 M was utilized. During the fiscal year, the company entered into an agreement on a mutual possibility to extend the two loans. The agreement implies a possibility to extend the financing by one year, from May 2017 to May 2018 based on unchanged contractual terms. The company intends to extend the loans. 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 linked to the loans. Note 35 describes the terms and conditions of the loan agreements entered into. In connection with the acquisition of Kids Company Oy, a liability to the sellers arose for estimated consideration. This liability was measured at fair value, which is estimated to amount to SEK 16,700,000. The option that the liability is based on will be not be triggered until 2020.

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

	Group		**Parent Company**	
	Aug 31, 2016	Aug 31, 2015	**Aug 31, 2016**	Aug 31, 2015
between 1 and 2 years	385,000	385,000	385,000	385,000
between 2 and 5 years	16,700	-	-	-
more than 5 years	-	-	-	-
	401,700	**385,000**	**385,000**	**385,000**

Note 25 Overdraft facilities

Group
On August 31, 2016, approved overdraft facilities amounted to SEK 100 M (100).

Parent Company
On August 31, 2016, approved overdraft facilities amounted to SEK 100 M (100).

Note 26 Trades payables

Trade payables are held in the following currencies.

Group	**Rate Aug 31, 2016**	Rate Aug 31, 2015	**Aug 31, 2016**	Aug 31, 2015
SEK			120,612	133,320
NOK	1.02	1.02	4,332	4,957
DKK	1.28	1.27	180	0
USD	8.54	8.46	16,030	25,321
EUR	9.51	9.49	38,867	38,102
GBP	11.19	13.04	481	300
			180,503	**202,000**

The payment terms of trade payables are 10-90 days.

Parent Company	**Rate Aug 31, 2016**	Rate Aug 31, 2015	**Aug 31, 2016**	Aug 31, 2015
SEK			6,365	5,189
NOK	1.02	1.02	0	29
USD	8.54	8.46	1,691	0
EUR	9.51	9.49	0	9
			8,056	**5,227**

The payment terms of trade payables are 10-90 days.

Note 27 Other liabilities

Group	**Aug 31, 2016**	Aug 31, 2015
Value added tax	26,026	18,944
Personnel-related taxes	14,410	14,048
Gift vouchers	14,385	9,957
Other	10,774	10,438
	65,595	**53,386**

Parent Company	**Aug 31, 2016**	Aug 31, 2015
Value added tax	956	681
Personnel-related taxes	1,370	1,207
Other	1,207	1,051
	3,533	**2,939**

Note 28 Accrued expenses and deferred income

Group	Aug 31, 2016	Aug 31, 2015
Accrued vacation and payroll liabilities	64,115	56,800
Accrued social security expenses	16,585	22,385
Accrued interest	182	185
Other accrued expenses	37,116	35,984
Deferred income	11,861	9,577
	129,859	**124,932**

Parent Company	Aug 31, 2016	Aug 31, 2015
Accrued vacation and payroll liabilities	5,179	4,921
Accrued social security expenses	1,627	1,718
Accrued interest	65	66
Other accrued expenses	3,938	3,723
	10,809	**10,428**

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 35.

Note 29 Pledged assets

For liabilities to credit institutions and overdraft facilities

Group	Aug 31, 2016	Aug 31, 2015
Chattel mortgages	–	650
Assets with reservation of title	15,475	16,869
Shares in subsidiaries	480,991	411,415
	496,466	**428,934**

Parent Company	Aug 31, 2016	Aug 31, 2015
Assets with reservation of title	15,000	15,000
Shares in subsidiaries	106,000	106,000
	121,000	**121,000**

Note 30 Contingent liabilities

Group	Aug 31, 2016	Aug 31, 2015
Other guarantees	0	0
	0	**0**

Parent Company	Aug 31, 2016	Aug 31, 2015
Guarantees for subsidiaries	16,939	16,881
	16,939	**16,881**

Note 31 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-cancelable lease commitments.

Fees during the fiscal year	Group	Parent Company
September 2015 – August 2016	282,161	11,428
September 2014 – August 2015	281,821	11,773

This only relates to fixed minimum fees. Apart from this, there are commitments relating to sales-based rental income which are variable. Fixed rental fees for the year amounted to SEK 270,967,000 (SEK 267,399,000) and the sales-based fee to SEK 5,073,000 (6,042,000).

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

	Group		Parent Company	
Fees that are due	Aug 31, 2016	Aug 31, 2015	Aug 31, 2016	Aug 31, 2015
Within 1 year	290,813	293,596	11,741	13,130
Within 2-5 years	399,912	432,743	40,161	43,002
More than 5 years	14,328	20,061	0	5,155

This refers to fixed and variable rental fees. The Parent Company has signed a new lease for premises.

Of the future lease commitments listed above, SEK 510,000 (2,787,000) comprises financial lease agreements in the Group. This amount refers to undiscounted leasel commitments. Discounted lease commitments relating to financial lease agreements amounted to SEK 510,000 (2,726,000).

Note 32 Statement of cash flows

Adjustment for non-cash items

Group	Aug 31, 2016	Aug 31, 2015
Depreciation and impairment losses	51,935	47,871
Impairment of goodwill and trademarks	–	–
Capital gain on sale of non-current assets	607	1,701
Capital loss on sale of subsidiaries	–	–
Other adjustments	-2,725	-2,528
	49,817	**47,044**

Parent Company	Aug 31, 2016	Aug 31, 2015
Depreciation and impairment losses	8,082	9,341
Capital gain on retirement of non-current assets	–	–
	8,082	**9,341**

Note 33 Acquisition and divestment of subsidiaries

The fair value of the assets and liabilities acquired during the 2015/2016 fiscal year is stated below:

Item	Kids Clothing Oy
Goodwill	12,536
Other non-current assets	2,253
Inventories	11,949
Non-current receivables	676
Current receivables	6,875
Cash and cash equivalents	2,687
Current and non-current liabilities	-9,461
Purchase price	**27,515**
Additional purchase price entered as a liability	-16,700
Purchase price paid	**10,815**
Cash and cash equivalents in the divested company	-2,687
Impact on the Group's cash and cash equivalents	**8,128**

On March 1, 2016, the Group acquired 51 percent of the Finnish master franchise business in the Polarn O. Pyret segment, Kids Company Oy. The company's registered office is in Helsinki, Finland. The company generates sales of about SEK 95 M annually and has about 20 employees. The acquisition is mainly expected to generate synergies in logistics, establishments and local market knowledge. The consideration transferred was SEK 10.8 M. The acquisition agreement included a combination of an option to purchase and an option to sell issued on the same terms. In respect of the remaining 49 percent, the Group has deemed that no non-controlling interest exists but instead a liability is recognized in respect of contingent consideration for the remaining 49 percent. The fair value of this liability has been calculated based on parameters set in the option agreement, where the most important are based on the EBITDA forecast for the company in the next few years. The acquisition implies goodwill of SEK 12.6 M on consolidation.

