RNB

RNB RETAIL AND BRANDS

ANNUAL REPORT 2018/2019

Contents

BROTHERS

The Brothers business area offers most style for money within men's fashion by providing affordable quality, superb fit, high fashion content and outstanding service.

Read more on page **10**

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.

Read more on page **12**

Man of a kind

Man of a kind is an e-commerce concept, which offers a carefully selected product range consisting of international luxury brands with Nordic aesthetics. The product range is supplemented by premium services, such as made-to-measure, style advice and inspiring articles about masculine style and fashion.

Read more on page **14**

POLARN O. PYRET

Polarn O. Pyret is the leading brand and store concept for baby and children's wear in the quality segment on the Swedish market Polarn O. also has an international presence.

Read more on page **16**

RNB RETAIL AND BRANDS

owns, operates and develops stores and e-commerce within fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics. The focus is on providing excellent service and a world-class shopping experience. Sales are conducted through the store concepts Brothers, Departments & Stores, Man of a kind and Polarn O. Pyret. The Group has some 250 stores and e-commerce platforms on ten national markets. RNB RETAIL AND BRANDS has been listed on Nasdaq Stockholm since 2001 under the ticker RNBS.

RNB

- in summary

The year in brief

Q1
- PO.P was awarded "Design Concept of the Year" at the Habit Fashion Show 2018.
- PO.P and Brothers open flagship stores in Gallerian Stockholm

Q2
- AGM decided on a new Group strategy, aimed at creating independence and initiate ownership changes for the subsidiaries
- PO.P received the Signum Award for best Nordic brand
- PO.P received the award "Sweden's Greenest Brand 2018" in clothing for the tenth year running
- Departments & Stores launched the new department store Fine Jewelery & Watches and opened the department store NK Beauty in Stockholm.

Q3
- PO.P won the category "Best ethical brand" at the 2019 Babyccino Awards

Q4
- Departments & Stores opened an outlet store at the Stockholm Quality Outlet in Barkarby.

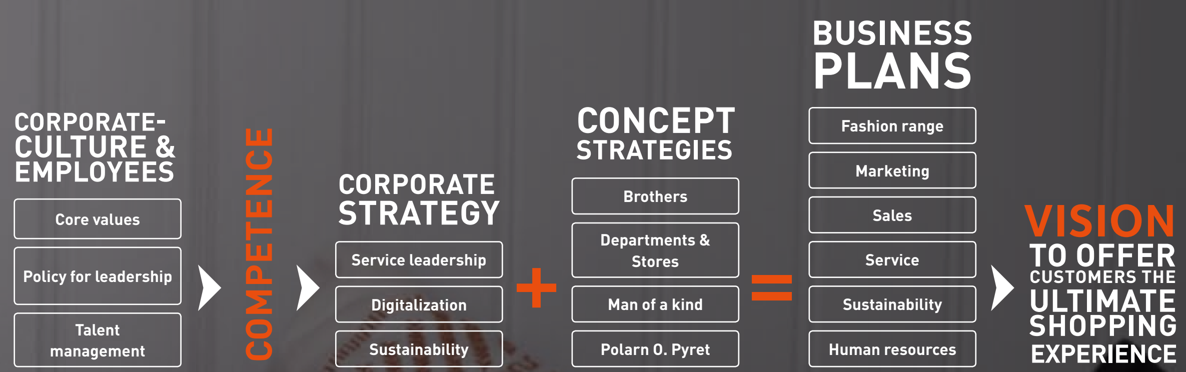
The financial year in figures

Net sales	Operating result before impairment of goodwill	EBIT margin before impairment of goodwill	Cash flow from operating activities
SEK 2,267 M	SEK -45 M	-2.0 %	SEK 50 M
(SEK 2,238 M)	SEK (47) M.	(2.1%)	(SEK 10 M)

Vision

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

Business model



The core values pervade RNB's operations and define our corporate culture, which is a key building block of our strategy. The strategy is then given concrete form in the business plans of individual subsidiaries with the aim of realizing our vision. Creating and maintaining a strong corporate culture is a key factor for realizing the vision through the strategy and business plans.

Financial goals

	Outcome 2019
• The Group shall achieve a long-term EBIT margin of 5 percent	-2.0%
• Brothers shall achieve a long-term EBIT margin of 4-6 percent	-2.3%
• Departments & Stores shall achieve a long-term EBIT margin of 6-7 percent	1.8%[1]
• Polarn O. Pyret shall achieve a long-term EBIT margin of 10 percent	2.5%

1 Departments & Store's operating result before impairment of goodwill.

Comments from the CEO

RNB is presenting a year with particularly weak progress in the final two quarters. In isolation, profit decreased by SEK 49 M excluding restructuring costs in the two final quarters year-on-year. Overall, operating result decreased from SEK 47 M in 2017/2018 to SEK -45 M before impairment of goodwill and including restructuring expenses, and to SEK -18 M excluding restructuring expenses. The restructuring has been carried out according to plan, although the repositioning has placed considerable demands on the organization. The market shift towards to e-commerce, coupled with intensifying competition and oversupply of goods continued to put pressure on volumes and gross margins. Progress was weak for all three main concepts, although Man of a kind returned positive sales growth while results of operations remain some way from break even. On a positive note, the sharp focus on inventories and operating cash flow generated cash flow from operating activities of SEK 50 M against SEK 10 M in the previous year. This improvement partly offset the negative operating result and investments in the current financial year. After investments, cash and cash equivalents decreased by SEK 7 M in the financial year. After the end of the financial year, RNB presented a refinancing plan that includes an extension of the bond loan and a preferential rights issue. This ensures that RNB regains access to a stable financial platform.

Polarn O. Pyret now well positioned

Polarn O. Pyret's reorientation has been well received by customers in recent years. In addition, the concept has won a number of awards for its loyalty concept, store concept, green brand and best brand management, and profitability increased from operating result of SEK -5 M in 2015/2016 to operating result of SEK 43 M in 2017/2018. 2018/2019 came off to a strong start in Q1 and Q2, but lost ground of SEK 23 M over the last two quarters year-on-year, which meant that Polarn O. Pyret presented full-year operating result of SEK 20 M. Sales in comparable stores increased by 0.7 percent for the full year, but decreased by 7.6 percent in the fourth quarter (-6.3 percent in Sweden). To some extent, the fashion range was less commercially strong during the spring and summer, while the price structure was partly suboptimal in some areas.

E-commerce grew by 27 percent for the full year 2018/2019 and is expected to continue to grow at a high rate.

Re-positioning of Brothers

Brothers has outperformed the market significantly in terms of sales, both for comparable stores and overall. Sales for comparable stores in Sweden and Finland increased by 5.1 percent in the fourth quarter and by 0.7 percent for the full year. As a result of excessively high personnel and IT costs for new stores, as well as costs of new stores and lower franchising revenue, operating result for the year decreased to SEK -12 M in 2018/2019.

Brothers has a rock-solid foundation based on what we consider to be the market's best men's fashion offering. Brothers is the market leader in tailored men's fashion - suits, shirts and outerwear, but also offers a well-rounded casual range. However, Brothers' brands are not clearly positioned on the market.

Accordingly, we've focused on developing e-commerce and digital marketing and have gradually repositioned the brand during the year. I'm convinced that this creates potential for future market success for Brothers.

Departments & Stores more stable in 2020

Departments & Stores' operations at NK have been under significant pressure for the past three years. The combination of construction work and traffic diversions outside NK in central Stockholm for the past two years, plus the ongoing restructuring of departments and value offerings in the department store, where some departments have been closed, have had a negative impact on sales and profit. Sales for comparable stores decreased by 1.0 percent for the full year, outperforming the Swedish market according to the Swedish Retail and Wholesale Trade Research Institute (-2.2 percent). Operating result decreased from SEK 29 M for 2017/2018 to SEK 17 M for the full year 2018/2019.

We expect gradual positive effects from the restructuring work at NK in Stockholm. The upgrade of the department store towards a higher share of luxury brands, an expanded service offering and a more modern store design and concepts will be completed in 2020, which will improve competitiveness. An effective e-commerce platform will be the next step, and for Departments & Stores there are two ways to go: either e-commerce through NK or continued focus on Man of a kind plus a sister concept for other parts of the business area's product portfolio.

Man of a kind

Man of a kind is still at the development stage with significant marketing investments. Sales growth was strong, albeit with negative operating result of SEK -14 M (-12) for the full year.

Man of a kind should also be seen as an option for eventually developing omni channel functionality with physical stores in the NK buildings, as well s developing a sister concept that includes other parts of Departments & Stores' product portfolio.

Focus on sustainability

In recent years, we've focused sharply on the production environment, increasing transparency and more stringent demands (zero tolerance and BSCI-requirements), decreasing chemicals use and improving our processes to reduce water consumption.

For Polarn O. Pyret, we've been successful in communicating to our customers that we've used only 100 percent sustainable cotton (Organic and BCI) since year-end 2017/2018. For 2019/2020, 100 percent of our cotton garments up to size 80 are GOTS certified. Our Repair Service helps our customers to practice sustainability. Our products can be used by three or more generations of children. We own this dimension of our value offering. Polarn O. Pyret is Sweden's greenest retail brand.

After the restructuring, the companies have now transitioned into a new era. With regard to our sustainability initiatives, all activities are carried out on the basis of our prioritized targets. Each company now operates with a sharp focus on its targets.

High pace for RNB

We've maintained a high pace of transformation in order to meet the intensifying competition. E-commerce is a key component for realizing our sales targets.

Our employees are a key factor for our change work. We have the market's top employees in all key functions. We're seeking out the younger generation in order to understand what it means to be a market leader in terms of service, digitalization and sustainability. The change work continues at a fast pace. All members of staff can take the initiative in our flat, agile organization. Our business is buzzing with progress in all the areas mentioned above.

In retrospect, we view the 2018/2019 financial year as a lost year in terms of profit, although the separation process was completed in 2019 and the turnaround focus has already sharpened in the individual companies. Over the coming year, we expect positive profit growth for all four business areas.

RNB in summary

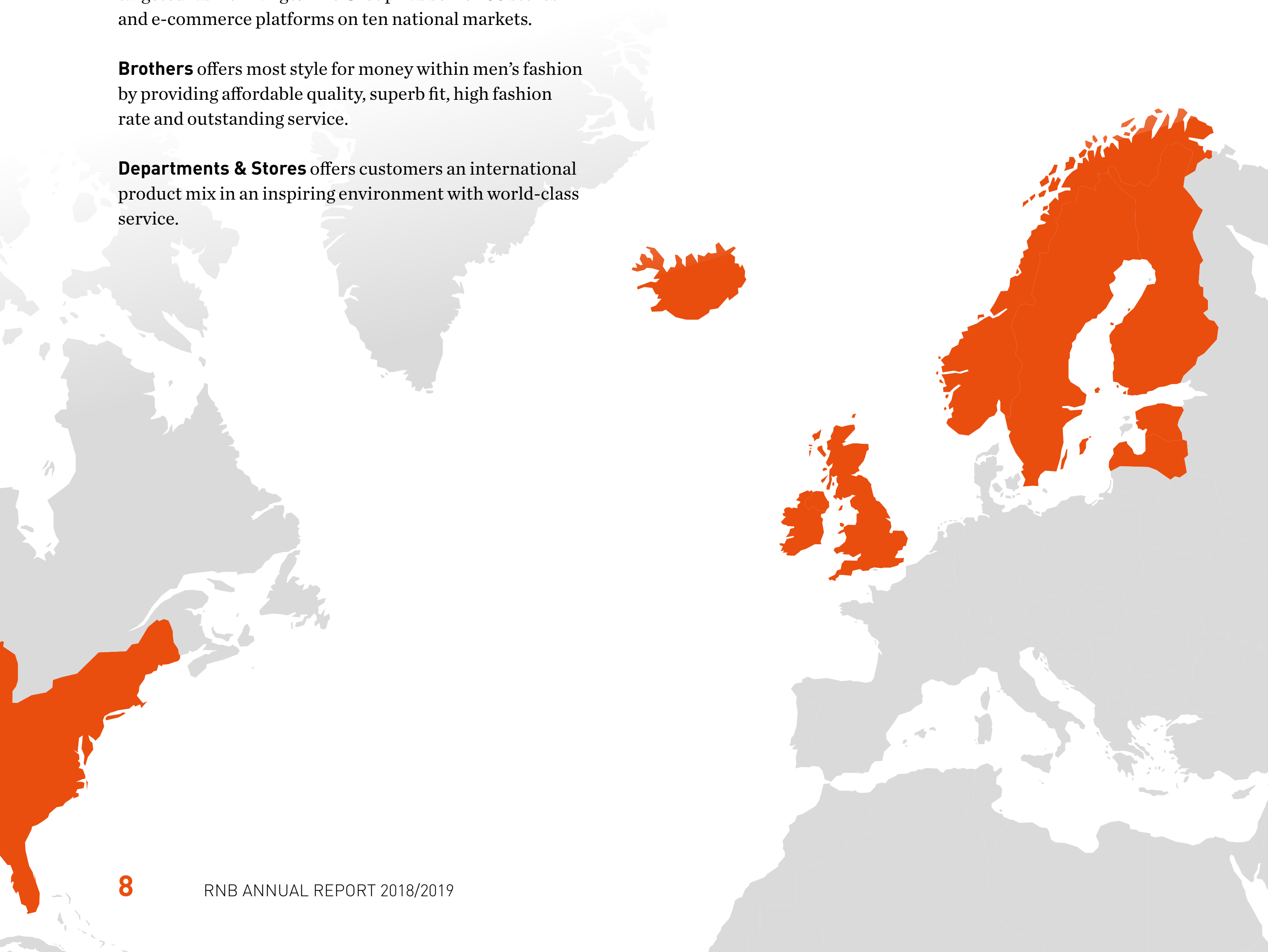
RNB RETAIL AND BRANDS owns, operates and develops stores and e-commerce within fashion, clothing, accessories, jewelry and cosmetics. The vision is to offer our customers the ultimate shopping experience. Sales are conducted through the store concepts Brothers, Man of a kind and Polarn O. Pyret The business area Departments & Stores manages stores at the two department stores of Nordiska Kompaniet. The four concepts are clearly positioned and differentiated with inspiring stores and e-commerce, excellent service and an attractive and targeted fashion range. The Group has some 250 stores and e-commerce platforms on ten national markets.

Brothers offers most style for money within men's fashion by providing affordable quality, superb fit, high fashion rate and outstanding service.

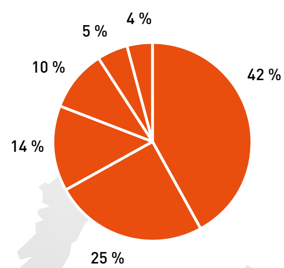
Departments & Stores offers customers an international product mix in an inspiring environment with world-class service.

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

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

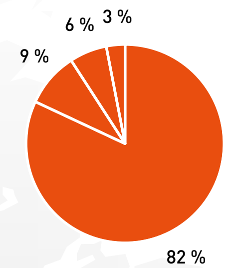


Net Sales 2018/2019 per product category, %



42 %	Men
25 %	Children
14 %	Women
10 %	Cosmetics
5 %	Underwear & accessories
4 %	Jewelry

Net Sales 2018/2019 per geographical market, %



82 %	Sweden
9 %	Finland
6 %	Norway
3 %	Other

Business area	Net sales, period Sep-Aug	Share, (%)	Operating result, period Sep-Aug[1]	Number of employees		Own stores: Stores	Own stores: E-com	Franchise agreements: Stores	Franchise agreements: E-com
BROTHERS	SEK 539 M	24%	SEK -12 M	244	Total	54	2	11	
					Sweden	43	1	11	
					Finland	11	1		
DEPARTMENTS & STORES	SEK 920 M	41%	SEK 17 M	364	Total	42			
					NK Stockholm	27			
					NK Gothenburg	15			
Man of a kind	SEK 24 M	1%	SEK -14 M	5	Total		1		
POLARN O. PYRET	SEK 784 M	35%	SEK 20 M	355	Total	97	5	29	6
					Sweden	53	3	7	
					Norway	24	1		
					Finland	18	1	1	
					England			11	5
					USA			3	1
					Estonia	2			
					Ireland			2	
					Scotland			3	
					Iceland			1	
					Latvia			1	
Total RNB RETAIL AND BRANDS	SEK 2,267 M		SEK -45 M	992		193	8	40	6

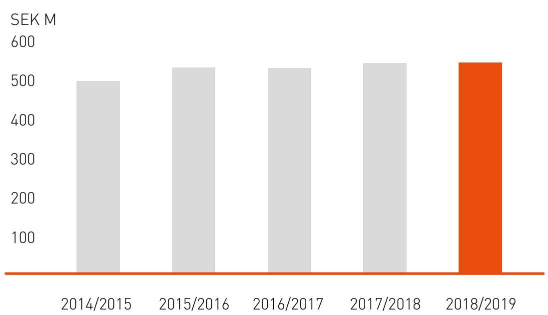
233 stores 14 e-commerce 10 countries

1 Departments & Store's operating result before impairment of goodwill.

BROTHERS

Brothers is a leading men's fashion chain in the mid-price segment, offering smart casual men's fashion in an inspiring store environment, with knowledgeable staff and a strong emphasis on service. The range primarily consists of proprietary brands Riley, East West and the Tailoring Club, supplemented with external brands. The stores are operated both as own stores or by franchisees, but regardless of operator, all Brothers stores have the same ambition: Deliver most style for money.

Net sales



Vision

Become the dominating provider of smart casual men's fashion in the mid-market segment.

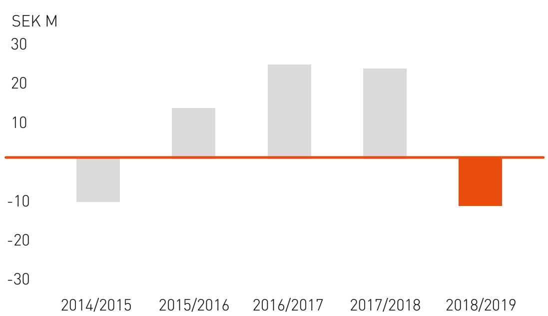
Mission

Offering most style for money by affordable quality, superb fit, fashion content and world-class service.

Business concept

Smart casual men's fashion that gives the modern, fashion conscious man most style for money.

Operating result



Key ratios Brothers

SEK M	**18/19**	17/18
Net sales	539	537
Share of RNB's sales, %	24	24
Operating result	-12	23
Number of employees	244	243
Number of stores	65	69
Number of e-commerce platforms	2	2

Stable sales but weak profit

In terms of sales, Brothers outperformed the market in 2018/2019. Net sales increased marginally to SEK 539 M, and sales in comparable stores in Sweden and Finland increased by 0.7 percent expressed in SEK. Paying visitors in comparable physical stores were stable on both national markets.

Gross margin in the business area was unchanged year-on-year. This was due to factors such as more sales campaigns and hence a higher level of price reductions, increased outlet sales and negative exchange rate effects. In addition, overhead costs for premises and personnel costs increased in the year.

Operating result was SEK -12 (23) M.

More style for your money

During the year, Brothers has focused on renewing and upgrading its fashion range to make it more attractive to its target customer group.

Brothers' target group is men who want to be modern and well dressed without paying a fortune. They appreciate style and quality, but don't feel the need to always follow the latest trends.

The ongoing change work aims to clarify Brothers' attractive offering, as well as revitalizing and enhancing the perception of its value-for-money offering through an updated clothing range and price strategy, but also aims to enhance brand preference by means of an updated communication strategy and increased marketing budget.

In September 2019, Brothers launched its new communication concept "A Brothers world". This new world repositions the brand from a destination for formal suits towards a more relaxed and contemporary well-dressed men's range in the mid-market segment.

Continued optimization of store network

At present, Brothers' stores have a good geographical spread and stores are generally in good condition. The stores and franchisees are evaluated on an ongoing basis to optimize the store portfolio. In the period, seven stores closed and three opened.

Over the coming year, the business focus will be on improving the store experience by optimizing in-store communication and a range of events. We'll also be emphasizing active staffing with the aim of increasing additional sales and assisting customers in making purchases. We'll also be introducing digital in-store sales units.

Inventories is another focus area. We're actively seeking to reduce inventories through increased purchasing accuracy and adapting purchasing to current sales preferences. Obsolete stocks will also be reduced through channels such as outlets and sales campaigns.

During the current year, we'll be down-prioritizing new store establishments in favor of initiatives aimed at increasing digital sales.

Increased focus on e-commerce

Brothers' e-commerce sales increased by 50 percent in the year. Although we're proud of this, growth is from relatively low levels as e-commerce still comprises less than 10 percent of total sales.

To ramp up our e-commerce sales we're implementing a number of measures over the coming year.

We're continuing to develop our existing e-commerce platform to include key functionality such as optimized filtration and purchasing history. We anticipate that further development will be required over the coming years.

We're currently relocating our central warehouse to a new highly automated facility. The new warehouse will become operational in late fall 2019 and will enable e-commerce deliveries that meet growing customer demands on fast delivery, choice and reliability.

We're also examining the potential for expanding into other digital platforms beyond brothers.se and brothers.fi.

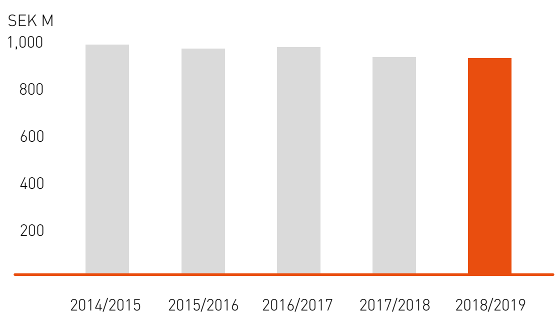
Repositioning gradually taking effect

The financial year just ended was a period of transition for Brothers. The introduction of a new and upgraded business concept, based on a broad-based customer survey, characterized our work in the year. With a new approach and a partially adjusted market position, Brothers is gradually improving the conditions for achieving increased organic growth. Adaptations and renewal of the clothing range with the aim of adjusting it to the new marketing strategy will start to take effect once the spring collections for 2020 are delivered. This means that we expect the full impact of the turnaround work to be felt towards the end of 2019/2020.

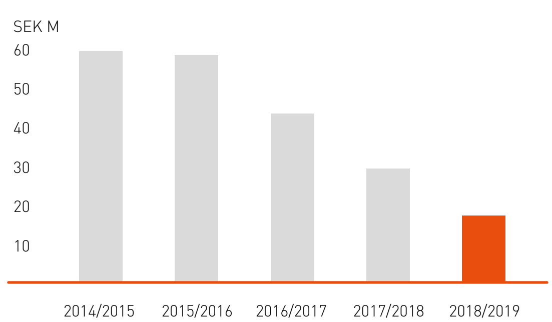
DEPARTMENTS & STORES

Departments & Stores 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 leading department store Nordiska Kompaniet. A shared feature of the department stores concept is the focus on the customer interface and service, combined with a high-quality product range and store environment. The operations extend from children's clothing to jewelry, and all customers have high demands on service, product knowledge and quality.

Net sales



Operating result[1]



1 Before impairment of goodwill

Vision

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

Mission

Departments & Stores offers paying customers an international product 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	**18/19**	17/18
Net sales	920	923
Share of RNB's sales, %	41	41
Operating result	17	29
Number of employees	364	371
Number of stores	42	42
Total area, m2	12,018	11,102

Fewer visitors but higher average spend

Sales in the Departments & Stores business area were stable, totaling SEK 920 M (924). Visitor numbers to RNB's departments in the two stores were down slightly on the previous year, while average spend per customer increased.

Gross margin increased on the previous year, while expenses were also up, mainly due to cost of premises for new departments.

Operating result before impairment of goodwill amounted to SEK 17 M (29), with an operating margin of 1.8 percent (3.1). Goodwill impairment of SEK 65 M in the business area reduced operating result to SEK -48 M.

Operations in Departments & Stores have been significantly affected by the ongoing refurbishment of NK in Stockholm within the framework of the NK 2020 project, and continued construction work in central Stockholm.

NK 2020 entering final stages

The far-reaching business development project aimed at bringing the NK department store up to a high international standard with a sharper focus on the premium segment and modern luxury is proceeding as planned. Although the project is now entering its final stages, a significant proportion of floor space remains closed off for refurbishment. However, most premises in the NK building are expected to be completed by summer 2020.

Departments & Stores' renewal project is a key element of this, and several of our stores reopened during the year, including NK Beauty and NK Fine Jewelery & Watches. NK Male grooming has also been given a face-lift and moved to NK's men's floor.

We're continuing to actively develop our clothing range. More strong fashion brands have been added to the offering, including Stella McCartney, Chloé, Givenchy, Adidas Originals and Philippe Plein. In NK Beauty, we've also added a number of high-profile brands, such as Maison Christian Dior, Jo Malone, Aesop, Elemis and MEMO.

Preparations ahead of NK's digital launch

There can be no doubt that NK will eventually need an e-commerce alternative to complement our physical meeting with customers. NK has the express aim of eventually offering e-commerce services, although the precise timing of this has yet to be determined.

Store at Stockholm Quality Outlet

In summer 2019, Departments & Stores opened a pop-up store at Stockholm Quality Outlet in Barkarby in order to enhance the throughput of goods. The store and the concept was well received by customers and will become a permanent feature.

Focus on security and CSR

NK's shift towards luxury and exclusivity also implies an increased focus on security. Departments & Stores places great emphasis on these issues and works alongside NK to consolidate security guard resources and perimeter protection of the department store.

With regard to sustainability, we're seeing a growing customer commitment, including in the premium segment. Departments & Stores actively pursues these issues and plays an important role in NK's sustainability council.

Improved fashion range

During the year, Departments & Stores worked actively to develop the product range in men's fashion and children's clothing. Brands that have been added to the collections include Stone Island Shadow Project, Tom Ford, Versace Jeans Couture, Versus Versace and Plein Sport.

From September 2019 onwards, we've taken over NK Details, which offers accessories such as sunglasses and costume jewelry at the Stockholm department store.

We've also made changes to the fashion ranges in NK Kids, including brands such as Gucci, Moncler and Stone Island.

