RNB

RNB RETAIL AND BRANDS

ANNUAL REPORT **2017/2018**

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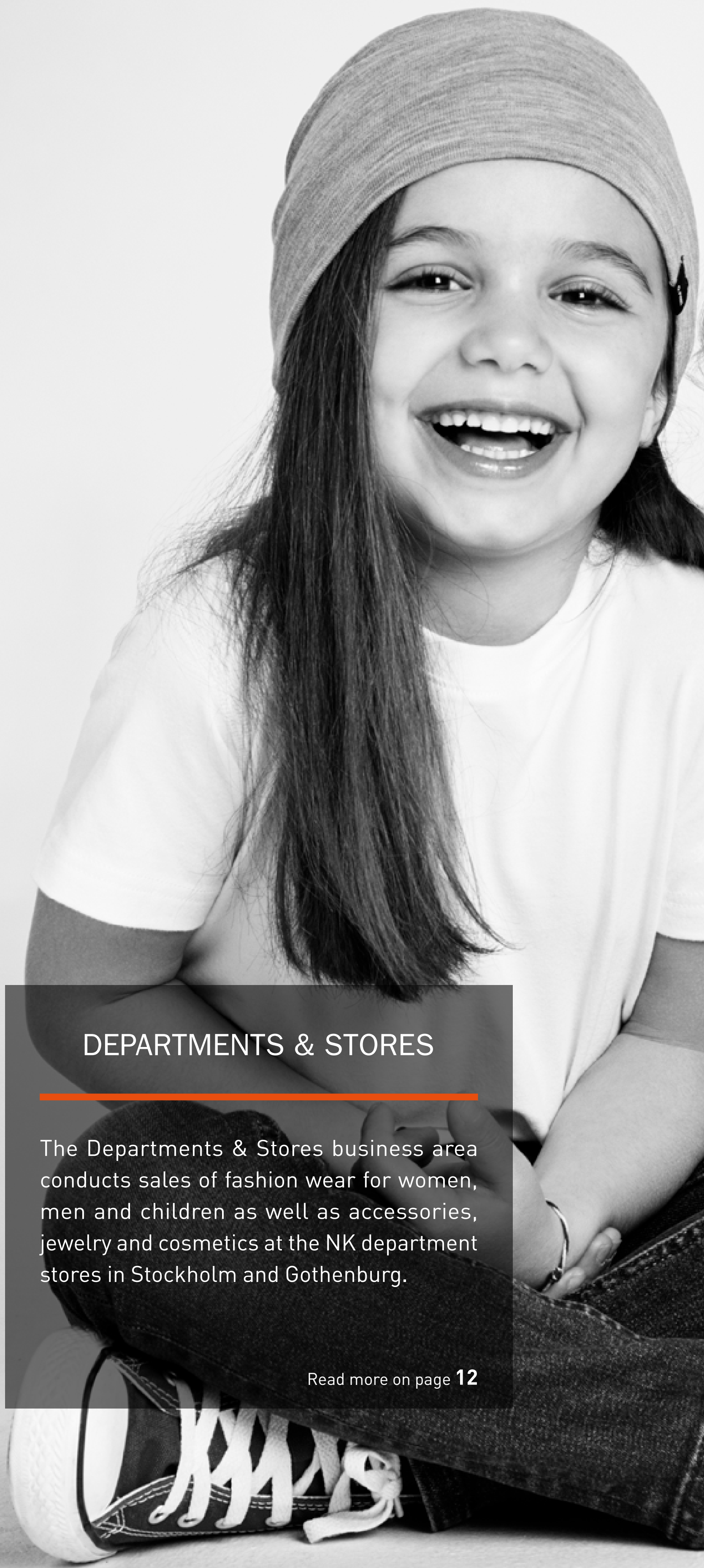


BROTHERS

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

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 in Stockholm and Gothenburg.

Read more on page **12**

RNB RETAIL AND BRANDS

RNB 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 concepts Brothers, Departments & Stores, Man of a kind and Polarn O. Pyret. The Group has some 260 stores and e-commerce platforms in 10 countries. RNB RETAIL AND BRANDS has been listed on Nasdaq Stockholm since 2001 under the ticker RNBS.

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 of the Swedish market and also has an international presence.

Read more on page **16**

RNB
- in summary

The year in brief

Q1
- RNB acquired e-commerce company Frontmen.com.
- Polarn O. Pyret entered into distribution partnership with Boozt.
- Polarn O. Pyret launched a repair service for outerwear – PO.P Repairs.

Q2
- RNB and venture capital firm Wellstreet started up the joint venture Retailers' Lab™. This is Sweden's first start-up incubator focusing on transforming the future of retail.

Q3
- Polarn O. Pyret's PO.P+ loyalty program awarded "Loyalty program of the year" by Sweden Retail Awards 2018.
- Through Retailers Lab, RNB invested in Hyber, the e-commerce company that has brought the shared economy to children's wear.

Q4
- The pace of e-commerce growth increased in the quarter, with year-on-year sales up by 68%. Full year e-commerce sales increased by 51% year-on-year.

The financial year in figures

Net Sales	Operating income	EBIT margin	Cash flow from operating activities
SEK **2,238** M	SEK **47** M	**2.1** %	SEK **10** M
(SEK 2,216 M)	(SEK 63 M)	(2.8%)	(SEK 51 M)

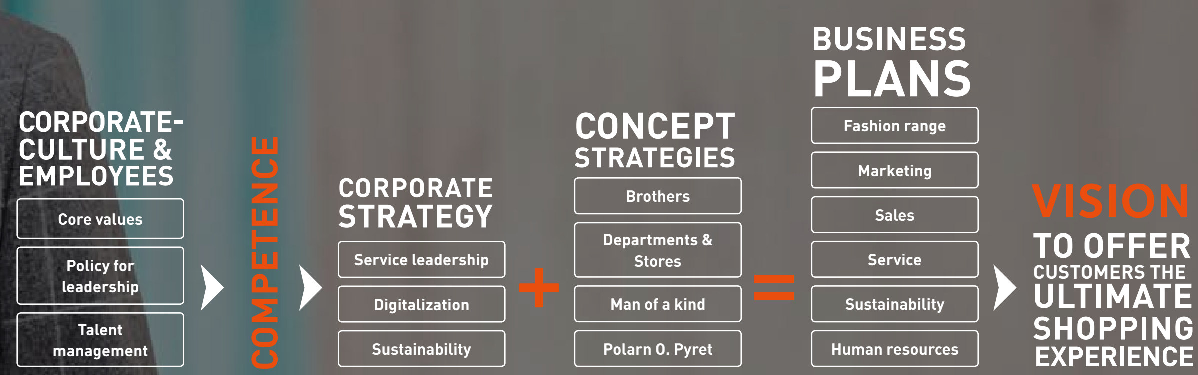
Vision

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

Business concept

RNB RETAIL AND BRANDS' business concept is to realize operational synergies through active ownership that develops and distributes brands through distinct concepts and stores offering an attractive range of fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics, where customers are provided with excellent service and a world-class shopping experience.

Business model



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. Creating and maintaining a strong corporate culture is a key factor for realizing the vision through the strategy and business plans.

Financial goals

	Outcome 2018
• The Group shall achieve a long-term EBIT margin of 5 percent	2.1%
• Brothers shall achieve a long-term EBIT margin of 4-6 percent	4.3%
• Departments & Stores shall achieve a longterm EBIT margin of 6-7 percent	3.1%
• Polarn O. Pyret shall achieve a long-term EBIT margin of 10 percent	5.6%

Comments from the CEO

Comments from the CEO

RNB's earnings decreased in the year, and operating income was down from SEK 63 M in 2016/2017 to SEK 47 M in 2017/2018. The market is currently undergoing transformation at an accelerating pace, with a shift away from physical stores towards increased e-commerce sales. RNB has focused on and maintains a high pace of development of its e-commerce, market communication and logistics operations. The market shift towards e-commerce is intensifying competition and has led to excess product supply in all segments, which puts pressure on volumes and margins. RNB's concepts Polarn O. Pyret and Brothers make the Group us well positioned to gradually capitalize on the changing market landscape. In Departments & Stores, our NK stores are not as well positioned although we've developed the concept Man of a kind as a first step towards digitalizing brand relationships in DSE.

Polarn O. Pyret well positioned

Polarn O. Pyret's reorientation work over the last three years has been well-received by customers, resulting in increased market share. Sales in comparable stores increased by 3.8 percent in Sweden, and by 4.7 percent across all national markets, while the Swedish market decreased by 2.7 percent. Operating profit improved from SEK 36 M in 2016/2017 to SEK 43 M in 2017/2018. Every competitive parameter – brand, product range, marketing communication, e-commerce, CRM, sales and service concepts and store design – has now been refined. Polarn O. Pyret was awarded "Loyalty program of the year" at the Sweden Retail Awards 2018, where the company was also nominated for "Retail Concept of the Year." Polarn O. Pyret also won the category "Design Concept of the Year" at the Habit Fashion Show.

In order for the reorganization to take full effect, the new store concept still needs to be rolled out in a few more stores as well as expanding omni channel functionality. We expect the rapid growth of e-commerce sales, which grew by 38 percent in the full year 2017/2018, to continue. We expect to continue to deliver growth and profit improvements over the coming years.

Brothers' product range rock solid

Brothers also significantly outperformed the market this year. Sales in comparable stores in Sweden and Finland increased by 1.2 percent. Operating profit was in line with the previous year at SEK 23 M (24).

Brothers has a rock solid foundation based on what we consider to be the market's best men's fashion product range. Brothers is the market leader in tailored men's fashion - suits, shirts and outerwear - but also offers a well rounded and high quality, casual range. Our sales and service concept is well implemented and clearly appreciated by our customers, which translates into increased market share.

Important work relating to developing our e-commerce and digital communication channels still remains to be done. Brothers' brands - the retail profile Brothers and its product brands Riley, East West and The Tailoring Club (TTC) - are not clearly positioned on the market. We see these areas for improvement as opportunities for Brothers to increase its market share in the future.

Departments & Stores undergoing change

Departments & Stores' operations at NK have faced significant challenges over the last two years. The combination of construction work and traffic closures outside NK in central Stockholm, and the restructuring of in-store departments and discounting with some sections of the store closed off, have all had a negative impact on sales and earnings. Sales decreased by 4.1 percent for the full year in comparable stores, underperforming the market (-2.7 percent). Operating income decreased from SEK 43 M in 2016/17 to SEK 29 M for the full year 2017/18.

We expect the restructuring of NK Stockholm to yield results. The work constitutes an upgrade towards a higher proportion of luxury brands, expanded service offering and more modern store design and concepts. The effects are expected to be realized from 2020 onwards. To achieve full competitiveness, NK will also need a fully operational e-commerce platform. This work is only at the planning stage at present.

Man of a kind

Man of a kind represents the first step of digitalizing Departments & Stores' brand portfolio. Operations are still at the early stages, with significant marketing investments, strong sales growth but largely flat operating income of SEK -12 M (-13).

Man of a kind should also be viewed as an opportunity to eventually develop omni channel services alongside NK's physical stores.

Sustainability – raising the bar

We're continuously raising the bar for our sustainability work. Over the last few years, we've focused sharply on the production environment, increasing transparency and introducing more stringent demands (zero tolerance and BSCI-requirements), decreasing our chemical usage and improving our processes with the aim of reducing water usage. Since 2017/2018, we've successfully communicated to Polarn O. Pyret's customers that we use 100 percent sustainable cotton (Organic and BCI). We've also launched a Repair Service to help our customers fully take advantage of the sustainability of our products and enable each item of clothing to be used by three children. Polarn O. Pyret is Sweden's greenest retail brand. All our activities are carried out on the basis of our prioritized target areas in internal training, production, environmental impact of our products and circular flow.

RNB - positioned for the future

We're maintaining a high pace of transformation aimed at responding to changing customer preferences and intensifying competition. Our employees are a key factor in this change work. With the market's top employees, we're positioned as the market leader in terms of service, digitalization and sustainability. Change can be effected very quickly when in the hands of competent employees in a flat, agile organization. Our business is buzzing with progress in all the areas mentioned above, as well as through our collaboration with Wellstreet in Retailers Lab. In retrospect, we view the 2017/2018 business year as an interim year. Over the coming year, we anticipate positive profit growth for Polarn O. Pyret and Brothers, and for all our business concepts in the year after that, when the restructuring at NK starts to yield results.

RNB in summary

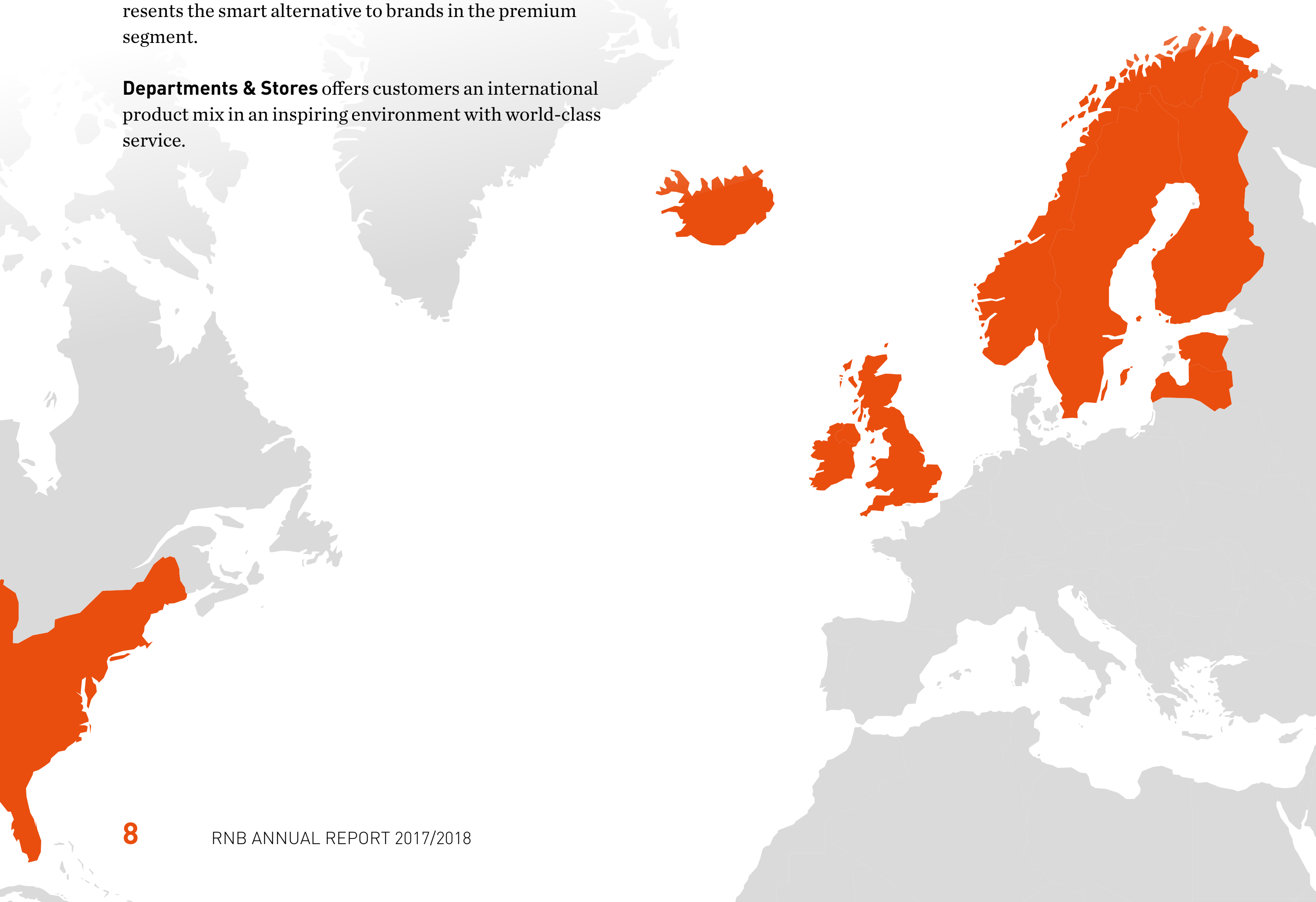
RNB RETAIL AND BRANDS owns, operates and develops fashion, clothing, accessories, jewelry and cosmetics stores and e-commerce. The vision is to offer our customers the ultimate shopping experience. Sales are conducted through the store concepts Brothers, Man of a kind and Polarn O. Pyret. The business 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 260 stores and e-commerce platforms in 10 countries.