The acquisition analysis is preliminary.

No acquisitions or divestments were made during the 2014/2015 fiscal year. However, the previous earnout entered as a liability relating to the acquisition of Polarn O. Pyret Norge AS was paid.

Note 34 Results from participations in Group companies

Parent Company	Aug 31, 2016	Aug 31, 2015
Impairment of shares in subsidiaries	-	-
Impairment of receivables to subsidiaries	-	-
Shareholders' contribution paid	-33,000	-
Group contributions received	72,435	95,453
	39,435	**95,453**

Note 35 Financial instruments

Financial assets

The financial assets that are available and utilized by the Group consist of cash and cash equivalents, trade receivables, 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, trade 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, 2016, cash and cash equivalents amounted to SEK 24,150,000 (47,193,000) for the Group and SEK 9,325,000 (35,961,000) for the Parent Company. In addition, there is SEK 15,000,000 in blocked bank balances, which are recognized as non-current receivables.

Loans and receivables

The terms for payment of trade receivables are 10-30 days. Certain customers and franchisees in the Group's concepts, benefitted from extended repayment plans. Such receivables on repayment plans that mature after more than one year are recognized as non-current receivables. The item non-current receivables below refers in its entirety to repayment receivables in relation to franchisees that mature after more than one year. Non-current receivables in the balance sheet also include blocked banking balances of SEK 15,000,000. On August 31, 2016, trade receivables falling due within one year amounted to SEK 45,620,000 (48,701,000) for the Group and SEK 236,000 (25,000) for the Parent Company. In addition to this, non-current receivables, which are interest-based, amounted to SEK 22,794,000 (5,650,000).

Age analysis trade receivables	Aug 31, 2016	Aug 31, 2015
Not due	29,831	42,334
< 60 days	9,129	6,367
60-90 days	2,175	0
90-180 days	3,181	0
> 180 days	1,305	0
Total trade receivables	**45,620**	**48,701**

In the age analysis of trade receivables presented above, a provison for depreciation/amortization was made of SEK 6,302,000 (3,762,000).

Age analysis other non-current receivables	Aug 31, 2016	Aug 31, 2015
Not due	7,794	5,650
Total other non-current receivables	**7,794**	**5,650**

In the age analysis of non-current receivables presented above, a provison for depreciation/amortization was made of SEK 8,019,000 (11,855,000).

The need for impairment concerning trade receivables is tested on an individual basis. 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. Provision for depreciation/amortization was also made based on a risk assessment.

Provisions for doubtful receivables have been changed as follows:

	Aug 31, 2016	Aug 31, 2015
Opening provisions	15,617	15,730
Provisions for probable losses	2,000	2,031
Confirmed losses	-3,296	-2,144
Closing provisions	**14,321**	**15,617**

Financial assets measured at fair value through profit or loss

Outstanding hedging and value on August 31, 2016:

Currency	Hedged volume	Fair value	Number of hedged months
USD	15,280	1,065	0-12 months
EUR	7,100	1,217	0-12 months
Total		**2,282**	

Changes in fair value regarding currency futures are recognized through profit or loss; also refer to Notes 9 and 10.

Note 35 **Cont.**

Financial liabilities
The financial liabilities that are available and utilized by the Group consist of trades 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.

Trade payables
The Group's trade payables consist mainly of liabilities in SEK, EUR and USD. The terms and conditions for payment of trade payables allow 10 to 90 days of credit. Also refer to Note 26, for a description of the composition of trade payables by currency.

Financial liabilities measured at fair value through profit or loss
Outstanding hedging and value on August 31, 2016:

Currency	Hedged volume	Fair value	Number of hedged months
USD	9,050	52	0-12 months
EUR	0	0	0-12 months
Total		**52**	

Changes in fair value regarding currency futures are recognized through profit or loss; also refer to Notes 9 and 10. All hedging contracts mature within 12 months.

Liability in respect of an earnout is recognized at fair value based on the paramters in the combined option to purchase/sell regarding the remaining 49 percent in the group company Kids Company Oy. Changes in the fair value regarding liability for conditional consideration are recognized in profit or loss. Liabilities have arisen during the present fiscal year and no remeasurement of this has occurred.

Overdraft facilities
The Group and Parent Company have an overdraft facility with Danske bank totaling SEK 100 M (100) at August 31, 2016. The utilized amount on the balance sheet date totaled SEK 0 Million (0).

The interest rate on the overdraft facility is variable and the average interest rate during the fiscal year was 2.03 percent (2.23).

The overdraft facility since early 2014 is raised with Danske Bank, and is a part of the total business financing of SEK 140 M. The financing represents a total sum that can be allocated flexibly among overdraft facilities and guarantees, letters of credit etc.

No specific financial covenants are linked to the financing.

Other loan liabilities
During the 2009/2010 fiscal year, a loan agreement was signed with Konsumentföreningen Stockholm. The loan agreement is divided into two loans, each loan of SEK 200 M. Loan 1 is a promissory note note, whereas loan 2 is a revolving loan. The credit facility allowed under the revolving loan is SEK 200 M and is available based on the needs of the Group. At August 31, 2016, SEK 385 M was utilized. During the fiscal year, the company entered into an agreement on a mutual possibility to extend the two loans. The agreement implies a possibility to extend the financing by one year, from May 2017 to May 2018 based on unchanged contractual terms. The company intends to extend the loans. 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 linked to the loans. The loans run according to variable rates of interest, based on Stibor, with minimum of 0 percent, including an additional margin. The current interest rate on August 31, 2016 was 4.0 percent for the promissory note loan and 3.9 percent for the revolving loan.

Loans relating to financial leases
The present value of future repayment obligations resulting from these financial lease agreements is recognized as a "liability to credit institutions" and amounts to SEK 510,000 (2,725,000), including a short-term portion of SEK 510,000 (2,215,000).

Accrued expenses
Accrued expenses primarily comprise personnel-related items; see Note 28.