Brand portfolio a strength

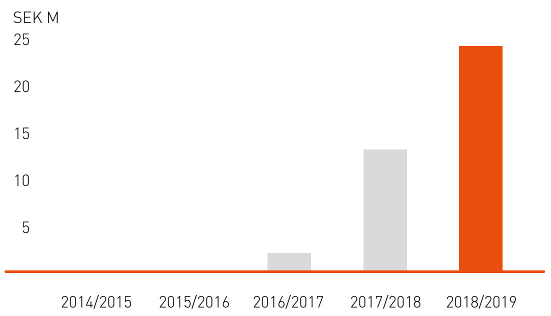
Even if NK 2020 is now entering the final stages of refurbishment, we don't expect the remake to have full impact throughout the store until in the second half of next year. Departments & Stores is the single largest operator in the NK department stores in Stockholm and Gothenburg. We have a very strong brand portfolio, and the clarified NK brand coupled with the shift towards modern luxury and premium feel are positive factors.

The positive effects of our new departments, coupled with the impact of a department store that is comprehensively attractive to its target customers will become increasingly tangible in the next financial year.

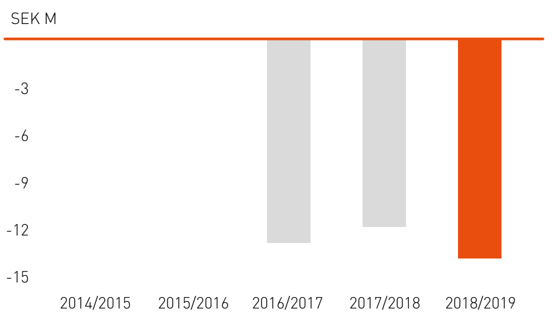
Man of a kind

Man of a kind is an online destination for exclusive men's fashion and life-style that offers a curated fashion range in combination with an inspiring shopping and service experience.

Net sales



Operating result



Vision

Man of a kind shall be the leading destination on the Scandinavian market for exclusive men's fashion and lifestyle.

Mission

Man of a kind shall offer a curated fashion range from the leading international and Scandinavian brands in an inspiring environment with world-class service.

Business concept

Man of a kind is an inspiring online destination with a curated exclusive fashion range for the Scandinavian modern man.

Key ratios Man of a kind

SEK M	**18/19**	17/18
Net sales	23	13
Share of RNB's sales, %	1	0
Operating result	-14	-12
Number of employees	5	6
Number of e-commerce platforms	1	1

Increased sales but lower profit
In terms of sales, Man of a kind made strong progress in 2018/2019, returning full-year sales of SEK 24 M against SEK 13 M in the previous financial year. Growth was also our primary focus last year, and visitor numbers more than doubled year-on-year. This indicates that Man of a kind has found the right exclusive product mix aimed at our target group.

Operating result was SEK -14 M (-12), while gross margin was up on the previous year. Expenses for performance marketing and freight increased in absolute terms, but decreased as a percentage of sales. To date, this has been part of the growth strategy aimed at growing volumes in Man of a kind.

Strong men's fashion range
Man of a kind is an e-commerce offering of men's premium brands. The strength of the company lies in the brand portfolio as well as solid e-commerce competences.

During the year, the product range continued to expand to include brands such as Tom Ford, Moschino, Billionaire, Versace Jeans Couture, Versus Versace, Plein Sport and Maison Kitsuné as well as the launch of Stone Island, Veilance and Molton Brown.
We've also added the concept of Male Grooming, focusing on scents, skin care and grooming products aimed at men. The concept includes brands such as Acqua di Parma, Mühle, Gucci and Prada.

Man of a kind holds exclusive rights in Sweden for online sales of some of the brands, i.e. they're not available on any other e-commerce platforms.

Value added services
Man of a kind offers a number of services aimed at generating value added for our customers. The focus is on personal service and includes free home delivery, dry cleaning, tailor services, made-to-measure and personal style consultations.

Our loyalty scheme is growing steadily and many members shop regularly at Man of a kind. We are also party to a collaboration with Connoisseur Club, where members are offered exclusive deals and events.

To provide inspiration and information about men's fashion, the website also includes a number of articles and style guides.

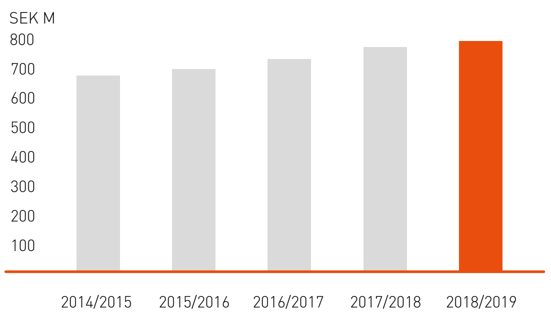
Evaluation of future strategy
Man of a kind was started in 2016 as part of the Parent Company RNB's strategy of developing its digital channels. Man of a kind was established through limited investments and a modest marketing budget in order to offer online sales of parts of Departments & Stores' brand portfolio. In fall 2017, RNB acquired Frontmen, an established online men's fashion operator, with the aim of reaching critical mass more quickly.

Despite sharp sales growth in recent years, Man of a kind needs to accelerate its growth to reach breakeven. NK now has a clear intention of eventually offering e-commerce, although it is as yet unclear when this will take place. Against this background, the potential in Man of a kind will be evaluated and progress over the coming year will determine the road ahead.

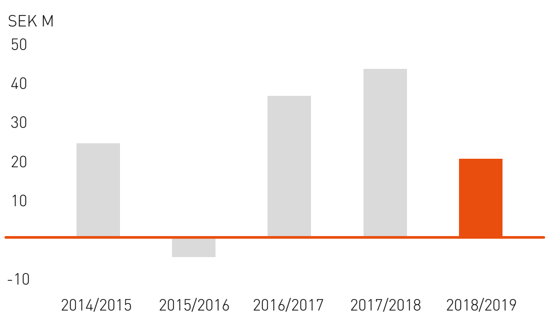
POLARN O. PYRET

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 recognized for its high quality, functionality, design and service. Polarn O. Pyret is established on ten markets.

Net sales



Operating result



Vision

Polarn O. Pyret's vision is to understand and cater for 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 for the future.

Business concept

What: Smart clothing for children's needs

Who: Parents and gift purchasers, based on children's needs and wishes

Key ratios Polarn O. Pyret

SEK M	**18/19**	17/18
Net sales	784	765
Share of RNB's sales, %	35	35
Operating result	20	43
Number of employees	355	368
Number of stores	126	135
Number of e-commerce platforms	11	12

Increased sales but weaker profit

Net sales for Polarn O. Pyret amounted to SEK 784 M (765) in 2018/2019. Sales in comparable proprietary stores on all national markets increased by 0.7 percent year-on-year, expressed in SEK. Comparable sales in physical stores decreased on all national markets, while e-commerce sales increased. Despite higher net sales, profit decreased and operating margin reached 2.5 percent, against 5.6 percent in the previous year.

The lower profit is due to more price activities that have a negative impact on gross margin, as well as a clear downturn in sales towards the end of the year. In addition, gross margin decreased significantly as a result of negative exchange rate effects in the final quarter.

Lower inventories

Polarn O. Pyret's purchasing ahead of fall 2018 increased sharply due to the considerable success of the first collection on the basis of the updated brand platform in fall 2017. The increased purchasing coupled with intensifying competition led to high inventory levels.

Accordingly, one of the key focus areas during the year was to reduce inventories, which has been successful to a significant extent.

PO.P priced for sustainability

Since the start in 1976, Polarn O. Pyret has sought to make quality clothing with a long life span that can be worn by many individuals – that is real sustainability. The aim is "three children in each garment", which has led to the creation of the service PO.P Repairs, where Polarn O. Pyret offers repairs to outerwear in all its stores, with the aim of further extending the life span of its garments. Today, 55 percent of our outerwear is worn by three or more children (Polarn O. Pyret's customer survey 2019).

In order to make it easier for garments to live on with new owners, we've offered a "Buy and sell" service on our website for a number of years. It is also possible to rent Polarn O. Pyret's clothing through services such as Hyber.

Polarn O. Pyret's sustainability work was awarded "Sweden's greenest brand" in the clothing segment in Differs' annual survey, for the tenth year running. The company also won "Best ethical brand" in the Babyccino Awards 2019. We're extremely proud of these awards, that illustrate how well positioned the brand is for the transition towards more sustainable consumption.

E-commerce growth on new platform

Polarn O. Pyret's online sales continued to increase in 2018/2019 and now comprise close to 20 percent of total sales. During the year, we made some major investments in a new e-commerce platform that contributed to the strong progress and has created the right conditions for continued high growth. We've also improved the customer experience further by including more and more flexible delivery options.

Continued store network optimization

While in-store sales are declining in favor of e-commerce, stores remain important to Polarn O. Pyret's omni channel strategy. Accordingly, we're continuing to develop and optimize the store network. During the year, eight proprietary stores closed and four opened, while the operations in Estonia were also taken over.

Our upgraded stores stand up well to the competition, and Polarn O. Pyret won "Design concept of the year" at the Habit fashion show 2018.

Focus on increased profitability and e-commerce

Polarn O. Pyret has made progress in a number of areas, but we're not satisfied with profit performance in 2018/2019. This means that over the coming year, the focus will lie on increasing profitability.

We still have potential for growth, particularly in e-commerce, where our new platform will play a key part. We also see considerable potential for growth in new channels and with new business models. Polarn O. Pyret is a strong and clear brand, something which was recognized by being awarded the Signum prize 2019 for best Nordic brand management, and works well in a multibrand context. We have extensive experience of this through partners such as John Lewis in the UK and have developed this further in collaboration with operators such as Boozt.

Overall, there's good potential for turning the year's negative profit trend around in coming financial years.

Our 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 our vision. The core values provide guidance to all employees in day-to-day operations, and clarify how we work, what we focus on and how we ac in relation to others.

The customer is most important

- We are passionate about satisfying our customers through our products and our service
- We always focus on customer value 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 paying 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 on the basis of a long-term approach and sustainability in all relations—with our customers, suppliers and the environment
- We operate sustainably and with business acumen in all situations

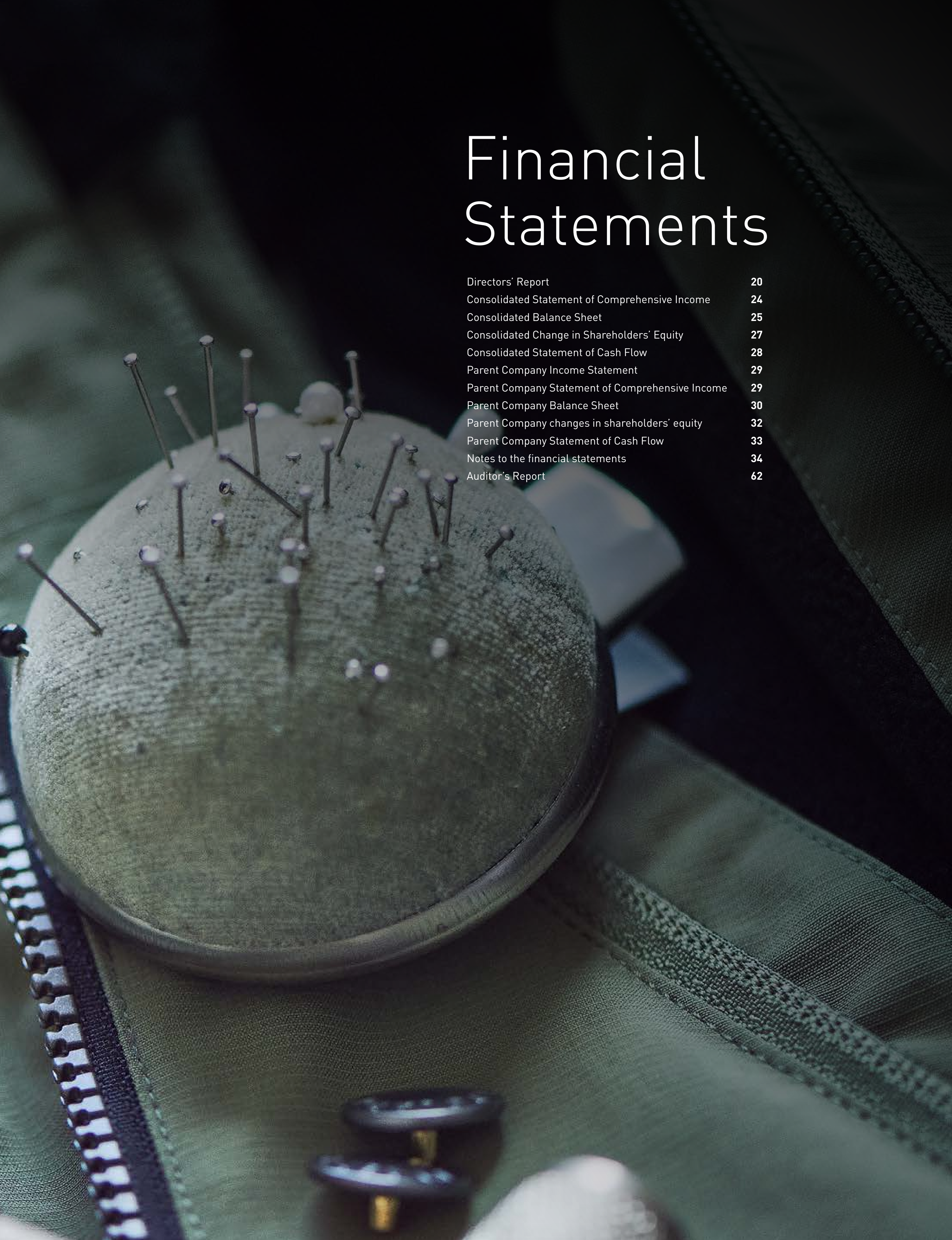
We believe in people

- 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 working together, we strengthen each other

Direct communication

- We say what we feel and think—providing constructive, well-reasoned and considerate communication
- We listen to each other, are open to feedback and the opinions of others
- Even if decisions go against what we have said and think, we're loyal to decisions taken
- We talk with each other and not about each other

RNB



Financial Statements

Director's Report 2018/2019

The Board of Directors and President of RNB RETAIL AND BRANDS AB (publ), Corp. ID no. 556495-4682, hereby submit the annual accounts and Consolidated Financial Statements for the financial year September 1, 2018 – August 31, 2019.

Operations, business concept and strategy
RNB RETAIL AND BRANDS owns, operates and develops stores and e-commerce sales of fashion wear, clothing, accessories, jewelry and cosmetics. The focus is on providing excellent service and a world-class shopping experience.

Sales are conducted through the store concepts Brothers, Man of a kind and Polarn O. Pyret. The Department and Stores business area operates stores in the NK department stores in Stockholm and Gothenburg. At the end of the financial year, the Group had 233 stores and 14 e-commerce trading platforms on ten national markets.

RNB RETAIL AND BRANDS business concept is to develop and distribute brands through active ownership, resulting in distinct concepts and stores offering an attractive range of fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics, where customers are provided with excellent service and a world-class shopping experience.

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

The Brothers business area is a service concept in smart casual men's fashion that offers modern, fashion conscious men the best style for money. Departments & Stores offers paying customers an international product mix in an inspiring environment with world class service. Man of a kind is the new online destination for exclusive men's fashion through its carefully selected premium clothing range. Polarn O. Pyret is driven by a devotion to children and provides the most relevant and attractive product range in the children's wear quality segment. The production facility in Hong Kong sources supplier contacts, carries out production and monitors shipments, and has a key role in terms of quality control and sustainability.

Events in the financial year
Sales increased slightly compared to the previous year. Business areas with e-commerce platforms all experienced significant sales growth in the year. Profit after tax amounted to SEK -142 M (36). Group operating result was affected by goodwill impairment of SEK 65 M, attributable to Department & Stores.

Events after the end of the financial year
In a press release on September 30, 2019, the company announced that anticipated operating result for the fourth quarter and full year 2018/2019 would diverge significantly from previous quarters and full year figures.

In a written procedure concluded on 21 October 2019, all participating bondholders accepted changes to the terms of the bonds which included a two-year extension to February 2023. This decision was in accordance with the proposal presented in a press release on 30 September 2019.

On 30 September 2019, RNB's Board of Directors decided, subject to authorization by the Extraordinary General Meeting, to increase the Company's share capital through a new issue with preferential rights for the Company's existing shareholders. The Board decision relating to the new issue was authorized by the EGM on 30 October 2019. The prospectus for the preferential rights issue was published on 8 November 2019.

Market
According to Stilindex (the Swedish Retail and Wholesale Trade Research Institute), clothing sales in Sweden decreased by -2.2 percent (-2.6) in the period. RNB's sales in comparable stores in Sweden increased by 0.9 percent in the same period. Sales on all national markets increased by 0.6% in SEK terms.

Sales in Finland of men's, women's and children's clothing decreased by -1.5 (-1.8) percent in the period according to Tekstiili-ja Muotialat TMA (Textile and Fashion Suppliers and Retailers in Finland).

Net sales and earnings
Consolidated net sales totaled SEK 2,267 M (2,238) in the period. The business areas Brothers, Man of a kind and Polarn O. Pyret experienced net sales growth in the period. Business areas with e-commerce platforms all experienced continued significant sales growth in online sales in the period.

The Group's gross margin decreased to 49.1 percent (49.9) in the period, with Departments & Stores and Man of a kind increasing margins. Margins decreased in the two other business areas, due to more campaigns, increased discounting and significant negative exchange rate effects in the period. Total costs increased during the year in year-on-year terms due to higher rent, restructuring and personnel costs. The Annual General Meeting held in December 2018 resolved to reorganize the Group to independent operating subsidiaries, and in addition, to identify strategic options, including divestments of one or more of the operating business areas. Restructuring costs relating to this was SEK 27 M during the year. The costs are reported under Other external expenses, Personnel expenses and Impairment of non-current assets of SEK 4 M. The cash flow effect was just under SEK 9 M in the year and approximately SEK 14 M will affect cash flow in 2020. Goodwill related to Department and Stores was impaired by SEK 65 M in the fourth quarter, after an impairment test was carried out.

Operating result amounted to SEK -110 M (47), with an operating margin of -4.9%. Operating result adjusted for restructuring costs and impairment of goodwill was SEK -18 M (47). Net financial items totaled SEK -32 M (-8), of which unrealized gains on currency hedges not affecting cash flow affected net financial items by SEK -3 M (14).

Profit after tax amounted to SEK -142 M (36). Earnings per share decreased to SEK -4.20 (1.07).

Business area progress in the financial year
Brothers business area
Net sales in the Brothers business area totaled SEK 539 M (537). Sales in comparable stores in Sweden and Finland increased by 0.7 percent expressed in SEK. E-commerce sales increased by 150 percent in the period while store sales decreased slightly. Net sales from franchise stores were down in the period compared to the previous year, due to a decrease in the number of franchise stores. Paying visitors in comparable physical stores were stable on both national markets. In e-commerce, the number of visitors increased in each month of the year on both markets. The conversion rate increased significantly on both markets. The business area's gross margin was down in the year, due to factors including increased discounting, increased outlet sales and negative exchange rate effects. Expenses were up in the period, the increase was attributable to rent and personnel costs. Operating result was SEK -12 M (23) in the financial year, implying an operating margin of -2.3 percent (4.3). Inventories decreased in the year, and were lower at the end of the year in year-on-year terms. In the year, seven stores have closed and three have opened.

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

Gross margin increased in the year. Total expenses were higher year-on-year, mainly due to increased costs of premises as a result of newly opened departments. Goodwill related to Department and Stores was impaired by SEK 65 M in the quarter, after an impairment test was carried out. Operating result was SEK -48 M (29). Operating result before goodwill impairment amounted to SEK 17 M (29), with an operating margin of 1.8 percent (3.1). Business area inventories were unchanged in the year. This despite a larger floor space compared to the previous year. Refurbishment of several spaces was completed in the period. NK Fine Jewelery & Watches in Stockholm was relocated and extensively rebuilt. NK Beauty increased its floor space and launched a number of new brands and services. An outlet store opened at Stockholm Quality Outlet in Barkarby at the end of May.

Man of a kind business area
Net sales in the Man of a kind business area were SEK 24 M (13). Visitor numbers more than doubled in the year. The gross margin was up in the year. Expenses related to performance marketing and freight were up in absolute terms but down in relation to sales. Operating result was SEK -14 M (-12). During the financial year, the range continued to expand to include Tom Ford, Moschino, Billionaire, Plein Sport and Maison Kitsuné and Stone Island, Veilance and Molton Brown were launched. A Male Grooming depot was also added with brands such as Acqua di Parma, Mühle, Gucci and Prada.

Polarn O. Pyret business area
Net sales totaled SEK 784 M (765) in the period. Sales in comparable proprietary stores on all national markets increased by 0.7 percent year-on-year, expressed in SEK. Comparable sales in physical stores decreased on all national markets, while e-commerce sales increased. The number of paying customers in comparable stores was down slightly year-on-year. The in-store conversion rate was lower, but with average spend unchanged. In e-commerce, the increased number of visitors and the conversion rate continued, but with a slightly lower average spend per customer. Gross margin for the year was down in year-on-year terms as a result of increased discounting, campaigns and significant negative exchange rate effects. Operating result amounted to SEK 20 M (43), with an operating margin of 2.5 percent (5.6). Business area inventories decreased in the year. Polarn O. Pyret won several awards in the year. In 2018, Polarn O. Pyret won Design Concept of the Year at the Habit Fashion Show. In 2019, Polarn O. Pyret won the Signum Award for best Nordic branding work, and was awarded Sweden's Greenest Brand 2018 in clothing and Best Ethical Brand in the 2019 Babyccino Awards. During the year, nine proprietary stores were closed, four new opened and the Estonia operations were taken over.

Parent Company
During the financial year, the Parent Company was restructured and previously Group-wide services in IT and Systems, logistics, HR and administration were decentralized and relocated to the subsidiaries. The aim was to convert the subsidiaries into independent operating entities.

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

Financial position and liquidity
The Group's total assets amounted to SEK 1,112 M, compared to SEK 1,225 M at the end of the previous financial year. At the end of the period, equity was SEK 235 M, and SEK 389 M at the end of the previous financial year, providing an equity/assets ratio of 21.1 percent (31.8). As of August 31, inventories totaled SEK 458 M, compared to SEK 499 M at the end of the previous financial year.

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

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

Investments and depreciation/amortization
Investments during the period, excluding investments in subsidiaries, totaled SEK 60 M (67). Of total investments, some SEK 22 M related to investments in software and other intangible rights, mainly in the form of a new e-commerce platform. Depreciation/amortization totaled SEK -47 M (-42). A goodwill impairment of SEK 65 million relating to the business area Departments & Stores was recorded in the fourth quarter.

Employees
The average number of employees was 992 (1,021) in the year.

RNB has employees in five countries working in production, marketing, sales and various support functions. The company's success is based on offering a high level of service in stores and shared core values that are reflected in our corporate culture.

RNB's core values

- The customer is most important
- We do sustainable and smart business
- We believe in people
- Direct communication

RNB actively engages with its core values and leadership guidelines. RNB's leadership guidelines provide direction for managers and information to staff about what they can expect from their managers. On the basis of these guidelines, RNB completed leadership training programs in the year. Our HR policy is based on mutual responsibility, and states what the company can offer its employees and also what we expect from our staff. RNB believes that a strong reputation as an employer attracts staff that are able to build a strong company that returns growth and stays successful. The organization is culturally diverse and incorporates international experience, and operates in an open and flexible working environment that is adaptable to change.

RNB is affiliated with employer organization Svensk Handel (the Swedish Trade Federation) and is party to collective agreements with trade unions Unionen and The Commercial Employees' Union.

Sustainability reporting
As an operator in the fashion and cosmetics industry, RNB is responsible for the impact of its operations on the environment and people at local and global level. RNB seeks to continuously improve on the basis of Sweden's environmental objectives and the UN's sustainability goals. RNB proceeds from the concept of CSR, Corporate Social Responsibility, to summarize its work aimed at contributing to environmentally, financially and socially sustainable progress.

RNB has chosen to publish the Parent Company's and Group's statutory Sustainability Report in accordance with the Accounts Act (Chapter 6, paragraph 11) as a separate document. The Sustainability Report includes all subsidiaries and can be found at http://www.rnb.se/Vart–ansvar/

In the survey Sustainable Companies 2019, produced by the newspaper Dagens Industri and Aktuell Hållbarhet, RNB was ranked sixth in consumer goods category.

Transactions with related parties
There were no transactions in the financial year between the RNB Group and related parties that materially impacted the Group's financial position and results of operations. In September 2019, RNB announced a new issue where the company's two largest shareholders have committed to subscribe for approximately 45 per cent of the issue. For more information on transactions with related parties, see Note 34.

Tax paid
During the financial year, the Group paid tax totaling SEK 0 M (2).

Risk factors
RNB is exposed to operational and financial risks that lie wholly or partly outside the company's control, which could impact on the Group's short and long-term results of operations. The risks are described in detail in Note 35 and 37.

Corporate Governance
RNB's Corporate Governance is effected through the Annual General Meeting, the Board of Directors and President in accordance with the Companies Act and the company's Articles of Association and the Swedish Code of Corporate Governance. The company's Corporate Governance Report can be found on pages 66-74.

Board work
After the Annual General Meeting in December, RNB's Board of Directors consisted of six members. The AGM appoints the Board for the period until the next AGM is held. 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 formal Rules of Procedure that complies with the Swedish Companies Act with respect to the division of duties and reporting. The formal Rules of Procedure govern 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 of Directors held seven scheduled Board meetings and eight extraordinary meetings during the financial 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 regarding 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, convene the four largest shareholders in the company. They then appoint one member each to the Nomination Committee. The Chairman of the Board is co-opted to the Nomination Committee, but not as 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 also reports to the Nomination Committee regarding the conditions for the Board's work and specific competences that may be important for the Nomination Committee's work. Shareholders are able to submit proposals to the Nomination Committee for further evaluation.

The Nomination Committee holds meetings as necessary, but at least once per year. Prior to the AGM on December 19, 2019, members of the Nomination Committee were appointed in accordance with the resolution of the AGM. The Nomination Committee consists of Lars Ericsson, CEO of Konsumentföreningen Stockholm, Fredrik Carlsson, Novobis AB and Johan Fahlin.