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

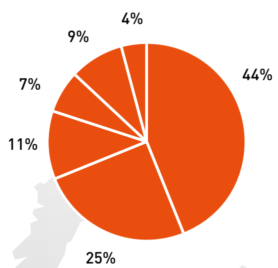
Departments & Stores offers customers an international product mix in an inspiring environment with world-class service.

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 paying customers towards better purchases — today and in the future.

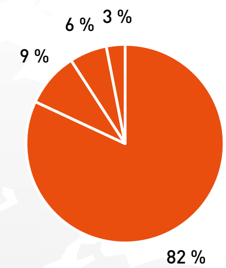


Net Sales 2017/2018
per product category, %



44%	Men
25%	Children
11%	Underwear & accessories
7%	Women
9%	Cosmetics
4%	Jewelry

Net Sales 2017/2018
per geografical market, %



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

Business area	Total net sales	Share, %	Operating income	Number of employees	Stores	Own stores: Stores	Own stores: E-commerce	Franchise: Stores	Franchise: E-commerce
BROTHERS	SEK 537 M	24%	SEK 23 M	243	**Total**	**52**	**2**	**17**	
					Sweden	40	1	17	
					Finland	12	1		
DEPARTMENTS & STORES	SEK 924 M	41%	SEK 29 M	371	**Total**	**42**			
					NK Stockholm	27			
					NK Gothenburg	15			
Man of a kind	SEK 13 M	1%	SEK -12 M	6	**Total**		**1**		
POLARN O. PYRET	SEK 765 M	34%	SEK 43 M	368	**Total**	**100**	**5**	**35**	**7**
					Sweden	55	3	7	
					Norway	28	1		
					Finland	17	1	1	
					England			14	5
					USA			3	1
					Estonia			3	1
					Ireland			2	
					Scotland			3	
					Iceland			1	
					Latvia			1	
Total RNB RETAIL AND BRANDS	SEK 2,238 M		SEK 47 M	1,021		194	8	52	7

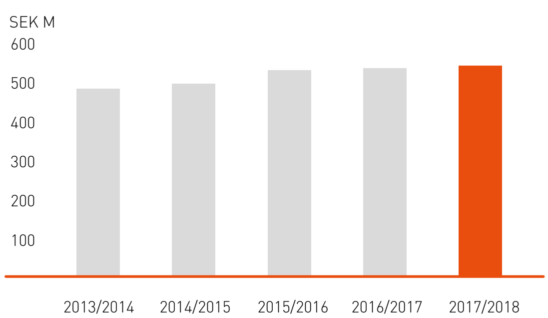
246 Stores **15** e-commerce **10** countries

1 Based on full time employees.

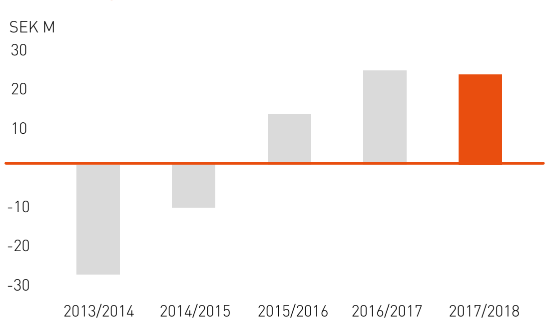
BROTHERS

Brothers is a leading men's fashion chain in the upper mid-price segment, with a broad clothing offering ranging from tailored garments to casual 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 either by RNB or by franchisees. Brothers' identity is based on the traditional menswear store.

Net sales



Operating profit



Excluding impairment of goodwill

Vision

Positioning and ownership of male tailored and smart casual fashion.

Mission

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

Business concept

What: Commercial and attractive fashion range that appeals to all user occasions in the stylish tailored and smart casual segments. Strong and well-designed products featuring proprietary designs and unique looks—Value for money.

How: Attractive stores featuring an inspiring garment display that make it easy for customers to navigate the range.

Unique: Exceptional shopping experience and personal service based on extensive product knowledge among all Brothers' sales staff and advisor.

Key ratios Brothers

SEK M	**17/18**	16/17
Net sales	537	525
Share of RNB's sales, %	24	24
Operating income	23	24
Number of employees	243	246
Number of stores	69	69
Number of e-commerce platforms	2	2

Continued sales growth
Brothers' positive sales performance continued in 2017/2018, and again outperformed the overall market, which had a challenging year. Profit decreased slightly compared to the previous year due to lower gross margin and investments made in digital transformation.

For the full year, Brother delivered an operating margin just below the financial target of 4-6 percent.

Focus on e-commerce growth
During the year, Brothers strengthened and renewed its marketing team to speed up the progress of developing its e-commerce and digital communication. The objective of digital transformation is to increase awareness of Brothers, attract new customers and strengthen the service concept online as well as in-store. With the competence reinforcements and a far-reaching e-commerce plan, Brothers has good potential to significantly increase its online sales.

Based on on-going customer surveys, Brothers is also carrying out extensive development of its brand portfolio. Brothers' new brand strategy will be an integrated part of its business transformation.

Sustainable fashion is here to stay
Sustainability concerns are becoming increasingly central to the retail sector, and Brothers has a high level of ambition with regard to sustainability.

The proportion of sustainable fibers in our garments has increased from 18 percent in 2016 to some 50 percent today – not far from our 70 percent goal. In addition, we've successfully decreased the usage of chemicals in our garments.

Brothers is currently developing an independent sustainability label in order to make it easier for our customers to make sustainable choices.

Our suppliers are regularly checked to ensure they deliver in accordance with specific requirements on products, quality and environmental impact. Additionally, workers' rights are checked and safeguarded.

Service - a key competitive factor
In the battle over customers - in-store and online - the service offering plays an increasingly central role.

Brothers continued to improve its service offering, focusing on pinpointing and defining the objectives of the service concept in the year. In the years to come, we intend to bring Brothers' service concept to a new level. The main focus will be on bringing the service concept from our physical stores and into the e-commerce platform. During the fall, our Made-to-Measure offering will be launched in more stores and we'll also be launching made-to-measure shirts.

Improved store portfolio
Successful business restructuring over the last few years has created a solid foundation for Brothers to continue to build on. Outside of our key development projects - e-commerce and digital communication - our focus will be on developing our store portfolio. Brothers will be opening new stores in attractive locations with a large customer base, but might also open new stores in areas where where we already have a presence. Concurrently, some of our existing stores might need to be closed or moved to another area.

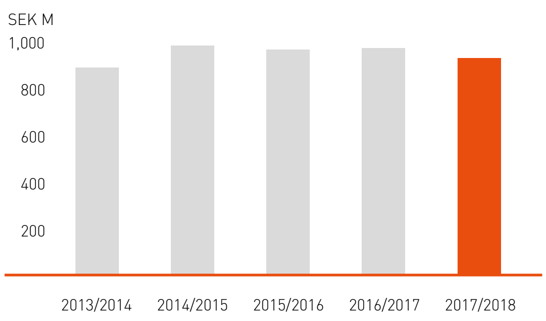
Three new stores opened during the year, including a flagship store in Mall of Scandinavia. During fall 2018, we'll be opening a new store in Gallerian, which is expected to increase Stockholm city center sales significantly, the third store is due to open in C4, outside Kristianstad. In addition, a few more stores are planned for 2018/2019.

Our service-oriented men's fashion concept is well positioned in relation to our competitors. We're speeding up the digital transformation process, and online sales are increasing steadily. Over the coming years, coupled with an optimized store portfolio, this is set to have a positive effect on sales as well as profit.

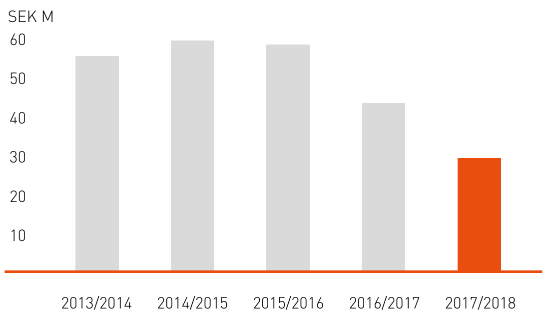
DEPARTMENTS & STORES

Departments & Stores (DSE) offers a unique distribution platform for national and international brands in the premium and luxury segment in strong marketplaces. The company has extensive operations in the Nordic region's leading department stores—NK Stockholm and NK Gothenburg. A shared feature of RNB's 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 profit



Vision

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

Mission

Departments & Stores shall offer the customer 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	**17/18**	16/17
Net sales	923	966
Share of RNB's sales, %	41	43
Operating income	29	43
Number of employees	371	352
Number of stores	42	42
Total area, kvm	11,102	11,309

Lower sales and earnings

Department & Stores' net sales and earnings decreased compared to the previous year. Visitor numbers at NK Stockholm decreased significantly during the year, although pleasingly Departments & Stores' visitor numbers were higher than for NK overall.

The negative trend is due to a number of factors. Refurbishment of the department store and building work outside NK Stockholm have both had a negative impact on business. In addition, NK's market hall has been closed since May 2018. However, the biggest factor is probably e-commerce growth and increased customer preference for this sales channel. NK does not yet offer an e-commerce alternative and as many premium brands are available online, NK's product range is exposed to increased competition.

NK 2020 under way

NK is undertaking a major business development project, expected to be finalized in 2020. NK's extensive reorientation initiative aims to bring the department store in line with world class standards, with an increased focus on the premium segment and modern luxury. Departments & Stores' development initiative is part of this project, and we anticipate long term benefits from this.

In parallel, Departments & Stores continues to renew and develop its businesses in the NK department store. In May, we opened a new department called "bags and accessories" with brands like ATP Atelier, Kenzo and Burberry. A new fragrance salon with a consultation service concept opened in August. We've also added new strong brands to our portfolio, such as Floraïku, Santa Maria Novella, Chantecaille, Hourglass and Le Labo.

Preparing NK's digital launch

The absence of an e-commerce alternative to complement the physical store is the likely cause of NK's loss of market share. The fact that NK Stockholm is simultaneously undergoing an extensive refurbishment project makes the impact more evident.

NK clearly understands the significance of this, and now has a firm intention and clear focus on implementing e-commerce, as this will be a key competitive factor for all NK's departments. The launch date of the online channel remains to be set, but our hope is that it will be up and running by 2020.

Outstanding service

In terms of customer service, Departments & Stores is already a market leader, which has been confirmed over a number of years by repeatedly being awarded the highest service ratings on the market, measured by Mystery Shopping. Our initiative "Service concept 2.0" was implemented fully during the year and has further improved results.

As a minimum, the shopping experience should meet, but preferably exceed, our paying customers' expectations on all levels, from the store environment and fashion range to the in-store customer interface.

Brand portfolio strength

Departments & Stores is the largest individual operator at the NK department stores in Stockholm and Gothenburg. We have a very strong brand portfolio, and the re-branding initiative aimed at emphasizing and positioning the NK brand towards modern luxury and exclusivity is positive for us .

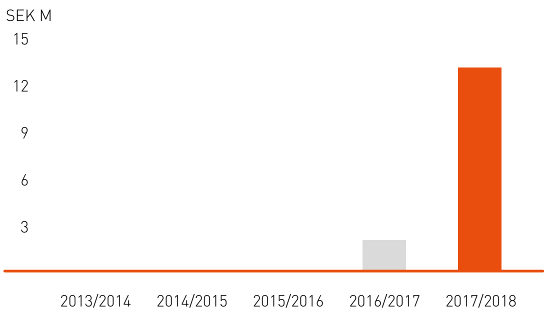
However, the next few years are set to be challenging, with continuous refurbishment of NK Stockholm and building work throughout Stockholm's city center. At the same time, there are reasons for Departments & Stores to harbor long term optimism. New departments are being planned and projected and will be opened as and when ready. We're intensifying our initiatives aimed at delivering outstanding customer service and work hard to optimize profitability of the floor space we dispose over. Furthermore, NK's plans to launch an e-commerce platform that will enable us to gradually compete over customers who prefer the online shopping experience.

Despite expecting a somewhat challenging period ahead, we're excited about the potential to deliver strong long term results.

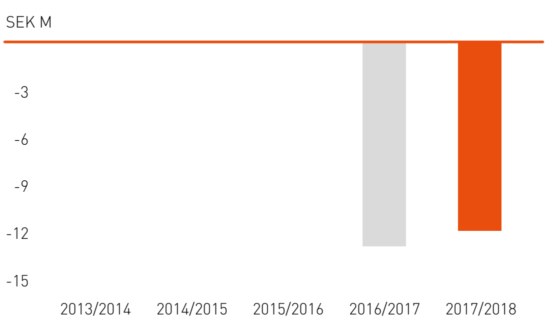
Man of a kind

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

Net sales



Operating profit



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	**17/18**	16/17
Net sales	13	2
Share of RNB's sales, %	1	0
Operating income	–12	–13
Number of employees	6	5
Number of e-commerce platforms	1	1

Strong sales increase

Man of a kind returned strong sales growth and delivered net sales for the full year of SEK 13 M, compared to SEK 2 M in the previous year. His demonstrates that we've created the right exclusive product mix for our target customer group. Frontmen, which was acquired in October 2017, was successfully integrated in Man of a kind and also contributed to the sales growth.

The business is still in the early stages, and some logistical and management problems have transpired during the year. However, these teething problems are expected to taper off in the next few years.

Growth is our primary focus, and the business' expansion plan mean that costs increased in line with sales during the year. This means that operating income of SEK -12 M was in line with the previous year.

Expanding fashion range

Man of a kind has expanded its fashion range during the year with many new brands added, which strengthened our positioning in exclusive fashion and luxury. New brands include Helmut Lang, Bally, Moncler, Boglioli and R.M. Williams. The strategy is to coordinate procurement and warehousing with Departments and Stores as far as possible. The Man of a kind concept works well and has the potential for generating a corresponding concept for women and children based on Departments & Stores' strong brand portfolio.

Enhanced shopping experience

To further enhance the shopping experience, Man of a kind has extended its service offering in order to create added value for its customers. The focus is on personal service and services such as free delivery, dry cleaning, tailoring, made-to-measure and style advice.

During the spring, Man of a kind hosted an exclusive made-to-measure-event for its VIP-customers which was very well received.

Online retail fashion has been dominated by low prices and fast delivery, although purchasing decisions are changing and are increasingly influenced by factors such as an exclusive and competitive product range coupled with personal service, all of which contributes to an improved customer experience.

Increasing business efficiency

Although we've experienced some new challenges this year, our employees have handled this effectively through hard work and strong commitment.

To cope with the fast pace of growth, Man of a kind will focus on streamlining and digitalizing its processes over the coming year. This means implementing new systems as well as improving work procedures.

Continued focus on growth

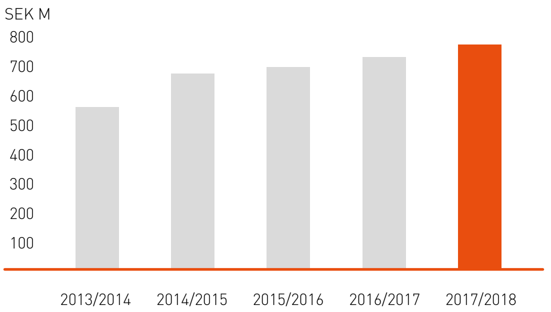
Man of a kind is a young concept and is still in the early stage of its development. The strategy is to expand and scale up business quickly. Our strength lies in the brand portfolio, the significant synergies we benefit from by being part of the RNB Group and our substantial e-commerce experience. Our objective is to continue to develop Man of a kind as the most exclusive destination for online fashion and lifestyle content.

We're now looking back on a successful year and are planning for continued strong sales growth over the coming year.