Group, August 31, 2016

Financial Assets	Assets measured at fair value through profit or loss	Loan receivables and trade receivables	**Total**
Trade receivables		45,620	45,620
Other receivables		34,718	34,718
Accrued income		9,864	9,864
Derivatives	2,282		2,282
Cash and cash equivalents		24,150	24,150
			116,634

Financial liabilities	Liabilities measured at fair value through profit or loss	Other financial liabilities	**Total**
Trade payables		180,503	180,503
Derivatives	52		52
Loans from credit institutions		1,432	1,432
Other loan liabilities	16,700	385,000	401,700
Other liabilities		51,210	51,210
Accrued expenses		80,882	80,882
			715,779

Note 35 Cont.

Group, August 31, 2015

Financial Assets	Assets measured at fair value through profit or loss	Loan receivables and trade receivables	Total
Trade receivables		48,701	48,701
Other receivables		15,358	15,358
Accrued income		5,791	5,791
Derivatives	4,056		4,056
Cash and cash equivalents		47,193	47,193
			121,099

Financial liabilities	Liabilities measured at fair value through profit or loss	Other financial liabilities	Total
Trade payables		202,000	202,000
Derivatives	2,123		2,123
Loans from credit institutions		2,725	2,725
Other loan liabilities		385,000	385,000
Other liabilities		43,429	43,429
Accrued expenses		79,371	79,371
			714,648

Fair value hierarchy:
The Group has financial instruments in the form of currency futures and for contingent consideration that are measured at fair value in the balance sheet. The Group uses the following hierarchy in order to classify the instruments based on measurement techniques:

1. Quoted prices (not adjusted/unconfirmed) on active markets for identical assets or liabilities
2. Other input data than the quoted prices included in Level 1, which is observable for assets or liabilities either direct (i.e. as prices) or indirect (i.e. derived from prices)
3. Input data for assets or liabilities in question, which is not based on observable (non-observable input data)

2015/2016	Value	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss:				
Currency futures	2,282	-	2,282	-
Other financial assets:				
Trade receivables				45,620
Other receivables				34,718
Accrued income				9,864
Cash and cash equivalents				24,150
Liabilities				
Financial liabilities at fair value through profit or loss:	-	-	-	-
Currency futures	52		52	
Contingent consideration	16,700			16,700
Other financial liabilities:				
Trade payables				180,503
Loans from credit institutions				1,432
Other loan liabilities				385,000
Other liabilities				51,210
Accrued expenses				80,882

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

2014/2015	Value	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss:				
Currency futures	4,056	-	4,056	-
Other financial assets:				
Trade receivables				48,701
Other receivables				15,358
Accrued income				5,791
Cash and cash equivalents				47,193
Liabilities				
Financial liabilities at fair value through profit or loss:	-	-	-	-
Currency futures	2,123		2,123	
Other financial liabilities:				
Trade payables				202,000
Loans from credit institutions				2,725
Other loan liabilities				385,000
Other liabilities				43,429
Accrued expenses				79,371

No transfers have occured 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.

During the 2009/2010 fiscal year, a loan agreement was signed with Konsumentföreningen Stockholm. The loan agreement is divided into two loans, each loan of SEK 200 M. Loan 1 is a promissory note note, whereas loan 2 is a revolving loan. The credit facility allowed under the revolving loan is SEK 200 M and is available based on the needs of the Group. At August 31, 2016, SEK 385 M was utilized. During the fiscal year, the company entered into an agreement on a mutual possibility to extend the two loans. The agreement implies a possibility to extend the financing by one year, from May 2017 to May 2018 based on unchanged contractual

Note 35 Cont.

terms. The company intends to extend the loans. 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 linked to the loans.

In connection with the acquisition of Kids Company Oy, a liability to the sellers arose for estimated consideration. This liability was measured at fair value, which is estimated to amount to SEK 16,700,000. The option that the liability is based on will be not be triggered until 2020.

Maturity of the Group's financial liabilities

2015/2016	0-3 months	4-12 months	1-2 years	2-3 years	3-4 years	More than 4 years	**Total contracted cash flows**
Other non-current liabilities	-	-	385,000	-	-	16,700	401,700
Liabilities to credit institutions	-	1,299	133	-	-	-	1,432
Overdraft facilities	-	-	-	-	-	-	0
Interest rates	182	-	-	-	-	-	182
Trade payables	180,503	-	-	-	-	-	180,503
Currency futures contracts	-	52	-	-	-	-	52

2014/2015	0-3 months	4-12 months	1-2 years	2-3 years	3-4 years	More than 4 years	**Total contracted cash flows**
Other non-current liabilities	-	-	385,000	-	-	-	385,000
Liabilities to credit institutions	1,935	342	448	-	-	-	2,725
Overdraft facilities	-	-	-	-	-	-	0
Interest rates	171	-	-	-	-	-	171
Trade payables	202,000	-	-	-	-	-	202,000
Currency futures contracts	-	2,123	-	-	-	-	2,123

Note 36 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.

	Receivables		**Liabilities**	
Parent Company	**Aug 31, 2016**	Aug 31, 2015	**Aug 31, 2016**	Aug 31, 2015
Brothers & Sisters AB	291	-	-	4,315
Brothers Clothing Oy	-	-	9,130	13,352
Brothers & Sisters Sverige AB	-	-	22,919	424
Departments & Stores Europe AB	47,478	25,830	-	-
Departments & Stores Denmark Aps	51	-	-	-
Polarn O. Pyret AB	20,443	30,574	-	-
RNB Far East Ltd.	5,152	5,004	-	-
RNB Retail and Brands Norge AS	-	-	-	84
Ängsviol Blomstern AB	-	-	219	219
	73,415	**61,408**	**32,268**	**18,394**

Note 37 Purchases and sales between Group companies

The Parent Company's net sales of SEK 97,998,000 (85,236,000) are entirely attributable to internally debited services provided to subsidiaries. The Parent Company has purchased services from subsidiaries amounting to SEK 636,000 (1,380,000).

Note 38 Risks and risk management

Foreign exchange risk
The RNB Group's currency exposure consists of the 45-50 percent 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 70-90 percent of the anticipated net flows in foreign currency for each season must be hedged using futures contracts or currency options. 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:

Currency	Change	Impact, SEK M
EUR	+/– 10 %	–/+ 20
USD	+/– 10 %	–/+ 33

Note 38 Cont.

Capital structure

In spring 2013, the Group carried out a new issue of SEK 463 M (before issue expenses). 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, which was carried out in fall 2013. Therefore a considerably improved basis existed for continued improvement of the capital structure, provided that we saw a positive development of earnings and cash flow from the Group's remaining concepts. This positive development has occurred in the past two years. 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 percent would, in the event of maximum utilization of available loan facilities (SEK 400 M in total) 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 36 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 (actual or expected) in the 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.