Guidelines for remuneration to senior executives
The AGM on December 20, 2018, resolved on guidelines for remuneration and other terms of employment for management. These are described in Note 6.

The Board of Directors proposes that the AGM resolve on the following guidelines:

General principles
The Company is to offer market-based total remuneration that facilitates the recruitment, motivation and retention of executives. Total annual cash remuneration, i.e. basic salary plus variable salary shall be determined on the basis of competitive criteria. The remuneration shall also be based on position and performance.

The Board is entitled to diverge from the guidelines if the Board deems that it has specific reasons to justify such a divergence in an individual case.

Fixed salary
The basic salary should reflect the individual's, responsibility, performance and competence.

Variable salary
Variable salary is primarily related to the outcome of the subsidiaries and the Group's operating result and cash flow against established targets. The performance goals are set each financial year by the Board. Variable salary may not exceed 40% of the yearly fixed salary.

Pension
Pension should be fee-based in accordance with the ITP-plan or equivalent. The standard retirement age is 65-67.

Notice period etc.
The notice period for senior executives is six months, and for RNB to give notice to an executive the notice period is 6-12 months. The President has a notice period of 12 months if termination is initiated by the company. Unchanged salary is paid during the notice period.

Other remuneration and benefits, for example health insurance are to be market-based and contribute to facilitating the employee's ability to complete his/her assignments.

Agreements with clauses regarding ownership structure
In the event of changes to the company's ownership structure that would involve a change of control, or in the event that RNB is delisted from Nasdaq Stockholm, this triggers a clause in the company's bond loan agreement that entitles bondholders to request redemption of the bond plus accrued interest.

Ownership
As of August 31, 2019, RNB had 5,664 shareholders. As of August 31, 2019, The three largest shareholders were Konsumentföreningen Stockholm (33.2% of the share capital/votes), Novobis AB (11.8%) and Avanza Pension Försäkringsaktiebolaget (5.1%). Other than Konsumentföreningen Stockholm and Novobis AB, no shareholder, directly or indirectly, holds more than 10 percent of the shares in RNB RETAIL AND BRANDS AB (publ) as of Saturday, August 31, 2019.

The number of shares in the company on August 31, 2019 was 33,912,176, which were all common shares with a quotient value of SEK 6 each. Each share carries one vote at the AGM and all shares have an equal right to a share in the company's assets and profits. There is no stipulation in the Articles of Association that limits the number of votes that can be cast by each shareholder at the Annual General Meeting or shareholders' meetings, nor is there any stipulation restricting share transfers. Further information is available in the section the RNB share on pages 75-76

Expected future progress
Initiatives aimed at rationalizing operations are underway in all business areas. This includes fewer in-store hours, lower staffing at head office and continued efforts to reduce stocks. The full impact on costs is expected to be realized towards the end of the financial year 2019/2020.

The group-wide restructuring work will soon be completed, and there is considerable potential for continued sales growth through e-commerce in all operational areas. Overall, the conditions are in place for profit to gradually turn upwards in the financial year 2019/2020.

Dividend
The Board of Directors proposes that no dividend be paid.

Proposed distribution of earnings

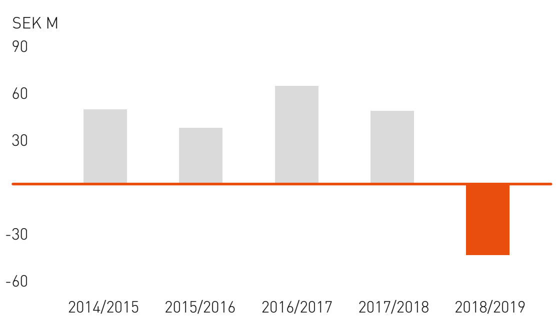
The following funds are at the disposal of the Annual General Meeting, SEK:	**Aug 31, 19**	Aug 31, 18
Retained earnings	55,654,950	20,330,249
Net income for the year	-35,047,093	808,804
	20,607,857	**21,139,052**
The Board proposes that retained earnings be allocated as follows:		
Dividend SEK 0 per share (SEK 0 per share)	-	-
Carried forward	20,607,857	21,139,052
	20,607,857	**21,139,052**

For more information about the company's earnings and financial position, refer to the Statement of Comprehensive Income, Income Statement and Balance Sheet with accompanying notes below. All amounts are in thousands of SEK (SEK 000s) unless otherwise stated.

Five-year summary

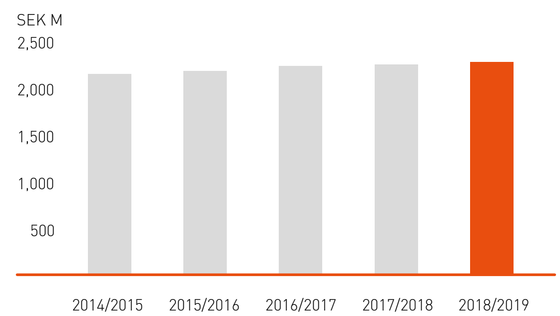
	Sep 14–Aug 15	Sep 15–Aug 16	Sep 16–Aug 17	Sep 17–Aug 18	**Sep 18–Aug 19**
Gross profit margin, %	50.1	50.3	50.6	49.9	49.1
EBIT margin, %	2.2	1.7	2.8	2.1	-4.9
Equity/assets ratio, percent	28.4	29.3	30.3	31.8	21.1
Capital employed, SEK M	693.4	726.6	739.0	834.1	690.6
Return on capital employed, %	8.1	5.2	8.9	8.4	-14.2
Return on equity, %	14.8	8.2	9.2	10.0	-45.6
Earnings per share, SEK	1.25	0.76	0.90	1.07	-4.20

Operating result



Before impairment of goodwill

Net sales



Consolidated Statement of Comprehensive Income

SEK 000	Note	**Sep 18- Aug 19**	Sep 17- Aug 18
Net sales	4	2,266,707	2,238,398
Other operating result	4.8	29,588	33,886
		2,296,295	**2,272,284**
Operating expenses			
Goods for resale	18	-1,154,098	-1,122,017
Other external expenses	7.29	-570,405	-516,926
Personnel expenses	6	-570,200	-544,321
Depreciation/amortization and impairment of property, plant and equipment and intangible assets	11.1214	-46,740	-41,904
Impairment of goodwill	13	-65,000	-
Share of associated company's profit/loss before tax		-11	-
Operating result	4	**-110,159**	**47,116**
Profit/loss from financial investments			
Interest income and similar profit/loss items		2,196	19,052
Interest expenses and similar profit/loss items		-34,593	-27,415
Profit/loss after financial items		**-142,556**	**38,753**
Tax on net income for the year	9	72	-2,303
Net income for the year attributable to Parent Company shareholders		**-142,484**	**36,450**
Other comprehensive income			
Other comprehensive income to be reclassified to net income in subsequent periods			
Cash flow hedges		15,241	28,334
Cash flow hedges written back to earnings		-28,413	-1,652
Translation differences		1,273	-3,580
Tax attributable to items in other comprehensive income		-	-
Net income for the year		**-11,899**	**23,102**
Comprehensive income for the year		**-154,383**	**59,552**
Earnings per share before dilution (SEK)	10	-4.20	1.07

Consolidated Balance Sheet

SEK 000	Note	**Aug 31, 2019**	Aug 31, 2018
ASSETS			
Non-current assets			
Intangible assets			
Software and other intellectual property	11	47,540	42,241
Rental rights	12	3,505	4,945
Goodwill	2.13	335,229	399,723
		386,274	**446,909**
Property, plant and equipment			
Equipment and store fittings	14	84,818	77,266
		84,818	**77,266**
Financial non-current assets			
Holdings in associated companies	16	14	25
Non-current receivables	2,17,32.35	8,723	13,467
		8,737	**13,492**
Total non-current assets		**479,829**	**537,667**
Current assets			
Inventories			
Goods for resale	2.18	458,407	499,251
		458,407	**499,251**
Current receivables			
Trade receivables	2,33,35	42,336	50,005
Current tax assets		8,495	7,882
Other receivables	35	12 579	20,630
Derivative assets	33	7,256	24,321
Prepaid expenses and accrued income	19	92,413	74,420
		163,079	**177,258**
Cash and cash equivalents	20	10,649	11,263
Total current assets		**632,135**	**687,772**
TOTAL ASSETS	4	**1,111,964**	**1,225,439**

Consolidated Balance Sheet, cont'd.

SEK 000	Note	**Aug 31, 2019**	Aug 31, 2018
EQUITY AND LIABILITIES			
Shareholders' equity	21		
Share capital		203,473	203,473
Share premium reserve		2,240,118	2,240,118
Other reserves		-5,970	5,929
Retained earnings		-2,060,157	-2,096,607
Net income for the year		-142,484	36,450
Total equity		**234,980**	**389,363**
Non-current liabilities			
Deferred tax liabilities	9	0	0
Corporate bond	22,27,33.35	397,238	395,112
Other non-current liabilities	22,27,33.35	25,527	23,395
Total non-current liabilities		**422,765**	**418,507**
Current liabilities			
Overdraft facility	23.27	32,903	26,276
Trade payables	24	215,193	204,057
Other liabilities	25	70,404	69,072
Derivative assets	33	-	1,348
Accrued expenses and deferred income	26	135,719	116,816
Total current liabilities		**454,219**	**417,569**
TOTAL EQUITY AND LIABILITIES	3	**1,111,964**	**1,225,439**

Total equity is attributable to the Parent Company RETAIL AND BRANDS AB's shareholders.

Consolidated Change in Shareholders’ Equity

SEK 000	Share capital	Share pre-mium reserve	Translation reserve	Hedging reserve	Retained earnings	Net income for The year	**Total Shareholders’ equity**
Shareholders’ equity, August 31, 2017	**203,473**	**2,240,118**	**-11,544**	**-5,629**	**-2,116,859**	**30,426**	**339,985**
Transfer of previous year’s profit/loss					30,426	-30,426	0
Net income for the year						*36,450*	*36,450*
Other comprehensive income							
Cash flow hedges				28,334			28,334
Cash flow hedges written back to earnings				-1,652			-1,652
Translation differences			-3,580				-3,580
Comprehensive income for the year			*-3,580*	*26,682*	*0*	*36,450*	*59,552*
Transactions with shareholders							
Dividend					-10,174		-10,174
Transactions with shareholders for the year					*-10,174*		*-10,174*
Shareholders’ equity, August 31, 2018	**203,473**	**2,240,118**	**-15,124**	**21,053**	**-2,096,607**	**36,450**	**389,363**
Transfer of previous year’s profit/loss					36,450	-36,450	0
Net income for the year						*-142,484*	*-142,484*
Other comprehensive income							
Cash flow hedges				15,241			15,241
Cash flow hedges written back to earnings				-28,413			-28,413
Translation differences			1,273				1,273
Comprehensive income for the year			*1,273*	*-13,172*	*0*	*-142,484*	*-154,383*
Transactions with shareholders							
Dividend					0		0
Transactions with shareholders for the year					*0*		*0*
Shareholders’ equity, August 31, 2019	**203,473**	**2,240,118**	**-13,851**	**7,881**	**-2,060,157**	**-142,484**	**234,980**

Consolidated Statement of Cash Flow

SEK 000	Note	**Sep 18- Aug 19**	Sep 17- Aug 18
Operating activities			
Operating result		-110,159	47,116
Interest received		2,196	322
Interest paid		-29,702	-17,327
Tax paid		0	-1,673
Adjustments for items not included in cash flow	30	115,294	43,140
Cash flow from operating activities before change in working capital		**-22,371**	**71,578**
Cash flow from change in working capital			
Decrease (+)/increase (-) in inventories		40,294	-69,612
Decrease (+)/increase (-) in current receivables		-3,536	-6,842
Decrease (-)/increase (+) in current liabilities		34,350	15,244
Cash flow from operating activities		**48 737**	**10,368**
Investing activities			
Acquisition of property, plant and equipment and intangible assets		-60,617	-63,310
Divestment of property, plant and equipment		-	388
Investment of non-current receivables		4,744	-4,492
Received repayment of non-current receivable		0	569
Acquisition of subsidiaries	31	-	0
Cash flow from investing activities		**-55,873**	**-66,845**
Financing activities			
Increased utilization of overdraft facility		6,627	26,276
Amortization of loans		0	-380,014
Issue of corporate bond		0	395,112
Dividend		0	-10,174
Cash flow from financing activities		**6,627**	**31,200**
Cash flow for the year		**-509**	**-25,277**
Cash and cash equivalents at beginning of year		11,263	36,439
Exchange rate difference in cash and cash equivalents		-105	101
Cash and cash equivalents at end of year	20	**10,649**	**11,263**

Parent Company Income Statement

SEK 000	Note	**Sep 18- Aug 19**	Sep 17- Aug 18
Net sales	34	103,495	92,438
Other operating result	8	4,814	4,603
		108,309	**97,041**
Operating expenses			
Other external expenses	7.29	-88,554	-70,035
Personnel expenses	6	-58,557	-51,293
Depreciation/amortization and impairment of property, plant and equipment and intangible assets	11.14	-17,730	-11,633
Operating result		**-56,532**	**-35,920**
Profit/loss from financial investments			
Profit from participations in Group companies	32	44,984	44,652
Interest income and similar profit/loss items		5,033	14,174
Interest expenses and similar profit/loss items		-28,532	-22,097
Profit/loss after financial items		**-35,047**	**809**
Tax on net income for the year	9	-	-
Net income for the year		**-35,047**	**809**

Parent Company Statement of Comprehensive Income

SEK 000	Note	**Sep 18- Aug 19**	Sep 17- Aug 18
Net income and other comprehensive income for the year		-35,047	809
Comprehensive income for the year		**-35,047**	**809**

Parent Company Balance Sheet

SEK 000	Note	**Aug 31, 2019**	Aug 31, 2018
ASSETS			
Non-current assets			
Intangible assets			
Software	11	23,209	40,028
		23,209	**40,028**
Property, plant and equipment	14	1,493	3,782
		1,493	**3,782**
Financial non-current assets			
Participations in subsidiaries	16.27	511,704	561,704
Other non-current receivables	17,27,33	7,616	5,302
		519,320	**567,006**
Total non-current assets		**544,022**	**610,816**
Current assets			
Current receivables			
Receivables from Group companies	34	192,508	132,666
Current tax receivable		2,636	2,119
Other receivables	33	1,325	10
Prepaid expenses and accrued income	19	6,404	5,620
		202,873	**140,415**
Cash and bank balances	20.27	0	0
Total current assets		**202,873**	**140,415**
TOTAL ASSETS		**746,895**	**751,231**

SEK 000	Note	**Aug 31, 2019**	Aug 31, 2018
EQUITY AND LIABILITIES			
Shareholders' equity	21		
Restricted equity			
Share capital		203,473	203,473
Total restricted equity		**203,473**	**203,473**
Non-restricted equity			
Retained earnings		55,655	54,846
Net income for the year		-35,047	809
Total non-restricted equity		**20,608**	**55,655**
Total equity		**224,081**	**259,128**
Non-current liabilities			
Corporate bond	22,27,33.35	397,238	395,112
Other non-current liabilities	22,27,33.35	2,679	0
Total non-current liabilities		**399,917**	**395,112**
Current liabilities			
Overdraft facility	23	32,903	26,276
Trade payables	24	15,830	8,458
Liabilities to Group companies	34	39,267	45,938
Other liabilities	25	13,192	2,666
Accrued expenses and deferred income	26	21,705	13,653
Total current liabilities		**122,897**	**96,991**
TOTAL EQUITY AND LIABILITIES		**746,895**	**751,231**

The comparative year has been restated for Reserve for development expenses, see note 1.

Parent Company Change in Shareholders' Equity

	Restricted equity	Non-restricted equity		
SEK 000	Share capital	Retained earnings	Net income for the year	**Total equity**
Shareholders' equity, August 31, 2017	**203,473**	**44,726**	**20,292**	**268,491**
Transfer of previous year's profit/loss		20,292	-20,292	0
Net income for the year			809	809
Comprehensive income for the year		*0*	*809*	*809*
Transactions with shareholders				
Dividend		-10,172		-10,172
Transactions with shareholders for the year		*-10,172*		*-10,172*
Shareholders' equity, August 31, 2018	**203,473**	**54,846**	**809**	**259,128**
Transfer of previous year's profit/loss		809	-809	0
Net income for the year			-35,047	-35,047
Comprehensive income for the year		*0*	*-35,047*	*-35,047*
Transactions with shareholders				
Dividend				0
Transactions with shareholders for the year		*0*		*0*
Shareholders' equity, August 31, 2019	**203,473**	**55,655**	**-35,047**	**224,081**

Parent Company Statement of Cash Flow

SEK 000	Note	**Sep 18- Aug 19**	Sep 17- Aug 18
Operating activities			
Operating result		-56,532	-35,920
Interest received		5,033	2,964
Interest paid		-25,880	-16,255
Tax paid		0	0
Adjustments for items not included in cash flow	30	20,410	11,633
Cash flow from operating activities before change in working capital		**-56,969**	**-37,578**
Cash flow from change in working capital			
Decrease (+)/increase (-) in current receivables		-62,458	-45,199
Decrease (-)/increase (+) in current liabilities		18,753	7,803
Cash flow from operating activities		**-100,674**	**-74,974**
Investing activities			
Acquisition of intangible assets and property, plant and equipment		-21,664	-26,420
Acquisition of intangible assets and property, plant and equipment		23,041	-
Investment of non-current receivables		-2,314	-302
Investments in subsidiaries		-	-50
Cash flow from investing activities		**- 937**	**-26,772**
Financing activities			
Increased utilization of overdraft facility		6,627	26,276
Decreased utilization of overdraft facility		-	-
Group contribution received		-	44,652
Amortization of loans		-	-380,000
Issue of corporate bond		-	395,112
Dividend from subsidiaries		94,984	-
Dividend to share holders		-	-10,174
Cash flow from financing activities		**101,611**	**75,866**
Cash flow for the year		**0**	**-25,880**
Cash and cash equivalents at beginning of year		0	28,880
Cash and cash equivalents at end of year	20	0	0

Notes to the financial statements

Amounts in M SEK unless otherwise stated.

Note 1 Accounting policies, etc.

General information about the Parent Company, the Group and the financial statements
RNB RETAIL AND BRANDS AB (publ), Corp. Reg. No. 556495-4682, is a Swedish public limited liability company with its registered office in the municipality of Stockholm, Stockholm county. The company is listed on Nasdaq OMX Nordic, Stockholm, in the 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 Parent Company's and the Group's financial year runs from September 1 to August 31. These Financial Statements for the 2018/2019 financial year were signed by the Board of Directors and the President on November 21, 2019, thereby approving these Financial Statements for publication. The Consolidated Statement of Comprehensive Income and Balance Sheet for the Parent Company and Group are subject to adoption at the Annual General Meeting to be held on December 19, 2019.

Conformity with IFRS 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 Financial Statements have been prepared on the basis that Group operations reflect a going concern.

The Parent Company annual report was prepared in accordance with the Swedish Annual Accounts Act and RFR 2, "accounting for legal entities". The Parent Company applies the same accounting and valuation policies as the Group except in the instances described below in the section "Parent Company accounting principles".

Basis of preparation of financial statements for the Parent Company and the Group
The Parent Company's accounting 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 to the nearest thousand. The Group's financial statements have been prepared on accrual basis and on the basis of expenses incurred, with the exception of certain financial assets and liabilities valued at fair value. Financial assets and liabilities measured at fair value consist of derivatives (currency futures and currency options) and liabilities relating to contingent consideration

Amounts are expressed in SEK and, with the exception of Earnings per share, all amounts are rounded to the nearest thousand.

From the financial year 2018/19 the Group applies IFRS 15 "Revenue from Contracts with Customers". The standard has not implied any changes to revenue recognition.

Furthermore, the company started applying IFRS 9 Financial Instruments in the financial year 2018/19. This has been applied in accordance with relief regulations in the transition rules which means earlier periods have not been restated. The differences that have arisen in connection with the transition to IFRS 9 relate to the classification of financial assets and recognition of loss reserves mainly relating to trade receivables.

The most important accounting policies applied in the preparation of these Consolidated Financial Statements are presented below. These policies have been applied consistently for all the years presented unless otherwise stated.

Assessments and estimations
Preparing the financial statements in accordance with IFRS requires that the Group management makes assessments and estimates as well as assumptions that affect the application of accounting policies and the recognized amounts of assets, liabilities, revenue and costs. Estimates and assumptions are based on historical experience and a number of other factors that, under prevailing circumstances, are considered reasonable. The result of these judgments and assumptions is then used to estimate 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 Group 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 reporting date refer to both favorable and unfavorable events that occur after the reporting date but before the date in the following year on which the financial statements are authorized for publication by the Board of Directors. Information is disclosed in the annual accounts concerning significant events after the reporting date that were not taken into account when preparing the Balance Sheet and Income Statement. Only events that provide evidence of conditions prevailing on the reporting date have been taken into account when presenting the financial statements.

New and amended accounting policies
IFRS 9 Financial Instruments
IFRS 9 replaces IAS 39 "Financial Instruments: Accounting and valuation"
The standard impacted the following areas:

- Classification and valuation of Group financial assets. A majority of the Group's financial assets are held with the aim of receiving contracted cash flows, which means that trade receivables and similar receivables will continue to be valued at accrued cost. These receivables have been classified under the category Financial assets at accrued cost.

- Impairment of financial assets. According to IFRS 9, financial assets are impaired using the incurred loss model. The transition to this loss model had limited effect on RNB. The Group has chosen to apply the relief rule to refrain from restating comparative periods under IFRS 9.

IFRS 15 Revenue from Customer Contracts
IFRS 15 introduces a five step model for revenue recognition. RNB RETAIL AND BRANDS has evaluated the effects of IFRS 15 and concluded that the standard will not impact the Group's revenue recognition. One of the RNB Group's primary revenue sources is cash sales of goods to consumers at fixed prices. These sales are recognized as revenue unchanged at the time of sale which means that the performance obligation to deliver the good to the customer

has been satisfied. The other main revenue source is sales of goods to franchisees. In this case too, goods are assigned a fixed price and the performance obligation is satisfied upon delivery to the franchisee. Accordingly, both these revenue streams constitute revenue recognition at a specific point in time.

The RNB Group sells its goods with full rights of return over 10–30 days. Recognized revenue therefore constitutes the amount expected to be received by the Group. Estimated repayment for returned goods is reported as a repayment debt (the expected amount owed to the customer). The right to receive the returned item is reported in Inventories. The obligation to repay the customer and the right to receive the good is reported as a gross amount in the Balance Sheet.

Remuneration under loyalty programs is included as variable remuneration and decreases revenue. The RNB Group chose to apply a full retrospective approach in the transition to IFRS 15 and no adjustments were made.

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

IFRS 16 Leases
IFRS 16 replaces IAS 17 "Lease agreements" in the financial year 2019/2020. According to IFRS 16, lessees are required to report lease agreements as right-of-use and lease liabilities in the Balance Sheet. The Group will apply the standard from the financial year starting 1 September 2019, applying the exception in IFRS 16 for reporting rights-of-use and lease liabilities under a limited retrospective approach. This means that the effect of the standard is reported as an adjustment to the opening balance of Equity as of 1 September 2019.

The Group has chosen to apply the exception in IFRS 16 regarding lease agreements with a lease period shorter than 12 months and lease agreements where the value of the underlying asset is low. During the financial year, the Group analyzed and documented all lease agreements. The Group has no financial lease agreements which means that this review only relates to contracts classified as operating leases in accordance with IAS 17. The Group acts exclusively as a lessee. During the financial year, the Group has:

- Chosen to apply the practical solution of reassessing certain lease agreements that will be revised or renewed in the coming financial year.
- Assessed that the key effect is that the Group will need to report a right-of-use and lease liability for rent of premises, currently recognized as operating leases. As of August 31, 2019, future lease charges totaled SEK 698,006,000. This means that store rental costs will be reclassified from Operating lease expenses to Amortization of rights-of-use and Interest on outstanding lease liabilities.
- Upgraded a register of lease agreements and brought it on stream. The system has been tested by an external party after the reporting date.

The effect of the first application of IFRS 16 is expected to have the following effects on the Group's financial position:

- The Group's assets and liabilities will increase by SEK 1,206,523,000 and SEK 1,206,523,000 respectively,
- The Equity/assets ratio will change by -11.0%, amounting to 10.1% upon the first application, and the Group's Retained earnings will increase/decrease by SEK 0, amounting to SEK - 2,060,157,000.

In a certain number of the Group's rental contracts, the rent is split into basic rent and revenue-based rent, whereby the rental amount varies dependent on individual store sales during the financial year. According to IFRS 16, revenue-based rent will be expensed in the period the sales forming the basis of the rent are generated. In a small number of cases, the Group acts as lessor for onward letting of store premises. IFRS 16 does not imply any significant changes to reporting for lessors and the Group has not identified any differences in reporting.

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

Classification of assets and liabilities
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 reporting date. Current assets and current liabilities consist essentially of amounts that are expected to be recovered or paid within twelve months of the reporting date.

Consolidation
The Consolidated Financial Statements encompass the Parent Company and its subsidiaries' operations up until August 31, 2019. All subsidiaries are wholly owned and have a reporting date of August 31.

Subsidiaries are defined as all entities over which the Parent Company exercises control.

Intra-group transactions, Balance Sheet items and intra-group unrealized gains and losses have been eliminated when preparing the Consolidated Financial Statements.

The Financial Statements of subsidiaries are consolidated from the date of acquisition until the date when control ceases.

Business combinations
The acquisition method is used by the Group for recognition of business combinations.

The transferred consideration to gain control of a subsidiary is calculated as the total sum of fair value of the acquired assets, liabilities and equity instrument issued by the Group, on the acquisition date. This can also include additional purchase consideration.

Acquired assets and liabilities are normally valued at fair value as of the acquisition date.

All transaction costs connected with acquisitions are expensed.

Holdings in associated companies
Holding in associated companies, in which the Group owns a minimum of 20% and a maximum of 50% of the votes or otherwise has a material influence, are reported in accordance with the equity method.

