

RNB

INTERIM REPORT

1 SEPTEMBER 2018 – 31 MAY 2019

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RNB RETAIL AND BRANDS

POLARN O. PYRET
DEPARTMENTS & STORES

Man of a kind
BROTHERS

Group restructuring continues

Net sales increased and e-commerce growth continued in the quarter. Weak comparable sales still outperformed the market. Discount-driven sales continued to pressure gross margins and profit. The Group restructuring is now fully underway and ownership changes are being considered in the fall. Operating income before restructuring expenses was SEK -10 M (6) in the quarter.

THIRD QUARTER, MARCH 1, 2019 – MAY 31, 2019 IN SUMMARY

- Net sales increased to SEK 511 M (510).
 - Comparable sales for the Group on all national markets decreased by -1.1 percent.
 - Sales for comparable units in Sweden decreased by -0.4 percent, outperforming the market downturn of -4.8 percent.
 - Operating income before restructuring costs was SEK -10 M (6).
 - Operating income was SEK -17 M (6).
 - Profit after tax amounted to SEK -27 M (3).
 - Earnings per share was SEK -0.79 (0.09).
 - Cash flow from operating activities was SEK 18 M (3).
- Sales for comparable units in Sweden increased by 1.3 percent, outperforming the market downturn of -3.4 percent.
 - Operating income before restructuring costs was SEK 14 M (50).
 - Operating income was SEK -10 M (50).
 - Profit after tax amounted to SEK -36 M (49).
 - Earnings per share was SEK -1.07 (1.45).
 - Cash flow from operating activities was SEK 92 M (50).

EVENTS IN THE QUARTER

- Departments & Stores opened an outlet store at the Stockholm Quality Outlet in Barkarby.
- Polarn O. Pyret won the category “Best ethical brand” at the 2019 Babyccino Awards.

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

- Net sales increased to SEK 1,715 M (1,678).
- Comparable sales for the Group on all national markets increased by 1.3 percent.

CONTACT

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CFO Kristian Lustin +46 (0)8 410 524 63

PRESS AND ANALYST MEETING

RNB will hold a press and analyst conference in connection with the publication of the report, presented by Magnus Håkansson, President and CEO and Kristian Lustin, CFO. The presentation will be held on June 26 at 10:00 a.m. CET and can be followed through a teleconference/audiocast.

To participate in the teleconference please call before the opening of the conference:

+46 856 642 692 (Sweden)
+44 333 3009 266 (UK)

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

FINANCIAL CALENDAR

Interim Report, fourth quarter 2018/2019	October 10, 2019
Annual General Meeting 2018/2019	December 19, 2019
Interim Report, first quarter 2019/2020	December 19, 2019

This information is such that RNB RETAIL AND BRANDS AB (publ) is required to disclose according to the EU's Market Abuse Regulation and the Swedish Securities Markets Act. The information was submitted for publication through the agency of the above contact persons on June 26, 2019 at 07:00 a.m. (CET).

This report has been prepared in English and Swedish versions. In the event of any discrepancy between the two versions, the Swedish report shall prevail.

Comments from the CEO

RESTRUCTURING CONTINUES

The restructuring measures aimed at separating off the business areas has come a long way. The main remaining issue relates to dividing up the IT function, which is expected to be completed by the end of 2019. Total restructuring costs amounted to SEK 7 M in the quarter, which will reduce central costs by an estimated SEK 15 M annually from the third quarter 2019/20 onwards. We're retaining our focus on carrying out the companies' strategies and business plans. There may be changes to the ownership of one or several of the companies at some point this fall. We've started sounding this out and discussions are underway.

E-commerce continued to grow, up 20% in the quarter, or close to 9% of total group sales. E-commerce R12 grew by close to 46% over the past year, totaling over 9% of group sales. Brothers, noting an increase in sales of 2.4% in comparable stores in Sweden are taking market share in the quarter. Sales are unsatisfactory for Departments & Stores and Polarn O. Pyret, but still better than the market according to Stilindex, which recorded -4.8% in comparable stores in Sweden for the quarter. RNB's comparable Swedish sales decreased overall by -0.4%.

Operating income was SEK -10 M (6) excluding restructuring expenses in the quarter.

A WEAK QUARTER FOR POLARN O. PYRET

Polarn O. Pyret's sales decreased despite high activity and a good supply of goods. Very warm weather in the month of May last year meant that summer garments and outerwear both sold very well in the comparative period. The lower sales in the current quarter - a decrease of -3.4% in comparable stores in Sweden - were most evident in the month of May. The season as a whole should be considered over the last two quarters and Polarn O. Pyret went very strongly in terms of sales overall over quarter two and three. Extensive discounting by all market operators in the spring also had a negative effect on gross margin and lower profit.

Aggressive buying in recent years has resulted in excessive inventories. The efforts aimed at reducing inventories impacted gross margin. The positive volume effects seen in earlier quarters were absent in the period due to a weak market, and operating income was SEK -13 M (-2) in the third quarter and operating income on a rolling 12-month basis is now SEK 32 M.

Polarn O. Pyret has laid a strong platform both strategically and operationally, which among other things has rendered nice awards during the past year (best loyalty concept, best store concept, best brand care, greenest brand etc). Based on this platform and a fundamentally strong range, we expect a better development in the coming quarters.



BROTHERS GAIN MARKETSHARES

Brothers rests on a stable foundation with an excellent product range that represents great value for money. We're proud of Brothers' in-store service.

Brothers significantly outperformed the market in the quarter and sales were up +2.3% for comparable stores on the previous quarter and gain marketshares. This represents early evidence of successful restructuring. Brothers' e-commerce sales increased by 22% in the third quarter, representing a high growth rate even if it was down slightly on recent quarters. Previous problems in the supply function have now been resolved.

We have positive expectations for sales and earnings ahead. Operating income was SEK 6 M (14) in the third quarter. Rolling 12-month operating income was SEK -3 M.

Brothers continues to focus on the brand, digital marketing and expansion in e-commerce to clarify its value offering. Brothers has had a challenging few quarters, but the business area's reorientation is now starting to show promising results. Brothers has positive potential and the focus will remain on these areas over the coming 3-year period.