Seasonal and weather variations

Generally speaking, the retail sales trend varies with the seasons. Sales are at their strongest during the fall 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 the fall 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. The Group's products are bought in to be sold based on normal weather conditions. Deviations from normal weather conditions impact sales. A mild fall 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 proprietary 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 proprietary or external 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 such insurance amounts are sufficient or that financial losses can be completely recovered.

Information systems

RNB depends on information systems in all parts of the operations to monitor the flow of goods from purchasing to sales in stores, and to coordinate operational and statistical information. The risks comprise both the suitability of existing systems as well as securing sensitive operational information. Each long-term interruption, or 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 in Polarn O. Pyret and Brothers are conducted to some extent through franchisees. 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 percent of purchases are made from suppliers in China. Companies in Bangladesh, India, Turkey, 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, 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.

Note 38 Cont.

Trademarks

RNB's policy is to register and protect its brands and names. However, there are no guarantees 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.

The Board of Directors and the President provide their assurance that the 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, November 30, 2016

Laszlo Kriss
Chairman of the Board

Magnus Håkansson
President and CEO

Monika Elling
Board member

Ivar Fransson
Board member

Michael Lemner
Board member

Per Thunell
Vice Chairman of the Board

Sara Wimmercranz
Board member

Our audit report was submitted on November 30, 2016
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 fiscal year, September 1, 2015 to August 31, 2016. The company's annual accounts and consolidated financial statements are included in the printed version of this document on pages 20-56.

The Board of Directors and the President are responsible 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 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 financial statements 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 financial statements 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated financial statements, 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 financial statements.

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

Opinion

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, 2016 and of its financial performance and its cash flows for the year in accordance with the Annual Accounts Act. The consolidated financial statements 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, 2016 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 administration report and the corporate governance report are 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, 2015 – August 31, 2016 fiscal year.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for allocating the company's profit or loss, and it is the Board of Directors and President who bear the responsibility for administration according to the Swedish 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 the Board of Directors' explanatory statement and a selection of supporting evidence in order to be able to assess 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 accounts, 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 opinions.

Opinion

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, November 30, 2016
Ernst & Young AB

Johan Eklund
Authorized Public Accountant

Corporate Governance Report

RNB RETAIL AND BRANDS AB (publ), RNB, is a Swedish public limited liability company listed on the Nasdaq Stockholm Exchange. RNB applies the Swedish Code of Corporate Governance and issues this Corporate Governance Report for the fiscal year September 1, 2015 – August 31, 2016. RNB has prepared this Corporate Governance Report in accordance with the provisions of the Swedish Code of Corporate Governance (the Code) 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. The guidelines pertaining to the Swedish Code of Corporate Governance are available on the website of the Swedish Corporate Governance Board (www.bolagsstyrning.se). The Corporate Governance Report is not part of the Board of Directors' Report.

Corporate governance is concerned with the relationship between the shareholders and the company's Board and President/Group Management. The Group's corporate governance is based on Swedish legislation, the articles of association and Nasdaq Stockholm's rules for issuers as well as other relevant statutes and regulations. Governance is exercised through the Annual General Meeting, 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.

RNB RETAIL AND BRANDS' overriding goal is to create long-term value for its shareholders and other stakeholders. This requires a well-functioning corporate governance model, which is characterized by an efficient organizational structure, internal control system, risk management and transparency.

RNB RETAIL AND BRANDS applies the rules contained in the Swedish Code of Corporate Governance. The Code is based on the principle "comply or explain" which means that companies which apply the Code may depart from specific rules but should then provide an explanation for the departure.

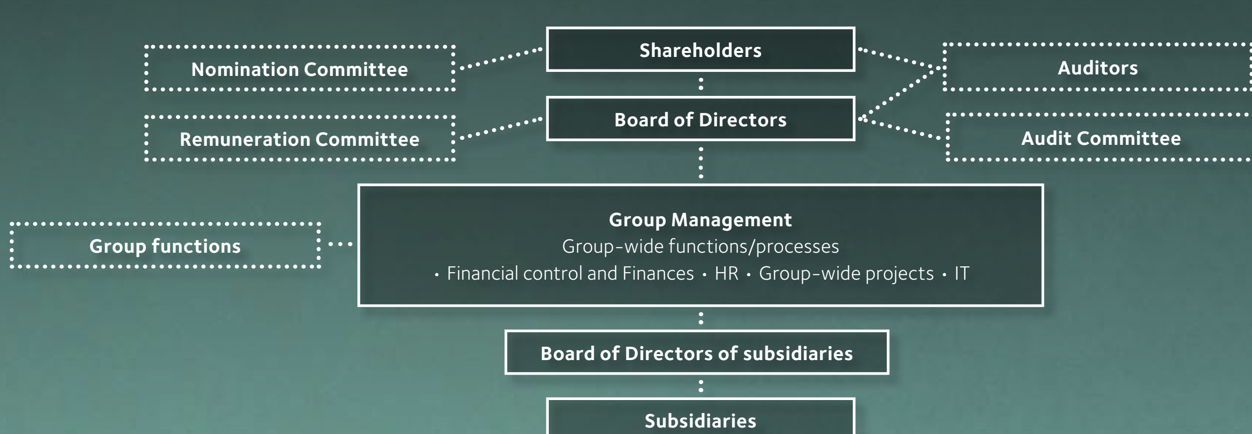
RNB RETAIL AND BRANDS also applies the Swedish Annual Accounts Act for how the company reports its corporate governance work. RNB RETAIL AND BRANDS follows developments in the corporate governance field and continually adjusts its corporate governance principles with the aim of creating value for owners and other stakeholders. No breaches of applicable stock exchange regulations have occurred.

Shares and shareholders

At August 31, 2016, the share capital of RNB was SEK 203,473,056 distributed among by 33,912,176 shares with a quota value of SEK 6. All shares are common shares. Each share carries one vote at the AGM and all shares have an equal right to share in the company's assets and profits.

At August 31, 2016, the number of shareholders amounted to 6,903, of whom 92.2 percent were registered in Sweden. The three largest shareholders as of

Governance structure



August 31, 2016 were Konsumentföreningen Stockholm with 33.2 percent, Novobis AB with 9.4 percent and Catella Fondförvaltning with 9.3 percent. Apart from Konsumentföreningen Stockholm, no other shareholders hold more than 10 percent of the votes. RNB's ten largest owners held shares corresponding to 65.3 percent of both the share capital and the voting rights in the company. For further information about the share and shareholders, please refer to pages 67–68 and RNB's website, www.rnb.se.

Annual General Meeting

The Annual General Meeting (AGM) is RNB RETAIL AND BRANDS' highest decision-making body. The AGM elects the company's Board and auditors and also approves the fees payable to the Board of Directors, among other things. The AGM 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.