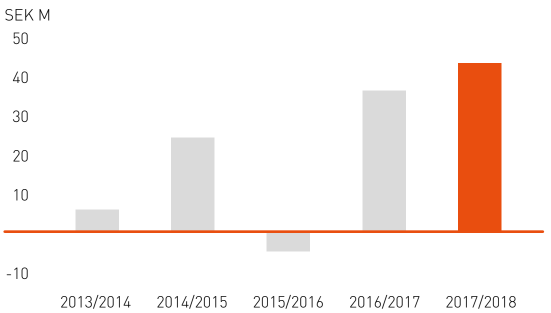
POLARN O. PYRET

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 profit



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 in 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	**17/18**	16/17
Net sales	765	723
Share of RNB's sales, %	34	33
Operating income	43	36
Number of employees	368	358
Number of stores	135	140
Number of e-commerce platforms	12	11

Continued profit growth

Polarn O. Pyret further improved its operating income in 2017/2018. Net sales increased by 6 percent, and operating margin increased to 5.6 percent. Sales in comparable stores increased by 4.3 percent, which is significantly higher than the markets where Polarn O. Pyret operates.

The reorientation of the business that started three years ago has been successful. In 2016/2017 the business concept turned loss to profit and operating income and margins increased further in 2017/2018.

Updated concept increases appeal

Polarn O. Pyret's first fashion range from the updated brand platform reached the stores in August 2017. The collection was very well received and is the basis for the increased sales volumes during the year. The objective was to create a more contemporary product range with a higher fashion content but without compromising on quality, functionality, sustainability and children's safety, all parameters which have made Polarn O. Pyret a market leader since the start in 1976. Our customers' positive responses confirm that we succeeded in this.

In addition to a new product range, Polarn O. Pyret also successfully repositioned its brand and marketing profile and increased brand recognition across all Polarn O. Pyret's core markets in the year.

A new store concept has also been developed to create a complete updated customer experience. In March 2018, Polarn O. Pyret opened its first refurbished store, a new flagship store in the PK building in central Stockholm. The new store design has already been rolled out in 15 stores. Polarn O. Pyret Pyret was awarded "Design Concept of the Year" at the Habit Fashion Show 2018.

Sustainability is our foundation

Polarn O. Pyret has held its position as Sweden's Greenest clothing brand in Differs' yearly survey since 2009, something we're extremely proud of and which proves our solid incorporation of sustainability as part of our brand. With the aim that each item of clothing should be used by three children, we design, develop and produce a clothing range with a long lifespan, that is durable enough to hand down or to sell on as second hand. During the year, we introduced the service PO.P Repairs, where Polarn O. Pyret offers repairs of outerwear in all its stores, with the intention of increasing its clothes' life span. This is a highly regarded service that is free of charge for our most loyal customers.

During the year, Polarn O. Pyret has also entered into a collaboration with Hyber, a rental service for children's wear that further contributes to our ambition that each item of clothing should be used by three children.

During spring 2018, Polarn O. Pyret reached the target of 100 percent sustainable cotton in its collection.

E-commerce sales doubled in three years

Polarn O. Pyret's strong e-commerce sales growth continued, increasing by 37% in the year, and now accounts for 16.5% of total sales. In 2017/2018 online sales exceeded SEK 100 M, meaning that we've doubled our e-commerce sales in only the last three years.

The digitalization of physical stores also contributed to this progress, where tablets integrated with the cash register enable us to offer customers products that are not available in the store. For some stores, this service provides several percentage points of total sales. At present, 19% of Polarn O. Pyret's customers shop both in store and online. Since early fall 2018, Polarn O. Pyret's clothing range is available to purchase from Boozt, an important step towards further increasing accessibility of our products and strengthening online growth.

Award-winning loyalty program

In a period of strong digital transformation, our core focus is on the customer relationship. This means that we're particularly proud to have been awarded "Loyalty program of the year" at the Sweden Retail Awards 2018, for our loyalty program PO.P+. The award recognizes our recent activities aimed at increasing the relevance of our product offering to our customers, strengthening our omni channel offering and improving our sustainability.

Polarn O. Pyret has advanced its positions in many areas over the last year, which has had a positive effect on sales and profit. The shift towards increased e-commerce sales, a more attractive store network and enhanced omni channel offerings continues. This means that we face positive prospects of being able to deliver further growth over the coming 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 act 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

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Director's Report 2017/2018

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, 2017 – August 31, 2018.

Operations, business concept and strategy
RNB RETAIL AND BRANDS owns, operates and develops fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics stores and e-commerce stores that focus 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 Departments & Stores business area operates stores in the NK department stores in Stockholm and Gothenburg. At the end of the financial year, the Group had 246 stores and 15 e-commerce trading platforms on ten national markets.

RNB RETAIL AND BRANDS business concept realizes operational synergies through active ownership that develops and distributes brands through distinct concepts and stores that offer an attractive range of fashionwear, ready-to-wear clothing, accessories, jewelry and cosmetics 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 men's fashion comprising the smart alternative to premium segment brands. 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 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, monitor production and 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 36 M (30) in the period. The Group issued a senior secured bond of SEK 400M, which replaced borrowing from Konsumentföreningen Stockholm (the Stockholm Consumer Cooperative Society).

Events after the end of the financial year
Changes were made to Group management in October 2018. The CEO of Brothers, Peter Bondelid, resigned from his role and was replaced by the CEO of Departments & Stores, Carolina Söderqvist. Yvonne Magnusson was appointed Interim CEO of Departments & Stores.

In November 2018, the Group announced that the Board of RNB Retail and Brands will propose to the Annual General Meeting on 20 December 2018 that the Board of Directors restructure the Group to create and enhance shareholder value. This is proposed to be carried out by shifting the Parent Company's main focus away from creating synergies aimed at broadening the platform towards increasing the independence of the Group companies and minimizing the Group structure.

Market
According to Stilindex (the Swedish Retail and Wholesale Trade Research Institute), clothing sales in Sweden decreased by 2.6 percent in the financial year. RNB's sales in comparable stores in Sweden decreased by 0.7 percent in the same period. Sales on all national markets increased by 0.3% in SEK terms.

Sales in Finland of men's, women's and children's clothing decreased by 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 2,238 M (2,216) in the financial year. New and closed stores provided 0.5 percent of this increase, changes in comparable stores 0.1 percent and exchange rate differences 0.4 percent.

Gross margin for the Group was 49.9 percent (50.5) in the period. Costs of premises a salary increases have been almost fully offset by rationalizations and other cost reductions. Marketing investments increased according to plan in the year. Group-wide costs increased, mainly due to planned higher IT development costs.

Operating income amounted to SEK 47 M (63), with an operating margin of 2.1%. Net financial items totaled SEK -8 M (-30), of which unrealized gains on currency hedges not affecting cash flow affected net financial items by SEK 14 M (-14).

Profit after tax amounted to SEK 36 M (30) in the period. Earnings per share improved to SEK 1.07 (0.90).

Business area progress in the financial year

Brothers business area
Net sales in the Brothers business area totaled SEK 537 M (526).

Sales for comparable units in Sweden and Finland increased by 1.2 percent, with e-commerce and new stores driving the increase. Net sales from franchise stores were up on the previous year. The number of paying customers in stores was down on the previous year. Average spend was up on both national markets. Gross margin in the business area was unchanged year-on-year. Excluding exchange rate effects, gross margin increased.

Overhead costs were up on the previous year, mainly due to increased cost of premises as a result of more stores and customary rent increases.

Operating income was SEK 23 M (24) in the financial year, implying an operating margin of 4.3 percent (4.5). Inventories increased in the year, and the proportion of seasonal goods for the fall and winter collection was higher towards the end of the year in year-on-year terms

Departments & Stores business area
Net sales in the Departments & Stores business area was SEK 924 M (966), a decrease of 4.4 percent. The number of visitors in the two in-store departments in Stockholm and Gothenburg was down year-on-year. Visitor numbers in Stockholm were down more in percentage terms compared to the Gothenburg store. The opening hours of the Gothenburg store were increased in the year, which partly offset the lower visitor numbers. Competition in large parts of the premium range has intensified as a result of growing distribution of these brands across e-commerce platforms

Average spend per customer increased, and discounting also increased slightly in the period, although this did not offset the decline in customer numbers. Gross margin decreased slightly on the previous year.

Expenses were down on the previous year despite normal cost increases rents and salaries.

Operating income amounted to SEK 29 M (43), with an operating margin of 3.1% (4.4).

Business area inventories increased slightly in the year. Current inventories have a higher share of seasonal content compared to the previous year. The value of inventories has increased as a result of general price increases, more expensive premium brands, and higher purchasing values caused by as weaker SEK. Accordingly, the increased quantity of inventories in the period only represents a marginal proportion of the overall inventory increase.

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. Over the coming years, 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.

Man of a kind business area

Net sales in the Man of a kind business area were SEK 13 M (2). Positive progress in key financial indicators, such as visitor numbers, average spend and conversion rate in the year. The gross margin was up in year-on-year terms.

Expenses were up year-on-year. Operating income was SEK -12 (-13) M. Man of a kind's inventories are included in Departments & Stores' inventories. During the year, Man of a kind acquired Frontmen.com and integrated it in the business area. The fashion range has been expanded further to strengthen the position as the most exclusive men's fashion destination online. New brands selected in the period include Helmut Lang, Bally, Moncler, Boglioli and RM Williams. In order to enhance the shopping experience further, services have been increased to include free home delivery, tailoring and dry cleaning.

Polarn O. Pyret business area

Net sales in the Polarn O. Pyret business area totaled SEK 765 M (723). Sales in comparable proprietary stores including e-commerce on all national markets increased by 4.7 percent year-on-year. The sales increase was driven by e-commerce.

Gross margin decreased slightly on the previous year.

Expenses increased in the year, and operating income amounted to SEK 43 M (36), an improvement of SEK 7 M and corresponding to an operating margin of 5.6% (5.0

Business area inventories increased in the year. The proportion of older seasonal goods was lower than in the previous year. Inventories ahead of the coming fall and winter season were significantly higher due to earlier incoming deliveries and a focus on increased turnover and outdoor clothing. With its campaign 'A New Chapter', Polarn O. Pyret launched a much-anticipated initiative that places the brand and its customer offering in a more contemporary context, with a higher fashion content and a sharper sustainability focus. In March 2018, Polarn O. Pyret opened its first store with a completely new store concept. The new concept had been introduced in nine stores at the end of the year.

Parent Company

The Parent Company provides group-wide services in IT operations and systems, logistics, HR, administration, accounting and finance. The aim is to coordinate and rationalize shared resources and procurement.

Parent Company net sales were SEK 92 M (110). Profit/loss after net financial items was SEK 1 M (20). Investments totaled SEK 26 M (12).

Financial position and liquidity

The Group's total assets amounted to SEK 1,225 M, compared to SEK 1,123 M at the end of the previous financial year At the end of the period, equity was SEK 389 M, and SEK 340 M at the end of the previous financial year, providing an equity/assets ratio of 31.8 percent (30.3). As of August 31, inventories totaled SEK 499 M, compared to SEK 428 M at the end of the previous financial year.

Cash flow from changes in working capital was negative at SEK -61 M (-43), mainly due to increased inventories. Cash flow from operating activities was SEK 10 M (51) in the period. After investments, cash flow was SEK -56 M (27).

Net debt increased to SEK 434 M, compared to SEK 363 M at the end of the previous financial year. The Group's cash and cash equivalents including unutilized overdraft facilities totaled SEK 65 M at the end of the period, compared to SEK 136 M at the end of the previous financial year. In the financial year, the Group issued a senior secured bond of SEK 400 M which matures in February 2021. The bond has a framework amount of SEK 600 M. The bond was listed on Nasdaq Stockholm on March 28, 2018.

Investments and depreciation/amortization

Investments during the period, excluding investments in subsidiaries, totaled SEK 65 M (35). Of total investments, some SEK 27 M relates to investments in software and other intellectual property, mainly in the form of new e-commerce platforms. Depreciation/amortization totaled SEK -42 M (-47).

Employees

The average number of employees was 1,021 (1,028) in the period.

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 to employer organization Svensk Handel (the Swedish Trade Federation) and is party to collective agreements with trade unions Unionen and Handelsanställdas förbund.

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 n 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-

Transactions with related parties
In the year, the company repaid loans totaling SEK 380 M to Konsumentföreningen Stockholm. 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.

Tax paid
During the financial year, the Group paid tax totaling SEK 2 M (1).

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.

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 64-72.

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 six scheduled Board meetings and five 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 20, 2018, members of the Nomination Committee were appointed in accordance with the resolution of the AGM in December 2017. The Nomination Committee consists of Lars Ericsson, CEO of Konsumentföreningen Stockholm, Fredrik Carlsson, Novobis AB, Lars Odin Mellemseter, Hawk Invest AS and Johan Fahlin.

Guidelines for remuneration to senior executives
The AGM on December 21, 2017, resolved on guidelines for remuneration and other terms of employment for management. These are described in Note 4.

The Board of Directors proposes that the AGM resolve on the following guidelines:
The Company is to offer market-based total remuneration that facilitates 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 income 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, 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 Group 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.

Agreements ontaining clauses regarding changes to ownership structure
Any 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, triggers a clause in the company's bond loan agreement that entitles bondholders to redeem the bond plus accrued interest.

Ownership structure
As of August 31, 2018, RNB had 6,007 shareholders. As of August 31, 2018, The three largest shareholders were Konsumentföreningen Stockholm (33.2% of the share capital/votes), Novobis AB (11.8%) and Catella Fondförvaltning (6.2%). 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 August 31, 2018.

The number of shares in the company on August 31, 2018 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 73-74.

Expected future progress
The Group maintains a high pace of transformation in order to meet changing customer preferences and accelerating competition. Positive profit growth is anticipated for Brothers and Polarn O. Pyret over the coming year, and positive growth is expected across all business areas once the development of the NK department store has been completed in the year thereafter.

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:

Retained earnings	20,330,249
Net income for the year	808,804
	21,139,053

The Board proposes that retained earnings be allocated as follows:

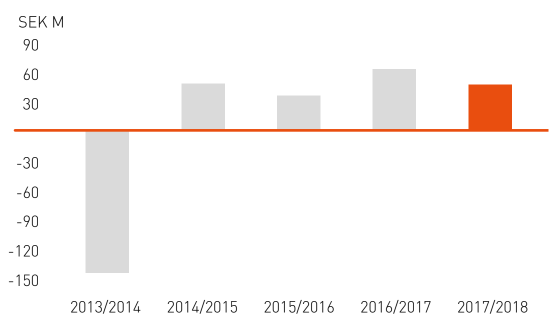
Carried forward	21,139,053
	21,139,053

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

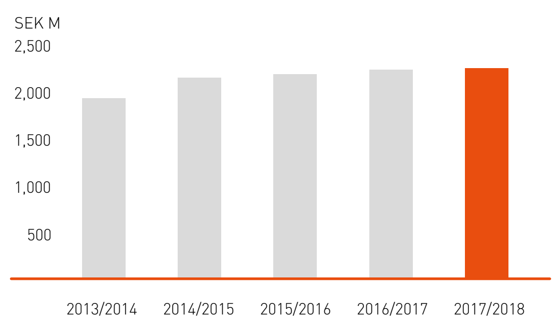
	Sep 13–Aug 14	Sep 14–Aug 15	Sep 15–Aug 16	Sep 16–Aug 17	Sep 17–Aug 18
Gross profit margin, %	51.0	50.1	50.3	50.6	49.9
EBIT margin, %	neg.	2.2	1.7	2.8	2.1
Equity/assets ratio, %	25.8	28.4	29.3	30.3	31.8
Capital employed, SEK M	671.0	693.4	726.6	739.0	834.1
Return on capital employed, %	neg.	8.1	5.2	8.9	8.4
Return on equity, %	neg.	14.8	8.2	9.2	10.0
Earnings per share, SEK	–4.75	1.25	0.76	0.90	1.07