POSITIVE RESULT FOR DEPARTMENTS & STORES

After parts of the NK2020 renewal project have been completed, Departments & Stores has started to turn a corner. Overall visitor numbers to NK increased in the quarter, following the opening of the new Food Hall and after important departments became visible at street level following refurbishment. The NK2020 renewal project continues to affect results due to temporary department closures, although over the last quarter positive effects have started to appear as the work is gradually completed. Several large new departments opened in Stockholm in the quarter, including the Food Hall, Balenciaga and Valentino, which increased visitor numbers also had a positive effect on our departments. Our management team is doing a great job at operational level, customer flows are managed effectively and the cost control is good.

Sales for comparable stores decreased by -1.4% in the quarter. Operating income was SEK 6 M (4) in the quarter and rolling 12-month operating income was SEK 27 M.

The ongoing refurbishment of NK is expected to have continued positive effects during the year.

CONTINUED SALES GROWTH FOR MAN OF A KIND

Man of a kind's sales are making positive progress and reached SEK 4 M (3) in the quarter. Cost investments are made for continued strong sales development and result in a negative operating income of SEK -3 M (-3). We adopt clear benchmarks and are approaching our closest competitors in terms of fashion ranges and services, and the shopping experience and customer loyalty continued to make good progress.

EXPECTATIONS AND OUTLOOK

We expect Polarn O. Pyret to return to stable growth over the coming quarters. Brothers has a strong value offering aimed at its target customers and will gradually deliver on the basis of continued renewal measures. As NK2020 is gradually completed, we expect to see significant positive effects on Departments & Stores visitor numbers, sales and profit. Our focus on e-commerce across all three main concepts implies significant potential for positive sales and profit growth. Polarn O. Pyret and Brothers are set to continue to grow as our omni-channel offering is developed, which enhances competitiveness and the overall shopping experience, plus our strong value offering in terms of products and services.

We've made significant progress towards separating off the business areas and the new group is gradually emerging with three independent companies. Although this work has incurred significant short-term costs, it's also generating new potential for value creation.

Magnus Håkansson
President and CEO

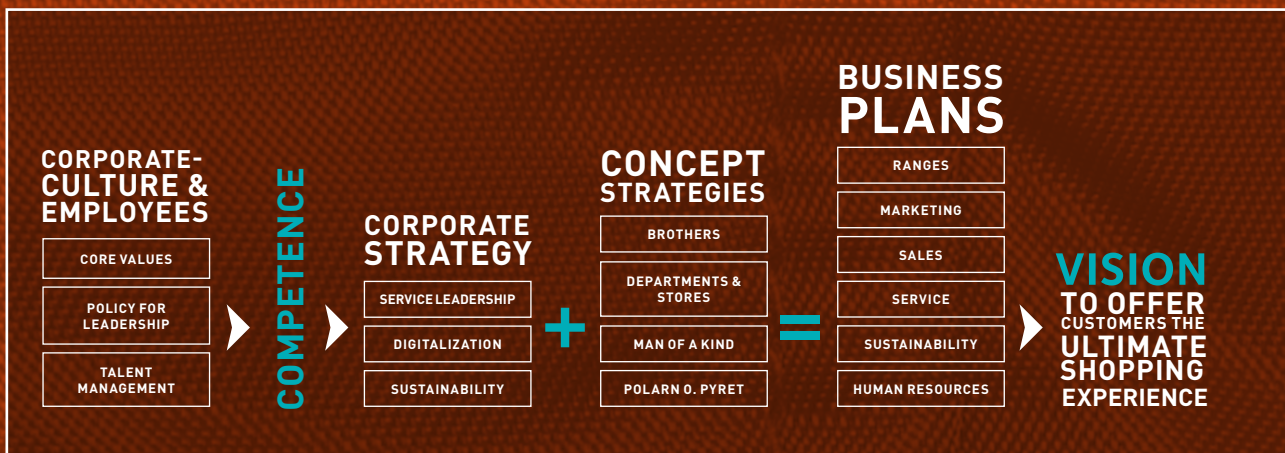
RNB RETAIL AND BRANDS

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

Vision

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

Business model



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

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

Revenue and earnings RNB Group

THIRD QUARTER, MARCH 1, 2019 - MAY 31, 2019

Reported net sales for the Group were SEK 511 M (510) in the third quarter. Business areas with e-commerce platforms all experienced sales growth in online sales in the quarter. Brothers, Departments & Stores and Man of a kind increased net sales. For comparable units in Sweden, sales were down by -0.4 percent, and for all national markets sales decreased by 1.1 percent expressed in SEK.

The Group's gross margin decreased slightly to 52.2 percent (52.3) in the quarter, with Departments & Stores and Man of a kind increasing margins. Margins decreased in the two other business areas, due to more campaigns and increased discounting in the quarter.

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

In the quarter, costs for restructuring totaled SEK 7 M, reported under "Group wide and eliminations". Costs are reported under other external expenses and personnel expenses. The cash flow effect was approximately SEK 6 M in the quarter.

Operating income was SEK -17 M (6). Operating income before restructuring expenses was SEK -10 M (6).

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

Profit after tax amounted to SEK -27 M (3).

Market progress in the quarter

According to Stilindex (the Swedish Retail and Wholesale Trade Research Institute), clothing sales in Sweden decreased by -4.8 (1.4) percent in the period. Sales in Finland of men's, women's and children's clothing decreased by -3.8 percent (2.2).

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

Consolidated net sales totaled SEK 1,715 M (1,678) in the period. All business areas experienced net sales growth in the period. Business areas with e-commerce platforms all experienced continued significant sales growth in online sales in the quarter. For comparable units in Sweden, sales were up by 1.3 percent, and for all national markets sales increased by 1.3 percent expressed in SEK.

The Group's gross margin decreased slightly to 50.7 percent (51.1) 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 and increased discounting in the period.