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 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 a proxy.

Information from previous AGMs and Extraordinary General Meetings are available on https://www.rnb.se/en/Corporate-governance/Annual-general-meeting/.

Annual General Meeting for the 2014/2015 fiscal year

The AGM took place on Thursday, December 17, 2015 in RNB's premises at Regeringsgatan 29 in Stockholm. At the AGM, 17 shareholders participated, personally or via proxy, representing 47.21 percent of the number of shares and votes in the company. Laszlo Kriss was elected as Chairman of the AGM.

Annual General Meeting for the 2015/2016 fiscal year

The AGM for shareholders in RNB will be held at 5 p.m. on Wednesday, December 21, 2016 at Drottninggatan 33 in Stockholm. For further information about the AGM, please see RNB's website, www.rnb.se/en/Corporate-governance/Annual-general-meeting/.

Nomination Committee

RNB RETAIL AND BRANDS has a Nomination Committee whose 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 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 to 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. To perform its work, the Nomination Committee must keep itself informed about the Group's strategy and its future challenges in order to be able to judge what skills and experience are required by the Board members. The Nomination Committee also has to consider the rules on independence, which apply to the Board. The Nomination Committee shall hold meetings as necessary, but at least once per year. Shareholders shall be able to submit proposals to the Nomination Committee for further evaluation within the framework of its work.

The AGM 2015 in December 2015 resolved that a Nomination Committee would be appointed from among the large shareholders with the task of proposing Board members ahead of the AGM for the 2015/2016 fiscal year. Prior to the AGM on December 21, 2016, members of the

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

	Attendance at Board meetings		Attendance at meetings of	
Board members	ordinary (6)	Extra (2)	Remuneration Committee (2)	audit committee (4)
Laszlo Kriss	6	2		4
Per Thunell	6	2		4
Monika Elling	6	2	1	3
Ivar Fransson	6	2	2	
Michael Lemner	5	2	2	
Sara Wimmercranz[1]	4	2	1	
Ann-Sofie Danielsson[2]	2			1

1 Sara Wimmercranz was elected as a new Board member at the AGM on December 17, 2015

2 Ann-Sofie Danielsson declined re-election in connection with the AGM on December 17, 2015

Nomination Committee were appointed in accordance with the resolution of the AGM in December 2015. The Nomination Committee consists of Sune Dahlqvist, Chairman of Konsumentföreningen Stockholm, Ulf Strömsten, Catella Fondförvaltning and Joel Lindeman, Novobis AB. No remuneration is paid to members of the Nomination Committee.

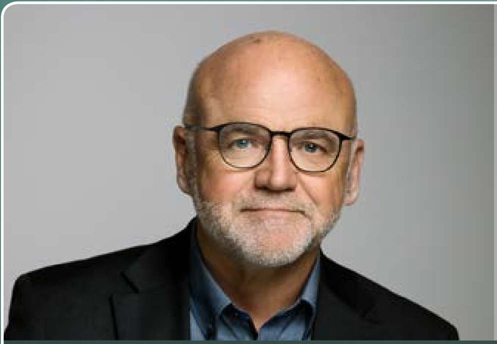
Board of Directors

The Board of Directors is RNB RETAIL AND BRANDS' highest administrative body under the AGM and has ultimate responsibility for the management and organization of the company's operations. The Board monitors the company's operations and management and also takes decisions on important matters relating to strategies, investments, organization and financial questions. The Board has two permanent committees: an Audit Committee and a Remuneration Committee. 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 do not include any provisions on the appointment or dismissal of Board members. 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. At the AGM on December 17, 2015, the following Board members were re-elected; Laszlo Kriss, Monika Elling, Ivar Fransson, Michael Lemner and Per Thunell and Sara Wimmercranz was elected as a new member. 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 at https://www.rnb.se/en/Corporate-governance/Articles-of-association/.

Board of Directors



Laszlo Kriss, born 1946

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

Independent in relation to the Company and the Management, independent in relation to the Company's major owners.

No other significant directorships.

Shareholding in RNB: 20,500 shares.

Monika Elling, born 1962, Graduate in Business Administration and Mechanical Engineer.

Member of the RNB Board since 2014.

Independent in relation to the Company and the Management, independent in relation to the Company's major owners.

Other directorships:
Chairman of Talent Eye AB

Shareholding in RNB: 30,000 shares.

Ivar Fransson, born 1957, Degree in Economics.

Member of the RNB Board since 2012.

Independent in relation to the Company and the Management, independent in relation to the Company's major owners.

Management consultant in Trinovo Consulting Group.

Other directorships: Board member of OKQ8 Banks AB.

Shareholding in RNB: 14,436 shares via endowment insurance.

The formal work plan of the Board of Directors

RNB RETAIL AND BRANDS' Board is subject to a formal work plan that complies with the Swedish Companies Act with respect to 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 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 meetings addresses the budget for the following fiscal year. In addition to the statutory meeting and scheduled meetings, the Board held two extraordinary meetings during the 2015/2016 fiscal year. The regular meetings were primarily devoted to earnings follow-ups, investment matters, external reporting, budgets and strategy issues. The extraordinary board meetings mainly dealt with Polarn O. Pyret's restructuring and the acquisition of the Finnish master franchise business.

RNB RETAIL AND BRANDS AB (publ) complies with Nasdaq Stockholm's rules for issuers and the Swedish Code of Corporate Governance regarding the requirement for independent Board members. The Board's assessment regarding the independence of Board members in relation to the company and shareholders is shown in the description of the Board on pages 60–61.

Board Committees

Within the Board, there is a Remuneration Committee and an Audit Committee.

Remuneration Committee

The Board of Directors has established a Remuneration Committee with the main duties of reviewing, preparing recommendations for the Board on questions relating to remuneration principles, including performance-based

Per Thunell, born 1953, Degree in Business Administration.

Member of the RNB Board since 2012.

Independent in relation to the Company and the Management, not independent of owners.

CFO of Konsumentföreningen Stockholm.

Other directorships: No other significant directorships.

Shareholding in RNB: 0 shares.

Michael Lemner, born 1957, Degree in Economics.

Member of the RNB Board since 2013.

Not independent in relation to the Company and the Management, independent in relation to the Company's major owners.

CEO and Consultant for Tim-Tam Consulting SPRL (Belgium).

Other directorships: Chairman of Doors & Fashion (Belgium), Board member of Pimkie-Diramode SA (France), Orsay Gmbh (Germany) and Rougegorge SA (France) and AFM Pole Feminin (France).

Shareholding in RNB: 0 shares.