Operating profit



Including divested operations

Net sales



Including divested operations

Consolidated Statement of Comprehensive Income

SEK 000	Note	**Sep 17- Aug 18**	Sep 16- Aug 17
Net sales	3	2,238,398	2,216,364
Other operating income	3, 6	33,886	35,272
		2,272,284	**2,251,636**
Operating expenses			
Goods for resale	18	–1,122,017	–1,096,697
Other external expenses	5, 29	–516,926	–499,523
Personnel expenses	4	–544,321	–545,422
Depreciation/amortization and impairment of property, plant and equipment and intangible assets	11, 12, 14	–41,904	–47,426
Operating Income	3	**47,116**	**62,568**
Profit/loss from financial investments			
Interest income and similar profit/loss items	3, 7	19,052	2,513
Interest expenses and similar profit/loss items	8	–27,415	–32,395
Profit/loss after financial items	3	**38,753**	**32,686**
Tax on net income for the year	9	–2,303	–2,260
Net income for the year		**36,450**	**30,426**
Other comprehensive income			
Other comprehensive income to be reclassified to net income in subsequent periods			
Cash flow hedges		28,334	–5,629
Cash flow hedges written back to earnings		–1,652	–
Translation differences		–3,580	210
Tax attributable to items in other comprehensive income		–	–
Comprehensive income for the year		**59,552**	**25,007**
Net income for the year attributable to:			
Parent Company shareholders		36,450	30,426
Comprehensive income attributable to:			
Parent Company shareholders		59,552	25,007
Earnings per share (SEK)	10	1.07	0.90

Consolidated Statement of Cash Flow

SEK 000	Note	**Sep 17- Aug 18**	Sep 16- Aug 17
Operating activities			
Operating income		47,116	62,568
Interest received		322	2,513
Interest paid		–17,327	–18,179
Tax paid		–1,673	–931
Adjustments for items not included in cash flow	30	43,140	48,118
Cash flow from operating activities before change in working capital		**71,577**	**94,089**
Cash flow from change in working capital			
Decrease (+)/increase (-) in inventories		–69,612	–24,078
Decrease (+)/increase (-) in current receivables		–6,842	–14,134
Decrease (-)/increase (+) in current liabilities		15,244	–4,870
Cash flow from operating activities		**10,368**	**51,007**
Investing activities			
Acquisition of property, plant and equipment and intangible assets		–63,310	–36,729
Divestment of property, plant and equipment		388	105
Investment of non-current receivables		–4,492	0
Received repayment of non-current receivable		569	13,250
Acquisition of subsidiaries	31	0	–681
Cash flow from investing activities		**–66,845**	**–24,055**
Financing activities			
Change in overdraft facility		26,276	0
Amortization of loans		–380,014	–5,789
Issue of corporate bond		395,112	0
Dividend		–10,174	–8,478
Cash flow from financing activities		**31,200**	**–14,267**
Cash flow for the year		**–25,278**	**12,685**
Cash and cash equivalents at beginning of year		36,439	24,150
Exchange rate difference in cash and cash equivalents		101	–396
Cash and cash equivalents at end of year	20	**11,263**	**36,439**

Consolidated Balance Sheet

SEK 000	Note	**Aug 31, 2018**	Aug 31, 2017
ASSETS			
Non-current assets			
Intangible assets			
Software	11	42,241	25,350
Rental rights	12	4,945	6,170
Goodwill	2, 13	399,723	397,892
		446,909	**429,412**
Property, plant and equipment			
Equipment and store fittings	14	77,266	70,565
		77,266	**70,565**
Financial non-current assets			
Other jointly controlled companies	16	25	–
Non-current receivables	2, 17, 32	13,467	9,544
		13,492	**9,544**
Total non-current assets		**537,667**	**509,521**
Current assets			
Inventories			
Goods for resale	2, 18	499,251	427,718
		499,251	**427,718**
Current receivables			
Trade receivables	2, 33	50,005	53,374
Current tax assets		7,882	8,173
Other receivables	33	20,630	15,545
Derivative assets	33	24,321	0
Prepaid expenses and accrued income	19	74,420	72,091
		177,258	**149,183**
Cash and cash equivalents	20	11,263	36,439
Total current assets		**687,772**	**613,340**
TOTAL ASSETS	3	**1,225,439**	**1,122,861**

SEK 000	Note	**Aug 31, 2018**	Aug 31, 2017
EQUITY AND LIABILITIES			
Equity attributable to Parent Company shareholders	21		
Share capital		203,473	203,473
Other contributed capital		2,240,118	2,240,118
Other reserves		5,929	–17,173
Retained earnings		–2,096,607	–2,116,859
Net income for the year		36,450	30,426
Total equity attributable to Parent Company shareholders		**389,363**	**339,985**
Non-current liabilities			
Deferred tax liabilities	9	0	0
Corporate bond	22,27,33	395,112	0
Other non-current liabilities	22,27,33	23,395	399,009
Total non-current liabilities		**418,507**	**399,009**
Current liabilities			
Liabilities to credit institutions	33	0	133
Overdraft facility	23,27	26,276	0
Trade payables	24	204,057	176,389
Other liabilities	25	75,226	70,345
Derivative liabilities	33	1,348	17,539
Accrued expenses and deferred income	26	110,662	119,461
Total current liabilities		**417,569**	**383,867**
TOTAL EQUITY AND LIABILITIES	3	**1,225,439**	**1,122,861**

Consolidated Change in Shareholders' Equity

SEK 000	Share capital	Other contrib-uted capital	Translation reserve	Hedging reserve	Retained earnings	Net income for the year	**Total Shareholders' equity**
	Equity attributable to Parent Company shareholders						
Shareholders' equity, August 31, 2016	**203,473**	**2,240,118**	**–11,754**	**0**	**–2,134,233**	**25,852**	**323,456**
Transfer of previous year's profit/loss					25,852	–25,852	0
Dividend					–8,478		–8,478
Net income for the year						30,426	30,426
Cash flow hedges				–5,629			–5,629
Cash flow hedges written back to earnings							0
Other comprehensive income for the year			210				210
Comprehensive income for the year			*210*	*–5,629*	*0*	*30,426*	*25,007*
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
Dividend					–10,174		–10,174
Net income for the year						36,450	36,450
Cash flow hedges				28,334			28,334
Cash flow hedges written back to earnings				–1,652			–1,652
Other comprehensive income for the year			–3,580				–3,580
Comprehensive income for the year			*–3,580*	*26,682*	*0*	*36,450*	*59,552*
Shareholders' equity, August 31, 2018	**203,473**	**2,240,118**	**–15,124**	**21,053**	**–2,096,607**	**36,450**	**389,363**

Parent Company Income Statement

SEK 000	Note	**Sep 17- Aug 18**	Sep 16- Aug 17
Net sales	34	92,438	109,788
Other operating Income	6	4,603	2,582
		97,041	**112,370**
Operating expenses			
Other external expenses	5,29	–70,035	–62,617
Personnel expenses	4	–51,293	–65,644
Depreciation/amortization and impairment of property, plant and equipment and intangible assets	11,14	–11,633	–11,087
Operating income		**–35,920**	**–26,978**
Profit/loss from financial investments			
Profit from participations in Group companies	32	44,652	73,246
Interest income and similar profit/loss items	7	14,174	660
Interest expenses and similar profit/loss items	8	–22,097	–26,636
Profit/loss after financial items		**809**	**20,292**
Tax on net income for the year	9	–	–
Net income for the year		**809**	**20,292**

Parent Company Statement of Comprehensive Income

SEK 000	Note	**Sep 17- Aug 18**	Sep 16- Aug 17
Net income for the year		809	20,292
Other comprehensive income		–	–
Comprehensive income for the year		**809**	**20,292**

Parent Company Balance Sheet

SEK 000	Note	**Aug 31, 2018**	Aug 31, 2017
ASSETS			
Non-current assets			
Intangible assets			
Software	11	40,028	24,341
		40,028	**24,341**
Property, plant and equipment			
Equipment	14	3,782	4,682
		3,782	**4,682**
Financial non-current assets			
Participations in subsidiaries	16,27	561,704	561,654
Other non-current receivables	17,27,33	5,302	5,000
		567,006	**566,654**
Total non-current assets		**610,816**	**595,677**
Current assets			
Current receivables			
Receivables from Group companies	34	132,666	86,823
Current tax receivable		2,119	1,920
Other receivables	33	10	272
Prepaid expenses and accrued income	19	5,620	6,201
		140,415	**95,216**
Cash and bank balances	20,27	0	25,880
Total current assets		**140,415**	**121,096**
TOTAL ASSETS		**751,231**	**716,773**

SEK 000	Note	**Aug 31, 2018**	Aug 31, 2017
EQUITY AND LIABILITIES			
Shareholders' equity	21		
Restricted equity			
Share capital		203,473	203,473
Reserve for development expenses		34,516	11,355
Total restricted equity		**237,989**	**214,828**
Non-restricted equity			
Retained earnings		20,330	33,371
Net income for the year		809	20,292
Total non-restricted equity		**21,139**	**53,663**
Total equity		**259,128**	**268,491**
Non-current liabilities			
Corporate bond	22,27,33	395,112	–
Other non-current liabilities	22,27,33	0	380,000
Total non-current liabilities		**395,112**	**380,000**
Current liabilities			
Overdraft facility	23	26,276	–
Trade payables	24	8,458	5,754
Liabilities to Group companies	34	45,938	35,322
Other liabilities	25	2,666	3,849
Accrued expenses and deferred income	26	13,653	23,357
Total current liabilities		**96,991**	**68,282**
TOTAL EQUITY AND LIABILITIES		**751,231**	**716,773**

Parent Company Statement of Cash Flow

SEK 000	Note	**Sep 17- Aug 18**	Sep 16- Aug 17
Operating activities			
Operating income		–35,920	–26,978
Interest received		2,964	660
Interest paid		–16,255	–15,426
Tax paid		0	0
Adjustments for items not included in cash flow	30	11,633	11,087
Cash flow from operating activities before change in working capital		**–37,578**	**–30,657**
Cash flow from change in working capital			
Decrease (+)/increase (-) in current receivables		–45,199	–12,476
Decrease (-)/increase (+) in current liabilities		7,803	2,406
Cash flow from operating activities		**–74,974**	**–40,727**
Investing activities			
Acquisition of intangible assets and property, plant and equipment		–26,420	–12,486
Divestment of property, plant and equipment		–	–
Investment of non-current receivables		–302	–
Received repayment of non-current receivable		–	10,000
Investments in subsidiaries		–50	–
Cash flow from investing activities		**–26,772**	**–2,486**
Financing activities			
Increased utilization of overdraft facility		26,276	–
Decreased utilization of overdraft facility		–	–
Group contribution received		44,652	73,246
Amortization of loans		–380,000	–5,000
Issue of corporate bond		395,112	–
Dividend		–10,174	–8,478
Cash flow from financing activities		**75,866**	**59,768**
Cash flow for the year		**–25,880**	**16,555**
Cash and cash equivalents at beginning of year		25,880	9,325
Cash and cash equivalents at end of year	20	0	25,880

Parent Company Change in Shareholders' Equity

SEK 000	Restricted equity Share capital	Restricted equity Reserve for development expenses	Non-restricted equity Retained earnings	Non-restricted equity Net income for the year	**Total equity**
Shareholders' equity, August 31, 2016	**203,473**	**0**	**52,175**	**1,029**	**256,677**
			1,029	−1,029	0
Dividend			−8,478		−8,478
Transfer, fund for development expenses		11,355	−11,355		0
Net income for the year				20,292	20,292
Other comprehensive income for the year					0
Comprehensive income for the year				*20,292*	*20,292*
Shareholders' equity, August 31, 2017	**203,473**	**11,355**	**33,371**	**20,292**	**268,491**
Transfer of previous year's profit/loss			20,292	−20,292	0
Dividend			−10,172		−10,172
Transfer, fund for development expenses		23,161	−23,161		0
Net income for the year				809	809
Other comprehensive income for the year					0
Comprehensive income for the year				*809*	*809*
Shareholders' equity, August 31, 2018	**203,473**	**34,516**	**20,330**	**809**	**259,128**

Notes to the Financial Statements

Amounts in SEK unless otherwise stated.

Note 1 Accounting policies, etc.

Information about the company and the annual accounts
RNB RETAIL AND BRANDS AB (publ), Corp. Reg. No. 556495-4682, is a Swedish public limited liability company with its registered office in the municipality of Stockholm, Stockholm county in Sweden. 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 company's financial year runs from September 1 to August 31.

The Consolidated Financial Statements and Parent Company Financial Statements for the 2017/2018 financial year were signed by the Board of Directors and the President on November 22, 2018, thereby approving these Consolidated 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 20, 2018.

Conformity with standards and statutes
The Consolidated Financial Statements have been prepared in accordance with the Swedish Annual Accounts Act and International Financial Reporting Standards (IFRS), as approved by the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied.

The Parent Company applies the same accounting policies as the Group except in the instances described below in the section "Parent Company accounting principles".

Basis of preparation of financial statements for the parent company and the Group
The Parent Company's functional currency is SEK, which is also the presentation currency for the Parent Company and the Group. This means that the financial reports are presented in Swedish kronor. All figures, unless otherwise stated, are rounded to the nearest thousand. Recognition of assets and liabilities is based on historical cost, with the exception of certain financial assets and liabilities that are measured 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

Preparing the financial statements in accordance with IFRS requires that the company management makes assessments and estimates as well as assumptions that affect the application of accounting policies and the recognized amounts 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 company management that have a significant impact on the financial statements and the estimates made and that can cause substantial adjustments in the following years' financial statements are described in detail in Note 2.

Events after the Balance Sheet date refer to both favorable and unfavorable events that occur after the Balance Sheet date but before the date in the following year on which the financial statements are authorized for publication by the Board of Directors. Information is disclosed in the annual accounts concerning significant events after the Balance Sheet date that were not taken into account when preparing the Balance Sheet and Income Statements. Only events that provide evidence of conditions prevailing on the Balance Sheet date have been taken into account when presenting the financial statements.

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.

New and amended accounting policies
None of the new and amended IFRS, which will be applied from and including the current financial year have had any material impact on the Group's or Parent Company's financial statements. No new or amended IFRS were early adopted.

Changes to IAS 7 have implied that additional information has been included in Note 30, where the change in liabilities for the year from financing operations has adjusted for new borrowing, amortization, changes from divestments/acquisitions of subsidiaries and exchange rate effects. Information has been provided for changes that do not influence cash flow.

New IFRS standards issued but not yet applied
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 9 Financial Instruments
The standard entails a reduction in the number of measurement categories for financial assets and stipulates that the main classifications for recognizing financial assets and liabilities are at cost (amortized cost) and at fair value through profit or loss. For certain equity investments, there is the option of recognition at fair value in the statement of financial position, with changes in value recognized directly in other comprehensive income, where no transfer is made to net profit for the period on divestment. The new standard also includes regulations governing impairment testing of financial assets that imply that the formerly applied incurred loss method will be replaced by the expected loss method. This standard will apply from January 1, 2018, which means the financial year 2018/2019 for RNB RETAIL AND BRANDS.

During the period, RNB RETAIL AND BRANDS evaluated the effects the standard will give rise to in the Financial Statements. With regard to impairment, the Group has evaluated current methods for calculating provisions for doubtful trade receivables, and judges that the transition to IFRS 9 will not have any material impact on the Group.

IFRS 15 Revenue from Customer Contracts
The standard introduces new principles for revenue recognition and extended disclosure requirements for revenue. This standard will apply from January 1, 2018, which means the financial year 2018/19 for RNB RETAIL AND BRANDS. RNB RETAIL AND BRANDS has evaluated the effects of the new standard and concluded that the standard will not imply any material changes for the Group 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 is not judged to have any material impact on the RNB Group's revenue recognition. The point in time when control over an item is transferred to the customer corresponds to the point in time when revenue is recognized by the RNB Group according to IAS 18. Regarding revenue recognition for rights of return, loyalty schemes and gift vouchers, the Group considers that no material differences arise from the transition to IFRS 15. Work is underway to produce additional information in accordance with IFRS 15. The RNB Group has chosen to apply full retroactivity in connection with the transition to IFRS 15.

IFRS 16 Leases

This standard replaces IAS 17 for financial years starting after January 1, 2019, which for RNB Retail and Brands implies the financial year 2019/2020. Under the new standard, lessees should recognize most rights-of-use for leases as assets and future contractual lease charges as liabilities in the Balance Sheet

The effect is expected to be significant as the standard will imply the reporting of significant assets and liabilities attributable to the Group's rental agreements for its premises. The Group has initiated preparations ahead of implementing the standard., and has started upgrading its systems support and has adapted its internal reporting to ensure compliance with the regulatory framework.