Total expenses were up in year-on-year terms. In December, the AGM decided to restructure the Group to make the business areas independent entities. Costs for this totaled SEK 23 M in the period. Costs are reported under Other external expenses, Personnel expenses and Impairment of non-current assets. The cash flow effect was just under SEK 9 M in the period and approximately SEK 14 M will not affect cash flow until 2020.

Operating income was SEK -10 M (50). Operating income before restructuring expenses was SEK 14 M (50).

Net financial items totaled SEK -26 M (0), of which unrealized gains on currency hedges not affecting cash flow affected net financial items by SEK -3 M (15).

Profit after tax amounted to SEK -36 M (49).

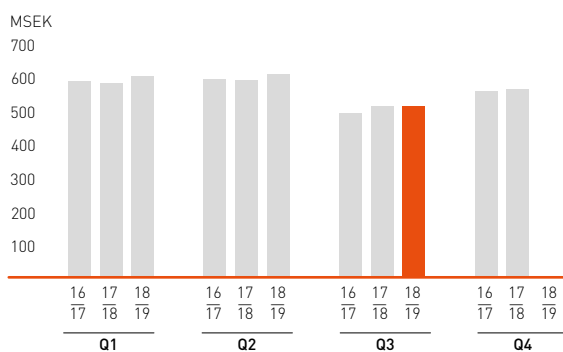
Market progress in the period

According to Stilindex (the Swedish Retail and Wholesale Trade Research Institute), clothing sales in Sweden decreased by -3.4 percent (-2.1) in the period. Sales in Finland of men's, women's and children's clothing decreased by -3.6 percent (-1.0).

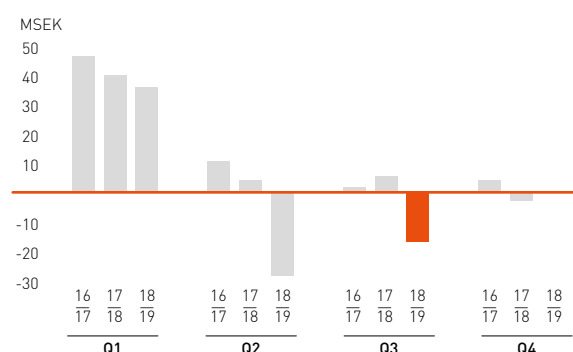
Group overview

	3 months		9 months		12 months	Full Year
	Mar 2019	Mar 2018	Sep 2018	Sep 2017	Jun 2018	Sep 2017
	-May 2019	-May 2018	-May 2019	-May 2018	-May 2019	-Aug 2018
Net sales, SEK M	511	510	1,715	1,678	2,275	2,238
Gross margin,(%)	52.2	52.3	50.7	51.1	49.6	49.9
Operating income ,SEK M	-17	6	-10	50	-12	47
<i>Operating income before restructuring expenses, SEK M</i>	-10	6	14	50	11	47
Profit before tax, SEK M	-25	3	-36	49	-47	39
Profit after tax, SEK M	-27	3	-36	49	-49	36
Operating margin (%)	-3.3	1.1	-0.6	3.0	-0.5	2.1
<i>Operating margin before restructuring expenses (%)</i>	-1.9	1.1	0.8	3.0	0.5	2.1
Earnings per share, SEK	-0.79	0.09	-1.07	1.45	-1.44	1.07
Cash flow from operating activities, SEK M	18	3	92	50	53	10
Number of sales points	252	262	252	262	252	261

Net sales per quarter



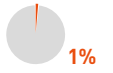



Operating income per quarter



Financial overview, business areas

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

Business area	Net sales, Sept-May	Share, %	Operating income, Sept-May	Own stores		Franchise		
				Stores	E-com	Stores	E-com	
BROTHERS	400MSEK	 23%	-8MSEK	Total	53	2	13	
				Sweden	42	1	13	
				Finland	11	1		
DEPARTMENTS & STORES	690MSEK	 40%	24MSEK	Total	42			
				NK Stockholm	27			
				NK Gothenburg	15			
Man of a kind	16MSEK	 1%	-11MSEK	Total		1		
POLARN O. PYRET	608MSEK	 35%	32MSEK	Total	101	5	29	6
				Sweden	54	3	7	
				Norway	27	1		
				Finland	18	1	1	
				England			11	5
				USA			3	1
				Estonia	2			
				Ireland			2	
				Scotland			3	
				Iceland			1	
				Latvia			1	
Total	1,715MSEK		-10MSEK		196	8	42	6
RNB RETAIL AND BRANDS				238 stores	14 e-com	10 countries		

Net sales and operating income per business area	3 months		9 months		12 months	Full Year
	Mar 2019 -May 2019	Mar 2018 -May 2018	Sep 2018 -May 2019	Sep 2017 -May 2018	Jun 2018 -May 2019	Sep 2017 -Aug 2018
Net sales, SEK M						
Brothers	141.9	139.4	400.0	399.1	538.2	537.3
Departments & Stores	211.7	204.4	690.3	692.7	921.1	923.5
Man of a kind	4.2	2.5	16.4	8.2	20.7	12.5
Polarn O. Pyret	153.5	163.2	608.0	577.7	795.4	765.1
Central operations & eliminations	0.0	0.0	0.0	0.0	0.0	0.0
Total	511.3	509.5	1,714.7	1,677.7	2,275.4	2,238.4
Operating income, SEK M						
Brothers	5.9	13.8	-8.4	17.8	-3.1	23.1
Departments & Stores	5.5	4.3	23.6	25.7	26.7	28.8
Man of a kind	-3.1	-3.3	-10.6	-9.5	-13.5	-12.4
Polarn O. Pyret	-13.4	-2.4	32.1	43.2	32.0	43.1
Central operations & eliminations	-11.7	-6.8	-46.3	-27.3	-54.5	-35.5
Total	-16.8	5.6	-9.6	49.9	-12.4	47.1
<i>Operating income before restructuring expenses</i>	<i>-9.8</i>	<i>5.6</i>	<i>13.9</i>	<i>49.9</i>	<i>11.1</i>	<i>47.1</i>

BROTHERS

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

THIRD QUARTER, MARCH 1, 2019 - MAY 31, 2019

Net sales in the Brothers business area totaled SEK 142 M (139). Sales in comparable stores in Sweden and Finland increased by 2.3 percent expressed in SEK. E-commerce sales increased by 22 percent in the quarter. Store sales decreased overall in the quarter but in two out of three months, sales increased in the physical stores. Net sales from franchise stores were down in the quarter compared to the corresponding period in the previous year, partly due to a decrease in the number of franchise stores. Total brand sales (total sales to consumers excluding VAT across all markets) were SEK 603 M (601) on a rolling 12-month basis.