Sara Wimmercranz, born 1980, human resources specialist.

Member of the RNB Board since 2015.

Independent in relation to the Company and the Management, independent in relation to the Company's major owners.

Other assignments: Founding Partner of the investment company BackingMinds, Co-Founder of Footway.

No other significant directorships.

Shareholding in RNB: 0 shares.

Shareholdings as of August 31, 2016

remuneration and pension terms, to the company's senior executives, complying with and evaluating ongoing and completed during the year programs for variable remuneration to the company management and also complying with and evaluating the application of the guidelines and remuneration to senior executives that the AGM has resolved upon by law. The Committee also prepares the proposal to the AGM regarding guidelines for remuneration to senior executives
The company's Remuneration Committee, since the AGM on December 17, 2015, has been composed of Ivar Fransson, (committee chairman), Michael Lemner and Sara Wimmercranz.

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 in order 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 in the preparation of proposals for auditors and fees for audit work and informing the Board of the result of the statutory audit and explaining in what way the audit contributed to the the reliability of the financial reporting.

During the 2015/2016 fiscal year, the Audit Committee comprised Monika Elling (committee chairman), Laszlo Kriss and Per Thunell.

Group Management

Magnus Håkansson, born 1963

President and CEO

Master of Science (Economics and Business), Stockholm School of Economics and MBA

Employed since 2011

Significant assignments outside the company: Chairman of Tenant & Partner Group AB and GS1 Sweden AB

Shareholding in RNB: 71,500

Retail experience from competitive markets from earlier positions roles as a consultant, economist and CEO. Formerly CEO of Expert Sverige AB and CFO of the KF Group and Chairman of RNB during 2010.

Kristian Lustin, born 1970

Chief Financial Officer (CFO)

Degree in business administration, Uppsala University

Employed since 2015

Shareholding in RNB: 10,000

Previously Controller at Modern Times Group MTG and prior to that Finance Director at Munters and Authorized Public Accountant at Deloitte.

Peter Bondelid, born 1962

President of Brothers

Master of Science (Economics and Business), Stockholm School of Economics

Employed since 2012

Shareholding in RNB: 0

Previously Global Supply Chain Director at RNB. Prior to this, he was a Management consultant at Accenture and Monitor Group with experience from a number of industries and functions.

Hanna Graflund Sleyman, born 1978

President of Departments & Stores

Master of Science (Economics and Business), Stockholm School of Economics

Employed since 2009

Significant assignments outside the company: Board member of Atrium Ljungberg AB

Shareholding in RNB: 5,125 via related parties

Formerly Business Development Manager for Polarn O. Pyret and Production Director of RNB. Prior to this, she was a Management consultant at McKinsey & Company with experience from a number of industries and functions.

Remuneration of the Board of Directors

The AGM on December 17, 2015 approved total directors' fees of SEK 1,275,000, to be allocated as follows; SEK 350,000 to the Chairman of the Board and SEK 160,000 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.

Auditors

RNB RETAIL AND BRANDS' auditors are elected by the AGM. At the AGM on December 1, 2015, Ernst & Young were elected as auditors for the period until the end of the next AGM. Ernst & Young AB has appointed Authorized Public Accountant, Johan Eklund, as Auditor in Charge. Ernst & Young AB has been RNB RETAIL AND BRANDS' auditor since 2004.

The auditor's duties include reviewing the Board's and the President's administration of the company and the quality of the company's accounting records. The auditors report the outcome of their examination to the 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. Apart from the audit, the auditor shall inform the Board of Directors about services that have been performed besides audit services, remuneration for such services and other circumstances, which are of important for the auditor's independence. During the fiscal year, Ernst & Young mainly provided consultancy services pertaining to tax. RNB RETAIL AND BRANDS believes that the execution of these services does not compromise the independence of Ernst & Young.

Nanna Hedlund, born 1974

President of Polarn O. Pyret AB

Degree Master of Science in Business and Economics, Stockholm University

Employed since 2016

Shareholding in RNB: 0

Many years' international retail experience with marketing, brand development and digitalization in focus. Previously Marketing Director at Kicks. Prior to that, Marketing Manager at Mio and Communication Manager at JC.

Mia Bystedt, born 1971

IT Director

Graduate engineer in computer technology, Royal Institute of Technology in Stockholm (KTH)

Employed since 2008

Shareholding in RNB: 0

Previously systems manager and after that Group IT Director for RNB. Previous positions held included system developer at AU-System (Teleca) and TDC Sverige.

Ann Surtell, born 1958

HR Director

Stockholm University

Employed since 2016

Shareholding in RNB: 0

Previously Head of HR at Empower AB. Prior to that HR Manager at Forex Bank AB and Head of HR at VPC AB.

Shareholdings as of August 31, 2016

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.

The President & CEO 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 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 Retail AND BRANDS' Group Management consists of seven persons (of whom four women) – President/CEO of RNB, the CFO of RNB, Presidents of each business area, IT Director and HR Director.

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

The guidelines for remuneration and other terms of employment to senior executives are appoved annually by the AGM. Senior executives refers to the President and other members of the Group Management. Remuneration and other terms of employment for the President are prepared by the Remuneration Committee and approved by the Board of Directors. Remuneration and other terms of employment for the members of the Group Management are prepared by the President, after approval by the Remuneration Committee. RNB RETAIL AND BRANDS shall apply market-related levels of compensation and terms of employment, which are necessary in order to recruit and motivate a highly skilled Management team with the capability to achieve set goals. The forms of remuneration shall motivate the Group Management to do their utmost to safeguard the interests of shareholders.

Remuneration of the company management consists of fixed salary, variable salary, pension and other remuneration. Fixed and variable salary shall be determined by taking account of skills, area of responsibility and performance. The variable remuneration is based on the outcome in relation to clearly set goals for the company. For senior executives, the variable portion may not exceed 40 percent of the fixed salary. The variable remuneration is evaluated annually and does not qualify for vacation or pension. Pension benefits are defined contribution and the ordinary age of retirement is 65 years. A notice period of six to twelve months normally applies in connection with termination of employment as well as a right to termination benefits corresponding to the highest salary during the notice period in the event that the company terminates the employment.

The Board of RNB RETAIL AND BRANDS may depart from these guidelines if special grounds exist in a particular case.

For information about remuneration to the Board and senior executives, see Note 4 in the 2015/2016 Annual Report.

Internal control

The Board is responsible under the Swedish Companies Act and the Code for ensuring that an efficient system for internal control and risk management is in place. 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 have this responsibility within their specific areas. Authority and responsibility are defined in guidelines, responsibility descriptions and authorization instructions. The Board of Directors works continually to ensure that the internal control is effective through obtaining information and reporting back from the company management. Through the audit committee, discussions are also conducted with the company's auditors regarding the internal control. 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 context 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-up 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 operates 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 that adequate control of financial reporting can be maintained.