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

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

Basis of consolidation

The Consolidated Financial Statements encompass the Parent Company and its subsidiaries. Subsidiaries are defined as all entities over which the Parent Company exercises control.

The purchase method is used for recognition of business combinations. The acquisition analysis establishes the consideration transferred, as well as the fair value of separately acquired identifiable assets, assumed liabilities and contingent liabilities. All transaction costs connected with acquisitions are expensed. The Financial Statements of subsidiaries are consolidated from the date of acquisition until the date when control ceases.

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

Holdings reported in accordance with the equity method Associated companies/Other joint ventures

Shareholdings 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.

Equity method

The equity method means that the Group's reported value of shares in associated companies and joint ventures correspond to the Group's holding in the equity of such associated companies and joint ventures plus Group wide surplus values and deficits. In the Consolidated Income Statement, the Group's share of associated company and joint venture net profit is reported under the item Shares in associated company and joint venture profit/loss after tax attributable to Parent Company shareholders adjusted for potential depreciation/release of acquired surplus values or deficits. Dividends received from associated companies or joint ventures reduce the reported value of investments. Unrealized gains arising from transactions with associated companies and joint ventures are eliminated in relation to the share of capital held.

When the Group's share of reported losses in associated companies and joint ventures exceeds the reported value of the Group's holding, the value of the holding is reduce to zero. Settlement of losses include long-term unsecured financial transactions that constitute a part of the owner's net investment in the associated company or joint venture. Any continued losses are not recognized unless the Group has issued a guarantee covering losses in associated companies or joint ventures The equity method is applied up until such time as the material influence terminates, and/or the joint venture ceases to be jointly held.

Foreign currency translation

Functional currency and presentation currency

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). 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

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 financial income or expenses. Other exchange rate gains and losses that relate to purchasing and trade payables are recognized in Goods for resale.

Group companies

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

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

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

and

(c) the translation differences that arise are recognized in Other comprehensive income and in Other reserves under Equity.

Revenue

Group revenue mainly derives from sales of goods to consumers in proprietary stores and from wholesale sales to franchisees. Sales of goods are recognized on delivery to the customer in accordance with the terms and conditions of sale. All store sales are conducted on a 10-30 days sale-or-return basis. Sales revenue is recognized after deductions for discounts and estimated returns and excluding VAT on net sales. Customer loyalty programs, which mainly comprise discounts provided in relation to the customers' actual purchases, are recognized

as a special component by reducing sales revenues by an estimated value to the paying customer and recognized as deferred income until RNB RETAIL AND BRANDS's obligation has been performed.
The Group's net sales also include franchise fees. The franchise fee is based on the franchisee's sales and is reported in the Consolidated Income Statement in the period the sale was made to a consumer.

The Group's rental income relating to rental contracts passed on to franchisees is reported as other operating income as this income is not considered to form part of the Group's primary operations.

Parent company net sales relate to internally invoiced services to subsidiaries regarding management, administration etc. Revenue is recognized when a service is provided.

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 don't comply with the requirements for hedge accounting and other financial items.

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

Financial instruments

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

- ***Financial assets measured at fair value through profit or loss***
  This category includes currency futures with positive fair values. Results from revaluation of hedging derivatives are reported in accordance with the information stated under Currency derivatives and hedge accounting.

- ***Loan and trade 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.
  At each reporting date, the company evaluates whether there are objective indications of impairment need. The primary indications the Group uses to determine whether there is objective evidence of an impairment need are:
  – significant financial difficulties displayed by the issuer or debtor,
  – breach of contract, such as lack of or delayed payment of interest or capital amount,
  – probability that the borrower will enter bankruptcy or other form of financial reconstruction,
  – an active market for the particular asset ceases to operate due to financial difficulties.
  – Impairment testing is performed individually and where appropriate, impairment losses are recognized in other external costs.

- ***Financial liabilities measured at fair value through profit or loss***
  This category consists of currency derivatives 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

A financial asset or financial liability is recognized in the Balance Sheet when the company becomes a party to the contractual terms and conditions of the instrument Trades receivables are recognized in the Balance Sheet when the invoice has been sent. A liability is recognized when the counterparty has performed a service and a contractual payment obligation prevails, even if the invoice has not yet been received. Trade payables are recognized when the invoice has been received.

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

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

Currency derivatives and hedge accounting

The Group uses currency derivatives in the form of currency futures and currency options to hedge the Group's exchange rate risk resulting from a high proportion of Group purchasing being denominated in foreign currency. For more information, see Exchange rate risk in Note 33. To comply with the requirements relating to hedge accounting according to IAS 39, a clear link to the hedge item must be demonstrable. Furthermore, the hedge must effectively safeguard the hedged item, hedge documentation must be produced and effectiveness must be measurable.

From the fourth quarter 2016/2017, the RNB Group applies hedge accounting when there is an effective link between hedged future cash flows and financial derivatives. This is the result of the RNB Group's introduction of measures of the effectiveness of its currency hedges in the fourth quarter 2016/2017. Provided that the currency hedges are deemed to be effective, value changes are reported in Other comprehensive income and accumulated in the hedge reserve in Equity until the hedged flow hits the Income Statement, whereupon the hedge instrument's accumulated value change is transferred to the Income Statement where it meets andmatches the profit effects of the hedged transaction. The profit/loss attributable to the ineffective proportion is immediately recognized in the Income Statement under Net financial items. The change is forward looking and in the first three quarters of the financial year 2016/2017 all fair value changes in currency derivatives used for hedging purposes were reported in Net financial items in Net income for the year.

If the hedged future cash flow relates to a non-financial asset or liability capitalized in the Balance Sheet (e.g. inventories), the hedge reserve is transferred from Equity to the asset or liability the hedge relates to in connection with the value of the asset or liability being initially determined. These amounts posted to assets are later reported under Goods for resale when relating to inventories.

When a hedging instrument expires, is sold, liquidated or redeemed, or the Group discontinues the identification of the hedge relationship before the hedged transaction occurs, and the forecast transaction is still expected to occur, the reported accumulated profit/loss remains in the hedge reserve in Equity and is reported in a corresponding manner as indicated above when the transaction occurs. If the hedged transaction is no longer expected to occur, the hedging instrument's accumulated profit/loss is immediately derecognized in the Income Statement in accordance with the principles outlined above under financial assets and liabilities valued at fair value in Net income for the year.

Note 1 Cont.

Intangible assets

Goodwill Goodwill arises in connection with business acquisitions. 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 need of goodwill, goodwill is allocated to cash generating units, comprising the Group's operating segments. Any impairment losses are not reversed.

Rental rights Rental rights are recognized at cost less accumulated amortization. Rental rights are amortized over ten years, which corresponds to their estimated useful lives, 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 reporting period and adjusted if required. The carrying amount of an asset is impaired immediately to the asset's recoverable amount should the carrying amount of the asset exceed its estimated recoverable amount.

Software: Software is recognized at cost less accumulated amortization. Software is amortized over five years, which corresponds to its expected useful life. The assets' residual values and useful lives are tested for impairment at the close of each reporting period and adjusted if required. The carrying amount of an asset is impaired immediately to the asset's recoverable amount should the carrying amount of the asset exceed its estimated recoverable amount.

Property, plant and equipment

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

Additional expenditure is added to the asset's carrying amount or is recognized as a separate asset, depending on what is most 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 such expenditure arises. Property, plant and equipment is depreciated systematically over the estimated useful life of the assets concerned. The straight-line method of depreciation is used for all types of property, plant and equipment. For equipment and store fittings, a depreciation period of five years is used.

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

Lease agreements

In cases where lease agreements imply that the Group, as the lessee, essentially enjoys the financial benefits and bears the financial risks associated with the leased object, mainly leases for shop fittings, leasing agreements are classified as financial leases and the object is recognized as a non-current asset in the consolidated Balance Sheet and written down to the shorter of the leasing period or useful life. The corresponding obligation to pay leasing fees is recognized as non-current and current liabilities. Each leasing payment is allocated as amortization of the recognized debt and financial expenses. Other lease agreements, mainly rental agreements for premises, are recognized as operating leases.

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

In a certain number of the Group's rental contracts, the rent is divided into basic rent and revenue-based rent, whereby the rental amount depends on the store's sales during the 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 pertains.

Impairment losses

On each Balance Sheet date, impairment testing is performed to determine whether there is any indication that the carrying amounts of Group property, plant and equipment and intangible assets have fallen in value. If 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.

For goodwill, the recoverable amount is calculated annually.

Where it is not possible to assign essentially independent cash flows to a single asset, the assets are grouped at the lowest level where it is possible to identify essentially independent cash flows when the impairment test is carried out.

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.

Pensions

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

Employees in Sweden are covered by both defined benefit and defined contribution plans, while employees in Norway, Finland, the Netherlands and Hong Kong are only covered by defined contribution plans.

Defined contribution plans

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

Defined benefit plans

For employees covered by defined benefit plans, remuneration is paid to employees and former employees based on factors such as salary on retirement and number of years of service. The Group bears the risk of paying the promised remuneration.

Alecta

Certain commitments for salaried employees in Sweden are also secured through insurance with Alecta. According to statement UFR 10 from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, the insurance with Alecta constitutes a multi-employer defined benefit plan. 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.

Note 1 Cont.

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.

Taxes
Recognized income taxes include 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 the applicable tax regulations in each country.

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.

For items recognized in the Income Statement, the associated tax effects are also recognized in the Income Statement. Tax effects of items recognized directly in Equity are recognized in equity and for items recognized in Other comprehensive income, the tax effect is also recognized in Other comprehensive income.

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

The value of deferred tax assets is assessed each time the annual accounts are prepared 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.

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 2017/18 financial year, namely: Brothers, Departments & Stores, Man of a kind and Polarn O. Pyret. 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 income. This measurement does not vary from the measurement of operating income recognized in the Consolidated Income Statement. In the financial statements for the operating segments, central administration is recognized under Other.

From the financial year 2017/18, Man of a kind is reported as an independent operating segment.

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 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 2017/18.

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

Shareholders' contributions and Group contributions
The Parent Company recognizes Group contributions received and Group contributions paid according to the general rule in RFR 2, which means Group contributions received from subsidiaries are recognized as financial income and Group contributions paid to subsidiaries are recognized as an increase in participations in Group companies.

Shareholders' contributions received are recognized directly in the recipient's equity and shareholders' contributions paid are recognized as an increase in participations in Group companies.

Insofar as impairments are required after Group contributions and shareholders' contributions paid, the impairment loss is recognized as a cost through profit or loss under 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.

Note 2 Critical estimates and judgments

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

Goodwill
RNB reviews the need for impairment testing of goodwill annually or more frequently in the event of an indication of impairment, in accordance with the information provided in Note 13.

Taxes
When preparing the Financial Statements, RNB conducts a calculation of the income tax applicable in each tax jurisdiction in which the company operates, as well as 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. A further description of the Group's deferred tax assets is provided in Note 9.

Trade receivables
Trade receivables are recognized net of provisions for bad debt. The provision pertaining to trade receivables is based mainly on receivables from franchisees. In-store sales take the form of payment in cash or by credit card, in which the bank bears the risk. The net value corresponds to the value expected to be received. In RNB's assessment, the current provision is sufficient. See Note 33.

Inventories
Inventories are measured at the lower of cost and net realizable value. The amount of net realizable value reflects calculations of factors

such as future selling prices, in which anticipated discounts are taken into account The actual outcome of future selling prices could deviate from the assessments and assumptions made. See Note 18.

Other liabilities related to contingent consideration
A contingent consideration liability arose in connection with the RNB Group's acquisition of Kids Company Oy. The actual outcome of the parameters in the agreed measurement of the acquisition target could deviate from the assessments and assumptions made of the liability's value in the annual Financial Statements See Note 22.

Note 3 Segment and revenue reporting by country

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
Interest income	0	20	–	5,329	16,794	–3,091	19,052
Net sales, other	13,959	15,268	–	8,280	4,603	–8,224	33,886
Total	**551,291**	**938,774**	**12,544**	**778,716**	**149,451**	**–139,440**	**2,291,336**
Earnings							
Operating income	23,132	28,878	–12,445	43,060	–35,509	–	47,116
Profit/loss after financial items	**23,408**	**27,355**	**–12,445**	**41,247**	**–40,812**	**–**	**38,753**
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 3 Cont.

Sep 16- Aug 17	Brothers	Departments & Stores	Man of a kind	Polarn O. Pyret	Other	Eliminations	Total
Revenue							
External sales	525,540	965,846	2,045	722,933	–	–	2,216,364
Internal sales	–	–	–	–	128,054	–128,054	0
Interest income	70	–	–	2,684	660	–901	2,513
Net sales, other	9,990	13,915	–	7,893	2,582	–4,308	30,072
Total	**535,600**	**979,761**	**2,045**	**733,510**	**131,296**	**–133,263**	**2,248,949**
Earnings							
Operating income	23,759	42,891	–13,185	36,044	–26,941	–	62,568
Profit/loss after financial items	**23,777**	**42,638**	**–13,185**	**35,720**	**–56,264**	**–**	**32,686**
Other disclosures							
Assets	286,350	491,495	–	277,009	203,960	–135,953	1,122,861
Liabilities and provisions	93,403	189,702	–	161,827	473,897	–135,953	782,876
Investments	9,073	2,379	–	11,452	12,547	–	35,451
Depreciation and impairment losses	12,811	10,740	–	12,173	11,702	–	47,426
Non-current assets by country							0
Sweden	121,449	257,451	–	17,820	34,023	–	430,743
Norway	–	–	–	52,714	–	–	52,714
Finland	3,546	–	–	21,897	–	–	25,443
The Netherlands	–	–	–	–	–	–	0
Hong Kong	–	–	–	–	621	–	621

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

Net sales by country

	Sep 17- Aug 18	Sep 16- Aug 17
Net sales in Sweden	1,843,712	1,854,908
Net sales in Finland	192,106	171,665
Net sales in Norway	134,487	125,384
Net sales on other national markets	68,093	69,607
	2,238,398	**2,221,564**

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 Personnel and personnel costs

Average number of employees divided between women and men

	Sep 17- Aug 18		Sep 16- Aug 17	
Group	Total	Of which men	Total	Of which men
Sweden	834	151	849	149
Finland	98	5	93	4
Norway	62	0	63	1
Hong Kong	27	7	22	6
The Netherlands	0	0	1	1
	1,021	**163**	**1,028**	**161**

	Sep 17- Aug 18		Sep 16- Aug 17	
Parent Company	Total	Of which men	Total	Of which men
Sweden	37	13	70	25
	37	**13**	**70**	**25**

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

	Aug 31, 18		Aug 31, 17	
Group	Total	Of which men	Total	Of which men
Board of Directors	6	4	6	4
Management incl. President	9	5	9	5

Note 4 **Cont.**

Salaries, other remuneration and social security expenses

Group total	Sep 17- Aug 18			Sep 16- Aug 17		
	Board of Directors and President	Other employees	Total	Board of Directors and President	Other employees	Total
Salaries and other remuneration	11,605	393,745	405,350	11,858	390,976	402,834
Social security expenses	4,406	114,326	118,732	3,571	112,043	115,614
Pension expenses	2,755	27,612	30,367	2,757	32,276	35,033
	18,766	**535,683**	**554,449**	**18,185**	**535,296**	**553,481**

During the financial year, contributions for personnel totaling SEK 31,975,000 (31,098,000) were received.

For the 2017/2018 financial year, Group expenses for defined contribution plans amounted to SEK 30.4 M (35.0)

Multi-employer plans

The Group has retirement and family pension obligations for salaried employees in Sweden 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 154% (149). 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, 18	Aug 31, 17
Brothers AB	0.006%	0.005%
Departments & Stores Europe AB	0.012%	0.012%
Polarn O. Pyret	0.010%	0.011%
RNB Retail and Brands AB	0.006%	0.006%

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

	Aug 31, 18	Aug 31, 17
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	0.004%	0.004%

Parent Company	Sep 17- Aug 18			Sep 16- Aug 17		
	Board of Directors and President	Other employees	Total	Board of Directors and President	Other employees	Total
Salaries and other remuneration	5,678	23,416	29,041	5,516	34,748	40,264
Social security expenses	2,165	8,380	10,545	1,733	11,701	13,434
Pension expenses	1,412	3,953	5,365	1,399	3,874	5,273
	9,255	**35,749**	**44,951**	**8,648**	**50,323**	**58,971**

Remuneration to the Board and senior executives

Guidelines for remuneration to senior executives

The AGM on December 21, 2017, 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 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 income 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 3,750 000 (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 nine individuals, including the President, that currently comprise Group 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.