The equity method implies that the Group's reported value of shares in associated companies is increased or decreased by the Group's share of the associated company's profit.

Foreign currency translation
Functional currency and presentation currency
In the Consolidated Financial Statements, Swedish krona (SEK) is the Parent Company's functional currency and the Group's presentation currency.

Transactions and Balance Sheet items in foreign currency
Transactions in foreign currency are translated to the entity's functional currency using the exchange rate applicable on the transaction date. Receivables and liabilities in foreign currencies are measured at

the closing day rate. Exchange rate gains and losses attributable to loans are recognized in the Income Statement as "interest income" or "interest expenses". Exchange rate gains and losses that relate to purchasing and trade payables are recognized in Goods for resale.

Group companies

Items included in the Financial Statements of the various entities in the Group are measured in the currency used in the economic environment in which each company mainly operates (functional currency).

All Group company earnings and financial position denominated in a functional currency other than the Group's presentation currency are translated as follows: assets and liabilities are translated at the closing day rate and 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 the translation differences that arise are recognized in Other comprehensive income and in Other reserves under Equity.

Revenue

Goods

Group revenue mainly derives from sales of goods to consumers in the Group's proprietary stores and e-commerce and from wholesale sales to franchisees. Accordingly, the Group's performance obligation is to provide the customer with goods, either to consumers in the Group's proprietary stores or to franchisees and e-commerce consumers when goods are handed to independent carriers.

RNB's revenue model is relatively generic: Revenue from the sale of goods at a fixed price is recognized when the Group has handed over control of the good to the customer, which normally takes place at the point of sale when the customer removes the good from the store or upon delivery to e-commerce consumers and franchisees in accordance with the terms of sale.

All store sales are conducted on a 10-30 days sale-or-return basis. The estimated repayment for returned goods is recognized as a Repayment debt (the amount RNB is expected to owe the customer). The right to receive the returned item is recognized as Inventories.

Revenue is also reduced by variable remuneration in the form of discounts and customer loyalty programs and is recognized excluding sales tax under "Net sales".

The Group has no discounts or loyalty programs comprising separate performance obligations which, as outlined above, means that the Group identifies only single performance obligations regardless of whether the customer is a consumer or a franchisee. All revenue recognition of goods takes place at a point in time.

Franchise fees

Group revenue also includes franchise fees for services, including the right to use intangible rights such as brands, product brands and store concepts, marketing and agreements. The franchise fee is based on franchisees' sales and was reported in the corresponding period when the franchisee sale was made to the consumer, i.e. over time.

Rent

The Group sub-leases some of its stores premises to franchisees where rent is not included in the franchise fee. Income relating to rental contracts are recognized linearly over the leasing period and recorded as Other revenue, due to this revenue stream not being part of the Group's main operations.

Administrative services

Parent Company revenue relates solely to internal services provided to the subsidiaries regarding management and administration. Revenue is recognized when a service is provided, i.e. over time.

Financial income and expenses

Financial income and expenses primarily consist of interest income on cash and bank balances, interest expenses on loans, changes in value of currency derivatives that do not comply with the requirements for hedge accounting, value changes on conditional consideration, amortization of loan expenses and other financial items. All loan costs are recognized in the Income Statement in the period they arise.

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

Financial instruments

Financial assets

A financial asset or financial liability is recognized when the Group becomes a party to the contractual terms and conditions of the instrument

A financial asset is derecognized from the Balance Sheet when the contractual rights to the asset seize to exist, are extinguished or the Group loses control over them. A financial liability is derecognized from the Balance Sheet when the contractual obligation has been fulfilled or in some other manner extinguished.

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.

All financial assets are initially valued at fair value.

The Group classifies its financial assets, other than those that have been identified and serve as hedging instruments, in the categories Amortized cost and Fair value in the Income Statement. The Group does not currently have any financial assets valued at fair value through Other comprehensive income.

The classification of financial assets is determined by the Group's business model for the management of the financial asset and the characteristics of the contractual cash flows from the financial asset.

All revenue and expenses relating to financial assets recognized in the Income Statement are classified under the item "Interest income etc", with the exception of amounts comprising impairment of trade receivables included under the item "Other external expenses".

The ensuing valuation of financial assets takes place as follows:

Financial assets at amortized cost

Financial assets are valued at amortized cost if the assets meet the following criteria and are not recognized at fair value in the Income Statement: they are held within the framework of a business model where the objective is to hold the financial assets and collect contracted cash flows, and the contractual terms governing the financial assets give rise to cash flows comprising only payments of capital amounts and interest on the outstanding capital amount.

After the first reporting date, these are valued at amortized cost using the effective interest method. Discounting is excluded if the effect of discounting is negligible. This category comprises cash and cash equivalents, trade receivables, accrued income, long-term receivables and other receivables.

Financial assets measured at fair value in the Income Statement

All derivatives are classified in this category apart from those that have been identified and are effective as hedge instruments, and fulfill the criteria for hedge accounting. This category includes currency futures with positive fair value. Results from revaluation of hedging derivatives are reported in accordance with the information stated under Currency derivatives and hedge accounting.

Assets in this category are valued at fair value with any profit or loss recorded in the results of operations. Fair value of financial assets in this category is determined with reference to active market transactions, or in cases where there is no active market, with the help of valuation techniques. This category is unchanged on comparative periods.

Loans and receivables

This category comprises cash and cash equivalents, trade receivables, accrued income, long-term receivables and other receivables. Loan receivables and trade receivables are initially recognized at fair value and subsequently at accrued cost. The anticipated term of trade receivables is mainly short, implying that the value is recognized without discounting.

Impairment of financial assets

The impairment rules under IFRS 9 apply more forward-looking information in the recognition of expected credit losses: the expected credit loss model. This replaces IAS 39's previous impairment model for incurred losses. Financial assets included in the new model for expected credit losses are trade receivables and other receivables plus, contract assets (according to IFRS 15).

The Group applies a simplified method for recognizing trade receivables and other receivables plus contract assets, and recognizes expected credit losses on the basis of remaining maturity. This is where potential shortcomings in contracted cash flows can be identified, considering the risk of absent payments at any point in time during the term of the financial instrument. In the calculation, the Group applies historical experience, external indicators and forward-looking information to calculate expected credit losses using a provision matrix.

Because a high proportion of Group sales are cash sales (physical cash and credit cards) to the consumer, credit losses are very low.

Impairment (comparative periods)

At each reporting date, the company evaluates whether there are objective indications that particular assets require impairment. For determining whether there is objective evidence that impairment is required, the Group mainly applies the following indicators: significant financial difficulty of the issuer or debtor; contractual breach, such as absent or delayed payment of interest or capital amounts; the probability that the borrower will enter bankruptcy or other financial reconstruction; cessation of an active market in the relevant asset due to financial difficulties.

Impairment testing is carried out individually, and where appropriate impairment losses are recognized in other external costs.

Financial liabilities

Financial assets measured at fair value in the Income Statement

This category includes currency forwards with negative fair value. Results from revaluation of hedging derivatives are reported in accordance with the information stated under Currency derivatives and hedge accounting. This category also includes a liability related to contingent purchase consideration due to the combined buy/sell option 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.

Recording and valuation of liabilities were unchanged compared to comparative periods.

Currency derivatives and hedge accounting

The Group uses currency derivatives in the form of currency forwards and currency options to hedge the Group's exchange rate risk, resulting from a high proportion of Group purchasing being denominated in foreign currency (cash flow hedges). In order to satisfy the requirements of hedge accounting, the hedge relationship must satisfy all of the following criteria: there is an economic relationship between the hedged item and the hedge instrument - the effect of the credit risk does not dominate value changes ensuing from the economic relationship - the hedge ratio applying to the hedge relationship corresponds to that derived from the quantity of the hedged item the company hedges and the quantity of the hedge instrument the company actually uses to hedge the volume of hedged items.

For more information, see Exchange rate risk in Note 35.

All derivative instruments used in hedge accounting are recognized at fair value at the earliest reporting date, and subsequently at fair value in the Statement of Financial Position.

To the extent that the hedge is effective, changes in fair value of derivatives identified as hedge instruments in cash flow hedges are recognized under Other comprehensive income and form part of provisions for cash flow hedges under Equity. Potential inefficiencies in the hedge relationship are recognized immediately in the Income Statement.

At the point in time when the hedged item affects profit or loss, any profit or loss that was previously recognized in Other comprehensive income is reclassified from Equity to Profit or Loss and is recognized as a reclassification adjustment under Other comprehensive income. However, in the event that a non-financial asset or liability is recognized as a result of the hedged transaction, profit or loss previously recognized in Other comprehensive income is included in the initial valuation of the hedged item.

In the event that a forecast transaction is no longer expected to be completed, any potential profit or loss is recognized under Other comprehensive income is immediately transferred to profit or loss. In the event that a hedge relationship no longer satisfies the requirements of an efficient relationship, hedge accounting is terminated and any associated profit or loss remains in capital reserves until the forecast transaction has been completed.

The amended rules for hedge accounting under IFRS 9 compared to IAS 39 have not affected the Group's hedge accounting in 2018/19.

Goodwill

Goodwill represents future economic synergies derived from previous years' acquisitions, but that can not be independently identified or recorded separately. Goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized; instead, it is tested for impairment annually or as soon as indications arise suggesting that the asset in question has decreased in value. In order to test the impairment of goodwill, goodwill is allocated to cash generating units, comprising the Group's operating segments. Any impairment losses are not reversed.

Note 1 Cont.

Other intellectual property
Rental rights Acquired rental rights are recognized at cost less accumulated amortization. Rental rights are amortized over ten years, which corresponds to their estimated useful lives, as these rights pertain to stores primarily situated in central city locations.

The assets' residual values and useful lives are tested for impairment at the close of each financial year 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 developed in-house is recognized at cost less accumulated amortization. Expenses directly attributable to the software development phase are reported as an intangible asset provided the following criteria are met: the development expense can be reliably measured; the project is technically and commercially viable, and the group intends to and has the required resources to complete the project; the Group has the capacity to use or sell the software; the software is likely to generate economic benefits.

Development expenses that do not satisfy these criteria for capitalization are expensed when they arise.

Directly attributable expenses include personnel expenses arising as a result of the work associated with software development alongside a reasonable proportion of relevant expenses and cost of borrowing.

Software is amortized over five years, corresponding to the 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. Software developed in-house, which has been activated but not yet completed, is not written off but tested for impairment yearly.

Property, plant and equipment
Property, plant and equipment includes 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 appropriate, 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 reliably. Repair and maintenance expenditure is expensed during the period the 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
In cases where lease agreements imply that the lessee essentially enjoys the financial benefits and bears the financial risks associated with the leased object, leasing agreements are classified as financial leases. Other lease agreements are classified as operating lease agreements. The Group is party to operating lease agreements, mainly rent agreements for store premises. The leasing fee related to operating leases is expensed linearly over the leasing period.

In a certain number of the Group's rental contracts related to store premises, rent is divided into basic rent and revenue-based rent, whereby the latter depends on the store's sales during the financial year In such cases, only basic rent is expensed on a straight-line basis. Revenue-based rent is recognized during the period to which the revenue relates.

For information where the Group is the lessor, see description in the Revenue section above.

Impairment testing
On each reporting date, carrying amounts for the Group's property, plant and equipment and intangible assets are tested for impairment if there is an indication that the assets have decreased in value. If there is such an indication, 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.

Goodwill is divided over the cash-generating units expected to benefit from synergies in the relevant acquisitions. These cash-generating units represent the lowest level in the Group where Group management monitors goodwill. The impairment requirement for the cash-generating units that have been allocated goodwill, corresponding to the Group's operating segments according to Group management's assessment, are tested for impairment at least once annually.

Impairment is recognized at the amount at which the asset's (or the cash-generating unit's) recognized value exceeds the recoverable amount, which is defined as the higher of fair value less cost of divestment and value-in-use. In order to determine the value-in-use, Group management estimates future expected cash flows from each cash-generating unit and determines an appropriate discount rate for calculating the present value of these cash flows. The data applied in impairment testing is directly linked to the Group's most recent approved budget and strategic plans, adjusted as required to exclude the effects of future reorganizations and improvements of assets. Discount rates are determined on an individual basis for each cash generating unit and reflect current market estimates of monetary value over time and asset-specific risk factors.

In the first instance, impairment in cash-generating units decreases the recognized value of any goodwill allocated to the cash-generating unit. Any remaining impairment then proportionally decreases other assets in the cash-generating units.

With the exception of goodwill, a new assessment of all assets is made for signs indicating that previous impairment is no longer warranted. Impairment is reversed if the asset or the recoverable value of the cash-generating unit exceeds recognized value.

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

When calculating the cost of inventories, the first-in, first-out principle is applied, including expenses arising after the acquisition of inventory items and transportation 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 AGM has approved the dividend.

Equity and dividends

Share capital represents the nominal value (quotient value) of shares issued.

Share premium reserve includes any potential premium received upon new issue of share capital. Potential transaction expenses associated with the new share issues are deducted from contributed capital, with consideration given to potential income tax effects. The classification changed in the financial year 18/19 and earlier periods have been adjusted.

Other elements of shareholders' equity include the following:

Revaluation reserve – includes exchange rate differences from the conversion of financial reports for the Group's foreign operations to SEK.

Hedge reserve – includes effects of cash flow hedges.

Retained earnings includes retained earnings from previous financial years.

Net income for the year includes profit / loss for the current financial year.

All transactions with Parent Company shareholders are reported separately under Equity. Dividend to be paid to shareholders is included under Current liabilities once the dividend has been approved at a shareholders' meeting before the record date.

Remuneration after terminated employment

Pensions

The Group provides defined-benefit plans in accordance with Alecta, and defined-contribution plans.

Employees in Sweden are covered by both defined-benefit and defined-contribution plans, while employees in Norway, Finland 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. Obligations relating to defined-contribution plans are expensed in the period the associated personnel services are received.

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, the insurance with Alecta constitutes a multi-employer defined-benefit plan. Like for previous years, Alecta has not had access to 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 4.

Remuneration upon termination of employment

A provision is recognized in conjunction with 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 of implementation of the plan.

Short-term remuneration to employees

Short-term remuneration to employees, including holiday pay, constitutes current liabilities which are reported as current liabilities. These liabilities are valued at the undiscounted amount the Group is expected to pay as a result of the unutilized right.

Income tax

The tax expense recognized for profit or loss consists of the sum of deferred tax and current tax which is not reported under Other comprehensive income or directly against Equity.

Current tax includes tax paid or received for the relevant year, adjustments of current tax in previous years and changes in deferred tax. These taxes have been calculated in accordance with nationally determined tax rules or current practice relating to tax rules as of the reporting date.

Deferred tax is calculated and recognized on all temporary differences and loss carry-forwards. Deferred tax assets are recognized as non-current receivables and deferred tax liabilities are recognized as non-current liabilities.

Tax liabilities/assets are measured at nominal amounts in accordance with taxation rules and tax rates decided or announced, and that with considerable certainty can be expected to be implemented. In the Balance Sheet, current tax receivables and current tax liabilities are recognized as current items.

The value of deferred tax assets is assessed at the financial reporting date and is reduced to the extent that it is no longer considered probable that sufficiently large taxable profits will be available to offset all or a proportion of the deferred tax assets. The Group does not currently have any 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, and when the deferred tax assets and tax liabilities pertain to taxes charged by the same tax authority and pertain either to the same taxpayer or to different taxpayers, where there is an intention to settle balances through a net payment.

Statement of Cash Flow

The Statement of Cash Flow has been prepared in accordance with the indirect method. The recognized cash flow only includes transactions that involve incoming or outgoing payments.

Reporting by operating segments

RNB RETAIL AND BRANDS has identified Group Management as its chief decision making body. RNB reports four operating segments as of the end of the 2018/19 financial year: Brothers, Departments & Stores and Man of a kind and Polarn O. Pyret Each operating segment is managed separately.

All transactions between the segments are made at arms length and based on prices charged non related customers in an independent sales situation with identical goods or services.

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. Group Management assesses the earnings of operating segments on the basis of operating result. This measurement does not vary from the measurement of Operating result recognized in the Consolidated Income Statement. In the financial statements for the operating segments, central administration is recognized under Other.

Note 1 Cont.

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

Parent Company accounting and valuation principles
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 the exceptions and additions to be made from IFRS. The most important differences between the Group's and the Parent Company's accounting policies are presented below.

Revised accounting principles in RFR2
Changes to RFR2 have not had any material impact on the Parent Company's financial reporting in 2018/19.

Lease agreementsagreements
RFR 2 includes an exemption from applying IFRS 16 to a legal entity. The Group has chosen to apply this exemption. All lease agreements in the Parent Company are thereby recognized as operating leases, irrespective of whether they are financial or operating leases.

Shareholders' contributions and Group contributions
The Parent Company recognizes Group contributions received and Group contributions paid according to the general rule in RFR 2. This 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 Profit from participations in Group companies.

Participations in subsidiaries
Participations in subsidiaries are recognized in the Parent Company in accordance with the cost method. All dividends received from subsidiaries are recognized as income in the Income Statement under 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.

Reserve for development expenses
During the financial year, the Company revised its judgment regarding internally accrued intangible assets. The amounts included under Reserve for development expenses related to acquired intangible assets plus additional expenses, such as adaptations of acquired IT systems. In a new assessment, these have now been judged not to constitute internally accrued projects and thus do not satisfy the criteria for being reported under Reserve for development expenses. The opening balance of Reserve for development expenses has been restated.

Note 2 Critical estimates and judgments

In connection with preparing the financial statements, Group management makes a number of judgments, calculations and assumptions about the reporting and valuation of assets, liabilities, income and expenses.

Critical estimates
The following comprise critical estimates made by Group management in the application of those accounting and valuation principles with the most significant effect on the Group's financial statements.

Income tax
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 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.

Non-current assets held for sale
As previously communicated, a change of ownership may arise for one or several of the companies in the Group. Discussions relating to this have taken place. RNB assesses that IFRS 5 is not applicable, as the strict demands on likely outcome have not been satisfied. This means that non-current assets will not be classified as if they were held for sale.

Uncertainty of estimates
Information about estimates and judgments with the most significant effect on reporting and valuation of assets, liabilities, revenue and expenses. Actual outcomes may deviate significantly from these estimates.

Impairment of goodwill and shares in subsidiaries
In order to estimate the impairment need for goodwill and shares in subsidiaries, the recoverable amount for each cash-generating or company unit is calculated at least annually on the basis of anticipated future cash flows on the basis of an appropriate interest rate for discounting these cash flows. The uncertainty relates to assumptions about future operating result and setting an appropriate discount rate.

Inventories
Group management calculates the net sales value of inventories on the basis of the most reliable information available on the relevant reporting date. The future sales value may be affected by future discounting.

Other liabilities attributable to contingent purchase consideration
A contingent consideration liability arose in connection with the acquisition of Kids Company Oy. The actual outcome of the parameters in the agreed measurement of the acquisition target could diverge from the assessments and assumptions made of the liability's value in the annual Financial Statements

Note 3 Revenue

Net sales by country

Sep 18- Aug 19	Brothers	Depart-ments & Stores	Man of a kind	Polarn O. Pyret	Total
Sweden	464,064	919,680	23,480	465,471	1,872,695
Finland	75,109			121,515	196,624
Norway				136,174	136,174
Other national markets				61,214	61,214
					2,266,707

Net sales in Sweden includes sales to franchisees of SEK 128,708,000.

The distribution of sales by country has been calculated based on the domicile of the selling company and the purchasing master franchisee. No individual paying customer represents more than 10 percent of total revenue.

Net sales by country

Sep 17- Aug 18	Brothers	Depart-ments & Stores	Man of a kind	Polarn O. Pyret	Total
Sweden	460,067	923,486	12,544	447,615	1,843,712
Finland	77,194			114,912	192,106
Norway				134,487	134,487
Other national markets				68,093	68,093
					2,238,398

Net sales in Sweden includes sales to franchisees of SEK 143,414,000.

The distribution of sales by country has been calculated based on the domicile of the selling company and the purchasing master franchisee. No individual paying customer represents more than 10 percent of total revenue.

Note 4 Segment and revenue reporting by country

RNB has the following business areas: Brothers, Departments & Stores, Man of a kind and Polarn O. Pyret Internal monitoring includes obtaining separate financial information for each business area. Group management monitors the business areas based on operating result.

Brothers offers smart casual fashion for men in the mid-market segment.

Departments & Stores has extensive operations with a focus on the premium and luxury segment, at Nordiska Kompaniet in Stockholm and Gothenburg. Sales include womens and men's clothing, children's wear, cosmetics, jewelery, watches and accessories.

Man of a kind offers exclusive fashion for men online, Polarn O. Pyret sells baby and children's wear with a focus on high quality, sustainability, functionality, design and exceptional service.

Sep 18- Aug 19	Brothers	Departments & Stores	Man of a kind	Polarn O. Pyret	Other	Eliminations	Total
Revenue							
External sales	539,173	919,680	23,480	784,374	-	-	2,266,707
Internal sales	40	-	-	-	124,015	-124,055	0
Net sales, other	11,059	15,355	-	7,755	4,814	-9,395	29,588
Total	**550,272**	**935,035**	**23,480**	**792,129**	**128,829**	**-133,450**	**2,296,295**
Operating result	**-12,348**	**-48,173**	**-13,568**	**20,023**	**-56,093**	**-**	**-110,159**
Other disclosures							
Assets	280,579	434,843	0	353,956	191,285	-148,699	1,111,964
Liabilities and provisions	91,324	203,358	250	200,025	530,726	-148,699	876,984
Investments	8,913	18,924	0	11,379	21,667	-	60,882
Depreciation and impairment losses	9,400	8,008	212	11,376	17,744	–	46,740
Impairment of goodwill	-	65,000	–	–	–	–	65,000
Non-current assets by country							
Sweden	120,822	202,021	0	40,416	32,332	–	395,591
Norway	–	–	–	54,714	–	–	54,714
Finland	2,205	–	–	26,383	–	–	28,588
The Netherlands	–	–	–	–	–	–	0
Hong Kong	–	–	–	–	935	–	935

Group-wide services are recognized under Other in segment reporting.

Note 4 Cont.

Sep 17- Aug 18	Brothers	Departments & Stores	Man of a kind	Polarn O. Pyret	Other	Eliminations	Total
Revenue							
External sales	537,332	923,415	12,544	765,107	–	–	2,238,398
Internal sales	–	71	–	–	128,054	-128,125	0
Net sales, other	13,959	15,268	–	8,280	4,603	-8,224	33,886
Total	**551,291**	**938,754**	**12,544**	**773,387**	**132,657**	**-136,349**	**2,272,284**
Operating result	**23,132**	**28,878**	**-12,445**	**43,060**	**-35,509**	**–**	**47,116**
Other disclosures							
Assets	323,768	489,856	1,667	336,005	188,514	-114,371	1,225,439
Liabilities and provisions	86,067	194,759	1,800	213,300	454,521	-114,371	836,076
Investments	12,035	8,560	2,000	15,429	26,437	–	64,461
Depreciation and impairment losses	10,129	9,307	333	10,491	11,644	–	41,904
Non-current assets by country							
Sweden	124,290	256,704	1,667	24,286	49,135	–	456,082
Norway	–	–	–	54,344	–	–	54,344
Finland	2,628	–	–	23,665	–	–	26,293
The Netherlands	–	–	–	–	–	–	0
Hong Kong	–	–	–	–	948	–	948

Group-wide services are recognized under Other in segment reporting.

Note 5 Number of employees

Average number of employees distributed between women and men

	Sep 18- Aug 19		Sep 17- Aug 18	
Group	Total	Of which men	Total	Of which men
Sweden	816	147	834	151
Finland	92	5	98	5
Norway	61	1	62	0
Hong Kong	23	7	27	7
	992	**160**	**1,021**	**163**

	Sep 18- Aug 19		Sep 17- Aug 18	
Parent Company	Total	Of which men	Total	Of which men
Sweden	24	9	37	13
	24	**9**	**37**	**13**

Distribution between women and men on the Board of Directors and Management as of August 31

	Aug 31, 19		Aug 31, 18	
Group	Total	Of which men	Total	Of which men
Board of Directors	6	4	6	4
Management incl. President	7	4	9	5

Note 6 Personnel expenses

Salaries, other remuneration and social security expenses

Group total	Sep 18- Aug 19			Sep 17- Aug 18		
	Board of Directors and President	Other employees	Total	Board of Directors and President	Other employees	Total
Salaries and other remuneration	20,253	416,711	436,964	11,658	393,745	405,403
Social security expenses	5,759	121,980	127,739	4,406	114,326	118,732
Pension expenses	3 444	25,602	29,045	2,755	27,612	30,367
	29,456	**564,293**	**593,749**	**18,819**	**535,683**	**554,502**

During the financial year, contributions for personnel totaling SEK 33,596,000 (31,975,000) were received. For the 2018/2019 financial year, Group expenses for defined contribution plans amounted to SEK 29.0 M (30.4).

Multi-employer plans

The Group has obligations relating to retirement pension and family pension for salaried employees in Sweden that are secured through insurance with Alecta. This pension plan covers multiple 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 solvency margin amounted to 142% (154%). The collective solvency margin is defined as the market value of Alecta's assets as a percentage 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, 19	Aug 31, 18
Brothers AB	0.005%	0.006%
Departments & Stores Europe AB	0.009%	0.012%
Polarn O. Pyret AB	0.010%	0.010%
RNB Retail and Brands AB	0.002%	0.006%

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

	Aug 31, 19	Aug 31, 18
Brothers AB	0.006%	0.006%
Departments & Stores Europe AB	0.010%	0.010%
Polarn O. Pyret AB	0.010%	0.010%
RNB Retail and Brands AB	0.002%	0.004%

Parent Company	Sep 18- Aug 19			Sep 17- Aug 18		
	Board of Directors and President	Other employees	Total	Board of Directors and President	Other employees	Total
Salaries and other remuneration	11,848	29,162	41,010	5,678	23,416	29,094
Social security expenses	3,301	9,079	12,380	2,165	8,380	10,545
Pension expenses	1,714	3,160	4,874	1,412	3,953	5,365
	16,863	**41,401**	**58,264**	**9,255**	**35,749**	**45,004**

Remuneration to the Board and senior executives

Guidelines for remuneration to senior executives

The AGM on December 20, 2018, resolved on the following guidelines for remuneration and other terms of employment for management.