The number of paying customers in comparable stores was marginally down on both national markets compared to the corresponding period in the previous year. The in-store conversion rate fell slightly in the quarter. In e-commerce, the increase in visitor numbers and the conversion rate continued on both markets.

The business area's gross margin was down in the quarter in year-on-year terms, due to factors including increased discounting. Expenses were up in the quarter.

Operating income was SEK 6 M (14) in the quarter, implying an operating margin of 4.2 percent (9.9).

Inventories increased in the quarter, and were at the same level at the end of the quarter in year-on-year terms.

One store was closed and one store opened in Kongahälla Centre in Kungälv. During the next quarter, one store is expected to close.

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

Net sales in the Brothers business area totaled SEK 400 M (399). Sales in comparable stores in Sweden and Finland decreased by -0.8 percent expressed in SEK. E-commerce sales increased by more than 150 percent in the quarter while store sales decreased slightly. Net sales from franchise stores were down in the period compared to the corresponding period in the previous year, partly due to a decrease in the number of

franchise stores. Paying visitors in comparable physical stores were down on both national markets. In e-commerce, the number of visitors and the conversion rate increased significantly on both markets.

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

Operating income was SEK -8 M (18) in the period, implying an operating margin of -2.1 percent (4.5).

Inventories decreased in the period, and is flat in year-on-year terms.

In the period, six stores have closed and three have opened/been taken over by Brothers.



DEPARTMENTS & STORES

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

THIRD QUARTER, MARCH 1, 2019 - MAY 31, 2019

Net sales in the Departments & Stores business area was SEK 212 M (204), an increase of 3.6 percent. Visitors to RNB's stores in the two department stores were down in the quarter year-on-year, although an increase was reported in May. Average spend per customer increased, but the conversion rate declined slightly.

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

Operating income amounted to SEK 6 M (4), with an operating margin of 2.6 percent (2.1).

Business area inventories increased in the third quarter, in line with the seasonal trend, and were also up in year-on-year terms. Part of the increase was due to the expanded floor space in NK Beauty.

The refurbishment of the department stores continued unabated. In the quarter, NK Beauty in Stockholm opened a new department focused on services. An outlet store opened at Stockholm Quality Outlet in Barkarby at the end of May.

Other companies in the Stockholm department store presented further news in the quarter, as part of the NK2020 renewal project. In March, NK opened a new Food Hall, offering a traditional food hall experience that includes restaurants and basic foodstuffs. Luxury brands Balenciaga and Valentino opened their first departments in Sweden at NK Stockholm.

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

Net sales in the Departments & Stores business area was SEK 690 M (693), a decrease of -0.3 percent. The number of visitors in the two in-store departments in Stockholm and Gothenburg was slightly down in the period year-on-year. Average spend per customer increased and the conversion rate was stable.

Gross margin increased compared to the corresponding period of the previous year. Total expenses in the period were up in year-on-year terms.

Operating income amounted to SEK 24 M (26), with an operating margin of 3.4 percent (3.7).

Business area inventories increased in the period. Inventories were slightly higher at the end of the period compared to the corresponding period in the previous year.

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



Man of a kind

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

THIRD QUARTER, MARCH 1, 2019 - MAY 31, 2019

Net sales in the Man of a kind business area were SEK 4 M (3). Visitor numbers continue to increase significantly in year-on-year terms. Gross margin was significantly higher compared to the corresponding quarter in the previous year. Expenses such as performance marketing and freight were down in relation to net sales, both compared to the previous year and the previous quarter.

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

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

Stone Island, Veilance and Molton Brown were all launched in the quarter.

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

Net sales in the Man of a kind business area were SEK 16 M (8). Visitor numbers more than doubled in the period year-on-year. Gross margin was higher compared to the corresponding period in the previous year. Expenses such as performance marketing and freight were up in absolute numbers but down in relation to sales.

Operating income was SEK -11 M (-10).

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

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



POLARN O. PYRET

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

THIRD QUARTER, MARCH 1, 2019 - MAY 31, 2019

Net sales totaled SEK 154 M (163) in the quarter. Sales in comparable proprietary stores on all national markets decreased by -4.9 percent year-on-year, expressed in SEK. E-commerce continued to increase albeit the increase was smaller than in previous quarters. Brand sales (total sales to consumers excluding VAT across all markets and distribution channels) were SEK 929 M (879) on a rolling 12-month basis.

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

Gross margin for the quarter was down year-on-year as a result of more discounting and campaigns in the quarter.

Expenses increased compared to the corresponding quarter of the previous year.

Operating income amounted to SEK -13 M (-2), with an operating margin of -8.7% (-1.5).

Business area inventories increased in the quarter and were up compared to the corresponding quarter of the previous year.

Polarn O. Pyret won the category “Best ethical brand” at the 2019 Babyccino Awards.

During the quarter, one store in Kungsmässan in Kungsbacka was closed and the Estonia operations were taken over. During the next quarter, another four stores are expected to close.

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

Net sales totaled SEK 608 M (578) in the period. Sales in comparable proprietary stores on all national markets increased by 3.2 percent year-on-year, expressed in SEK. All national markets decreased comparable sales in physical stores but increased e-commerce sales.

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

Gross margin in the period was down year-on-year as a result of more discounting and campaigns.

Expenses were up slightly in the period year-on-year.

Operating income amounted to SEK 32 M (43), with an operating margin of 5.3% (7.5). The figure for the year includes a negative allocation to periods.

Business area inventories decreased significantly in the period. However, the inventory was higher at the end of the period in year-on-year terms.