Note 4 **Cont.**

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 Directos

Director's fees are payable to the Chairman and Board members in accordance with the resolution of the AGM. Special fees are payable to the Chairman of the Audit Committee. In the financial year 2016/2017, the Board Directors received total fees of SEK 1,361,000 (1,275,000) allocated as follows: SEK 376,000 (350,000) to the Chairman of the Board and SEK 172,000 (160,000) to each of the other Board members and SEK 75,000 (75,000) in special fees to the chairman of the Audit Committee and SEK 25,000 (25,000) to each of the other two members of the Audit Committee. The Chairman of the Board and other Board members who are not employed by the Group received no other remuneration or benefits during the financial year, and no pension costs were charged against consolidated earnings.

President and CEO

Remuneration paid to members of Group management comprises fixed and variable salary, pension, company car and other remuneration. During the 2017/2018 financial year, President Magnus Håkansson received salary and other remuneration totaling SEK 4,264,000 (4,241,000). The President is entitled to a maximum bonus of SEK 750,000 based on the Group's operating income. The President received a bonus of SEK 0 (106,000) for the financial year 2017/2018.

RNB's pension costs for President Magnus Håkansson amounted to SEK 1,412,000 (1,399,000) for the financial year.

The President is entitled to occupational pension corresponding to a pension premium of approximately 30% of current annual salary. No restrictions apply to the President's choice of pension solution. The parties agree that the pension provision selected must, under all circumstances, be tax deductible for the company. The 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.

Other senior executives

Other senior executives are defined as persons who, apart from the President, are members of 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' operating income and/or consolidated operating income against pre-determined targets.

Salary and other payments totaling SEK 10,454,000 (9,042,000) excluding bonuses were paid to other senior executives in the 2017/2018 financial year. Bonuses totaling SEK 0 (479,000) 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 2,666,000 (2,358,000) 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.

Remuneration to the Board of Directors and President

	Sep 17–Aug 18			Sep 16–Aug 17		
	Salaries and other remuneration	Of which bonuses	Pension costs	Salaries and other remuneration	Of which bonuses	Pension costs
Chairman of the Board Laszlo Kriss	401			375		
Board member Per Thunell	197			185		
Board member Monika Elling	247			235		
Board member Ivar Fransson	53			160		
Board member Michael Lemner	172			160		
Board member Joel Lindeman	172			–		
Board member Sara Wimmercranz	172			160		
President and CEO Magnus Håkansson	4,264	–	1,412	4,241	106	1,399
	5,678	**–**	**1,412**	**5,516**	**106**	**1,399**

Note 5 Remuneration to auditors

	Group		Parent Company	
	Sep 17– Aug 18	Sep 16– Aug 17	**Sep 17– Aug 18**	Sep 16– Aug 17
Ernst & Young AB				
Audit assignment	2,508	2,134	1,100	736
Audit work apart from the audit assignment	451	375	147	190
Tax consultancy	199	141	181	0
Other services	102	–	99	–
	3,260	**2,649**	**1,527**	**926**
Other auditing firms				
Audit assignment	29	59	–	–
Audit work apart from the audit assignment	–	–	–	–
Tax consultancy	–	–	–	–
Other services	–	–	–	–
	29	**59**	**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 6 Other operating income

	Group		Parent Company	
	Sep 17– Aug 18	Sep 16– Aug 17	**Sep 17– Aug 18**	Sep 16– Aug 17
Depreciation/amortization and impairment of property, plant and equipment and intangible assets	0	0	–	–
Forwarding of other expenses to franchisees	9,338	8,243	–	–
Invoiced services and rents	2,205	2,212	2,205	490
Net sales, other	22,343	24,817	2,398	2,092
	33,886	**35,272**	**4,603**	**2,582**

Note 7 Interest income and similar profit/loss items

Group

Interest income and similar profit/loss items for 2017/2018 include positive net value changes in currency derivatives at fair value of SEK 14,000 (0). The value changes relate to currency derivatives that don't comply with requirements for hedge accounting..

Parent Company

Interest income for 2017/2018 included interest income from Group companies of SEK 3 (0).

Interest income and similar income statement items for 2017/2018 included SEK 11,000 (0) in positive net fair value changes in currency derivatives. The value changes relate to currency derivatives that don't comply with requirements for hedge accounting.

Note 8 Interest expenses and similar profit/loss items

Group

Interest expenses and similar income statement items for 2017/2018 included SEK 0 (14,141) in negative net fair value changes in currency derivatives. The value changes relate to currency derivatives that don't comply with requirements for hedge accounting.

Parent Company

Interest expenses for 2017/2018 included expenses income from Group companies of SEK 694,000 (253,000).

Note 9 Taxes

Tax on net income for the year

	Group		Parent Company	
	Sep 17– Aug 18	Sep 16– Aug 17	**Sep 17– Aug 18**	Sep 16– Aug 17
Current tax	–2,282	–1,329	–	–
Effect of tax change attributable to previous years	–21	–931	–	–
Deferred tax	–	–	–	–
	–2,303	**–2,260**	**0**	**0**

	Group		Parent Company	
	Sep 17– Aug 18	Sep 16– Aug 17	**Sep 17– Aug 18**	Sep 16– Aug 17
Deferred tax income pertaining to other temporary differences	–	–	–	–
Deferred tax expense pertaining to other temporary differences	–	–	–	–
	0	**0**	**0**	**0**

Note 9 Cont.

Deferred tax for the year
Tax pertaining to items recognized directly in equity

	Group		Parent Company	
	Sep 17– Aug 18	Sep 16– Aug 17	**Sep 17– Aug 18**	Sep 16– Aug 17
Other tax effect	–	–	–	–
Unutilized tax effect resulting from unrecognized effects of loss carry-forwards	–	–	–	–
	0	**0**	**0**	**0**

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

	Group		Parent Company	
	Sep 17– Aug 18	Sep 16– Aug 17	**Sep 17– Aug 18**	Sep 16– Aug 17
Reported profit before tax	38,753	32,686	809	20,292
Reported profit before tax	**38,753**	**32,686**	**809**	**20,292**
Tax according to current tax rate, 22% (22%)	–8,526	–7,191	–178	–4,464
Tax effect of non-deductible items				
-Impairment of participations in subsidiaries	–	–	–	–
-Impairment of goodwill	–	–	–	–
-Profit from divestment of subsidiaries	–	–	–	–
-Other, non-deductible	–704	–548	–308	–234
Tax effect of non-deductible items				
-Dividend received	–	–	–	–
-Other, non-taxable	1,344	–	–	–
Effect of tax change attributable to previous years	–21	–931	–	–
Effect of other tax rates in foreign subsidiaries	103	336	–	–
Utilization of previously unrecognized loss carry-forwards	5,501	6,074	486	4,698
Tax on net income for the year	**–2,303**	**–2,260**	**0**	**0**
Tax on net income for the year	–2,303	–2,260	–	–
	–2,303	**–2,260**	**0**	**0**

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

	Group		Parent Company	
	Aug 31, 18	Aug 31, 17	**Aug 31, 18**	Aug 31, 17
Deferred tax liabilities				
Derivative receivables	5,350	0	–	–
Deferred tax assets				
Unutilized loss carry-forwards	–5,053	0	–	–
Derivative liabilities	–297	0	–	–
	0	**0**	**0**	**0**

Given profit trends, deferred tax assets are recognized under loss carry-forwards and derivatives in the Group and Parent Company only where there are deferred tax liabilities available for offset. Unutilized, unrecognized loss carry-forwards are found in both the Group's foreign and Swedish entities.

These amounted to SEK 711,567,000 (690,716,000) in total, and are allocated as follows between the various countries: Sweden SEK 286,592,000 (293,626,000), Norway SEK 142,423,000 (139,065,000), Denmark SEK 133,851,000 (118,758,000), Germany SEK 109,583,000 (97,608,000) and the Netherlands SEK 39,118,000 (41,659,000). Losses in the Netherlands are subject to time restrictions, with SEK 2,386,000 to be utilized within 4 years, SEK 11,360,000 to be utilized within 5 years, SEK 8,057,000 within 6 years, SEK 15,701,000 within 7 years and SEK 1,614,000 within 8 years. Other 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, 18	Aug 31, 17	**Aug 31, 18**	Aug 31, 17
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 reconciling items.

	Number of shares at end of period	
Period	**Sep 17–Aug 18**	Sep 16–Aug 17
Sep 1 - August 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, 18**	Aug 31, 17
Opening cost	61,502	50,607
Purchases in the year	27,196	11,885
Divestments and disposals in the year	0	–987
Translation difference	253	–4
Closing accumulated cost	**88,950**	**61,502**
Opening amortization	–36,151	–26,619
Disposals in the year	0	–2
Amortization in the year	–10,374	–9,534
Translation difference	–185	3
Closing accumulated amortization	**–46,709**	**–36,151**
Opening impairment	0	–987
Disposals in the year	0	987
Impairment in the year	0	0
Closing accumulated impairment	**0**	**0**
Opening planned residual value	**42,241**	**25,350**

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 amortization of SEK 2,814,000 (2,814,000). This implies a carrying amount of SEK 0 (0).

Parent Company	**Aug 31, 18**	Aug 31, 17
Opening cost	53,075	41,512
Divestments and disposals in the year	0	0
Purchases in the year	25,153	11,563
Closing accumulated cost	**78,228**	**53,075**
Opening amortization	–28,734	–19,831
Divestments and disposals in the year	0	0
Amortization in the year	–9,466	–8,903
Closing accumulated amortization	**–38,200**	**–28,734**
Opening impairment	0	0
Disposals in the year	0	0
Closing accumulated impairment	**0**	**0**
Opening planned residual value	**40,028**	**24,341**

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

Note 12 Rental rights

Group	**Aug 31, 18**	Aug 31, 17
Opening cost	97,227	97,228
Purchases in the year	0	0
Divestments and disposals in the year	1	–1
Translation difference	0	0
Closing accumulated cost	**97,228**	**97,227**
Opening amortization	–81,560	–79,805
Divestments and disposals in the year	0	0
Amortization in the year	–1,226	–1,755
Translation difference	0	0
Closing accumulated amortization	**–82,786**	**–81,560**
Opening impairment	–9,497	–9,497
Closing accumulated impairment	**–9,497**	**–9,497**
Opening planned residual value	**4,945**	**6,170**

Note 13 Goodwill

Group	Aug 31, 18	Aug 31, 17
Opening cost	397,892	391,753
Purchases in the year	1,983	6,179
Translation difference	–152	–40
Closing accumulated cost	**399,723**	**397,892**

Goodwill item allocated by segment:

	Aug 31, 18	Aug 31, 17
Brothers & Sisters	97,668	97,668
Departments & Stores	233,445	233,445
Polarn O. Pyret	68,610	66,779
Closing accumulated cost	**399,723**	**397,892**

The goodwill that resulted from previous years' acquisitions pertained to synergies that arose as a result of the acquisitions. The anticipated synergies relate to more streamlined logistics, organizational mergers, store establishments and more favorable purchasing terms from external suppliers.

Impairment testing of goodwill

Impairment testing of goodwill associated with the Group's operating segments deemed to be the lowest cash-generating units is carried out annually.

Impairment testing is based on calculations of future values in use. The calculations are based on forecasts of cash flows over the period based on the budget and strategic three-year plans. Subsequently, calculations are based on perpetual cash flow (terminal period), since it is not possible to establish a limited useful life for these assets. 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 trend, 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 2 percent (2) which is deemed to correspond to the long-term market growth rate. Forecast cash flows have been calculated at present value based on a discount rate of 8.4 percent (8.4) after tax, corresponding to approximately 10.1 percent (10.3) before tax. The discount rate is calculated as a weighted average between return on equity and borrowed capital (WACC). The forecast corresponds to prior experience and external sources of information. All operating segments are deemed to have a similar risk profile, which is why the same discount rate is used.

Sensitivity analysis 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 2 percent to 1 percent does not imply any impairment need in respect of carrying amounts for goodwill of the operating segments. Nor does a decline to 0 percent imply any impairment need.

The assumption of an increase in the discount rate from 10.1 percent to 11 percent, or 12 percent before tax, does not imply an impairment need for any of the operating segments.

For these two operating segments, a combination of the above-mentioned changed assumptions would not result in any impairment need either.

Stable profits and cash flow in line with 2017/18 throughout the forecast period would imply that the carrying amounts are justified, and that no impairment need exists for the two operating segments. Deviations in forecast cash flows during individual years affect recoverable value, although the critical factor for the model is expected sustainable operating income 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 of 1 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 total expenses 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.

Sensitivity analysis Departments & Stores

A general analysis of the sensitivity of the variables utilized for the segment Departments and Stores has been carried out.

The assumption of a decrease in the annual growth rate from 2 percent to 1.3 percent does not imply any impairment need in respect of carrying amounts for goodwill. Further deterioration would imply a need for impairment.

The assumption of an increase in the annual growth rate from 10.1 percent to 10.8 percent does not imply any impairment need. Any further increase in the discount rate would imply a need for impairment.

In order to justify the book value of goodwill, the segment would require sustainable operating income of just under SEK 38 M, corresponding to sustainable cash flow of between SEK 26-38 M after tax. A departure of SEK 9 M from sustainable operating income of SEK 38 M would affect the value of goodwill by in the range of SEK 100 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:

Note 13 Cont.

Sales
Over the past two years, the operating segment has experienced a decline in visitors and paying customers in stores. Although there are multiple causes for this, three main reasons significantly impact the Stockholm department store, which provides a majority of the sales in the segment.

Extensive construction work has been carried out in central Stockholm, and directly adjacent to the department store since 2014. This has negatively affected the shopping experience and pedestrian traffic around the department store. From time to time, it has even been difficult to locate the department store. The district of Brunkebergstorg is being regenerated as a meeting point in the center of Stockholm, with the vision of providing an attractive urban environment, more residential areas, two hotels and an improved central Stockholm shopping district. Phase one was completed in fall 2017, although the project continues until 2019. In the last four years, the Gallerian shopping mall has undergone a major transformation as part of the city-center development project Urban Escape. Part of the Gallerian mall will open to the public in November 2018, with full refurbishment scheduled for completion in 2019. A third development near the NK department store is the Sergelstan refurbishment project. The project encompasses three buildings to be developed into offices, retail space and residences. The project is expected to be completed towards the end of 2020. Furthermore, central Stockholm square Sergels Torg was renovated in the period 2012 - 2018. At the same time, the street outside the NK department store was subject to extensive roadworks to improve damp coursing and extend the tram network in central Stockholm. The new tram line was opened in August 2018. All the building work is aimed at making the city center one of Stockholm's most attractive environments.

The new consumer pattern is to make most purchases online. NK does not currently have an online trading platform to offset declining visitor numbers. Our assessment is that a dedicated NK online platform will materialize 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. Over the coming years, 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 meet customer demand 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 Gothenburg department store has also been developed since 2017, with completion scheduled for early 2019.

The three primary reasons for declining sales and a lower operating income are all being addressed and are due for completion within the next few years. 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. A sensitivity analysis regarding sales growth for the operating segment indicates that a decrease in annual sales growth of 1 percentage point on the basis of budget and forecast would affect sustainable operating income negatively by just over SEK 4 M annually.

Gross margins
In the current and previous year, gross margin decreased, mainly due to increased discounting and a changed sales mix resulting from declining visitor numbers. The calculation model is based on an assumption of gross margin in strategic plans remaining unchanged against the previous year's budget. A sensitivity analysis regarding the impact of gross margin on sustainable operating income indicates that a decrease in gross margin of 1 percentage point against forecast affects sustainable operating income negatively by some 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 46% of total costs. A change in personnel costs of 1% annually would affect sustainable operating income by just under SEK 2 M.