The Company is to offer market-based total remuneration that facilitates the recruitment and motivates executives. Remuneration paid to members of Group management comprises fixed and variable salary, 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.

Fixed salary, paid monthly in SEK, is based on the employee's areas of responsibility and experience. Variable salary is primarily related to the outcome of the subsidiaries' and the Group's operating result and cash flow against established targets.

With regard to current bonuses, it is proposed that the company's costs for variable salary given maximum outturns, given that all bonus-related targets are met and that the surplus fully finances the relevant bonus, may not exceed a total of SEK 3,500 000 (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 position. The calculation is based on the eight individuals, including the President, that currently comprise management. Bonuses will be evaluated annually and the bonus structure will be reviewed each year.

Bonuses do not qualify for vacation or pension contributions. Variable salary relating to the bonus program may not exceed 40% of fixed salary.

The President is entitled to occupational pension corresponding to a pension premium of approximately 30% of current annual salary. Other members of Group 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 ability to complete his/her assignments.

Group management's employment contracts include termination of employment. According to these agreements, employment may normally be terminated by the employee subject to a notice period of six months and by the company subject to a notice period 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 diverge from the above guidelines if the Board deems that it has specific reasons to justify such a divergence in an individual case.

Board of Directors

Director's fees are payable to the Chairman and Board members in accordance with the resolution of the AGM. In the financial year 2018/2019, the Board of Directors received total fees of SEK 1,361,000 (1,361,000) allocated as follows: SEK 376,000 (376,000) to the Chairman of the Board and SEK 172,000 (172,000) to each of the other Board

Note 6 Cont.

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 other Board members who are not employed by the Group received no other remuneration or benefits during the financial year. Pension or other incentive programs were not received by the Board Directors. No Directors' fees were paid in the subsidiaries.

President and CEO

Remuneration paid to the President and CEO comprises fixed and variable salary, pension and other remuneration. During the 2018/2019 financial year, President and CEO Magnus Håkansson received salary and other remuneration totaling SEK 4,157,000 (4,264,000). RNB's pension costs for President and CEO Magnus Håkansson amounted to SEK 1,714,000 (1,412,000) for the financial year.

Up until December 31, 2018, the President was entitled to a bonus based on operating result and cash flow. The President received a bonus of SEK 0 (0) for the financial year 2018/2019.

The Board used its right to diverge from the adopted guidelines by replacing the bonus program with an incentive scheme as of January 1, 2019. The incentives paid under the scheme are based on the progress of RNB's stock market value between November 2018 and December 2019.

The President is entitled to occupational pension corresponding to a pension premium of approximately 30% of current annual salary. The standard retirement age is 65. 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. During the financial year, the Board entered into an agreement stating that the President will terminate his regular tasks as of December 31, 2019. During 2020, the President will be exempted from work. A provision of SEK 8,036,000 was expensed for the year to cover the costs, including social security expenses, for the period of exemption from work.

Other senior executives

Other senior executives are defined as persons who, apart from the President, are members of Group management.

Remuneration paid to members of Group management comprises fixed and variable salary, pension and other remuneration. The fixed and variable salary components jointly represent the employee's salary. Variable salary is based on the outcome of the subsidiaries' and Group's operating result and/or consolidated operating result against pre-determined targets.

Salary and other payments totaling SEK 10,198,000 (10,454,000) excluding variable salary were paid to other senior executives in the 2017/2018 financial year. Variable salary totaling SEK 0 (0) were paid to senior executives in the financial year.

The retirement age for other senior executives is 65. Pension costs for other senior executives amounted to SEK 2,162,000 (2,666,000) for the financial year.

Other senior executives are subject to a notice period of six to eleven months if termination is initiated by the Company, and six months if termination is initiated by the executive. Unchanged salary is paid during the notice period. During the financial year, agreements were reached with several other senior executives regarding a stay bonus payable on condition of remaining in employment for a part of 2020. A total of SEK 1,571,000 was posted to provisions and expensed. For exemption from work, a total of SEK 1,182,000, including social security expenses, was posted to provisions and expensed in the financial year.

Remuneration to the Board of Directors, the Management team and President

	Sep 18- Aug 19				Sep 17- Aug 18			
	Salary and fees	Variable salary	Pension costs	Remune-rations	Salary and fees	Variable salary	Pension costs	Compen-sation
Chairman of the Board Laszlo Kriss	401				401			
Board member Per Thunell	197				197			
Board member Monika Elling	247				247			
Board member Ivar Fransson	0				53			
Board member Michael Lemner	172				172			
Board member Joel Lindeman	172				172			
Board member Sara Wimmercranz	172				172			
President and CEO Magnus Håkansson	4,157	-	1,714	8,036	4,264	-	1,412	-
Other senior executives	10,198	-	2,162	2,753	10,454	-	2,666	-
	15,716	**-**	**3,876**	**10,789**	**16,132**	**-**	**4,078**	**-**

Note 7 Remuneration to auditors

	Group		Parent Company	
	Sep 18– Aug 19	Sep 17– Aug 18	**Sep 18– Aug 19**	Sep 17– Aug 18
Ernst & Young AB				
Audit assignment	2,789	2,508	1,200	1,100
Audit work apart from the audit assignment	310	451	190	147
Tax consultancy	260	199	205	181
Other services	172	102	18	99.0
	3,531	**3,260**	**1,613**	**1,527**
Other auditing firms				
Audit assignment	35	29	-	-
Audit work apart from the audit assignment	-	-	-	-
Tax consultancy	-	-	-	-
Other services	-	-	-	-
	35	**29**	**0**	**0**

Audit activities apart from audit assignments refer to various forms of quality assurance services resulting in reports, certificates etc., administration and advisory services or other assistance resulting from observations made during such review, or carrying out of other similar duties.

Audit activities apart from audit assignments refer to various forms of quality assurance services resulting in reports, certificates etc., including review of interim reports. Tax consultancy services include advice relating to tax, VAT and private taxation. Everything else is regarded as other services.

Note 8 Other operating result

	Group		Parent Company	
	Sep 18– Aug 19	Sep 17– Aug 18	**Sep 18– Aug 19**	Sep 17– Aug 18
Depreciation/amortization and impairment of property, plant and equipment and intangible assets	0	0	-	-
Forwarding of other expenses to franchisees	7,330	9,338	-	-
Invoiced services and rents	466	2,205	445	2,205
Net sales, other	21,792	22,343	4,369	2,398
	29,588	**33,886**	**4,814**	**4,603**

Note 9 Taxes

Tax on net income for the year

	Group		Parent Company	
	Sep 18– Aug 19	Sep 17– Aug 18	**Sep 18– Aug 19**	Sep 17– Aug 18
Current tax	-43	-2,282	–	–
Effect of tax change attributable to previous years	115	-21	–	–
Deferred tax	–	–	–	–
	72	**-2,303**	**0**	**0**

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

	Group		Parent Company	
	Sep 18– Aug 19	Sep 17– Aug 18	**Sep 18– Aug 19**	Sep 17– Aug 18
Reported profit before tax	-142,556	38,753	-35,047	809
Reported profit before tax	**-142,556**	**38,753**	**-35,047**	**809**
Tax according to current tax rate, 22% (22%)	31,362	-8,526	7,710	-178
Tax effect of non-deductible items				
-Impairment of participations in subsidiaries	–	–	-11,000	–
-Impairment of goodwill	-14,300	–	–	–
-Profit from divestment of subsidiaries	–	–	–	–
-Other, non-deductible	-431	-704	-101	-308
Tax effect of non-deductible items				
-Dividend received	–	–	20,896	–
-Other, non-taxable	1,450	1,344	–	–
Effect of tax change attributable to previous years	115	-21	–	–
Effect of other tax rates in foreign subsidiaries	157	103	–	–
Unused loss carry-forwards	-22,142	–	-17,505	–
Recognized loss carry-forwards, previously not recorded	3,861	5,501	–	486
Tax on net income for the year	**72**	**-2,303**	**0**	**0**

Note 9 Cont.

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

	Group		Parent Company	
	Aug 31, 19	Aug 31, 18	**Aug 31, 19**	Aug 31, 18
Deferred tax liabilities				
Derivative receivables	1,596	5,350	–	–
Deferred tax assets				
Unutilized loss carry-forwards	-1,596	-5,053	–	–
Derivative liabilities	0	-297	0	0
	0	**0**	**0**	**0**

Given the past earnings trend, deferred tax assets attributable to loss carry-forwards and derivatives liabilities in the Group and Parent Company are recognized only insofar as deferred tax liabilities exist against which to offset them. Unutilized, unrecognized loss carry-forwards are found in both the Group's foreign and Swedish entities. These amounted to SEK 778,845,000 (719,648,000) in total, and are allocated as follows between the various countries: Sweden SEK 386,471,000 (286,592,000), Norway SEK 138,831,000 (142,423,000), Denmark SEK 134,850,000 (133,851,000), Germany SEK 118,693,000 (117,664,000) and Netherlands SEK 0 (39,118,000). The loss carry-forwards are not subject to any time limitation.

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 tax pertains to the same tax authority. After such offsetting, the following amounts arose and were recognized in the Balance Sheet:

	Group		Parent Company	
	Aug 31, 19	Aug 31, 18	**Aug 31, 19**	Aug 31, 18
Deferred tax assets	0	0	0	0
Deferred tax liabilities	0	0	–	–
	0	**0**	**0**	**0**

Note 10 Earnings per share

RNB has no outstanding equity instruments that imply dilution. Calculation of the average number of shares was based on the following.

	Number of shares at end of period	
Period	**Sep 18–Aug 19**	Sep 17–Aug 18
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 is obtained by dividing net income for the year by the average number of shares.

Note 11 Software and other intellectual property

Group	**Aug 31, 19**	Aug 31, 18
Opening cost	88,950	61,502
Purchases in the year	23,052	27,196
Divestments and disposals in the year	-10,617	0
Translation difference	42	253
Closing accumulated cost	**101,427**	**88,950**
Opening depreciation and amortization	-46,708	-36,151
Disposals in the year	9,065	0
Depreciation and amortization in the year	-11,640	-10,374
Translation difference	-28	-185
Closing accumulated depreciation and amortization	**-49,310**	**-46,709**
Opening impairment	0	0
Disposals in the year	0	0
Depreciation and amortization in the year	-4,577	0
Closing accumulated depreciation and amortization	**-4,577**	**0**
Opening planned residual value	**47,540**	**42,241**

Current year acquisitions relate to externally acquired assets, adjusted to the Company. The Group's non-current assets include lease items pertaining to an IT platform held on the basis of financial lease agreements with a cost of SEK 2,814,000 (2,814,000) and accumulated depreciation and amortization of SEK 2,814,000 (2,814,000). This implies a book value of SEK 0 (0).

Parent Company	**Aug 31, 19**	Aug 31, 18
Opening cost	78,228	53,075
Divestments and disposals in the year	-29,082	0
Purchases in the year	21,398	25,153
Closing accumulated cost	**70,544**	**78,228**
Opening depreciation and amortization	-38,200	-28,734
Divestments and disposals in the year	6,210	0
Depreciation and amortization in the year	-10,768	-9,466
Closing accumulated depreciation and amortization	**-42,758**	**-38,200**
Opening impairment	0	0
Depreciation and amortization in the year	-4,577	0
Closing accumulated depreciation and amortization	**-4,577**	**0**
Opening planned residual value	**23,209**	**40,028**

Current year acquisitions relate to externally acquired assets, adjusted to the Company.

Note 12 Rental rights

Group	Aug 31, 19	Aug 31, 18
Opening cost	97,228	97,227
Purchases in the year	0	0
Divestments and disposals in the year	-8,606	1
Translation difference	0	0
Closing accumulated cost	**88,622**	**97,228**
Opening depreciation and amortization	-82,786	-81,560
Divestments and disposals in the year	1,297	0
Depreciation and amortization in the year	-1,082	-1,226
Translation difference	0	0
Closing accumulated depreciation and amortization	**-82,571**	**-82,786**
Opening impairment	-9,497	-9,497
Disposals in the year	6,951	–
Closing accumulated depreciation and amortization	**-2,546**	**-9,497**
Opening planned residual value	**3,505**	**4,945**

Note 13 Goodwill

Group	Aug 31, 19	Aug 31, 18
Opening cost	399,723	397,892
Purchases in the year		1,983
Depreciation and amortization in the year	-65,000	
Translation difference	506	-152
Closing accumulated cost	**335,229**	**399,723**

Goodwill item allocated by segment:

	Aug 31, 19	Aug 31, 18
Brothers & Sisters	97,668	97,668
Departments & Stores	168,445	233,445
Polarn O. Pyret	69,116	68,610
Closing accumulated cost	**335,229**	**399,723**

Goodwill represents future economic synergies resulting from previous years' acquisitions that cannot be independently identified or recorded separately. This includes more streamlined logistics, organizational mergers, store establishments and more favorable purchasing terms from external suppliers.

Impairment testing of goodwill

Impairment testing is carried out by calculating the value-in-use on a segment by segment basis. The calculations are based on forecasts of cash flows over the period based on the budget and strategic five-year plans. The key parameters are revenue, operating result, working capital and investments. Future cash flows are calculated on the basis of present conditions, in other words planned store expansions and other growth plans are not included in the cash flow forecasts.

The cash flows of the operating segments are affected by commercial factors such as changed purchasing patterns, market growth, competitiveness, margins, cost trends, investment levels and tied-up working capital. Additional assessments of factors such as interest rates, cost of borrowing, market risk, beta values and tax rates are carried out in connection with discounting.

Forecast cash flows during the terminal period are based on an annual growth rate of 0.2 percent (2). This is based on a new assessment of the future long-term market growth rate at the time of impairment testing. Forecast cash flows have been calculated at present value based on a discount rate of 9.0 percent (8.4) after tax, corresponding to approximately 11.3 percent (10.1) before tax. The discount rate reflects the market assessment of monetary values over time and the specific risks that pertain to the asset for which estimates of future cash flows have not been adjusted.

All operating segments are deemed to have a similar risk profile, which is why the same discount rate is used.

Outcome from impairment testing of goodwill

Impairment testing resulted in impairment of goodwill of SEK 65,000,000 relating to the Departments & Stores segment. Impairment is reported under "Impairment of goodwill" in the Income Statement.

The impairment is due to decreasing operating result over the past three years, in turn due to lower visitor and customer numbers in the Company's in-store departments which resulted in lower sales. During the same period, rents and personnel costs increased, and have not been offsettable against price or volume increases. For this reason, long-term assumptions have been adjusted downwards which resulted in an impairment requirement for segment goodwill.

Sensitivity analysis Departments & Stores

After taking into account this year's goodwill impairment, a general analysis of the sensitivity of the variables utilized for the segment Departments and Stores was carried out.

After this year's impairment, a lower annual growth rate and a higher discount rate imply an impairment need for the recorded value of goodwill.

In order to justify the book value of goodwill, the segment would require sustainable operating result of some SEK 31 M, corresponding to sustainable cash flow of between SEK 16-26 M after tax. A departure of SEK 10 M from sustainable operating result of SEK 31 M would affect the value of goodwill by in the range of SEK 93 M.

Other key assumptions Departments & Stores

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

Sales

Over the past three years, the operating segment has experienced a decline in visitor numbers and paying customers in stores. Although there are multiple causes for this, three primary reasons have a significant impact on the Stockholm department store, which generates a majority of sales in the segment.

Extensive construction work has been underway in central Stockholm directly adjacent to the department store since 2014. This has negatively affected the shopping experience and pedestrian traffic in proximity to the department store. The district of Brunkebergstorg is being regenerated as a meeting point in central Stockholm, with an attractive urban environment, more residential neighborhoods, two hotels and an improved shopping district. The project is now in the final phases. In the last four years, the Gallerian shopping mall has undergone a major transformation as part of the far-reaching development project Urban Escape. Part of the Gallerian mall opened to the public in November 2018, with full refurbishment scheduled for completion in 2019. The Sergelstan refurbishment project is a third development close to the NK department store. The project encompasses three buildings that are being developed into offices, hotels, retail space and residences. The project is expected to be completed towards the end of

2020. The fourth project is Hamngatspalatset, which is expected to offer both office space and shops, very close to the NK department store. Completion in 2020.

Current purchasing patterns mean that an increasing proportion of purchases are made via e-commerce. NK does not currently have an online trading platform to offset declining customer and visitor numbers. Our assessment is that a dedicated NK online platform will materialize somewhat shortly.

The declining attractiveness of the department store is the third primary reason for decreased sales in the operating segment. In February 2018, the owners of NK announced a planned development program for the Stockholm department store. The planned development is intended to enhance the store's position as a world-class department store. NK will reach new heights and become a more experience-based arena for fashion, beauty and design. The renewal process includes the physical environment as well as the store's digital presence, and an increased service offering that satisfies customer requirements and correlates to changing consumer patterns. The store will become bigger, more personal and with a more unique profile, and will include several new international brands. The work associated with bringing NK Stockholm into a new era is expected to be completed in 2020, and encompasses 50% of existing floor space in the department store. The total floorspace for the department store will increase by 20%. The Gothenburg department store has also been developed since 2017, with completion scheduled for 2019/2020. Since winter 2018, several of Departments & Stores' departments have been closed for refurbishment in stages. This refurbishment is planned to be completed in the summer of 2020. Department closures imply lost income and fewer visitors, which has affected sales and profit negatively during these years.

The three primary reasons for declining sales and a lower operating result are all being addressed and are due for completion in the near future. This is expected to increase visitor numbers to the NK department store and the business plan includes a positive effect from this on segment sales looking ahead. The impairment testing carried out is based on the existing store structure, i.e. excluding expansion under the NK development plan outlined above.

Gross margins

Gross margin decreased in the last three years, mainly due to increased discounting and a changed sales mix resulting from lower visitor numbers. The calculation model is based on the assumption that gross margin used in strategic planning remains unchanged from the previous year's budget. A sensitivity analysis regarding the impact of gross margin on sustainable operating result indicates that a decrease in gross margin of 1 percentage point against forecast affects sustainable operating result negatively by just under SEK 10 M, which would generate a need for impairment in the event of such a scenario.

Costs

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

Personnel expenses

Forecast personnel expenses are based on forecast inflation, a degree of growth in real wages and planned rationalizations. Personnel expenses are the single largest cost item in the operating segment, corresponding to some 45% of total costs. A change in personnel costs of 1% annually would affect sustainable operating result by just under SEK 2 M.

Cost of premises

The anticipated cost of premises is based on forecast inflation and rent adjustments. The cost of premises corresponds to just over 41% of total costs. A change of 1% annually would affect sustainable operating result by some SEK 1.6 M.

Measures aimed at improving the trend have been implemented previously and in the current year, including refurbishment of stores, process efficiency, streamlining of logistics, reduction of head office staff, and store personnel and fashion range restructuring.

Sensitivity analysis Brothers and Polarn O. Pyret

A general analysis of the sensitivity of the variables utilized for the two segments Brothers and Polarn O. Pyret has been carried out.

The assumption of a decrease in the annual growth rate from 0.2 percent to 0 percent does not imply any impairment need in respect of carrying amounts for goodwill of the operating segments.

The assumption of an increase in the discount rate from 11 percent to 12 percent, or 13 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.

In order to justify the book value of goodwill, the segment Brothers would require sustainable operating result of just under SEK 19 M, corresponding to sustainable cash flow of between SEK 14-28 M after tax. A departure of SEK 5 M from sustainable operating result of SEK 19 M would affect the value of goodwill by around SEK 52 M. For the segment Polarn O. Pyret, the equivalent figure is SEK 20 M in operating result, corresponding to cash flow of between SEK 28-35 M, and a SEK 50 M effect on goodwill given a departure of SEK 5 M.

Departures from forecast cash flows in individual years affect impairment testing, although the critical factors for the model are expected sustainable operating result and cash flow.

Other key assumptions Brothers and Polarn O. Pyret

In addition to the above, comments on a number of assumptions linked to the assessment of operating segments' future cash flows can be found below:

Sales and growth

A sensitivity analysis regarding sales growth for the operating segments indicates that a decrease in annual sales growth to 0 percentage point on the basis of budget and strategic plans will not imply a need for impairment for any of the operating segments.

Gross margins

A sensitivity analysis regarding progress of gross margin for the operating segments indicates a decrease in gross margin of 1 percentage point on the basis of budget and strategic plans not generating an impairment need for any of the operating segments.

Costs

A sensitivity analysis regarding overhead costs, personnel costs and costs of premises for the operating segments indicates that an increase in total expenses of 1 percentage point based on the budget and strategic plan would not imply an impairment need for any of the operating segments.

Note 14 Equipment and store fittings

Group	Aug 31, 19	Aug 31, 18
Opening cost	395,841	359,627
Accumulated cost acquired companies	0	0
Purchases in the year	37,830	37,265
Divestments and disposals in the year	-10,191	-5,876
Translation difference	765	4,825
Closing accumulated cost	424,246	395,841
Opening depreciation and amortization	-318,575	-289,062
Accumulated cost acquired companies	0	0
Divestments and disposals in the year	8,801	4,275
Depreciation and amortization in the year	-28,031	-29,924
Translation difference	-792	-3,864
Closing accumulated depreciation and amortization	-338,597	-318,575
Opening impairment	0	0
Disposals in the year	0	381
Impairment in the year	-831	-381
Closing accumulated depreciation and amortization	**-831**	**0**
Opening planned residual value	**84,818**	**77,266**

Consolidated non-current assets include leases relating to store fittings held under financial lease agreements with an acquisition value of SEK 5,025,000 (5,025,000) and accumulated depreciation and amortization of SEK 5,025,000 (5,025,000). This implies a book value of SEK 0 (0).

Parent Company	Aug 31, 19	Aug 31, 18
Opening cost	11,163	9,896
Purchases in the year	265	1,267
Divestments and disposals in the year	-451	0
Closing accumulated cost	**10,977**	**11,163**
Opening depreciation and amortization	-7,381	-5,214
Divestments and disposals in the year	281	0
Depreciation and amortization in the year	-1,553	-2,167
Closing accumulated depreciation and amortization	**-8,653**	**-7,381**
Opening impairment	0	0
Disposals in the year	0	0
Depreciation and amortization in the year	-831	0
Closing accumulated depreciation and amortization	**-831**	**0**
Opening planned residual value	**1,493**	**3,782**

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

Note 15 Participations in subsidiaries

Company	Corp. ID no.	Reg. office	No.	Share of equity (%)	Carrying amount
Ängsviol Blomstern AB	556539-1926	Stockholm, Sweden	1,000	100	–
Polarn O. Pyret AB	556235-7383	Stockholm, Sweden	10,000	100	106,000
PO.P International IP AB	556889-3704	Stockholm, Sweden	500	100	–
PO.P International OTH AB	556889-3613	Stockholm, Sweden	500	100	–
PO.P International Suomi AB	556890-1630	Stockholm, Sweden	500	100	–
Kids Company Oy	2016120-7	Helsinki	40,800	51	–
Pyret Estonia OÜ	14696592	Tallinn	1	100	–
PO.P International UK AB	556899-3654	Stockholm, Sweden	500	100	–
Polarn O. Pyret Norge AS	985,983,860	Oslo	4,597	100	–
Portwear AB	556188-7513	Stockholm, Sweden	1,911,680	100	220,654
Departments & Stores Europe AB	556541-8778	Stockholm, Sweden	810,000	100	–
Departments & Stores Denmark ApS	30 27 43 18	Copenhagen	1	100	–
Brothers & Sisters AB	556468-8991	Stockholm, Sweden	37,147,880	100	185,000
Brothers AB	556513-6826	Stockholm, Sweden	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	–
RNB Retail Development AB	559135-4518	Stockholm, Sweden	500	100	50
Carrying amount					**511,704**

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

Note 15 Cont.

Parent Company	Aug 31, 19	Aug 31, 18
Opening carrying amount	561,704	561,654
Investment in the year	–	50
Impairment in the year	-50,000	–
Closing carrying amount	**511,704**	**561,704**

Note 16 Holding in associated companies

Group	Aug 31, 19	Aug 31, 18
Profit from associated companies	-11	–
Recognized in net income for the year	**-11**	**0**
Other comprehensive income from associated companies	0	0
Total comprehensive income from associated companies	**-11**	**0**

Associated companies	Aug 31, 19	Aug 31, 18
Recognized amount, opening balance	25	0
Current profit share	-11	25
Recognized amount, closing balance	**14**	**25**

Note 17 Non-current receivables

Group	Aug 31, 19	Aug 31, 18
Opening cost	13,467	9,544
Additional receivables	2,829	4,492
Amortization, deductible receivables	-7,572	-569
Closing accumulated cost	**8,724**	**13,467**
Closing carrying amount	**8,724**	**13,467**

Parent Company	Aug 31, 19	Aug 31, 18
Opening cost	5,302	5,000
Additional receivables	2,314	302
Amortization, deductible receivables	–	–
Closing accumulated cost	**7,616**	**5,302**
Closing carrying amount	**7,616**	**5,302**

Receivables of SEK 5,000,000 (15,000,000) in the Parent Company and Group relate to investments of cash and cash equivalent in blocked accounts.

Note 18 Inventories

Group	Aug 31, 19	Aug 31, 18
Carrying amount by segment		
Brothers	110,685	128,769
Departments & Stores	173,800	173,557
Polarn O. Pyret	173,922	196,925
Closing carrying amount	**458,407**	**499,251**

Out of the total carrying inventory of SEK 458,407,000 (499,251,000) is SEK 27,700,000 (19,027,000) inventory recorded at net sales value. The remainder was recognized at cost. Inventory recognized at cost in the year amounted to 1,217,383,000 (1,179,066,000)

Note 19 Prepaid expenses and accrued income

Group	Aug 31, 19	Aug 31, 18
Prepaid rent	36,705	23,437
Prepaid other expenses	44,917	36,697
Accrued income	10,791	14,285
	92,413	**74,420**

Note 20 Cash and cash equivalents

Cash and cash equivalents are held in the following currencies.