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

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



Financial position and liquidity

The Group's total assets amounted to SEK 1,186 M, compared to SEK 1,225 M at the end of the previous financial year. At the end of the period, equity was SEK 343 M, compared to SEK 389 M at the end of the previous financial year, providing an equity/assets ratio of 29.0 percent (31.8) at year-end.

As of May 31 OBS DET STÅR "1 maj" I DEN SVENSKA VERSIONEN!, inventories totaled SEK 473 M (453), compared to SEK 499 M at the end of the previous financial year.

Cash flow from changes in working capital was positive in the period at SEK 80 M (-21). Cash flow from operating activities was SEK 92 M (50) in the period. After investments, cash flow was SEK 40 M (0).

Net debt decreased to SEK 396 M (375), 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 105 M (122) 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 53 M (44). Depreciation/amortization totaled SEK -36 M (-31).

EMPLOYEES

The average number of employees was 971 (982) in the period.

RELATED-PARTY TRANSACTIONS

There were no other transactions between the RNB Group and related parties that materially impacted the Group's financial position and results of operations. For more information on transactions with related parties, see Note 34 of the 2017/2018 Annual Report.

TAX

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

PARENT COMPANY

Parent Company net sales were SEK 80 M (69). Profit/loss after net financial items was SEK 6 M (-27). Investments totaled SEK 15 M (18).

SEASONAL VARIATIONS

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

RISKS AND UNCERTAINTIES

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

Financial risks

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

Operational risks

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

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

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

Stockholm, Sweden, June 26, 2019
The Board of Directors and Chief Executive Officer of
RNB RETAIL AND BRANDS AB (publ)

Laszlo Kriss
Chairman

Per Thunell
Deputy Chairman

Monika Elling
Board member

Michael Lemner
Board member

Joel Lindeman
Board member

Sara Wimmercranz
Board member

Magnus Håkansson
President and CEO

Audit Review

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.

INTRODUCTION

We have conducted a review of the financial Interim Report in summary (the interim report) of RNB RETAIL AND BRANDS AB (publ) as of 31 May 2019 and the nine-month period ending on this date. The Board of Directors and CEO are responsible for the preparation and presentation of this Interim Report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on the Interim Report based on our review.

FOCUS AND SCOPE OF THE REVIEW

We have conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review 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.

The procedures performed in a review do not allow us to obtain a level of assurance that would make us aware of all significant matters that might have been identified in an audit. Therefore, the conclusion expressed based on a review does not provide the same level of assurance as a conclusion expressed on the basis of an audit.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the Interim Report has not been prepared, in all material respects, for the Group in accordance with IAS 34 and the Swedish Annual Accounts Act and for the parent company in accordance with the Annual Accounts Act.

Stockholm, Sweden, June 26, 2019
Ernst & Young AB

Beata Lihammar
Authorized Public Accountant

Consolidated Income Statement

SEK M	3 months		9 months		12 months	Full Year
	Mar 2019 –May 2019	Mar 2018 –May 2018	Sep 2018 –May 2019	Sep 2017 –May 2018	Jun 2018 –May 2019	Sep 2017 –Aug 2018
Net sales	511.3	509.5	1,714.7	1,677.7	2,275.4	2,238.4
Goods for resale	-244.3	-243.1	-844.7	-821.0	-1,145.7	-1,122.0
Gross income	267.0	266.4	870.0	856.7	1,129.7	1,116.4
Other operating income	9.3	9.3	23.8	27.3	30.3	33.8
Other external expenses	-145.5	-123.1	-429.1	-383.8	-562.2	-516.9
Personnel expenses	-137.8	-137.0	-438.2	-419.5	-563.0	-544.3
Depreciation and impairment of non-current assets	-9.9	-10.0	-36.1	-30.8	-47.2	-41.9
Operating income	-16.9	5.6	-9.6	49.9	-12.4	47.1
Financial income	0.1	1.2	0.8	2.5	3.5	5.2
Financial expenses	-8.4	-9.4	-24.8	-18.3	-33.9	-27.4
Unrealized profit/loss on futures contracts	0.1	5.8	-2.5	15.3	-4.0	13.8
Net financial items	-8.2	-2.4	-26.5	-0.5	-34.4	-8.4
Profit before tax from continuing operations	-25.1	3.2	-36.1	49.4	-46.8	38.7
Tax on net income for the period	-1.8	-0.2	-0.1	-0.2	-2.2	-2.3
Net income for the period	-26.9	3.0	-36.2	49.2	-49.0	36.4
Other comprehensive income						
<i>Other comprehensive income, which will be reclassified to net income in subsequent periods</i>						
Cash flow hedges – value changes	5.2	7.7	9.9	25.6	12.6	28.3
Cash flow hedges recognised in income	-7.8	3.9	-20.0	0.0	-21.6	-1.6
Translation differences	0.2	-0.3	0.2	-2.8	-0.5	-3.5
Tax attributable to items in other comprehensive income	-	-	-	-	-	-
Comprehensive income for the period	-29.3	14.3	-46.1	72.0	-58.5	59.6
Net income for the period attributable to:						
Parent Company's shareholders	-26.9	3.0	-36.2	49.2	-49.0	36.4
	-26.9	3.0	-36.2	49.2	-49.0	36.4
Comprehensive income attributable to:						
Parent Company's shareholders	-29.3	14.3	-46.1	72.0	-58.5	59.6
	-29.3	14.3	-46.1	72.0	-58.5	59.6
Earnings per share before and after dilution (SEK)	-0.79	0.09	-1.07	1.45	-1.44	1.07
Average number of shares, (000s)	33,912	33,912	33,912	33,912	33,912	33,912