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 include account reconciliations and support controls. The aim of all countermeasures and control activities is to prevent, discover and correct any mistakes or deviations in the financial reporting.

Risks are also deemed to exist in connection with the valuation of goodwill and also in relation to doubtful trade receivables and deferred tax assets. On each balance sheet date or when indications point to a decline in value, impairment testing is performed to calculate the fair value of the underlying assets. In this context, assumptions concerning the future growth, profitability and financing are key parameters. The counterparties' ability to meet their obligations for trade 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 important information on 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 Stockholm or to a statement from the Swedish Securities Council.

Follow up by the Board

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 in connection with the external audit. The Board receives periodic financial reports and the financial position of the company and the Group are dealt with at each Board meeting.

Stockholm, November 30, 2016

Laszlo Kriss
Chairman of the Board

Magnus Håkansson *President and CEO*	Monika Elling *Board member*	Ivar Fransson *Board member*
Michael Lemner *Board member*	Per Thunell *Vice Chairman of the Board*	Sara Wimmercranz *Board member*

Audit opinion concerning the corporate governance report

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

The Board of Directors and the President are responsible for the corporate governance report for the fiscal year September 1, 2015 to August 31, 2016 on pages 58–66 and for its preparation in accordance with the Annual Accounts Act.

We have read the corporate governance report and based on this review 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, November 30, 2016

Ernst & Young AB

Johan Eklund
Authorized Public Accountant

The Share

RNB's share was listed on June 1, 2001 on the Nasdaq Stockholm Exchange under the ticker RNBS and is traded today on the small cap list.

Trading in the share and share performance

The closing share price on August 31, 2016 was SEK 11.60, which gave a market capitalization for RNB of SEK 393,381,253. The highest price quoted during the fiscal year was SEK 20.40 and the lowest price was SEK 11.60.

Share capital

The registered share capital in RNB on August 31, 2016 amounted to SEK 203,473,056 distributed among 33,912,176 shares each with a quota value of SEK 6. All shares are common shares.

Shareholders

According to Euroclear, the number of RNB shareholders on August 31, 2016 was 6,903, of whom 92.5 percent were registered in Sweden. On the same date, the shares registered outside Sweden represented 7.5 percent of the total number of shares in the company. RNB's ten largest owners held shares corresponding to 66.1 percent of both the share capital and the voting rights in the company.

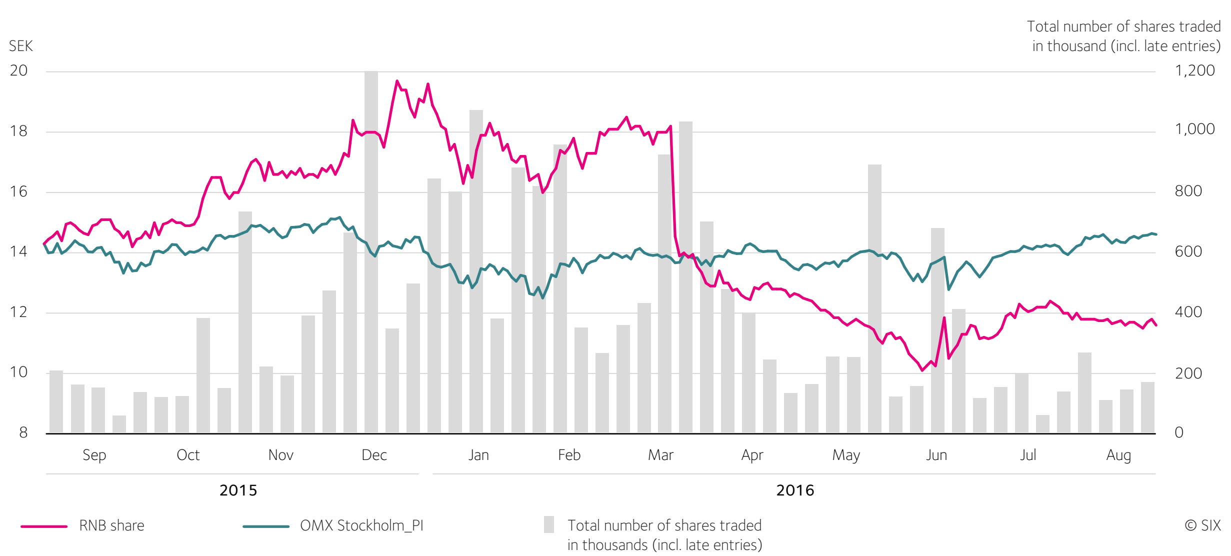
Dividend policy and proposed dividend

The Board of Directors' long-term objective is to distribute half of profit after taxes to shareholders. The Board of Directors proposes that a dividend to the AGM of SEK 0.25 per share should be paid for the 2015/2016 fiscal year.

Stock market information

RNB aims to provide the stock market with clear and up-to-date information. Financial information is mainly provided in the annual report, year-end report and in three interim reports. Before publication of interim and year-end reports, RNB observes a silent period for two weeks prior to publication. RNB's annual report is only distributed via the Group website and on request from the company. Read more www.rnb.se/en/Investor-Relations/.

The RNB share development



Ownership on August 31, 2016

The largest shareholders	Number of shares	Share capital/ Voting rights, %
Konsumentföreningen Stockholm	11,246,598	33.2
Novobis	3,200,000	9.4
Catella Fondförvaltning	3,154,723	9.3
Avanza Pension	2,202,674	6.5
ABG Sundal Collier ASA	664,249	2.0
Nordnet Pensionsförsäkring	514,382	1.5
SEB S.A. Client Assets Ucits.	500,000	1.5
Fahlin Johan	349,000	1.0
Björstrand Hans	320,000	0.9
SEB Life (Irland) Ass Co Ltd	281,542	0.8
Total largest shareholders	**22,433,168**	**66.1**
Other	11,479,008.0	33.9
Total	**33,912,176**	**100.0**

Ownership structure on August 31, 2016

Size of shareholding by category	Number of shareholders	Share capital/ Voting rights, %
1–500	5,145	1.6
501–1,000	618	1.4
1,001–5,000	827	5.8
5,001–10,000	128	2.9
10,001–15,000	50	1.8
15,001–20,000	28	1.5
20,001 –	107	84.9
Total	**6,903**	**100.0**