Costs of premises
The anticipated cost of premises is based on forecast inflation and a degree of rent adjustments. The cost of premises correspond to just under 40% of total costs. A change of 1% annually would affect sustainable operating income by some SEK 1.5 M.

Measures aimed at improving the trend have been implemented previously and in the current year, including refurbishment of stores, streamlining of logistics and staffing and fashion range restructuring.

Note 14 Equipment and store fittings

Group	Aug 31, 18	Aug 31, 17
Opening cost	359,627	348,159
Accumulated cost acquired companies	0	0
Purchases in the year	37,265	17,387
Divestments and disposals in the year	–5,876	–6,214
Translation difference	4,825	295
Closing accumulated cost	395,841	359,627
Opening depreciation and amortization	–289,062	–257,891
Accumulated cost acquired companies	0	0
Divestments and disposals in the year	4,275	5,118
Depreciation and amortization in the year	–29,924	–36,138
Translation difference	–3,864	–151
Closing accumulated depreciation and amortization	–318,575	–289,062
Opening impairment	0	0
Disposals in the year	381	0
Impairment in the year	–381	0
Closing accumulated impairment	**0**	**0**
Opening planned residual value	**77,266**	**70,565**

The Group's fixed assets include lease items relating to store fittings held under finance leases with a cost 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, 18	Aug 31, 17
Opening cost	9,896	8,973
Purchases in the year	1,267	923
Divestments and disposals in the year	0	0
Closing accumulated cost	**11,163**	**9,896**
Opening depreciation and amortization	–5,214	–3,030
Divestments and disposals in the year	0	0
Depreciation and amortization in the year	–2,167	–2,184
Closing accumulated depreciation and amortization	**–7,381**	**–5,214**
Opening impairment	0	0
Disposals in the year	0	0
Impairment in the year	0	0
Closing accumulated impairment	**0**	**0**
Opening planned residual value	**3,782**	**4,682**

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	1,000	100	–
Polarn O. Pyret AB	556235-7383	Stockholm	10,000	100	106,000
PO.P International IP AB	556889-3704	Stockholm	500	100	–
PO.P International OTH AB	556889-3613	Stockholm	500	100	–
PO.P International Suomi AB	556890-1630	Stockholm	500	100	–
Kids Company Oy	2016120-7	Helsinki	40,800	51	–
PO.P International UK AB	556899-3654	Stockholm	500	100	–
Polarn O. Pyret Netherlands B.V.	852,123,747	Amsterdam	1	100	–
Polarn O. Pyret Norge AS	985,983,860	Oslo	4,597	100	–
Portwear AB	556188-7513	Stockholm	1,911,680	100	270,654
Departments & Stores Europe AB	556541-8778	Stockholm	810,000	100	–
Departments & Stores Denmark ApS	30 27 43 18	Copenhagen	1	100	–
Brothers & Sisters AB	556468-8991	Stockholm	37,147,880	100	185,000
Brothers AB	556513-6826	Stockholm	1,000	100	–
RNB Retail and Brands Norge AS	961,313,880	Oslo	500	100	–
Nordic Textile Grosshandels GmbH	HR B 52245	Cologne	1	100	–
Brothers Clothing Oy	2587462-8	Helsinki	100	100	–
RNB Far East Ltd.	1,642,223	Hong Kong	1	100	–
RNB Retail Development AB	559135-4518	Stockholm	500	100	50
Carrying amount					**561,704**

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

Note 15 Cont.

Parent Company	Aug 31, 18	Aug 31, 17
Opening carrying amount	561,654	561,654
Investment in the year	50	–
Closing carrying amount	**561,704**	**561,654**

Note 16 Other jointly controlled companies

Group	Aug 31, 18	Aug 31, 17
Profit from associated companies	0	–
Recognized in profit for the year	**0**	**0**
Other comprehensive income from associated companies	0	0
Total comprehensive income from associated companies	**0**	**0**

Associated companies	Aug 31, 18	Aug 31, 17
Recognized amount, opening balance	0	0
Investments	25	–
Recognized amount, closing balance	**25**	**0**

Group holdings in shares and participations in associated companies

Company	Corp. ID no.	Reg. office	No.	Holding (%)	Value of holding in consolidated financial statement	Carrying amount
Retailers Lab AB	559137-9341	Stockholm	25,000	50	25	25

The holding in Retailers Lab relates to operations as a startup incubator focusing on retail. Operations were dormant in the 2017/18 financial year. An investment was made in Hyber AB, an e-commerce business focusing on the shared economy.

Note 17 Non-current receivables

Group	Aug 31, 18	Aug 31, 17
Opening cost	9,544	22,794
Additional receivables	4,492	0
Amortization, deductible receivables	–569	–13,250
Closing accumulated cost	**13,467**	**9,544**
Closing carrying amount	**13,467**	**9,544**

Parent Company	Aug 31, 18	Aug 31, 17
Opening cost	5,000	15,000
Additional receivables	302	–
Amortization, deductible receivables	–	–10,000
Closing accumulated cost	**5,302**	**5,000**
Closing carrying amount	**5,302**	**5,000**

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

Note 18 Inventories

Group	Aug 31, 18	Aug 31, 17
Carrying amount by segment		
Brothers	128,769	112,479
Departments & Stores	173,557	171,893
Polarn O. Pyret	196,925	143,346
Closing carrying amount	**499,251**	**427,718**

Of total recognized inventories of SEK 499,251,000 (427,718,000), SEK 19,027,000 (21,191,000) represents net realizable value less selling expenses. The remainder has been recognized at cost. Inventories consist exclusively of goods for resale.

Note 19 Prepaid expenses and accrued income

Group	Aug 31, 18	Aug 31, 17
Prepaid rent	23,437	21,942
Prepaid other expenses	36,697	37,619
Accrued income	14,285	12,530
	74,420	**72,091**

Parent Company	Aug 31, 18	Aug 31, 17
Prepaid rent	900	875
Prepaid leasing	382	346
Prepaid other expenses	4,338	4,980
	5,620	**6,201**

Note 20 Cash and cash equivalents

Cash and cash equivalents are held in the following currencies.

Group	Exchange rate Aug 31, 18	Exchange rate Aug 31, 17	Aug 31, 18	Aug 31, 17
SEK			1,377	55,664
NOK	1.09	1.02	1,024	–24,981
DKK	1.43	1.27	0	0
USD	9.10	7.97	0	7,348
EUR	10.64	9.48	7,756	–3,536
HKD	1.16	1.02	1,107	1,944
			11,263	**36,439**

Parent Company	Exchange rate Aug 31, 18	Exchange rate Aug 31, 17	Aug 31, 18	Aug 31, 17
SEK			0	24,999
NOK	1.09	1.02	0	–1,377
EUR	10.64	9.48	0	–4,986
USD	9.10	7.97	0	7,245
			0	**25,880**

Note 21 Equity and proposed distribution of earnings

Specification of equity is carried out as follows:
Share capital, Other contributed capital, Other reserves, Retained earnings and Net income for the year

Share capital includes the Parent Company's registered share capital. Other contributed capital essentially consists of additional shareholder contributions from owners. Other reserves consists of items reported as Other comprehensive income in Equity. In RNB's case, the item consists of a translation reserve, in which translation differences attributable to the conversion of foreign subsidiaries in accordance with IAS 21 are recognized, and a hedge reserve, in which the effective share of the accumulated net change in fair value of cash flow hedging instruments attributable to hedge transactions that have not yet occurred is recognized. Retained earnings corresponds to accumulated total profit/loss generated in the Group less dividends paid. In the Parent Company, accumulated losses have been offset against statutory reserves and share premium reserves, implying that these have been assigned a value of zero.

As of August 31, 2018, 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.

Proposed distribution of earnings

The following funds are at the disposal of the Annual General Meeting, SEK:	Aug 31, 18	Aug 31, 17
Retained earnings	20,330,249	33,370,954
Net income for the year	808,804	20,292,554
	21,139,053	**53,663,508**
The Board proposes that retained earnings be allocated as follows:		
Dividend SEK 0 per share (SEK 0.30 per share)	–	10,173,653
Carried forward	21,139,053	43,489,856
	21,139,053	**53,663,508**

Note 22 Interest-bearing liabilities

Group	Aug 31, 18	Aug 31, 17
Non-current liabilities		
Liability to main owner	–	380,000
Corporate bond	395,112	–
Liability relating to contingent purchase consideration	23,395	19,009
Liabilities to credit institutions	–	–
	418,507	**399,009**
Current liabilities		
Liabilities to credit institutions	–	133
Overdraft facility	26,276	–
	26,276	**133**

Parent Company	Aug 31, 18	Aug 31, 17
Non-current liabilities		
Liability to main owner	–	380,000
Corporate bond	395,112	–
	395,112	**380,000**
Current liabilities		
Overdraft facility	26,276	–
	26,276	**0**

Maturity structure of long-term borrowing:

	Group		Parent Company	
	Aug 31, 2018	Aug 31, 2017	**Aug 31, 2018**	Aug 31, 2017
Between 1 and 2 years	–	380,000	–	380,000
Between 2 and 5 years	418,507	19,009	395,112	–
More than 5 years	–	–	–	–
	418,507	**399,009**	**395,112**	**380,000**

Note 22 Cont.

Liability to main owner
In the financial year 2017/2018, RNB repaid the debt to the main owner in its entirety.

Corporate bond
The bond loan totals SEK 400 M before issue expenses, within a framework amount of SEK 600 M, and matures in February 2021. 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 payment. 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 Stockhom in March 2018.

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 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 income before depreciation and amortization for the coming years. Changes in fair value on this liability has 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, 2018.

Note 23 Overdraft facility

The overdraft facility is held in the following currencies.

Group	**Exchange rate Aug 31, 18**	Exchange rate Aug 31, 17	**Aug 31, 18**	Aug 31, 17
SEK			11,160	0
NOK	1.09	1.02	24,174	0
DKK	1.43	1.27	0	0
USD	9.10	7.97	–1,174	0
EUR	10.64	9.48	–7,884	0
HKD	1.16	1.02	0	0
			26,276	**0**

Parent Company	**Exchange rate Aug 31, 18**	Exchange rate Aug 31, 17	**Aug 31, 18**	Aug 31, 17
SEK			11,160	0
NOK	1.09	1.02	24,174	0
DKK	1.43	1.27	0	0
USD	9.10	7.97	–1,174	0
EUR	10.64	9.48	–7,884	0
HKD	1.16	1.02	0	0
			26,276	**0**

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 (100) as of August 31, 2018. The average interest rate in the year was 2.19% (2.01%). 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, 18**	Exchange rate Aug 31, 17	**Aug 31, 18**	Aug 31, 17
SEK			137,038	111,559
NOK	1.09	1.02	2,882	1,705
DKK	1.43	1.27	80	3
USD	9.10	7.97	15,397	26,357
EUR	10.64	9.48	48,646	36,743
GBP	11.84	10.29	0	10
HKD	1.16	1.02	14	12
			204,057	**176,389**

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

Parent Company	**Exchange rate Aug 31, 18**	Exchange rate Aug 31, 17	**Aug 31, 18**	Aug 31, 17
SEK			8,394	4,965
NOK	1.09	1.02	0	0
USD	9.10	7.97	0	789
EUR	10.64	9.48	64	0
			8,458	**5,754**

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

Note 25 Other liabilities

Group	**Aug 31, 18**	Aug 31, 17
Value added tax	28,396	13,993
Personnel-related taxes	20,489	14,470
Gift vouchers	14,703	13,719
Other	11,637	24,081
	75,226	**66,263**

Parent Company	**Aug 31, 18**	Aug 31, 17
Value added tax	423	1,276
Personnel-related taxes	1,199	1,322
Other	1,044	1,251
	2,666	**3,849**

Note 26 Accrued expenses and deferred income

Group	Aug 31, 18	Aug 31, 17
Accrued vacation and payroll liabilities	56,181	57,949
Accrued social security expenses	17,975	22,701
Accrued interest	5,842	71
Other accrued expenses	22,115	29,700
Prepaid income relating to customer club bonuses and sale-or-return	8,549	9,041
	110,662	**119,461**

Parent Company	Aug 31, 18	Aug 31, 17
Accrued vacation and payroll liabilities	3,210	6,075
Accrued social security expenses	1,009	1,701
Accrued interest	5,842	0
Other accrued expenses	3,592	15,581
	13,653	**23,357**

Note 27 Assets pledged

For liabilities to credit institutions and overdraft facilities

Group	Aug 31, 18	Aug 31, 17
Chattel mortgages	–	–
Assets with reservation of title	5,000	15,000
Shares in subsidiaries	667,145	410,839
	672,145	**425,839**

Parent Company	Aug 31, 18	Aug 31, 17
Assets with reservation of title	5,000	15,000
Shares in subsidiaries	561,654	106,000
	566,654	**121,000**

Note 28 Contingent liabilities

Parent Company	Aug 31, 18	Aug 31, 17
Guarantee on behalf of subsidiaries	16,127	16,937
	16,127	**16,937**

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-cancelable lease commitments.

Fees in the financial year	Group	Parent Company
September 2017 - August 2018	293,480	12,019
September 2016 - August 2017	289,208	12,229

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 285,977,000 (278,872,000) and the sales-based fee to SEK 4,047,000 (4,779,000 Furthermore, other operating leases amount to SEK 3,456,000 (5,557,000).

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

	Group		Parent Company	
Fees due	Aug 31, 18	Aug 31, 17	Aug 31, 18	Aug 31, 17
Within 1 year	341,271	312,274	12,047	11,816
Within 2-5 years	601,782	496,341	16,290	30,799
More than 5 years	61,327	11,256	0	1,008

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, 18	Aug 31, 17
Depreciation and impairment losses	41,904	47,426
Capital gain on sales and disposals of non-current assets	1,236	1,061
Other adjustments	–	–369
	43,140	**48,118**

Parent Company	Aug 31, 18	Aug 31, 17
Depreciation and impairment losses	11,633	11,087
	11,633	**11,087**

Change in liabilities attributable to financing operations

Group	Aug 31, 17	Cash flow	Currency and market revaluation	Aug 31, 18
Overdraft facility	0	26,276		26,276
Loans from main owners	380,000	–380,000		0
Corporate bond	0	395,112		395,112
Contingent purchase consideration	19,009		4,386	23,395
Liabilities to credit institutions	133	–133		0
	399,142	**41,255**	**4,400**	**444,783**

Note 32 Cont.

Parent Company	Aug 31, 17	Cash flow	Currency and market revaluation	Aug 31, 18
Overdraft facility	0	26,276		26,276
Loans from main owners	380,000	–380,000		0
Corporate bond	0	395,112		395,112
	380,000	**41,388**	**0**	**421,388**

Note 31 Acquisitions and divestments of operations

In the 2017/2018 financial year, the Polarn O. Pyret operating segment acquired the Finnish franchisee Kuopio through an acquisition of its assets and liabilities. The operating segment Man of a kind acquired the assets and liabilities of Frontmen.

Fair value of acquired assets and liabilities is indicated below:

	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**

There were no acquisitions or divestments in the 2016/2017 financial year.

Note 32 Profit from participations in Group companies

Parent Company	Aug 31, 18	Aug 31, 17
Group contributions received	44,652	73,246
	44,652	**73,246**

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, 2018, cash and cash equivalents were SEK 11,263,000 (36,439,000) for the Group and SEK 0 (25,880,000) 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

Loans and trade receivables

The terms for payment of trade receivables are normally 10-30 days. Certain customers and franchisees in the Group's concepts benefit from extended repayment plans. Such receivables on repayment plans that mature after more than one year are recognized as non-current receivables. The item Non-current receivables below refers in its entirety to repayment receivables in relation to franchisees that mature after more than one year. On August 31, 2018, trade receivables falling due within one year amounted to SEK 50,005,000 (53,374,000) for the Group and SEK 0 (0) for the Parent Company. In addition to this, non-current receivables, which are interest-based, amounted to SEK 13,467,000 (9,544,000).

Age analysis trade receivables	Aug 31, 18	Aug 31, 17
Not due	35,686	38,247
< 60 days	6,042	6,632
60- 90 days	1,393	1,323
90- 180 days	1,727	4,180
> 180 days	5,157	2,992
Total trade receivables	**50,005**	**53,374**

The age analysis of trade receivables presented above included a provision for depreciation/amortization of SEK 7,070,000 (3,506,000).