Consolidated Cash Flow Statement, in summary

SEK M	3 months		9 months		12 months	Full Year
	Mar 2019 -May 2019	Mar 2018 -May 2018	Sep 2018 -May 2019	Sep 2017 -May 2018	Jun 2018 -May 2019	Sep 2017 -Aug 2018
Operating activities						
Operating income	-16.9	5.6	-9.6	49.9	-12.4	47.1
Interest received and other financial income	0.1	1.2	0.8	2.5	-1.4	0.3
Interest paid	-1.0	-5.4	-21.2	-12.6	-25.9	-17.3
Adjustment for non-cash items	15.9	10.0	42.6	31.0	54.7	43.1
Tax paid	0.0	0.0	0.0	0.0	-1.7	-1.7
Cash flow before change in working capital	-1.9	11.4	12.6	70.8	13.3	71.5
Cash flow from change in working capital						
Change in inventories	-24.3	-20.5	26.6	-23.9	-19.1	-69.6
Decrease (+)/increase (-) in current receivables	19.5	1.1	25.9	-1.6	20.8	-6.7
Decrease (-)/increase (+) in current liabilities	25.1	11.0	27.2	4.2	38.2	15.2
Change in working capital	20.3	-8.4	79.7	-21.3	39.9	-61.1
Cash flow from operating activities	18.4	3.0	92.3	49.5	53.2	10.4
Cash flow from investing activities	-9.3	-21.1	-51.9	-49.2	-69.6	-66.9
Cash flow after investments	9.1	-18.1	40.4	0.3	-16.4	-56.5
Financing activities						
Change in overdraft facility	0.0	0.0	-26.3	0.0	0.0	26.3
Change in liabilities to financial institutions	0.0	-0.1	0.0	-0.1	0.1	0.0
Issue of Corporate bond	0.0	-0.3	0.0	394.8	0.3	395.1
Amortization of loan	0.0	0.0	0.0	-380.0	0.0	-380.0
Paid dividend	0.0	0.0	0.0	-10.2	0.0	-10.2
Cash flow from financing activities	0.0	-0.4	-26.3	4.5	0.4	31.2
Cash flow during the period	9.1	-18.5	14.1	4.8	-15.9	-25.3
Cash and cash equivalents at beginning of period	16.3	59.5	11.3	36.4	41.7	36.4
Exchange difference in cash and cash equivalents	0.0	0.7	0.0	0.5	-0.3	0.2
Cash and cash equivalents at end of period	25.4	41.7	25.4	41.7	25.4	11.3

Consolidated Balance Sheet, in summary

SEK M	31 May, 2019	31 May, 2018	Aug 31, 2018
Assets			
Intangible assets	450.4	441.3	446.9
Tangible assets	89.2	73.6	77.3
Financial assets	8.8	13.4	13.5
Total non-current assets	548.4	528.3	537.7
Inventories	472.8	452.8	499.3
Current receivables	139.2	166.7	177.2
Cash	25.4	41.7	11.3
Total current assets	637.4	661.2	687.8
Total assets	1,185.8	1,189.5	1,225.5
Shareholders' equity and liabilities			
Equity attributable to the Parent Company shareholders	343.3	401.8	389.4
Total equity	343.3	401.8	389.4
Non-current liabilities	427.5	416.9	418.5
Current liabilities	415.0	370.8	417.6
Total liabilities	842.5	787.7	836.1
Total equity and liabilities	1,185.8	1,189.5	1,225.5

Changes in shareholders' equity, in summary

SEK M	Sep 2018 –May 2019	Sep 2017 –May 2018	Sep 2017 –Aug 2018
Opening balance	389.4	340.0	340.0
Net income for the period	-36.2	49.2	36.4
Other comprehensive income			
Changes to cash flow hedges	9.9	25.6	28.3
Cash flow hedges recognised in income	-20.0	0.0	-1.6
Translation differences	0.2	-2.8	-3.5
Total comprehensive income for the year	-46.1	72.0	59.6
Paid dividend	0.0	-10.2	-10.2
Balance at end of period	343.3	401.8	389.4

Key ratios

SEK M	Sep 2018 –May 2019	Sep 2017 –May 2018	Jun 2018 –May 2019	Sep 2017 –Aug 2018
Gross margin, %	50.7	51.1	49.6	49.9
Operating margin, %	-0.6	3.0	-0.5	2.1
Equity/assets ratio, %	29.0	33.8	29.0	31.8
Interest coverage ratio, x	-0.3	3.7	-0.2	2.4
Ratio of net debt and operating income before depreciation/amortization	14.9	4.6	11.4	4.9
Net debt, MSEK	396.1	375.2	396.1	433.5
Net debt/equity ratio, %	115.4	93.4	115.4	111.3
Return on equity, %	-9.9	13.3	-13.2	10.0
Return on capital employed, %	-1.1	8.7	-1.1	8.4
Average number of shares, 000s	33,912	33,912	33,912	33,912
Number of shares at end of period, 000s	33,912	33,912	33,912	33,912
Profit after tax per share, SEK	-1.07	1.45	-1.44	1.07
Equity per share at end of period, SEK	10.12	11.85	10.12	11.48
Average number of employees, full time	971	982	1,010	1,021

See Definition of key ratios at page 23.

Shareholders

Largest shareholders as of May 31, 2019

	Number of shares	Share capital/ Votes, %
Konsumentföreningen Stockholm	11,246,598	33.2
Novobis AB	4,000,000	11.8
Catella Fondförvaltning	1,844,870	5.4
Avanza Pension Försäkringsaktiebolaget	1,787,687	5.3
Hans Björstrand	1,450,000	4.3
Nordnet pensionsförsäkring AB	1,089,730	3.2
Pareto Securities AS	986,249	2.9
Youplus Assurance	336,500	1.0
Johan Fahlin	335,503	1.0
Skandinaviska Enskilda Banken	330,349	1.0
Total 10 largest shareholders	23,407,486	69.1
Other	10,504,690	30.9
Total	33,912,176	100.0