Group	Exchange rate Aug 31, 19	Exchange rate Aug 31, 18	Aug 31, 19	Aug 31, 18
SEK			1,281	1,377
NOK	1.08	1.09	1,679	1,024
DKK	1.45	1.43	0	0
USD	9.79	9.10	0	0
EUR	10.81	10.64	5,838	7,756
HKD	1.25	1.16	1,851	1,107
			10,649	**11,263**

Parent Company	Exchange rate Aug 31, 19	Exchange rate Aug 31, 18	Aug 31, 19	Aug 31, 18
SEK			0	0
NOK	1.08	1.09	0	0
EUR	10.81	10.64	0	0
USD	9.79	9.10	0	0
			0	**0**

Note 21 Equity and proposed distribution of earnings

As of August 31, 2019, share capital comprised 33,912,176 (33,912,176) shares with a quotient value of SEK 6.0 (6.0) each. All shares are common shares. The Group's reserve of translation differences amounted to SEK -13.8 M (-15.1) and the hedge reserve totaled SEK 7.9 M (21.1).

Proposed distribution of earnings

The following funds are at the disposal of the Annual General Meeting, SEK:	**Aug 31, 19**	Aug 31, 18
Retained earnings	55,654,950	20,330,249
Net income for the year	-35,047,093	808,804
	20,607,857	**21,139,052**
The Board proposes that retained earnings be allocated as follows:		
Dividend SEK 0 per share (SEK 0 per share)	–	–
Carried forward	20,607,857	21,139,052
	20,607,857	**21,139,052**

Note 22 Interest-bearing liabilities

Group	**Aug 31, 19**	Aug 31, 18
Non-current liabilities		
Corporate bond	397,238	395,112
Liability relating to contingent purchase consideration	22,848	23,395
	420,086	**418,507**
Current liabilities		
Overdraft facility	32,903	26,276
	32,903	**26,276**

Parent Company	**Aug 31, 19**	Aug 31, 18
Non-current liabilities		
Corporate bond	397,238	395,112
	397,238	**395,112**
Current liabilities		
Overdraft facility	32,903	26,276
	32,903	**26,276**

Maturity structure of long-term borrowing:

	Group		**Parent Company**	
	Aug 31, 19	Aug 31, 18	**Aug 31, 19**	Aug 31, 18
Between 1 and 2 years	420,086	–	397,238	–
Between 2 and 5 years	–	418,507	–	395,112
More than 5 years	–	–	–	–
	420,086	**418,507**	**397,238**	**395,112**

Corporate bond

The bond loan totals SEK 400 M before issue expenses, within a framework amount of SEK 600 M, and matures in February 2023. The bond loan is subject to variable interest of Stibor 3m + 6.0% with quarterly interest payments. The bond is subject to covenants regarding new borrowing and payments, for example dividend. The bond is secured through joint and several guarantee by RNB's major subsidiaries, and by the shares in these subsidiaries acting as collateral.

The bond loan was listed on Nasdaq Stockholm in March 2018.

In October 2019, bond holders approved the extension of the bond loan until 2 February 2023, adjusting the definition of permissible debt, the amount to be paid upon final maturity was adjusted to 106 percent and the dates for voluntary buy-back were changed.

Liability relating to contingent purchase consideration

The acquisition agreement relating to Kids Company Oy includes a combined put/call option on the same terms for the remaining 49 percent of the shares that can be exercised in September 2020 at the earliest. This is reported as a liability relating to contingent purchase consideration and has been valued at fair value. Fair value on this liability has been calculated on the basis of parameters specified in the option agreement, of which the most significant are based on forecast operating result before depreciation and amortization for the coming years. Changes in fair value on this liability have been recognized under Interest expenses etc. in the Income Statement.

Polarn O Pyret and its master franchisee in the US are party to an option agreement regarding buying or selling all the shares in the master franchisee's company or the equivalent assets in the company. The put and call options are subject to different terms. The option agreement can be exercised during specific months in the period 2019-2021. The Group judges that under the agreement and on the basis of current operational profitability and applicable contract terms, the put and call options both had an estimated fair value of SEK 0 as of August 31, 2019.

Note 23 Overdraft facility

The overdraft facility is held in the following currencies.

Group	**Exchange rate Aug 31, 19**	Exchange rate Aug 31, 18	**Aug 31, 19**	Aug 31, 18
SEK			26,211	11,160
NOK	1.08	1.09	27,191	24,174
DKK	1.45	1.43	-17	0
USD	9.79	9.10	-1,177	-1,174
EUR	10.81	10.64	-19,305	-7,884
HKD	1.25	1.16	0	0
			32,903	**26,276**

Parent Company	**Exchange rate Aug 31, 19**	Exchange rate Aug 31, 18	**Aug 31, 19**	Aug 31, 18
SEK			26,211	11,160
NOK	1.08	1.09	27,191	24,174
DKK	1.45	1.43	-17	0
USD	9.79	9.10	-1,177	-1,174
EUR	10.81	10.64	-19,305	-7,884
HKD	1.25	1.16	0	0
			32,903	**26,276**

Note 23 Cont.

The Group and Parent Company's approved overdraft facility with Den Danske Bank, which is not included in cash and cash equivalents, amounted to SEK 80 M (80) as of August 31, 2019. The average interest rate in the year was 2.55% (2.19%). There are no special financial covenants associated with the overdraft facility.

The Group's central account system effects net offsetting between the various currencies. Deposit and borrowing rates in Danske Bank are based on Danske BOR plus/minus a margin. Danske BOR is determined daily by the bank on the basis of short-term interest rates for the relevant currencies.

Note 24 Trade payables

Trade payables are held in the following currencies.

Group	Exchange rate Aug 31, 19	Exchange rate Aug 31, 18	Aug 31, 19	Aug 31, 18
SEK			140,981	137,038
NOK	1.08	1.09	3,870	2,882
DKK	1.45	1.43	273	80
USD	9.79	9.10	23,799	15,397
EUR	10.81	10.64	46,282	48,646
GBP	11.93	11.84	-12	0
HKD	1.25	1.16	0	14
			215,193	**204,057**

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

Parent Company	Exchange rate Aug 31, 19	Exchange rate Aug 31, 18	Aug 31, 19	Aug 31, 18
SEK			14,619	8,394
NOK	1.08	1.09	0	0
USD	9.79	9.10	0	0
EUR	10.81	10.64	1,211	64
			15,830	**8,458**

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

Note 25 Other liabilities

Group	Aug 31, 19	Aug 31, 18
Value added tax	24,951	28,396
Personnel-related taxes	20,595	20,489
Club card bonus and returns	10,078	8,549
Other	14,779	11,637
	70,404	**69,072**

Parent Company	Aug 31, 19	Aug 31, 18
Value added tax	5,717	423
Personnel-related taxes	501	1,199
Other	6,974	1,044
	13,192	**2,666**

Note 26 Accrued expenses and deferred income

Group	Aug 31, 19	Aug 31, 18
Accrued vacation and payroll liabilities	61,489	56,181
Accrued social security expenses	17,781	17,975
Accrued interest	6,368	5,842
Other accrued expenses	36,167	22,115
Gift vouchers	13,915	14,703
	135,719	**116,816**

Parent Company	Aug 31, 19	Aug 31, 18
Accrued vacation and payroll liabilities	4,599	3,210
Accrued social security expenses	1,445	1,009
Accrued interest	6,368	5,842
Other accrued expenses	9,293	3,592
	21,705	**13,653**

Note 27 Assets pledged

For liabilities to credit institutions and overdraft facilities

Group	Aug 31, 19	Aug 31, 18
Chattel mortgages	–	–
Assets with reservation of title	5,000	5,000
Shares in subsidiaries	539,273	667,145
	544,273	**672,145**

Parent Company	Aug 31, 19	Aug 31, 18
Assets with reservation of title	5,000	5,000
Shares in subsidiaries	511,654	561,654
	516,654	**566,654**

Note 28 Contingent liabilities

Parent Company	Aug 31, 19	Aug 31, 18
Guarantee on behalf of subsidiaries	17,420	16,127
	17,420	**16,127**

Guarantees mainly relate to payment of store rents.

Note 29 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-cancellable lease commitments.

Fees in the financial year	Group	Parent Company
September 2018 - August 2019	270,370	12,910
September 2017 - August 2018	293,480	12,019

This relates exclusively to fixed minimum fees. In addition, assumptions include variable sales-based rent levels. Fixed rental fees for the year amounted to SEK 258,895,000 (285,977,000) and the sales-based fee to SEK 7,214,000 (4,047,000

The Group's future commitments for lease and rental agreements are as follows:

	Group		Parent Company	
Fees due	Aug 31, 19	Aug 31, 18	Aug 31, 19	Aug 31, 18
Within 1 year	276,640	341,271	11,514	12,047
Within 2-5 years	405,810	601,782	7,452	16,290
More than 5 years	15,556	61,327	500	0

This refers to fixed and variable rental fees.

Of the future lease commitments listed above, SEK 0 (0) comprises financial lease agreements in the Group. This amount refers to undiscounted lease commitments. Discounted lease commitments relating to financial lease agreements amounted to SEK 0 (0).

Note 30 Statement of Cash Flow

Adjustments for items not included in cash flow

Group	Aug 31, 19	Aug 31, 18
Depreciation and impairment losses	46,740	41,904
Capital gain on sales of non-current assets	875	1,236
Impairment of goodwill	65,000	–
Other adjustments	2,679	–
	115,294	**43,140**

Parent Company	Aug 31, 19	Aug 31, 18
Depreciation and impairment losses	17,730	11,633
Other non-current liabilities	2,679	–
	20,409	**11,633**

Change in liabilities attributable to financing operations

Group	Aug 31, 18	Cash flow	Currency and market revaluation	Aug 31, 19
Overdraft facility	26,276	6,627		32,903
Loans from main owners	0	0		0
Corporate bond	395,112	0		395,112
Contingent purchase consideration	23,395		-547	22,848
Liabilities to credit institutions	0	0		0
	444,783	**6,627**	**-547**	**450,863**

Parent Company	Aug 31, 18	Cash flow	Currency and market revaluation	Aug 31, 19
Overdraft facility	26,276	6,627		32,903
Loans from main owners	0			0
Corporate bond	395,112			395,112
	421,388	**6,627**	**0**	**428,015**

Note 31 Acquisitions and divestments of operations

There were no acquisitions or divestments in the 2018/2019 financial year. Pyret Estonia OÜ is a new entity set up in the financial year.

In the 2017/2018 financial year, the Polarn O. Pyret operating segment acquired Finnish franchisee Kuopia through an acquisition of its assets and liabilities. The transaction was carried out via Kds Company Oy. The operating segment also acquired the assets and liabilities of Man of a kind, Frontmen.

Fair value of acquired assets and liabilities is indicated below:

Post	Kuopio	Frontmen
Goodwill	2,094	–
Other intangible non-current assets	–	2,000
Store inventories	202	–
Inventories	1,221	–
Purchase consideration paid	**3,517**	**2,000**
Offset against outstanding receivables	-3,517	–
Purchase consideration posted to liabilities	–	-2,000
Impact on consolidated cash and cash equivalents	**0**	**0**

Note 32 Profit from participations in Group companies

Parent Company	Aug 31, 19	Aug 31, 18
Group contributions received	–	44,652
Dividend from subsidiaries	94,984	–
Impairment of participations in subsidiaries	-50,000	–
	44,984	**44,652**

Note 33 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 derivatives measured at fair value in the Income Statement. Carrying amounts correspond to the fair values of the relevant assets.

Cash and cash equivalents
Cash and cash equivalents are deposited in bank accounts at standard rates of interest. As of August 31, 2019, cash and cash equivalents were SEK 10,649,000 (11,263,000) for the Group and SEK 0 (0) for the Parent Company. In addition, there is SEK 5,000,000 (5,000,000) in blocked bank balances, which are recognized as non-current receivables

Financial assets measured at fair value through profit or loss
Outstanding currency hedges and value on Aug 31, 2019:

Currency	Hedged volume	Fair value	No. of hedged months
EUR	9,160	2,053	0-12 months
USD	12,280	5,203	0-12 months
Total		**7,256**	

Value changes of currency derivatives are reported in the Statement of Comprehensive Income according to the information provided under Currency derivatives and hedge accounting in Note 1 Accounting principles. Changes in fair value of currency derivatives that do not comply with the requirements for hedge accounting are reported in net income for the year.

Financial liabilities
The financial liabilities available to, and utilized by, the Group consist of trade payables, overdraft facilities, loans from credit institutions, other loan liabilities including corporate bonds, accrued costs and financial liabilities measured at fair value in the Income Statement. All amounts stated below under financial liabilities correspond to carrying amounts in the Group. Carrying amounts correspond to the fair value of the respective liabilities.

Trade payables
The Group's trade payables consist mainly of liabilities denominated in SEK, EUR and USD. The terms for payment of trade payables are 10-90 days. Also refer to Note 24 for a description of the composition of trade payables by currency.

Overdraft facility
See Note 23.

Other loans
See Note 22.

Group, August 31, 2019

Financial assets	Financial assets measured at fair value through profit or loss	Assets valued at accrued cost	Total
Trade receivables		42,336	42,336
Other receivables		21,316	21,316
Accrued income		10,791	10,791
Derivatives	7,256		7,256
Cash and cash equivalents		10,649	10,649
			92,348

Financial liabilities	Liabilities measured at fair value through profit or loss	Other financial liabilities	Total
Trade payables		215,193	215,193
Derivatives	–		0
Overdraft facility		32,903	32,903
Other loans	22,848	397,238	420,086
Other liabilities		60,326	60,326
Accrued expenses		85,637	85,637
			814,145

Group, August 31, 2018

Financial assets	Financial assets measured at fair value through profit or loss	Loan and trade receivables	Total
Trade receivables		50,005	50,005
Other receivables		34,122	34,122
Accrued income		14,285	14,285
Derivatives	24,321		24,321
Cash and cash equivalents		11,263	11,263
			133,996

Note 33 Cont.

Financial liabilities	Liabilities measured at fair value through profit or loss	Other financial liabilities	Total
Trade payables		204,057	204,057
Derivatives	1,348		1,348
Overdraft facility		26,276	26,276
Other loans	23,395	395,112	418,507
Other liabilities		60,523	60,523
Accrued expenses		79,998	79,998
			790,709

Fair value hierarchy:
The Group has financial instruments in the form of currency derivatives and liabilities relating to contingent purchase consideration measured at fair value in the Balance Sheet. The Group uses the following hierarchy to classify 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, observable for assets or liabilities either directly (i.e. as prices) or indirectly (i.e. derived from prices)

3 Input data for assets or liabilities in question, which is not based on observable (non-observable input data)

2018/2019	Level 1	Level 2	Level 3	Carrying amount
Assets				
Financial assets at fair value through profit or loss:				
Currency futures		7,256		
Other financial assets:				
Trade receivables				42,336
Other receivables				21,316
Accrued income				10,791
Cash and cash equivalents				10,649
Liabilities				
Financial Liabilities at fair value through profit or loss:				
Currency futures		–		
Contingent purchase consideration			22,848	
Other financial liabilities:				
Trade payables				215,193
Loans from credit institutions				32,903
Other loans				397,238
Other liabilities				60,326
Accrued expenses				85,637

No transfers have occurred between levels during the financial year.

2017/2018	Level 1	Level 2	Level 3	Carrying amount
Assets				
Financial assets at fair value through profit or loss:				
Currency futures		24,321		
Other financial assets:				
Trade receivables				50,005
Other receivables				34,122
Accrued income				14,285
Cash and cash equivalents				11,263
Liabilities				
Financial Liabilities at fair value through profit or loss:				
Currency futures		1,348		
Contingent purchase consideration			23,395	
Other financial liabilities:				
Trade payables				204,057
Loans from credit institutions				0
Other loans				395,112
Other liabilities				60,523
Accrued expenses				79,998

No transfers have occurred between levels during the financial year.

Note 34 Transactions with related parties including Parent Company intra-group transactions

The Group's related party transactions

In the financial year, Brothers purchased services from companies in which Magnus Håkansson was a Director totaling SEK 0 (31,000). Pricing was on market terms. As of August 31, 2019, the RNB Group's outstanding debt to the company was SEK 0 (0). In the financial year, Brothers purchased services from companies in which Lina Söderqvist was a Director totaling SEK 30,000 (0). Pricing was on market terms. As of August 31, 2019, the RNB Group's outstanding debt to the company was SEK 0 (0). In the financial year, Departments & Stores purchased services from companies in which Monica Elling was a Director totaling SEK 0 (179,000). Pricing was on market terms. As of August 31, 2019, the Group's outstanding debt to the company was SEK 0 (0). In the financial year, Departments & Stores purchased services from companies in which Yvonne Magnusson was a Director totaling SEK 3,668,000 (2,752,000) and sold goods totaling SEK 50,000 (109,000). Pricing was on market terms. As of August 31, 2019, the Group's outstanding debt to the company was SEK 0 (0) and receivables SEK 5,000 (0). In the financial year, Departments & Stores purchased services from companies in which Lina Söderqvist was a Director totaling SEK 0 (1,997,000) and sold goods totaling SEK 0 (101,000). Pricing was on market terms. As of August 31, 2019, the Group's outstanding debt to the company was SEK 0 (0) and receivables SEK 0 (3,000).

In the financial year, Polarn O. Pyret purchased services from companies in which Magnus Håkansson was a Director totaling SEK 55,000 (53,000). Pricing was on market terms. As of August 31, 2019, the Group's outstanding debt to the company was SEK 0 (0). In the financial year, the Parent Company purchased services from companies where Michael Lemner were Directors totaling SEK 0 (305,000). Monika Elling SEK 775,000 (779,000), Sara Wimmercranz SEK 0 (210,000) and Magnus Håkansson SEK 41,000 (26,000). Pricing was on market terms. As of August 31, 2019, the Group's outstanding debt to the Company was SEK 0 (0).

Parent Company

Parent Company net sales of SEK 103,495,000 (92,438,000) relate to internal billed services to subsidiaries in their entirety. The Parent Company has purchased services from subsidiaries totaling SEK 825,000 (673,000).

The subsidiaries' share of debt/receivables in the Group's central accounts system with banks is reported in current liabilities/receivables with Group companies.

	Receivable		Liability	
Parent Company	**Aug 31, 19**	Aug 31, 18	**Aug 31, 19**	Aug 31, 18
Brothers & Sisters AB	24,869	-	-	-
Brothers Clothing Oy	–	-	9,059	6,597
Brothers AB	–	-	29,801	38,902
Departments & Stores Europe AB	50,232	50,344	–	–
Departments & Stores Denmark ApS	263	187	–	–
Kids Company Oy	4	–	–	
Polarn O. Pyret AB	66,073	58,747	–	–
Polarn O. Pyret Norge AS	27,536	22,068	–	–
Portwear AB	22,110	–	–	4
RNB Far East Ltd.	1,396	1,295	–	–
RNB Retail and Brands Norge AS	–	–	188	216
RNB Retail Development	25	25	–	–
Ängsviol Blomstern AB	–	–	219	219
	192,508	**132,666**	**39,267**	**45,938**

Note 35 Financial risks

The Group's operations are exposed to several financial risks. The main risk areas are market risk, credit risk and liquidity risk.

The Group's financial risks is focused in a central function that operates on the basis of a finance policy determined by the Board of Directors. The finance policy sets out guidelines for handling financial risks and how to act on financial matters. Risk management focuses on securing the Group's short to medium cash flows by minimizing exposure to the volatile financial markets. The Group does not actively trade financial assets for speculative purposes, nor issue bonds.

Market risk analysis

Market risk is the risk that the fair value of, or future cash flows from, a financial instrument varies due to changes in market prices. There are three types of market risk: currency, interest rate and other price risks.

Currency risk

The risk that fair value or future cash flows vary as a result of exchange rate fluctuations. The Group's currency risk partly consists of the fact that a high proportion of goods are purchased in foreign currencies, such as USD or EUR, plus sales to countries outside Sweden.

Of total goods purchased, 50 percent is denominated in foreign currency with the USD and EUR the most significant. The main aim according to the finance policy, is that 70-90 percent of expected foreign currency cash flows for each fall/winter and spring/summer season will be hedged using currency forward contracts. Ongoing investments are made in currency futures with an expiry of 9-12 months. The purpose of the currency hedging is that planned purchase costs, and thereby initial margins, are to equate to future costs when goods are delivered.

Financial assets and liabilities in foreign currency, expressed in SEK, which expose the Group to currency risk are described below.

	Short-term exposure			Long-term exposure
Aug 31, 2019	USD	EUR	Other	EUR
Financial assets	0	15,804	1,679	0
Financial liabilities	-23,799	-46,282	-31,674	-22,848
Total exposure	**-23,799**	**-30,478**	**-29,995**	**-22,848**

	Short-term exposure			Long-term exposure
Aug 31, 2018	USD	EUR	Other	EUR
Financial assets	0	15,428	1,024	0
Financial liabilities	-15,397	-48,646	-25,043	-23,395
Total exposure	**-15,397**	**-33,218**	**-24,019**	**-23,395**

Financial assets include trade receivables and financial liabilities include trade payables.

The table indicates profit and equity sensitivity to exchange rate fluctuations. The profit impact is mainly derived from purchases of goods in foreign currency. The sensitivity analysis does not take into account currency forward hedges.

Note 35 Cont.

SEK M	Change	Effect on profit before tax 2018/19	Effect on profit before tax 2017/18	Effect on capital 2018/19	Effect on capital 2017/18
EUR	± 5%	± 10	± 12	± 2	± 2
USD	± 5%	± 18	± 18	± 0	± 0

The lower EUR-denominated sensitivity in profit before tax for 18/19 compared to 17/18 was due to decreased EUR-denominated purchasing in the financial year.

Interest rate risk

The risk that future cash flows or fair value are affected by changes in market interest rates. RNB's credits consist of bond loans and overdraft facilities. Both credit facilities have variable interest with fixed margin. Available liquid funds are used to reduce utilization of the overdraft facility, which thus reduces the interest expense.

A change in the interest rate for RNB's borrowing of 1% would, upon maximum utilization of the available credit (total of SEK 400 M), affect the Group's interest rate cost by SEK 4.0 M (4.0), while the corresponding change in the bank lending rate would affect the interest rate cost by SEK 0.8 M (0.8) upon maximum utilization of the available overdraft (SEK 80 M).

Other price risks

The Group is not exposed to any other price risks.

Analysis of credit risk

Credit risk represents the risk of a counterparty failing to meet its obligations towards the Group. The Group is exposed to this risk through various financial assets such as cash and cash equivalents held with banks and trade receivables.

Credit risk relating to cash and cash equivalents held with banks is managed by restricting deposits to well-reputed financial institutions.

An absolute majority of trade receivables relates to receivables from franchisees and repayment claims on suppliers. In order to minimize the risk of credit losses, the franchisees' financial performance is continuously monitored and security obtained in the form of guarantees and chattel mortgages. Regular reviews of the age analysis and credit limits per customer are also performed. In cases where the credit limit has been exceeded, further goods deliveries are halted. The terms of payment for trade receivables are 10-30 days.

Otherwise, the Group does not have any security relating to other financial assets.

The Group applies the simplified method in IFRS 9 for reporting expected credit losses over the remaining term for all trade receivables because these items do not have a significant financing component. In the assessment of expected credit losses, trade receivables have primarily been individually evaluated, and subsequently collectively evaluated as they have similar credit risk characteristics. The expected losses are based on the payment profile for sales over the last year and adjustments to judgments regarding development in the number of franchisees over the last year. Trade receivables also include receivables from goods suppliers. Trade receivables are impaired when there is no reasonable expectation that payment will be received. On the basis of the above, expected credit losses for trade receivables are as follows:

Age analysis other receivables

Aug 31, 2019	Not due	< 60 days	60-90 days	90-180 days	> 180 days	**Total**
Expected credit loss (%)	0%	0%	0%	0%	0%	
Recognized value, gross	31,734	5,346	927	4,329	0	42,336
Expected credit losses for remaining maturity	0	0	0	0	0	0
Recognized value, net	**31,734**	**5,346**	**927**	**4,329**	**0**	**42,336**

Aug 31, 2018	Not due	< 60 days	60-90 days	90-180 days	> 180 days	**Total**
Expected credit loss (%)	0.6%	0.6%	0.6%	12.0%	56.1%	
Recognized value, gross	35,896	6,078	1,401	1,962	11,738	57,075
Expected credit losses for remaining maturity	-211	-36	-8	-235	-6,579	-7,070
Recognized value, net	**35,685**	**6,042**	**1,393**	**1,727**	**5,159**	**50,005**

Trade receivables falling due within one year amounted to SEK 42,336,000 (50,005,000) for the Group and SEK 0 (0) for the Parent Company. As of August 31, 2019 SEK 2,250,000 remain of the 90-180 days overdue receivables.

Reconciliation between the bad debt reserve, trade receivables and the opening bad debt provision, trade receivables is stated below.

Opening bad debt reserve September 1, 2017	**14,045**
Bad debt provision reported in the year	729
Bad debt provision reversed in the year	-7,704
Bad debt reserve as of August 31, 2018	**7,070**
Bad debt provision reported in the year	0
Bad debt provision reversed in the year	-7,070
Unutilized bad debt provision reversed in the year	0
Bad debt reserve as of August 31, 2019	**0**

Note 35 Cont.

Non-current receivables of SEK 8,723,000 (13,467,000), SEK 0 (0) due. A provision for value decrease of SEK 0 (0) was made. Other current receivables of SEK 11,579,000 (20,630,000), SEK 93,000 (94,000) due. A provision for value decrease of SEK 0 (0) was made.

In previous years, impairment of trade receivables was calculated on the basis of the model for incurred losses. Individual non-recoverable receivables were impaired by decreasing the reported amount directly. Receivables for which a credit loss reserve has been reported were written off against the reserve when there was expectation of recovering additional amounts.

Liquidity risk

Liquidity risk is defined as the risk that the Group encounters difficulty meeting its commitments relating to the Group's financial liabilities. Credits to customers, the rate of receivables due, supplier credits and capital tied up in inventories influence the need for liquid funds. The liquidity risk is increased because a majority of rent payments are made on a quarterly basis. There is a risk that liquidity will be insufficient or not available when RNB expects it to be available.