Key data per share*

SEK/per share	2011/2012	2012/2013	2013/2014	2014/2015	**2015/2016**
Earnings per share	-398	-55	-5	1.25	0.76
Dividend per share	0	0	0	0.25	0.25
The buying price of the share at year-end on the OMX Nordic Exchange	2.2	10.3	10.3	14.3	11.6
Equity per share	3.80	12.62	7.85	9.01	9.54

Share capital development

Year, Transaction	Increase in number 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 2:1	8,304,437	16,608,874		33,217,748	2
2006, Split 2:1	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 debt instruments	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	1
2013, Reverse share split 200-for-1	-6,748,523,024	33,912,176		203,473,056	1

Five-year summary

Income statement items

SEK M	Sep 11–Aug 12**	Sep 12–Aug 13	Sep 13–Aug 14	Sep 14–Aug 15	**Sep 15–Aug 16**
Revenue	2,801.1	1,952.9	1,927.4	2,151.5	2,189.8
Operating income	-303.3	-100.0	-145.0	47.9	36.3
Net financial items	-56.2	-27.0	-9.9	-5.7	-10.4
Profit/loss after financial items	-359.5	-126.9	-155.0	42.3	25.8
Net income for the year	**-328.9**	**-628.7**	**-161.0**	**42.3**	**25.9**

Balance sheet items

SEK M	Sep 11–Aug 12**	Sep 12–Aug 13	Sep 13–Aug 14	Sep 14–Aug 15	**Sep 15–Aug 16**
Non-current assets	1,025.8	632.1	512.2	501.0	535.8
Inventories	483.8	327.7	347.3	400.9	404.1
Trade receivables	134.3	66.0	49.8	48.7	45.6
Other current assets	128.0	71.8	80.8	78.1	93.0
Cash and cash equivalents	29.7	31.8	40.2	47.2	24.2
Assets that are included in disposal groups are classified as if they are held for sale/discontinuation	–	171.2	–	–	–
Total assets	**1,801.6**	**1,300.6**	**1,030.3**	**1,075.9**	**1,102.6**
Equity	627.9	427.8	266.1	305.7	323.5
Non-current liabilities	534.4	363.4	402.7	385.5	401.8
Current liabilities	639.3	342.6	361.5	384.7	377.3
Liabilities that are included in disposal groups are classified as if they are held for sale/discontinuation	–	166.8	–	–	–
Total equity and liabilities	**1,801.6**	**1,300.6**	**1,030.3**	**1,075.9**	**1,102.6**

Key ratios

	Sep 11–Aug 12**	Sep 12–Aug 13	Sep 13–Aug 14	Sep 14–Aug 15	**Sep 15–Aug 16**
Gross profit margin, %	47.7	49.3	51.0	50.1	50.3
EBIT margin, %	neg	neg	neg	2.2	1.7
Profit margin, %	neg	neg	neg	2.0	1.2
Risk-bearing equity, SEK M	628.1	427.8	266.1	305.7	323.5
Share of risk-bearing equity, %	34.9	32.9	25.8	28.4	29.3
Equity/assets ratio, %	34.9	32.9	25.8	28.4	29.3
Capital employed, SEK M	1,261.2	800.0	671.0	693.4	726.6
Return on capital employed, %	neg	neg	neg	7.8	5.4
Return on equity, %	neg	neg	neg	14.8	8.2
Number of full-time employees	1,404	1,045	1,040	1,024	1,047
Number of proprietary stores at end of period	228	163	188	185	263
Number of franchise stores at end of period	148	108	79	77	61

Per-share data*

	Sep 11–aug 12**	Sep 12–aug 13	Sep 13–aug 14	Sep 14–aug 15	**Sep 15–aug 16**
Profit after tax, SEK	-398.00	-54.56	-4.75	-1.25	0.76
Shareholders' equity, SEK	760	13	8	9	10
Average number of outstanding shares, thousands	827	11,523	33,912	33,912	33,912
Number of shares at year-end, thousands	827	33,912	33,912	33,912	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.

** As regards these years, the divested JC segment is included in profit/loss and balance sheet items

Definition of key ratios

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

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

Margin metrics

Gross profit margin

Net sales less goods for resale in relation to net sales.

Operating margin

Operating income as a percentage of net sales.

AReturn metrics

Return on equity

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

Return on capital employed

Profit after net financial items plus financial expenses as a percentage of average capital employed. Average capital employed is calculated as capital employed at the beginning of the year plus capital employed at year-end divided by two. Capital employed is calculated as equity plus interest-bearing liabilities.

Financial metrics

Equity/assets ratio

Shareholders' equity in relation to total assets.

Net debt

Loans and other current and non-current interest-bearing liabilities less financial assets including cash and cash equivalents.

Net debt equity ratio

Net debt as a percentage of equity attributable to the parent company's shareholders.

Interest coverage ratio

Profit after net financial items plus financial expenses divided by financial expenses and the expense for unrealized results on futures contracts.

Share-based metrics

Equity per share

Equity attributable to the parent company's shareholders divided by the number of shares at the end of the period.

Earnings per share

Net income divided by the weighted average number of shares during the period.

Other terms

Number of full-time employees

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

Average number of shares

Weighted average of outstanding ordinary shares during the period.

Information about the AGM

The Annual General Meeting will be held at 5 p.m. on December 21, 2016 at Drottninggatan 33 in Stockholm.

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 Thursday, December 15, 2016, and notify the company of their intention to participate no later than Friday, December 16, 2016 at the address RNB RETAIL AND BRANDS AB, PO Box 161 42, SE-103 23 Stockholm, Sweden by telephone to +46 8 410 520 60 or by e-mail to ann-charlotte.rudels@rnb.se.

Nominee-registered shares

Shareholders whose shares are held through nominees must arrange for temporary registration of the shares in their own name in order to have the right to participate in the Meeting. Such registration must be completed at Euroclear Sweden AB by Thursday, December 15, 2016. Shareholders should request their nominees to take care of re-registration in good time before this date.

Dividend

The Board's proposal is that a cash dividend for the 2015/2016 fiscal year should be declared of SEK 0.25 per share, equivalent to SEK 8.47 M in total.

Calendar

Dec 21, 2016	Interim report for the first quarter
Dec 21, 2016	Annual General Meeting, 5 p.m.
Mar 27, 2017	Interim report for the second quarter
Jun 21, 2017	Interim report for the third quarter
Oct 12, 2017	Year-end report

PRODUCTION: SJÖ & BERG PRINT:ELANDERS

RNB RETAIL AND BRANDS

Postal address:
Box 161 42
103 23 Stockholm

Visiting address:
Drottninggatan 33, 4 tr
Stockholm

www.rnb.se