Source: Euroclear Sweden AB

Income Statement per quarter, Group

SEK M	Q3		Q2		Q1		Q4	
	2018/ 2019	2017/ 2018	2018/ 2019	2017/ 2018	2018/ 2019	2017/ 2018	2017/ 2018	2016/ 2017
Net sales	511.3	509.5	603.9	587.2	599.5	580.9	560.7	554.0
Goods for resale	-244.3	-243.1	-323.9	-312.1	-276.5	-265.8	-301.0	-290.6
Gross income	267.0	266.4	280.0	275.1	323.0	315.1	259.7	263.4
Other operating income	9.3	9.3	7.9	9.4	6.6	8.7	6.5	13.1
Other external expenses	-145.5	-123.1	-142.3	-128.0	-141.3	-132.7	-133.1	-128.9
Personnel expenses	-137.8	-137.0	-158.4	-141.9	-142.0	-140.6	-124.8	-132.2
Depreciation and impairment of non-current assets	-9.9	-10.0	-15.5	-10.3	-10.7	-10.5	-11.1	-11.4
Operating income	-16.9	5.6	-28.3	4.3	35.6	40.0	-2.8	4.0
Financial income	0.1	1.2	0.0	-0.7	0.7	2.0	2.7	-0.3
Financial expenses	-8.4	-9.4	-7.5	-3.0	-8.9	-5.9	-9.1	-5.2
Unrealized profit/loss on futures contracts	0.1	5.8	-0.8	0.2	-1.8	9.3	-1.5	-10.6
Net financial items	-8.2	-2.4	-8.3	-3.5	-10.0	5.4	-7.9	-16.1
Profit before tax from continuing operations	-25.1	3.2	-36.6	0.8	25.6	45.4	-10.7	-12.1
Tax on net income for the quarter	-1.8	-0.2	1.9	0.0	-0.2	0.0	-2.1	-0.7
Net income for the quarter	-26.9	3.0	-34.7	0.8	25.4	45.4	-12.8	-12.8
Other comprehensive income								
Other comprehensive income, to be reclassified to net income in subsequent quarters								
Cash flow hedges – value changes	5.2	7.7	6.0	4.2	-1.3	13.7	2.7	-5.6
Cash flow hedges recognised in income	-7.8	3.9	-5.9	-0.3	-6.3	-3.6	-1.6	-
Translation differences	0.2	-0.3	-0.9	-1.5	0.9	-1.0	-0.7	1.5
Tax attributable to items in other comprehensive income	-	-	-	-	-	-	-	-
Comprehensive income for the quarter	-29.3	14.3	-35.5	3.2	18.7	54.5	-12.4	-16.9

Key ratios per quarter

SEK M	Q3		Q2		Q1		Q4	
	2018/ 2019	2017/ 2018	2018/ 2019	2017/ 2018	2018/ 2019	2017/ 2018	2017/ 2018	2016/ 2017
Gross margin, %	52.2	52.3	46.4	46.8	53.9	54.2	46.3	47.5
Operating margin, %	-3.3	1.1	-4.7	0.7	5.9	6.9	-0.5	0.7
Return on equity, %	-7.5	0.8	-8.9	0.2	6.4	12.4	-3.2	-3.7
Number of shares at end of quarter, 000s	33,912	33,912	33,912	33,912	33,912	33,912	33,912	33,912
Profit after tax per share, SEK	-0.79	0.09	-1.02	0.02	0.75	1.34	-0.38	-0.38
Equity per share at end of quarter, SEK	10.12	11.85	10.99	11.43	12.03	11.63	11.48	10.03
Total equity	343.3	401.8	372.6	387.5	408.1	394.5	389.4	340.0
Cash flow per share from operating activities	0.5	0.1	0.8	-0.5	1.4	1.8	-1.1	-0.7
Cash flow from operating activities	18.4	3.0	27.0	-15.9	46.9	62.4	-38.9	-23.6
Share price at end of quarter, SEK	4.7	7.3	6.0	8.8	6.7	11.3	8.3	12.6

Income Statement, Parent Company

SEK M	3 months		9 months		12 months	Full Year
	Mar 2019 -May 2019	Mar 2018 -May 2018	Sep 2018 -May 2019	Sep 2017 -May 2018	Jun 2018 -May 2019	Sep 2017 -Aug 2018
Net sales	27.0	23.0	79.8	68.9	103.3	92.4
Other operating income	1.3	1.8	4.2	4.7	4.1	4.6
	28.3	24.8	84.0	73.6	107.4	97.0
Operating expenses						
Other external expenses	-25.0	-16.3	-67.1	-53.0	-84.1	-70.0
Personnel expenses	-12.1	-12.8	-48.8	-39.5	-60.6	-51.3
Depreciation and impairment of non-current assets	-3.4	-2.8	-14.5	-8.7	-17.4	-11.6
Operating income	-12.2	-7.1	-46.4	-27.6	-54.7	-35.9
Result from participations in group companies	70.0	0.0	70.0	0.0	114.7	44.7
Financial income	1.3	7.2	3.5	16.5	1.2	14.2
Financial expenses	-7.6	-6.9	-21.1	-15.3	-27.9	-22.1
Result after financial items	51.5	-6.8	6.0	-26.4	33.3	0.9
Taxes	-	-	-	-	-	-
Net income for the period	51.5	-6.8	6.0	-26.4	33.3	0.9

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

Balance Sheet, Parent Company, in summary

SEK M	31 May, 2019	31 May, 2018	Aug 31, 2018
Assets			
Intangible assets	44.6	33.9	40.0
Property, plant and equipment	1.9	4.1	3.8
Financial assets	569.4	566.9	567.0
Deferred tax assets	170.3	93.9	140.4
Other current assets	0.0	35.1	0.0
Total assets	786.2	733.9	751.2
Shareholders' equity and liabilities			
Equity	265.1	231.9	259.1
Non-current liabilities	402.6	394.8	395.1
Current liabilities	118.5	107.2	97.0
Total equity and liabilities	786.2	733.9	751.2