Liquidity management is centralized to the Parent Company in order to optimize utilization of liquid funds and minimize the financing need. The Group manages its liquidity requirements by monitoring forecasts deposits and payments in daily operations and planned interest and loan payments. The liquidity requirement is monitored on a weekly basis and in a rolling eight-week forecast. The long-term liquidity requirement for a 12-month period is identified on a quarterly basis. The net requirement for liquidity is compared to available credit facilities to determine the margin of error or potential deficits. Because of the Group's seasonal variations in operations, the Group requires flexible financing with the ability to utilize committed credit facilities. The analysis is normally carried out by operational subsidiaries on the basis of the determined guidelines and restrictions. In addition, the Group's liquidity policy includes calculating cash flows in major currencies and estimating the volume of liquid funds required to satisfy these requirements.

The data used to analyze these cash flows corresponds to the data used in the analysis of agreed maturities below. This analysis indicates that available loan facilities are expected to be sufficient in the period.

As of the reporting date, the Group's financial liabilities, including derivatives, are subject to the following contracted maturities:

Maturity structure of the Group's financial liabilities

2018/2019	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	6,071	19,193	48,112	25,264	412,293	–	**510,933**
Liabilities to credit institutions	–	–	–	–	–	–	**0**
Trade payables	215,193	–	–	–	–	–	**215,193**
Other liabilities	60,326						**60,326**
	85,637						**85,637**
Currency futures	–	–	–	–	–	–	**0**

2017/2018	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	5,682	17,570	23,252	450,894	–		**497,398**
Liabilities to credit institutions	–	–	–	–	–	–	**0**
Trade payables	204,057	–	–	–	–	–	**204,057**
Other liabilities	60,523						**60,523**
Accrued liabilities	79,998						**79,998**
Currency futures	–	1,348	–	–	–	–	**1,348**

Interest payments on bonds were SEK 23,441,000 in the financial year.

Derivatives refer to currency forwards , see Note 33, that will be settled gross.

Note 36 Capital management

The Group's aim for its capital management is to ensure RNB's ability to trade as a going concern and minimize financial risk. The Group's objective is to maintain balance between continuity and flexibility through loans/bonds and overdraft facilities. One of the Group's long-term objectives is to achieve an improved ratio between net debt and operating result before depreciation and amortization.

The Group generally has a healthy cash flow from operating activities based on a positive operating result and relatively low working capital. The Group's investments can therefore be financed by funds from the operational surplus which is included in the capital requirement strategy.

The central finance function is responsible for capital raisings and liquidity and foreign exchange management. The function also acts as an internal bank for the Group subsidiaries.

The progress of net debt and operating result before amortization and impairment losses is as follows:

	2018/19	2017/18	2016/17
Net debt	442,340	433,520	362,703
Operating result before depreciation, amortization and impairment losses	1,592	89,020	109,994
Ratio	**277.9**	**4.9**	**3.3**

The corporate bond is subject to covenants regarding new borrowing and payment, for example dividends. RNB fulfilled the agreed covenants in the financial year.

Financing risk is the risk that financing cannot be obtained or obtained only at significantly increased cost.

RNB may require additional financing in future. Access to, and the cost of, additional financing are affected by a number of factors such as current market conditions, general access to credit and RNB's creditworthiness and credit capacity. In addition, access to financing is dependent on the market's view of the financial outlook in the short and long term, which can be negatively affected by factors such as major losses or decreased demand for RNB's products due to a deterioration of the economic climate. Disruptions, uncertainty and volatility on the capital and credit markets may also limit access to the capital required to drive and develop the Group's operations. If a company in the Group fails to fulfill an obligation under existing financing arrangements, this may lead to loans being accelerated to immediate payment or that the creditor takes action to recover collateral. Some loan agreements also incorporate cross-default clauses that may result in the acceleration of other payment obligations in RNB.

Note 37 Risks and uncertainties

Strategic risks relate to ensuring that the Company's business model, in the long and short term, satisfies customers' and other stakeholders' demands and wishes and its impact due to changes in the surrounding world. Operational risks are directly attributable to business operations with a potential impact on results of operations and financial position.

Dependence on cyclical trends

Demand for RNB's products, like demand generally in the retail sector, is affected by changes (actual or expected) in overall market conditions. A positive cyclical trend normally has a favorable effect on RNB's sales and earnings. Weaker market conditions could have an adverse effect on RNB's sales and earnings, if disposable household income also declines. Demographics are another factor impacting demand.

Seasonal and weather variations

Generally speaking, retail sales vary with the seasons. Sales are at their strongest during the fall and winter, peaking in December when Christmas shopping is a powerful driver. In recent years, the final weekend of November has increased in significance as a result of Black Friday. "Black Friday/Weekend". The beginning of the school year in August has historically proved to be a strong sales month when sales of children's clothing increase. Prices are generally higher for the fall and winter collections, which has a positive impact on gross profit in the first quarter of the split financial year.. The major discount months of January, February and July have an adverse impact on gross margin and operating margin in these periods.

The weather also affects sales. The Group's products are bought in to be sold based on normal weather conditions. Deviations from normal weather patterns 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 watches. RNB's proprietary brands, coupled with the distribution of other national and international brands, provide an extensive basis for making decisions about fashion trends and adapting products to demand. RNB endeavors to limit dependence on fashion trends by including a basic range of classic designs in the proprietary collections. However, since the fashion industry is subject to rapid changes, the possibility of temporary declines in sales of certain collections cannot be ruled out. In the longer term, RNB also needs to adjust to a changing customer base, e.g. due to demographic or other factors, as well as to changes in consumer purchasing patterns. The ongoing digitalization process and substantial increase in e-commerce has and will continue to affect the clothing sector significantly. Consumers are developing entirely new habits, are less loyal and are able to gather information about goods and prices before buying. This trend has accelerated in the last few years, and increases competition and puts pressure on prices.

Competition

The market for RNB's products is exposed to intense competition in terms of products and markets. RNB's market position is dependent on the Company's and its competitors' resources for marketing, investments and product development, and the ability to adapt to changing consumer preferences. Increased competition could exacerbate price pressure and reduce market share. The ongoing digitalization process and substantial increase in e-commerce will continue to affect the clothing sector significantly over the coming years. New consumer purchasing patterns intensify competition further.

Distribution centers

The goods sold in RNB's stores pass through one of the Company's proprietary or external distribution centers. If one of the distribution

Note 37 Cont.

centers or its equipment is damaged or needs to be shut down, the Company may experience problems delivering goods to stores. If these conditions are not rectified rapidly and cost-effectively, it could damage operations. Insurance policies cover property and production stoppages, but there can be no guarantee that such insurance amounts will be sufficient or that financial losses can be completely recovered.

Information systems
RNB depends on information systems throughout all parts of operations in order to monitor the flow of goods from purchasing to in-store sales and e-commerce, and to coordinate operational and statistical information. The risks relate to the suitability of existing systems as well as securing sensitive operational information. Each long-term interruption, or problems with functionality in information systems, may result in the loss of important information or actions being delayed, reduced sales or delayed implementation of measures, particularly if problems occur during peak season.

Franchise agreements
RNB's operations in Polarn O. Pyret and Brothers are partly conducted through franchisees. Despite an extensive and well-functioning collaboration with franchisees, agreements may come to be terminated which may have negative consequences for the Company's operations. RNB also has exposure in the form of trade receivables from franchisees with the ensuing risk of customer losses.

Supplier risk
RNB is highly dependent on its suppliers for delivery of the Company's products. Approximately 50 percent of purchases are from suppliers in China. Companies in Bangladesh, India, Myanmar and the Baltic region also represent a major proportion of other deliveries. Consequently, disruptions in supplier operations could impact RNB's sales and earnings. Trade restrictions at national or international level could result in changed purchasing procedures, which in turn could have negatively impact operations. Similar measures, or other restrictions in suppliers' ability to deliver goods, could have negative consequences on Company earnings. RNB actively seeks to ensure that its supplier partners comply with international standards and regulatory frameworks relating to working conditions and human rights. In cases where there is a risk of non-compliance, measures shall be implemented on a continuous basis in order to improve conditions. Environmental impact from production is continuously monitored and minimized wherever possible.

Risk of increased production costs
A significant proportion of the products sold by RNB are manufactured in countries with lower wages and salary levels than the Nordics. This implies that RNB can sell products at a lower price compared to what would have been possible if they had been manufactured in Sweden. The countries in which the Company's products are manufactured are undergoing rapid changes and there can be no guarantee that the relatively low cost level will continue. In the event that the Company's costs of purchased goods increase, and the Company is unable to offset this increase with the commensurate price increase to customers, the Company's margins could decline.

Brands
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.

Refurbishment of departments
The Departments & Stores business area's departments in the NK department stores in Stockholm and Gothenburg are currently undergoing extensive refurbishment. This refurbishment implies decreased sales potential and increased costs. There is also a risk that previous existing customers change their preferences during refurbishment and that the results of the refurbishment fail to correspond to previous and existing customers' preferences and habits.

Implementation of strategy
The Annual General Meeting in December 2018 decided to give the Board the assignment of completing a restructuring of the business areas and group-wide functions. As a result of the business areas becoming independent, operational subsidiaries and by minimizing the group structure shareholder value would increase. This work has almost been completed, while a risk remains that RNB does not succeed in completing the restructuring fully or that remaining restructuring takes longer than planned. If the implementation is delayed or is not implemented fully, there is a risk that the expected positive effects fail to materialize.

In parallel with the restructuring, the Board has initiated the work of identifying and analyzing strategic alternatives for the operations, including potential sales of one or several of the operational subsidiaries. There is a risk that RNB is unsuccessful in its efforts to sell one or several of its subsidiaries, which would mean that the positive effects fail to materialize.

Note 38 Events after the end of the financial year

In a press release on September 30, 2019, the Company announced that anticipated operating result for the fourth quarter and full year 2018/2019 would diverge significantly from previous quarters and full year figures.

In a written procedure concluded on 21 October 2019, all participating bondholders accepted changes that include a two-year extension of the bonds to February 2023. This decision was in accordance with a proposal presented in a press release on 30 September 2019.

On 30 September 2019, RNB's Board of Directors decided, assuming authorization by the Extraordinary General Meeting, to increase the Company's share capital by a new issue with preferential rights for the Company's shareholders. The Board decision on the new issue was authorized by the Extraordinary General Meeting on 30 October 2019.

The prospectus for the preferential rights issue was published on 8 November 2019. The subscription price was SEK 1.25 per share with the subscription period between 11-25 November 2019. The shareholders KfS and Novobis, who jointly hold some 45 percent of the votes and shares in the Company have undertaken to subscribe for shares corresponding to their pro rata shares in the preferential rights issue. Furthermore, the remainder of the preferential rights issue is guaranteed by KfS, Novobis and Mangold. Accordingly, the offering is covered by subscription and guarantee commitments corresponding to 100 percent.

Note 38 **Cont.**

The new issue will increase the Company's share capital by SEK 20,347,306 to SEK 30,520,959 and the number of shares in the Company will increase from 33,912,176 to 101,736,528. Upon full subscription, the preferential rights issue will raise some SEK 84.8 M for RNB before issue expenses, which are estimated at some SEK 10 M. The issue proceeds from the preferential rights issue in combination with the decided extension of the bond loan by two years creates the right conditions for successful continued development of the subsidiaries and for creating added value for all the Company's stakeholders. The Company intends to use the total net issue proceeds of some SEK 75 M for the following, presented in order of priority:

- SEK 25 M will be used to acquire the minority stake in Kids Company OY (Polarn O. Pyret Finland).
- SEK 16 M will be used for planned IT investments in 2019/2020.
- SEK 34 M will be used to decrease the rate of utilization of the overdraft facility.

On 10 November, the Company announced that Kristian Lustin had been appointed President and CEO of RNB from January 1, 2020.

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

Stockholm, Sweden, November 27, 2019

Laszlo Kriss
Chairman

Monika Elling *Board member*	Michael Lemner *Board member*	Joel Lindeman *Board member*
Per Thunell *Deputy Chairman*	Sara Wimmercranz *Board member*	Magnus Håkansson *President and CEO*

Our Audit Report was submitted on November 27, 2019
Ernst & Young AB

Beata Lihammar
Authorized Public Accountant

Auditor's Report

To the Annual General Meeting **RNB RETAIL AND BRANDS AB** Corp
ID No 556495-4682

Report on the annual accounts and consolidated accounts

Opinions
We have audited the annual accounts and consolidated accounts for RNB RETAIL AND BRANDS AB (publ) for the financial year, September 1, 2018 to August 31, 2019. The Company's annual accounts and consolidated accounts are included in the printed version of this document on pages 19-61.

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, 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of August 31, 2019 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory Director's Report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the Income Statement and Balance Sheet for the Parent Company and the Group.

Our statements in the report on the annual accounts and consolidated accounts are consistent with the contents of the supplementary report presented to the Parent Company's Audit Committee in accordance with Article 11 of the Auditors Act (537/2014).

Basis for our statements
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. According to our best understanding and conviction, this includes, that no prohibited services specified in Article 5.1 of the Auditors Act (537/2014) have been supplied to the Company reviewed, or where applicable, its Parent Company or companies under its control in the EU.

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

Key Audit matters
Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements and consolidated statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of inventories

Description	*How our audit addressed this key audit matter*
The carrying amount of inventories as of August 31, 2019 was SEK 458 M for the Group, corresponding to 41% of total Group assets. The Group's principles for recognizing inventories is indicated in Note 1, Accounting principles, of the consolidated accounts. More information on inventories is provided under Note 18, Inventories. Inventories are measured at the lower of cost and net realizable value. Net sales value is influenced by the Board of Directors' and management's assessments. These are dependent on factors such as fashion trends and seasonal fluctuations. We asses that the valuation of inventories is a key audit matter as the value is significant and is influenced by critical estimates and judgments.	Regarding valuation of inventories, we have evaluated the Group's routines and processes for pricing inventories, and evaluated the Group's processes and routines for following up and judging inert and obsolescent items. In addition, we have carried out an analytical review with historical comparisons and data analyses in order to identify inert and obsolescent items and evaluated the Group's judgment of the need for impairment. We have reviewed the information provided in the annual accounts.

Goodwill / Participations in subsidiaries

Description	*How our audit addressed this key audit matter*
The carrying amount of Goodwill as of August 31, 2019 was SEK 335 M for the Group, corresponding to 30% of total Group assets. The carrying amount of participations in subsidiaries as of August 31, 2019 was SEK 512 M for Parent Company, corresponding to 69% of total Parent Company assets. The accounting principles and key assumptions and judgments for goodwill and for Parent Company shares in subsidiaries are indicated in Note 1, Accounting principles. Information about impairment testing is presented in Note 13, Goodwill. As a result of the assumptions and judgments made when calculating value in use, we have assessed that goodwill is a key audit matter. The valuation of shares in subsidiaries is dependent on management's judgments regarding indications of whether there is an impairment need. Goodwill relates to operational subsidiaries, and assumptions and judgments made when calculating value in use for underlying units also has an impact on Parent Company value for shares in subsidiaries.	Our Audit evaluates the Group's process for carrying out impairment testing. We have also examined how cash generating units have been identified in relation to set criteria and compared to how the Group follows up operations internally. We have evaluated the Group's valuation methods and calculation models. The reasonableness of the assumptions made and sensitivity analyses for changed assumptions has been reviewed with the help of our valuation specialists and comparisons have been made against historical outturns and the precision of earlier forecasts. We have evaluated the discount rate applied and long-term growth for each unit through comparisons with other companies in the same sector. We have reviewed the information provided in the annual accounts.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on page1-18 and 66-80. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the Company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the Company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without impacting on the Board's responsibilities and work otherwise, monitor the Company's financial reporting.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the financial decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to our audit 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 internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Managing Director.

- Conclude on the appropriateness of the Board of Director's and Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Managing Director of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions
In addition to our audit of the Annual Accounts and Consolidated Accounts, we have examined the administration of the Board of Directors and the Managing Director of RNB RETAIL AND BRANDS AB (publ) for the financial year September 1, 2018 – August 31, 2019, and the proposed distribution of earnings of the Company.

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

Basis for our statements
We conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and Managing Director

The Board of Directors is responsible for the proposed distribution of earnings of the Company. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the Company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the Company's organization and the administration of the Company's affairs. This includes continuous assessment of the Company's and the Group's financial situation and ensuring that the Company's organization is designed so that the accounting, management of assets and the Company's financial affairs otherwise are controlled in a reassuring manner The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the Company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the Company,

- or in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the Company's profit or loss, and thereby our opinion about this, is to assess with a reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the Company, or that the proposed appropriations of the Company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and proposed distribution of earnings is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the Company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion on discharge of liability. As a basis for our opinion on the Board of Directors' proposed distribution of earnings, we have examined the Board of Director's statement and a selection of decision-making data in order to evaluate whether the proposal is in compliance with the Companies Act.

Ernst & Young AB, P.O. Box 7850, SE-103 99 Stockholm, Sweden, was appointed RNB RETAIL AND BRANDS AB (publ)'s Auditor by the Annual General Meeting on December 20, 2018 and has acted as the Company's auditor since December 28, 1996.

Stockholm, Sweden, November 27, 2019
Ernst & Young AB

Beata Lihammar
Authorized Public Accountant

Corporate Governance Report

RNB RETAIL AND BRANDS AB (publ), RNB, is a Swedish public limited liability Company listed on Nasdaq Stockholm. RNB applies the Swedish Code of Corporate Governance and issues this Corporate Governance Report for the financial year 1 September 2018 - 31 August 2019. RNB has prepared this Corporate Governance Report in accordance with the provisions of the Swedish Code of Corporate Governance (the Code), and 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 Directors' Report.

Corporate Governance is concerned with the relationship between 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. Corporate Governance is effected through the Annual General Meeting, the Board of Directors and President in accordance with the Companies Act and the Company's 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 "comply or explain" principle, which means that companies applying the Code may diverge from specific rules but are then required to provide an explanation for such departure.

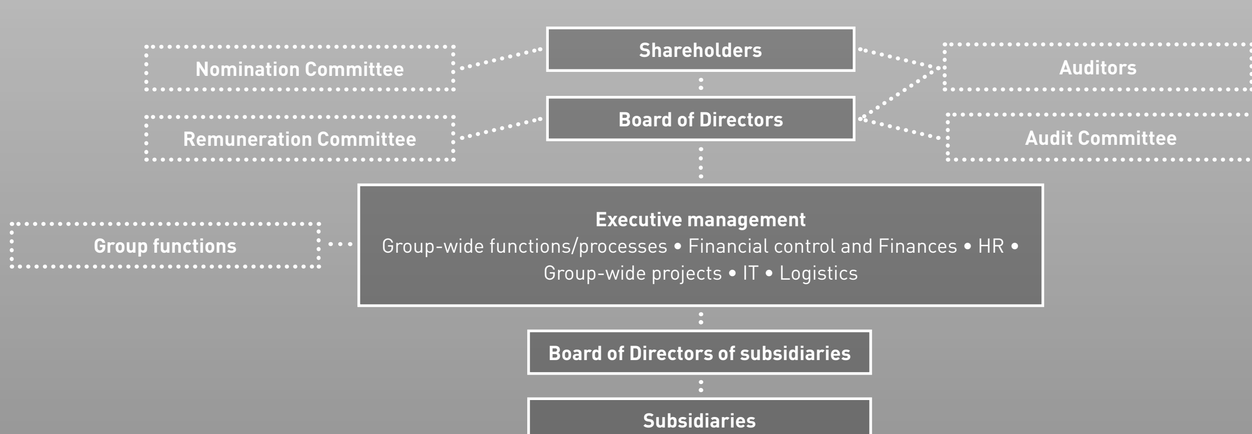
RNB RETAIL AND BRANDS also applies the Swedish Annual Accounts Act for reporting of its corporate governance work. RNB RETAIL AND RNB RETAIL AND BRANDS follows progress in the corporate governance field and continually adjusts its corporate governance principles with the aim of creating value for owners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

Shares and shareholders

As of August 31, 2019, RNB's registered share capital amounted to SEK 203,473 distributed over 33,912,176 shares with a quotient of SEK 6 per share. All shares are common shares. Each share carries one vote at the AGM and all shares have an equal right to a share in the Company's assets and profits.

The number of shareholders amounted to 5,664, of which 97.3 percent were registered in Sweden. The three largest shareholders were Konsumentföreningen Stockholm with 33.2 percent, Novobis AB with 11.8 percent and Avanza Pension Försäkringsaktiebolaget with 5.1 percent. Apart from Konsumentföreningen Stockholm and Novobis AB, no other shareholders hold more than 10

Governance structure



percent of the votes. RNB's ten largest owners held shares corresponding to 68.5 percent of the capital and voting rights in the Company. For more information about the share and shareholders, please see pages 75-76 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 Sheet and Income Statement, making resolutions concerning the distribution of earnings from operations and discharging members of the Board and the President from liability. The AGM also elects RNB's Auditor.

The AGM must be held no later than six months after the end of the financial 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 included in the share register who have notified their attendance in time are entitled to attend and vote at the AGM. Shareholders unable to attend in person may be represented by a proxy.

Information from previous AGMs and EGMs are available at https://www.rnb.se/en/Corporate-governance/Annual-general-meeting.

Annual General Meeting for the 2017/2018 financial year

The AGM was held on December 20, 2018 at RNB's premises at Drottninggatan 33 in Stockholm, Sweden. At the AGM, 18 shareholders participated, personally or via proxy, representing 45.9 percent of the number of shares and votes in the Company. Laszlo Kriss was elected Chairman of the AGM.

Extraordinary General Meetings

Extraordinary General Meetings were held on August 12, 2019 and October 30, 2019. The Extraordinary General Meetings authorized changes in the Articles of Association, a decrease in share capital for allocation to equity and a new issue.

Annual General Meeting for the 2018/2019 financial year

The AGM will be held on Thursday, December 19, 2019 at 5 p.m. CET at RNB's premises at Drottninggatan 33 in Stockholm, Sweden. For more information about the AGM, please see RNB's website, www.rnb.se/en/Corporategovernance/Annual-general-meeting/.

Nomination Committee

RNB RETAIL AND BRANDS has a Nomination Committee whose duties include preparing and submitting proposals to shareholders regarding 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, convene the four largest shareholders in the Company. They then appoint one member each to the Nomination Committee. The Chairman of the Board is co-opted to the Nomination Committee, but not as 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 also reports to the Nomination Committee regarding the conditions for the Board's work and specific competences 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 Board members. The Nomination Committee also has to consider regulations governing non-affiliation, which apply to the Board. The Nomination Committee holds meetings as necessary, but at least once per year. Shareholders are able to submit proposals to the Nomination Committee for further evaluation.

The AGM in December 2018 resolved that a Nomination Committee would be appointed from the major shareholders with the task of proposing Board members ahead of the AGM for the 2018/2019 financial year. Prior to the AGM on December 19, 2019, members of the Nomination Committee were appointed in accordance with the resolution of the AGM and consists of Lars Ericsson, CEO of Konsumentföreningen Stockholm, Fredrik Carlsson, Novobis AB and Johan Fahlin.

No remuneration is paid to members of the Nomination Committee.

Attendance at Board meetings in the financial year:

	Attendance at Board meetings		Attendance at Committee meetings	
Board member	Regular (7)	Additional (8)	Remuneration Committee (1)	Audit Committee (4)
Laszlo Kriss	7/7	7/8		4/4
Per Thunell	7/7	8/8		4/4
Monika Elling	7/7	8/8		4/4
Michael Lemner	6/7	7/8	1/1	
Sara Wimmercranz	6/7	8/8	1/1	
Joel Lindeman	7/7	8/8	1/1	

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 strategy, 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 no less than five and no more than eight members, with no deputies. The AGM appoints the Board members for the period until the next AGM has been held. The Company'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 Rules of Procedure established by the Board for its work. The AGM in December agreed to re-elect the Board members Laszlo Kriss, Monika Elling, Michael Lemner, Joel Lindeman, Per Thunell and Sara Wimmercranz. The President and CEO is co-opted to the Board.

Articles of Association

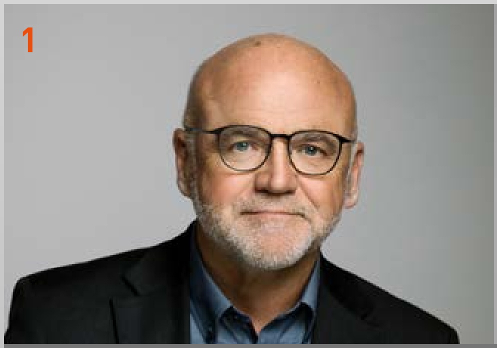
The Articles of Association may only be amended at the AGM or an Extraordinary General Meeting. The current Articles of Association are available at https://www.rnb.se/en/Corporate-governance/Articles-of-association/.

Board of Directors—Rules of Procedure

RNB's Board of Directors is governed by formal Rules of Procedure that complies with the Swedish Companies Act with respect to the division of duties and reporting. The formal Rules of Procedure govern Board meetings, issues to be addressed at Board meetings, the Chairman's duties, the President's duties and certain other matters. The Board

Board of Directors

1



2

3

1 Laszlo Kriss, born in1946

Chairman of the Board, Member of RNB's Board since 2009.

Independent of the Company or Management, independent of the Company's major owners.

Other Board assignments: Bantorget Förvaltnings AB.

Shareholding in RNB: 20,500

2 Monika Elling, born in 1962 Master of Science (Economics and Business), Stockholm School of Economics and Mechanical Engineer

Member of RNB's Board since 2014.

Independent of the Company or Management, independent of the Company's major owners.

Other Board assignments: Chairman at Talent Eye AB. Board member of Nybrofabriken Förvaltningsaktiebolag, Ljung&Sjöberg Holding AB, Ljung & Sjöberg Aktiebolag, Quesada Kapitalförvaltning AB, Zound Industries International AB and Zenith Group AB.

Shareholding in RNB: 43,700

3 Joel Lindeman, born in 1976, M.Sc. (Econ)

Member of RNB's Board since 2017.

Independent of the Company or Management, not independent of the Company's major owners.

External CEO of Novobis AB and Future Securities in Scandinavia AB.

Other directorships: Chairman in European Service Partner AB and Insert Coin AB and Board member of Lorensbergs Organisationskonsulter AB, CZ Hospitality AB, B2B Scandinavia Group AB, StrategiQ Företagspartner AB, Intervex AB, Lindeman Kapitalförvaltning AB and B2B Scandinavia AB.

Shareholding in RNB: 17,300

normally holds six scheduled Board meetings during the financial year and extraordinary meetings are held as necessary. Four of the scheduled meetings are held in connection with publication of each of the four quarterly reports, one is reserved for strategic issues, and one scheduled meeting addresses the budget for the following financial year. The regular meetings were primarily devoted to earnings follow-ups, investment matters, external reporting, budgets and strategy issues. 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 non-affiliation of Board members. The Board's assessment regarding non-affiliation of Board members in relation to the Company and its shareholders is shown in the description of the Board on pages 68-69 of the Annual Report.

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 and presenting recommendations for the Board on questions relating to remuneration principles, including performance-based remuneration and pension terms, to the Company's senior executives, complying with and evaluating ongoing and completed programs for variable remuneration to company management and also complying with and evaluating the application of guidelines and remuneration to senior executives statutorily resolved by the AGM. The Committee also prepares the proposal to the AGM regarding guidelines for remuneration to senior executives.

Since the AGM in December, 2018 the Remuneration Committee comprises Joel Lindeman, (Chairman), Michael Lemner and Sara Wimmercranz.

4 Per Thunell, born in 1953, Master of Science (Economics and Business), Stockholm School of Economics

Member of RNB's Board since 2012

Independent of the Company or Management, not independent of the Company's major owners.

Previously CFO of Konsumentföreningen Stockholm

Other Board assignments: No other significant directorships

Shareholding in RNB: 0

5 Michael Lemner, born in 1957, Degree in Economics, Stockholm university

Member of RNB's Board since 2013.

Independent of the Company or Management, independent of the Company's major owners.

CEO and consultant with Tim-Tam Consulting SPRL (Belgium)

Other directorships: Board member of Fashion3 (AFM Fashion Brands), Rougegorge, Jules, Pimkie, Grain de Malice, Bizzbe (all in France), Orsay Group Gmbh (Germany), Orsay (Poland), Co-Founder and Board member of Retviews SA (Belgium)

Shareholding in RNB: 0

6 Sara Wimmercranz, born in 1980, Human resources specialist.

Member of RNB's Board since 2015

Independent of the Company or Management, independent of the Company's major owners.

Other assignments: Founding Partner and CEO of investment company BackingMinds, co-founder of Footway. Board member of Dynamic Code and TrusTrace.

Shareholding in RNB: 0

Shareholding as of August 31, 2019

Audit Committee

The task of the Audit Committee, which is appointed by the Board, is to prepare the Board's work on quality assurance of the Company's financial reporting. The Committee maintains continuous contact with the Company's Auditors in order to keep informed of the focus and scope of the Audit and discuss views on the Company's risks. The Audit Committee also adopts guidelines regarding services other than audit that the Company may procure from the Auditor. The Committee's duties also include evaluating the Audit work and reporting 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 results of the statutory audit and explaining how the Audit contributed to the reliability of the financial reporting.

During the financial year, the Audit Committee comprised Monika Elling (Chairman), Laszlo Kriss and Per Thunell.

Group Management

1

2

3

4


1 Magnus Håkansson,
born in 1963

President and CEO

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

Employed since 2011

Shareholding in RNB: 71,500

Significant assignments outside the Company: Chairman of Tenant & Partner Group AB and GS1 Sweden AB, Board member of Mekonomen Group.

Formerly CEO of Expert Sverige, CFO of the KF Group and Chairman of RNB in 2010.

The President and CEO will terminate his employment on December 31, 2019

2 Kristian Lustin,
born in 1970

Chief Financial Officer (CFO)

Master of M.Sc. (Econ.), Uppsala University

Employed since 2015

Shareholding in RNB: 10,000

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

3 Lina Söderqvist,
born in 1970

CEO, Brothers

B.Sc. (Econ.), Gothenburg School of Economics

Employed since 2018

Shareholding in RNB: 0

Significant assignments outside the company: Board member of Rapunzel of Sweden and AWB (A World Beneath).

Previous roles include Marketing Director at Åhléns, Marketing Director at Björn Borg and experience of various roles in advertising, including project management and as CEO. Extensive past experience within the PR industry as project leader and CEO.

4 Yvonne Magnusson,
born in 1965

CEO Departments & Stores

B.Sc. (Econ.), Mid Sweden University

Employed since 2019

Shareholding in RNB: 0

Previous experience includes CEO of Cervera, K Rauta/Onninen and Villeroy & Bosch

Remuneration of the Board of Directors

The AGM in December, 2018 approved total Directors' fees of SEK 1,361,250, to be allocated as follows: SEK 376,250 to the Chairman and SEK 172,000 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' Auditor is elected by the AGM. The AGM in December 2018 appointed Ernst & Young as Auditor for the period until the end of the next AGM. Ernst & Young AB has appointed Authorized Public Accountant, Beata Lihammar, 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 President's administration of the Company and the quality of the Company's accounting records. The Auditor

5

6

7

5 Nanna Hedlund, born in 1974

CEO Polarn O. Pyret

M.Sc. (Econ.), Stockholm University

Employed since 2016

Shareholding in RNB: 0

Significant assignments outside the Company: Board member of Casall AB

Extensive experience within the international retail sector, with focus on markets, brand development and digitalization. Previously Marketing Director at Kicks, marketing manager at Mio and Communications manager at JC. Previously head of marketing at Mio and Communication manager at JC.

6 Carl Franke, born in 1973

CIO and IT Manager

M.Sc. (Computer Science), Stockholm University

Employed since 2018

Shareholding in RNB: 0

Previously Head of IT Operations at Axstores. Previously senior positions in IT at SPP and Länsförsäkringar, and naval officer.

7 Martin Jungerts, born in 1981

Logistics Director

Employed since 2015

B.Sc. (Eng.) Industrial Economics, Chalmers University of Technology

Shareholding in RNB: 400 via related parties

Previously goods flow manager at Coop Logistics. Previously executive roles in supply chain, sourcing and production logistics at Nera Networks.

Shareholding as of August 31, 2019

reports the outcome of its examination to shareholders in an Audit Report, which is presented to the AGM. In addition, the Auditor submits detailed reports to the Audit Committee at scheduled Audit Committee meetings and to the Board of Directors once annually Apart from the Audit, the Auditor shall inform the Board of Directors of duties carried out besides Audit services, remuneration for such services and other circumstances, which are of important for the Auditor's independence. During the financial 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.

Internal audit

To date, RNB has not found any reason to establish a specific internal audit function. The Company continuously strengthens internal control and has implemented a number of control activities. The issue of a specific internal audit function is assessed annually.

The President & CEO and Group Management

The President manages operations in accordance with the approved Rules of Procedure governing the division between the President and the Board of Directors 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 complete decision-making data as far as possible. The President also keeps the Chairman informed of the Company's and Group's performance and financial position.

The President and other members of Group Management hold meetings throughout the financial year to follow up budget and plans, and to discuss strategic issues. RNB RETAIL AND BRANDS' Group Management comprises seven persons — President/CEO of RNB, CFO of RNB, Presidents of each business area, IT Director, and Logistics Manager.

Control of the business areas is conducted via internal 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 Rules of Procedure that comply with the Companies Act regarding the division of duties and reporting. The formal Rules of Procedure govern Board meetings, issues to be addressed at Board meetings, the Chairman's duties, the President's duties and certain other matters. The Boards have scheduled quarterly meetings, where matters addressed include budget follow-ups, action plans and investments.

Remuneration to the CEO and senior executives

The guidelines for remuneration and other terms of employment to senior executives are approved annually by the AGM. Senior executives are defined as the President and other members of 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 members of Group Management are decided by the President, after approval by the Remuneration Committee. RNB RETAIL AND BRANDS applies market-related levels of compensation and terms of employment, necessary to recruit and motivate highly skilled management with the capability to achieve set goals. Forms of remuneration motivate Group management to do their utmost to safeguard the interests of shareholders.

Remuneration paid to members of Group management comprises basic salary and variable salary, pension and other remuneration. Basic and variable salary is determined by taking account of skills, area of responsibility and performance. The variable salary 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 annual basic salary. Variable salary is evaluated annually and does not qualify for vacation or pension. Pension benefits are defined contribution and the standard age of retirement is 65-67 years. Upon termination of contract, a notice period of six to twelve months applies.

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

For information about remuneration to the Board and senior executives, see Note 5 in the 2018/2019 Annual Report.

Internal control

Under the Swedish Companies Act and the Code, the Board is responsible 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 addressing these issues. Group Management and managers at various levels in the Company also hold this responsibility within their specific areas. Authority and responsibility are defined in guidelines, documents detailing responsibilities and authorization procedures. The Board of Directors continually seeks to ensure that internal control is effective by obtaining information and reporting from Company management. The Audit Committee also conducts discussions with the Company's Auditors regarding internal control. The aim of the Company's internal control is to create an operational basis where requirements, goals and frameworks are clearly defined. The control is ultimately aimed at protecting the Company's assets and thereby shareholders' investments. Internal control at RNB follows 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 internal control. The control environment primarily consists of ethical values, integrity, expertise, management philosophy, organizational structure, responsibility and authority. RNB's internal Rules of Procedure, instructions, policies, guidelines and manuals are important in this context since they are used as guidelines for employees.

With regard to operating activities, the President is responsible for the internal control system required to create a control environment for material risks.

The President reports regularly to the Board on this.

Risk assessment and control activities

RNB also produces 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 analyses of needs and risk.

In addition, RNB follows a Code of Conduct that applies to the Group as a whole. 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 Code of Conduct is part of the Group's trade payables agreement.

The Board considers 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 policies and guidelines, ensuring that satisfactory control of financial reporting can be maintained.

RNB analyzes risk on an ongoing basis in order to identify potential sources of error within its financial reporting. The Company has identified processes in which the risk of significant errors in financial reporting can 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. 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 reconciliation and support controls. The aim of all countermeasures and control activities is to prevent, discover and correct mistakes or deviations in 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 the reporting date, or when indications point to a decline in value, impairment testing of goodwill is carried out to calculate the fair value of underlying assets. In this context, assumptions concerning future growth, profitability and financing are key parameters. The counterparties' ability to meet obligations for trade receivables is assessed continuously. Deferred tax assets tied to loss carry-forwards are recognized to the extent that future surpluses can be utilized against deferred tax assets.

Information and communication

Correct internal and external information requires the efficient exchange and reporting of relevant and important information on operations between all areas. To achieve this, RNB has produced policies and guidelines pertaining to the handling of information in the financial process and insider rules, which Group Management has communicated to staff. There have been no violations leading to disciplinary measures from Nasdaq Stockholm or a statement from the Swedish Securities Council in the financial year or subsequent period.

Follow up by the Board

The Board continuously evaluates the information submitted by management. The Board also monitors the efficiency of the work of 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, Sweden, November 27, 2019

Laszlo Kriss
Chairman

Magnus Håkansson
President and CEO

Monika Elling
Board member

Joel Lindeman
Board member

Michael Lemner
Board member

Per Thunell
Deputy Chairman

Sara Wimmercranz
Board member

Audit opinion concerning the Corporate Governance Report

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

Assignment and division of responsibilities
The Board of Directors and the President are responsible for the Corporate Governance Report for the financial year September 1, 2018 – August 31, 2019 on pages 66-74 and for its preparation in accordance with the Annual Accounts Act.

Scope and focus of the review
Our review has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's opinion regarding the Corporate Governance Report. This means that our review of the Corporate Governance Report has a different focus and is significantly limited in scope compared to the focus and scope of an audit conducted in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides a sufficient basis for our opinion.

Opinions
A Corporate Governance Report has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, Sweden, November 27, 2019

Ernst & Young AB

Beata Lihammar
Authorized Public Accountant

The Share

The RNB share was listed on Nasdaq Stockholm in June 2001 under the ticker RNBS and is currently traded on the small cap list.

Trading and share performance

The closing share price on Saturday, August 31, 2019 was SEK 3,80, corresponding to market capitalization of SEK 128,866,269. The highest price quoted in the financial year was SEK 8.64 and the lowest SEK 3.5.

Share capital

As of Saturday, August 31, 2019, RNB's registered share capital amounted to SEK 203,473,056 distributed over 33,912,176 shares with a quotient value of SEK 6 per share. All shares are common shares.

Shareholders

As of August 31, 2019, the number of shareholders amounted to 5,664, of which 97.3 percent were registered in Sweden. RNB's ten largest owners held shares corresponding to 68.5 percent of the capital and voting rights in the Company.

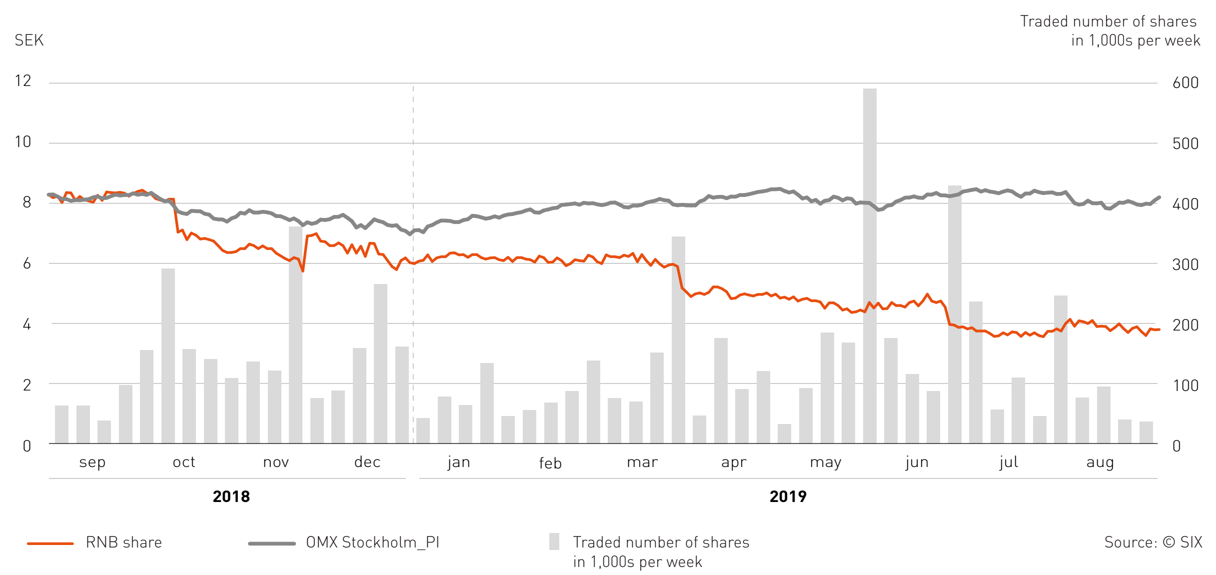
Proposed dividend

The Board of Directors proposes to the AGM that no dividend be paid for the financial year 2018/2019.

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 the three Interim Reports. Before publication of Interim and Year-end reports, RNB observes a silent period of two weeks. RNB's Annual Report is only distributed via the Group website and on request from the Company. Read more at www.rnb.se/en/Investor-Relations/

The RNB share



Owners as of August 31, 2019

Largest shareholders	No of shares	Share capital/ votes, %
Konsumentföreningen Stockholm	11,246,598	33.2
Novobis AB	4,000,000	11.8
Avanza Pension Försäkringsaktiebolaget	1,722,813	5.1
Catella Fondförvaltning	1,586,581	4.7
Hans Björstrand	1,474,000	4.4
Nordnet Pensionsförsäkring AB	1,141,977	3.4
Pareto Securities AS	986,249	2.9
Youplus Assurance	346,500	1.0
Johan Fahlin	335,503	1.0
Anders Olsson	330,349	1.0
Total, largest shareholders	**23,170,570**	**68.5**
Other	10,741,606	31.5
Total	**33,912,176**	**100.0**

Ownership structure as of August 31, 2019

Size of shareholding by category	No. of share-holders	Share capital/ votes, %
1-500	4,304	1.2
501 -1,000	441	1.0
1,001 -5,000	600	4.3
5,001 -10,000	126	2.9
10,001 -15,000	46	1.7
15,001 -20,000	32	1.7
20,001 –	115	87.2
Total	**5,664**	**100.0**

Key data per share*

SEK/per share	2014/2015	2015/2016	2016/2017	2017/2018	**2018/2019**
Earnings per share	1.25	0.76	0.90	1.07	-4.20
Dividend per share	0.25	0.25	0.30	0	0
Buy price of the share at year-end on OMX Nordic	14.3	11.6	12.55	8.3	3.8
Equity per share	9.01	9.54	10.03	11.48	6.93

* Earnings per share and average number of shares have been calculated according to definition in IFRS.
In connection with the new issue, shares have been merged 200:1. Historical comparable figures for average number of shares and Earnings per share have been adjusted for this.

Share capital progress

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

Five-year summary

Income Statement

SEK M	Sep 14–Aug 15	Sep 15–Aug 16	Sep 16–Aug 17	Sep 17–Aug 18	**Sep 18–Aug 19**
Revenue	2,151.5	2,189.8	2,251.6	2,272.3	2,296.3
Operating result	47.9	36.3	62.6	47.1	-110.2
Net financial items	-5.7	-10.4	-29.9	-8.4	-32.4
Profit/loss after financial items	42.3	25.8	32.7	38.8	-142.6
Net income for the year	**42.3**	**25.9**	**30.4**	**36.5**	**-142.5**

Balance Sheet

SEK M	Sep 14–Aug 15	Sep 15–Aug 16	Sep 16–Aug 17	Sep 17–Aug 18	**Sep 18–Aug 19**
Non-current assets	501.0	535.8	509.5	537.7	479.8
Inventories	400.9	404.1	427.7	499.3	458.4
Trade receivables	48.7	45.6	53.4	50.0	42.3
Other current assets	78.1	93.0	95.8	127.3	120.7
Cash and cash equivalents	47.2	24.2	36.4	11.3	10.6
Assets included in disposal groups are classified as if held for sale/discontinuation	-	-	-	-	-
Total assets	**1,075.9**	**1,102.6**	**1,122.9**	**1,225.4**	**1,112.0**
Shareholders' equity	305.7	323.5	340.0	389.4	235.0
Non-current liabilities	385.5	401.8	399.0	418.5	422.8
Current liabilities	384.7	377.3	383.9	417.6	454.2
Liabilities in disposal groups are classified as if held for sale/discontinuation	-	-	-	-	-
Total equity and liabilities	**1,075.9**	**1,102.6**	**1,122.9**	**1,225.4**	**1,112.0**

Key ratios

	Sep 14–Aug 15	Sep 15–Aug 16	Sep 16–Aug 17	Sep 17–Aug 18	**Sep 18–Aug 19**
Gross profit margin, %	50.1	50.3	50.6	49.9	49.1
EBIT margin, %	2.2	1.7	2.8	2.1	-4.9
Profit margin, %	2.0	1.2	1.4	1.6	-6.3
Risk-bearing equity, SEK m	305.7	323.5	340.0	389.4	235.0
Share of risk-bearing equity, %	28.4	29.3	30.3	31.8	21.1
Equity/assets ratio, percent	28.4	29.3	30.3	31.8	21.1
Capital employed, SEK M	693.4	726.6	739.0	834.1	690.6
Return on capital employed, %	8.1	5.2	8.9	8.4	-14.2
Return on equity, %	14.8	8.2	9.2	10.0	-45.6
Number of full-time employees	1,024	1,047	1,028	1,021	992
Number of proprietary stores at end of period	185	202	198	202	201
Number of franchise stores and e-commerce outlets at end of period	77	61	61	59	46

Per share data*

	Sep 14–Aug 15	Sep 15–Aug 16	Sep 16–Aug 17	Sep 17–Aug 18	**Sep 18–Aug 19**
Profit after tax, SEK	1.25	0.76	0.90	1.07	-4.20
Equity, SEK	9	10	10	11	7
Average number of outstanding shares, thousands	33,912	33,912	33,912	33,912	33,912
Number of shares at year-end, thousands	33,912	33,912	33,912	33,912	33,912

* Earnings per share and average number of shares have been calculated according to definition in IFRS.
In connection with the new issue, shares have been merged 200:1.
Historical comparable figures for average number of shares and Earnings per share have been adjusted for this.

Key performance measures

SEK M	**Aug 31, 19**	Aug 31, 18
Net sales	2,266.7	2,238.4
Goods for resale	-1,154.1	-1,122.0
Gross profit	**1,112.6**	**1,116.4**
Other operating result	29.6	33.9
Other external expenses	-570.4	-516.9
Personnel expenses	-570.2	-544.3
Depreciation/amortization of property, plant and equipment	-46.7	-41.9
Impairment of goodwill	-65.0	-
Operating result (EBIT)	**-110.1**	**47.1**
Interest income and similar profit/loss items	2.2	5.2
Interest expenses and similar profit/loss items	-32.0	-27.4
Unrealized gains on currency derivatives	-2.5	13.8
Net financial items	**-32.4**	**-8.4**
Profit/loss after financial items (EBIT)	**-142.5**	**38.8**
Adjustments:		
Tax on profit for the period	0.1	-2.3
Profit for the period	**-142.5**	**36.5**
Operating result	-110.1	47.1
Depreciation/amortization of property, plant and equipment	46.7	41.9
Impairment of goodwill	65.0	-
Operating result before depreciation/amortization of property, plant and equipment (EBITDA)	**1.6**	**89.0**
Contingent purchase consideration	22.8	23.4
Other non-current interest-bearing liabilities	397.2	395.1
Other non-current liabilities	2.7	-
Non-current liabilities	**422 7**	**418.5**
Contingent purchase consideration	22.8	23.4
Other non-current interest-bearing liabilities	397.2	395.1
Other current interest-bearing liabilities	32.9	26.3
Cash and cash equivalents	-10.6	-11.3
Net debt	**442.3**	**433.5**
Equity OB	389.4	340.0
Equity CB	235.0	389.4
Average equity	**312.2**	**364.7**
Total assets	1,112.0	1,225.4
Trade payables	-215.2	-204.1
Other current liabilities	-206.1	-187.2
Capital employed	**690.6**	**834.1**
Profit for the period	-142.5	36.5
Average equity	312.2	364.7
Return on equity, %	**-45.6**	**10.0**
Capital employed OB	834.1	739.0
Capital employed CB	690.6	834.1
Average capital employed	**762.4**	**786.6**
Interest expenses and similar profit/loss items	-32.0	-27.4
Unrealized expense on currency hedges	-2.5	0.0
Profit/loss after financial items	-142.5	38.8
Average capital employed	762.4	786.6
Return on capital employed, %	**-14.2**	**8.4**
Operating result	-110.1	47.1
Interest income and similar profit/loss items	2.2	5.2
Unrealized income on currency hedges	0.0	13.8
Earnings after financial items	**-108.0**	**66.2**

Definitions of key ratios

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

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

MARGIN METRICS

Gross profit margin
Net sales less goods for resale in relation to net sales.

Purpose: The margin illustrates the proportion of sales remaining to cover other expenses.

Operating margin
Operating result as a percentage of net sales.

Purpose: The measure is used to measure operational profitability.

RETURN METRICS

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

Purpose: The measure illustrates the return generated by the Company on shareholders' equity.

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

Purpose: Illustrates the Company's returns independent of financing.

FINANCIAL METRICS

Equity/assets ratio
Shareholders' equity in relation to total assets.

Purpose: Equity/assets illustrates the proportion of assets financed by equity.

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

Purpose: Net debt illustrates the ability to pay off interest-bearing liabilities using available liquid funds if due on the date of calculation.

Net debt equity ratio
Net debt as a percentage of equity attributable to Parent Company shareholders.

Purpose: The measure illustrates the Company's financial strength.

Quotient of net debt and operating result before depreciation and amortization

Purpose: Useful for evaluating the Company's financial position, ability to pay dividend and rate of borrowing. The key measure is also important to holders of the Company's corporate bond.

Interest coverage ratio
Profit after net financial items plus financial expenses divided by financial expenses and the expense for unrealized results on currency forwards.

Purpose: Interest coverage ratio illustrates the Company's ability to cover its financial expenses.

SHARE-BASED METRICS

Equity per share
Equity attributable to the Parent Company's shareholders divided by the number of shares at the end of the period.

Purpose: The measure illustrates the extent of equity available per share.

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

Purpose: The performance measure is used to evaluate investment performance from a shareholder perspective.

OTHER TERMS

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

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

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

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

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

Information about the AGM

The Annual General Meeting will be held at 5 p.m. on Thursday December 19, 2019 at Drottninggatan 33 in Stockholm, Sweden.

Participation

Shareholders wishing to participate in the AGM must be recorded in the Securities Register maintained by Euroclear Sweden AB no later than Friday December 13, 2019, and notify the Company of their intention to participate no later than Friday December 13, 2019 at RNB RETAIL AND BRANDS AB, PO Box 161 42, SE-103 23 Stockholm, Sweden, by telephone to +46 8 410 520 00 or by e-mail to till maia.lidbeck@retailandbrands.se. Shareholding, name, personal ID number, address, telephone number and information regarding potential adjunct need to be provided when registering participation.

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 be entitled to participate in the AGM. Such registration must be completed with Euroclear Sweden AB by December 13, 2019. Shareholders should request nominees to process re-registration in good time before this date.

Dividend

The Board of Directors proposes to the AGM that no dividend be paid for the financial year 2018/2019.

Calendar

December 19, 2019	Interim Report for the first quarter
December 19, 2019	Annual General Meeting, 5 p.m.
March 26, 2020	Interim Report for the second quarter
June 25, 2020	Interim Report for the third quarter
October 8, 2020	Interim Report for the fourth quarter

PRODUCTION: BOX IR IN COLLABORATION WITH SJÖ & BERG PRINTING: ELANDERS TRANSLATION: EDGE FINANCIAL TRANSLATORS LTD

RNB RETAIL AND BRANDS

Postal address:
P.O. Box 161 42
103 23 Stockholm,
Sweden

Visitors:
Drottninggatan 33,
4th floor
Stockholm, Sweden

www.rnb.se
www.brothers.se
www.manofakind.se
www.polarnopyret.se