Reconciliation of key ratios

SEK M	9 months		12 months	Full Year
	Sep 2018 –May 2019	Sep 2017 –May 2018	Jun 2018 –May 2019	Sep 2017 –Aug 2018
Net sales	1,714.7	1,677.7	2,275.4	2,238.4
Goods for resale	-844.7	-821.0	-1,145.7	-1,122.0
Gross profit	870.0	856.7	1,129.7	1,116.4
Other operating income	23.8	27.3	30.3	33.8
Other external expenses	-429.1	-383.8	-562.2	-516.9
Personnel expenses	-438.2	-419.5	-563.0	-544.3
Depreciation and impairment of non-current assets	-36.1	-30.8	-47.2	-41.9
Operating income (EBIT)	-9.6	49.9	-12.4	47.1
Interest income and similar profit/loss items	0.8	2.5	3.5	5.2
Interest expenses and similar profit/loss items	-24.8	-18.3	-33.9	-27.4
Unrealized profit/loss on futures contracts	-2.5	15.3	-4.0	13.8
Net financial items	-26.5	-0.5	-34.4	-8.4
Profit/loss after financial items	-36.1	49.4	-46.8	38.8
Adjustments:				
Tax on net profit/loss for the period	-0.1	-0.2	-2.2	-2.3
Net income for the period	-36.2	49.2	-49.0	36.4
Operating income	-9.6	49.9	-12.4	47.1
Depreciation and impairment of non-current assets	36.1	30.8	47.2	41.9
Operating income before depreciation, amortization and impairment of non-current assets (EBITDA)	26.5	80.7	34.8	89.0
Loans	0.0	0.0	0.0	0.0
Contingent consideration	24.8	22.1	24.8	23.4
Other non-current interest-bearing liabilities	396.7	394.8	396.7	395.1
Other non-current liabilities	6.0	0.0	6.0	0.0
Non-current liabilities	427.5	416.9	427.5	418.5
Loans	0.0	0.0	0.0	0.0
Contingent consideration	24.8	22.1	24.8	23.4
Other non-current interest-bearing liabilities	396.7	394.8	396.7	395.1
Other current interest-bearing liabilities	0.0	0.0	0.0	26.3
Cash and cash equivalents	-25.4	-41.7	-25.4	-11.3
Net debt	396.1	375.2	396.1	433.5
Equity, opening balance	389.4	340.0	401.8	340.0
Equity, closing balance	343.3	401.8	343.3	389.4
Average equity	366.4	370.9	372.6	364.7
Total assets	1,185.8	1,189.5	1,185.8	1,225.5
Trade payables	-192.8	-161.4	-192.8	-204.1
Other current liabilities	-222.2	-209.4	-222.2	-187.2
Capital employed	770.8	818.7	770.8	834.2
Net income for the period	-36.2	49.2	-49.0	36.4
Average equity	366.4	370.9	372.6	364.7
Return on equity, %	-9.9	13.3	-13.2	10.0
Capital employed, opening balance	834.2	739.1	818.7	739.1
Capital employed, closing balance	770.8	818.7	770.8	834.2
Average capital employed	802.5	778.9	794.8	786.7
Interest expenses and similar profit/loss items	-24.8	-18.3	-33.9	-27.4
Unrealized expense on futures contracts	-2.5	0.0	-4.0	0.0
Profit before tax from continuing operations	-36.1	49.4	-46.8	38.8
Average capital employed	802.5	778.9	794.8	786.7
Return on capital employed, %	-1.1	8.7	-1.1	8.4
Operating income	-9.6	49.9	-12.4	47.1
Interest income and similar profit/loss items	0.8	2.5	3.5	5.2
Unrealized income on futures contracts	0.0	15.3	0.0	13.8
Profit/loss after financial income	-8.8	67.7	-8.9	66.1

Definition of key ratios

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

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

MARGIN METRICS

Gross profit margin

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

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

Operating margin

Operating income as a percentage of net sales.

Purpose: The margin measures operational profitability.

RETURN METRICS

Return on equity

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

Purpose: The measure illustrates returns generated on shareholders' equity.

Return on capital employed

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

Purpose: Return generated by the company independently of financing.

FINANCIAL METRICS

Equity/assets ratio

Shareholders' equity in relation to total assets.

Purpose: The equity/assets ratio indicates the proportion of assets financed by shareholders' equity.

Net debt

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

Purpose: Net debt illustrates the company's ability to use cash and cash equivalents to repay interest-bearing liabilities if they were to become due on the day of calculation.

Net debt/equity ratio

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

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

Interest coverage ratio

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

Purpose: The interest coverage ratio illustrates the company's ability to cover its financial expenses.

Ratio of net debt and operating income before depreciation/amortization

Debt less investments and cash and cash equivalents divided by operating income before depreciation/amortization.

Purpose: The measure illustrates the company's ability to pay its debts.

SHARE-BASED METRICS

Equity per share

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

Purpose: The measure illustrates shareholders' equity per share.

Earnings per share

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

Purpose: The measure is used to assess investment progress from a shareholder perspective.

OTHER TERMS

Number of full-time employees

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

Average number of shares

Weighted average of outstanding common shares in the period.

Sales for comparable units, change, %

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

Sales points

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

Stilindex

The index of sales growth of clothing in proprietary stores and on internet in Sweden, as measured in comparable units and in current prices. Presented by Svensk Handel Stil. HUI Research is responsible for data collection and processing.

Operating profit before restructuring expenses

Operating profit according to the income statement excluding costs attributable to the separation and divestment projects decided at the Annual General Meeting on December 20, 2018.

Notes

NOTE 1 ACCOUNTING POLICIES

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

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

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

In the third quarter 2017/2018 Brothers reclassified re-invoiced rent from Net sales to Other operating income. Previous periods have been adjusted.

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

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

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

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

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

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

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

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

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

NOTE 2 FINANCIAL ASSETS AND LIABILITIES VALUED AT FAIR VALUE

The Group's financial instruments consist of cash and cash equivalents, trade receivables, accrued income, other receivables, trade payables, interest-bearing liabilities, accrued expenses, conditional purchase consideration and other liabilities and currency derivatives. Trade receivables and trade payables are reported at amortised cost. Group borrowing is reported at amortised cost. Currency derivatives in the form of currency futures and currency options are valued at fair value based on the valuation of credit institutions in accordance with level 2 in the Fair value hierarchy.

The Group uses derivative instruments to manage currency risks in USD and EUR. Hedge accounting is applied when there is an effective link between hedged future cashflows and financial derivatives. Furthermore, since the previous quarter, unrealized losses on currency hedges that fail to comply with hedge accounting are reported on a dedicated line under Net financial items.

Fair value of financial derivatives was SEK 10 (23) M.

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