Age analysis other non-current receivables	Aug 31, 18	Aug 31, 17
Not due	13,467	9,544
Other non-current receivables, total	**13,467**	**9,544**

The age analysis of non-current receivables presented above included a provision for depreciation/amortization of SEK 0 (10,539,000).

The need for impairment concerning trade receivables is tested on an individual basis. Receivables from customers benefitting from extended repayment plans are not recognized as due in the age analysis as long as the repayment plans are adhered to. Provision for depreciation/amortization was also made on the basis of a risk assessment.

Provisions for doubtful receivables were changed as follows:

	Aug 31, 18	Aug 31, 17
Opening provisions	14,045	14,321
Provisions for probable losses	729	1,529
Confirmed losses	–2,400	–64
Recovered customer losses	–5,304	–1,741
Closing provisions	7,070	14,045

Age analysis other receivables

Group	Aug 31, 18	Aug 31, 17
Not due	20,536	14,021
< 60 days	0	614
60- 90 days	0	777
90- 180 days	0	0
> 180 days	94	132
Other receivables, total	**20,630**	**15,545**

Note 33 Cont.

Parent Company	Aug 31, 18	Aug 31, 17
Not due	10	232
< 60 days	0	0
60- 90 days	0	0
90- 180 days	0	0
> 180 days	0	40
Other receivables, total	**10**	**272**

Financial assets measured at fair value through profit or loss
Outstanding hedging and value on August 31, 2018:

Currency	Hedged volume	Fair value	No. of hedged months
USD	13,450	18,729	0-12 months
EUR	5,040	5,592	0-12 months
Total		**24,321**	

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 profit/loss for the year. For more information see Note 7 and Note 8.

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, 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.

Financial assets measured at fair value through profit or loss
Outstanding hedging and value on August 31, 2018:

Currency	*Hedged volume	Fair value	No. of hedged months månader
USD	3,780	634	0-12 months
EUR	5,060	714	0-12 months
Total		**1,348**	

* Hedged volume relates to hedging with currency futures.

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 profit/loss for the year. For more information see Note 7 and Note 8.

All currency hedges expire within 12 months.

Overdraft facility
See Note 23.

Other loans
See Note 22.

Financial leasing loans
Present value of future payment commitments resulting from financial lease contracts are reported as liabilities to credit institutions at SEK 0 (0), of which the short-term element is SEK 0 (0).

Accrued expenses
Accrued expenses mainly consist of personnel expenses. See Note 26.

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

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
Loans from credit institutions		0	0
Other loans	23,395	395,112	418,507
Other liabilities		60,523	60,523
Accrued expenses		79,998	79,998
			764,433

Note 33 Cont.

Group, August 31, 2017

Financial assets	Financial assets measured at fair value through profit or loss	Loan and trade receivables	**Total**
Current receivables		53,374	53,374
Other receivables		25,089	25,089
Accrued income		12,530	12,530
Derivatives	0		0
Cash and cash equivalents		36,439	36,439
			127,432

Financial liabilities	Liabilities measured at fair value through profit or loss	Other financial liabilities	**Total**
Trade payables		176,389	176,389
Derivatives	17,539		17,539
Loans from credit institutions		133	133
Other loans	19,009	380,000	399,009
Other liabilities		52,544	52,544
Accrued expenses		81,303	81,303
			726,917

Fair value hierarchy:
The Group has financial instruments in the form of currency derivatives and for liabilities relating to contingent consideration that are 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)

2017/ 2018	Value	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss:				
Currency futures	24,321		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		1,348	
Contingent purchase consideration	23,395			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.

2016/ 2017	Value	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss:				
Currency futures				
Other financial assets:				
Trade receivables				53,374
Other receivables				25,089
Accrued income				12,530
Cash and cash equivalents				36,439
Liabilities				
Financial Liabilities at fair value through profit or loss:				
Currency futures	17,539		17,539	
Contingent purchase consideration	19,009			19,009
Other financial liabilities:				
Trade payables				176,389
Loans from credit institutions				133
Other loans				380,000
Other liabilities				52,544
Accrued expenses				81,303

No transfers have occurred between levels during the financial year.

Financial liabilities age analysis
The following maturity structure is based on undiscounted cash flow and includes interest and amortization.

The bond loan totals SEK 400 M (0), and matures in February 2021. Other loan liabilities in 2016/2017 related to loans from Konsumentföreningen Stockholm, which totaled SEK 0 M (380) as of August 31, 2018

The acquisition of Kids Company Oy generated a debt to the sellers that corresponds to the estimated purchase consideration. This liability is valued at fair value, which is estimated to amount to SEK 23,395,000 (19,009,000). The option the liability correlates to can be exercised from 2020.

Note 33 **Cont.**

Maturity structure of the Group's financial liabilities

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
Currency futures	–	1,348	–	–	–	–	1,348

2016/ 2017	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	3,755	13,210	387,600	–	24,600		429,165
Liabilities to credit institutions	1	135	–	–	–	–	136
Trade payables	176,389	–	–	–	–	–	176,389
Currency futures	–	17,539	–	–	–	–	17,539

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 31,000 (49,000). Pricing was on market terms. As of August 31, 2018, 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 179,000 (58,000). Pricing was on market terms. As of August 31, 2018, the Group's outstanding debt to the company was SEK 0 (0). In the financial year, Departments & Stores purchased services from companies in which Hanna Graflund was a Director totaling SEK 0 (2,752,000) and sold goods totaling SEK 0 (109,000). Pricing was on market terms. As of August 31, 2018, the Group's outstanding debt to the company was SEK 0 (5,000) and receivables SEK 0 (1,000). In the financial year, Departments & Stores purchased services from companies in which Lina Söderqvist was a Director totaling SEK 1,997,000 (0) and sold goods totaling SEK 101,000 (0). Pricing was on market terms. As of August 31, 2018, the Group's outstanding debt to the company was SEK 0 (0) and receivables SEK 3,000 (0).

In the financial year, Polarn O. Pyret purchased services from companies in which Magnus Håkansson was a Director totaling SEK 53,000 (19). Pricing was on market terms. As of August 31, 2018, the Group's outstanding debt to the company was SEK 0 (0). In the financial year, the Parent Company purchased services from companies where the following parties were Directors or have a controlling influence: Ivar Fransson SEK 0 (0), Michael Lemner SEK 305,000 (292,000), Monika Elling SEK 779,000 (29,000), Sara Wimmercranz SEK 210,000 (310,000) and Magnus Håkansson SEK 26,000 (104,000). Pricing was on market terms. As of August 31, 2018, the Group's outstanding debt to the Company was SEK 0 (0).

In the financial year 2017/2018, RNB repaid the debt to the main owner Konsumentföreningen i Stockholm in its entirety.

Parent Company

Parent company net sales of SEK 92,438,000 (109,788,000) relate in their entirety to internally invoiced services to subsidiaries. The Parent Company has purchased services from subsidiaries totaling SEK 673,000 (677,000).

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, 18**	Aug 31, 17	**Aug 31, 18**	Aug 31, 17
Brothers & Sisters AB	–	240	–	–
Brothers Clothing Oy	–	–	6,597	5,650
Brothers AB	–	–	38,902	29,453
Departments & Stores Europe AB	50,344	54,188	–	–
Departments & Stores Denmark ApS	187	100	–	–
Polarn O. Pyret AB	58,747	3,161	–	–
Polarn O. Pyret Norway AS	22,068	27,131		–
Portwear AB		46	4	–
RNB Far East Ltd.	1,295	1,957	–	–
RNB Retail and Brands Norge AS	–	–	216	–
RNB Retail Development	25	–		–
Ängsviol Blomstern AB	–	–	219	219
	132,666	**86,823**	**45,938**	**35,322**

Note 35 Risks and risk management

The Group is exposed to operational and financial risks that in the short and long term could affect RNB's ability to reach its established goals in accordance with the Group's business plan.

The management of 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 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.

Financing risk
Financing risk is the risk that financing cannot be obtained or obtained only at a sharply increased cost. The Group's objective is to maintain balance between continuity and flexibility through loans and overdraft facilities.

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. Liquidity management is centralized to the Parent Company in order to optimize utilization of liquid funds and minimize the financing need.

Market risk
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, plus sales to countries outside Sweden.

Of total goods purchasing, 48–53 percent is denominated in foreign currency with the USD and EUR the most significant. The main aim is that 70-90 percent of expected net foreign currency cash flows for each fall and spring season will be hedged using Currency futures and currency options. The purpose of the currency hedging is that planned purchase costs, and thereby initial margins, are to remain the same as future costs when goods are delivered. The currency derivatives are revalued at fair value during the term. For currency contracts that do not comply with requirements relating to hedge accounting, the revaluation impact Net financial items in the Income Statement.

RNB presents its Income Statement and Balance Sheet in SEK. Parts of the Group report in other currencies, meaning that RNB's consolidated profit and equity are exposed to exchange rate fluctuations. This currency risk is termed translation exposure and is not hedged.

A sensitivity analysis shows that a change in exchange rates, excluding currency hedges, would have the following impact:

Currency, SEK M	Change	Effect on profit before tax	Effect on capital
EUR	+/– 5 %	–/+ 12	–/+ 1
USD	+/– 5 %	–/+ 18	–/+ 0

Interest rate risk
The risk that future cash flows or fair value is affected by changes in market interest rates. RNB's credits consist of bond loans and overdraft facilities. 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, while the corresponding change in the bank lending rate would affect the interest rate cost by SEK 0.8 M upon maximum utilization of the available overdraft (SEK 80 M).

Capital structure
The Group has a healthy cash flow from operating activities as a result of positive operating income 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. One of the Group's long-term objectives is to achieve an improved ratio between net debt and operating income before depreciation and amortization.

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. 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 changes in its customers, 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 affected and will continue to affect the clothing sector significantly over the coming years. Consumers are developing entirely new habits, are less loyal and are able to gather information about goods and prices before buying. This trend increases competition and puts downward pressure on prices.

Note 35 Cont.

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 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 consequence for the company's operations. RNB also has exposure in the form of trade receivables from franchisees with the ensuing risk of customer losses.

Competitive situation

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 has and will continue to affect the clothing sector significantly over the coming years. New consumer purchasing patterns intensify competition further.

Supplier risks

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 portion 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 a 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 manufacture 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 progress 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.

Trademarks

RNB's policy is to register and protect its brands and names. However, there are no guarantees that these measures will prove sufficient to protect the brands and other intellectual property. In addition, unauthorized use of the brand in pirate copies or the copying of RNB's stores could damage the company's image and reputation.

Note 36 Events after the end of the financial year

Changes were made to Group management in October 2018. The CEO of Brothers, Peter Bondelid, resigned from his role and was replaced by the CEO of Departments & Stores, Carolina Söderqvist. Yvonne Magnusson was appointed Interim CEO of Departments & Stores.

In November 2018, the Group announced that the Board of RNB Retail and Brands (publ) had proposed to the Annual General Meeting on 20 December 2018 that the Board of Directors restructure the Group to create and enhance shareholder value. This is proposed to be carried out by shifting the Parent Company's main focus away from creating synergies aimed at broadening the platform towards increasing the independence of the Group companies and minimizing the Group structure.

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 22, 2018

Laszlo Kriss
Chairman of the Board

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 22, 2018
Ernst & Young AB

Johan Eklund
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 of RNB RETAIL AND BRANDS AB (publ) for the financial year, September 1, 2017 to August 31, 2018. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 19-59.

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 31 August 2018 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 31 August 2018 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. 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.

Revenue

Description	*How our audit addressed this key audit matter*
For the financial year September 1, 2017 - August 31, 2018, net sales totaled SEK 2,238 M in the Group. The Group's principles for revenue recognition are indicated in Note 1, Accounting principles, of the consolidated accounts. Additional information about revenue is provided under Note 3, Segment and revenue reporting by country. Revenue is generated from direct sales in proprietary stores and e-commerce platforms, and through franchisees. Revenue is recognized at fair value of remuneration received at the time the financial risk and benefit associated with goods ownership is transferred to the buyer. Revenue recognition requires an effective process including cash management, credit card payments and electronic payment, orders, invoicing and deliveries. Revenue recognition is also associated with an element of judgment based on returns and loyalty programs. On the basis of completeness of information, presence and allocations to periods, we consider that revenue constitutes a key audit matter given volume of transactions and the geographical spread of the various sales channels.	Our audit has reviewed and tested general IT controls such as authorization, access to applications and changes to the system environment as well as manual controls implemented in the sales process. Our audit of revenue included an evaluation of Group routines and processes relating to revenue recognition, and associated controls. The audit also encompasses payments and cash and credit card payments. On the basis of data analysis, e.g. correlation analysis and analytical review, we have analyzed and evaluated gross profit and allocation of profit to periods. We have also evaluated the Group's assessment of areas including reserve for unpaid trade receivables, allocation to periods of bonuses, and the accounting principles applied and the notes contained in the annual accounts.

Valuation of inventories

Description	*How our audit addressed this key audit matter*
The carrying amount of inventories as of August 31, 2018 was SEK 499 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 financial statements. More information on inventories is provided under Note 17, 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 assess 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 inventory items and tested the controls for these, 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, 2018 was SEK 400 M for the Group, corresponding to 33% of total Group assets. The carrying amount of participations in subsidiaries as of August 31, 2018 was SEK 562 M for the Parent Company, corresponding to 75% 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 64-78. 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 and the Group'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 Board of Directors 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, 2017 – August 31, 2018, and the proposed distribution of the company's profit/loss.

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 21, 2017 and has acted as the company's auditor since December 28, 1996.

Stockholm, Sweden, November 22, 2018
Ernst & Young AB

Johan Eklund
Authorized Public Accountant

Corporate Governance Report

RNB RETAIL AND BRANDS AB (publ), RNB, is a Swedish public limited liability company listed on Nasdaq Stockholm. RNB applies the Swedish Code of Corporate Governance and issues this Corporate Governance Report for the financial year September 1, 2017 - August 31, 2018. 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 provide an explanation for such departure.

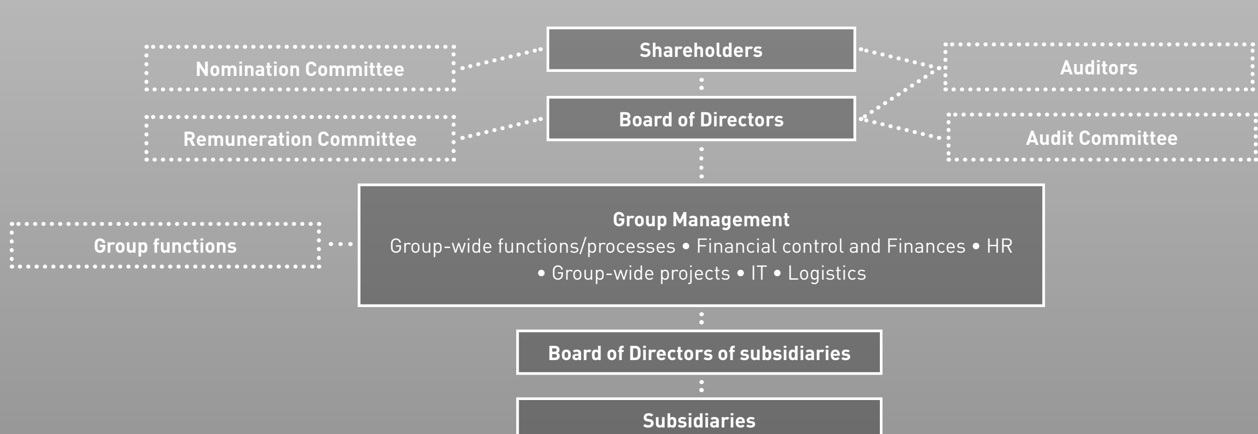
RNB RETAIL AND BRANDS also applies the Swedish Annual Accounts Act for reporting of its corporate governance work. RNB RETAIL AND BRANDS follows progress in the corporate governance field and continually adjusts its corporate governance principles with the aim of creating value for owners and other stakeholders.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

Shares and shareholders

As of August 31, 2018, RNB's registered share capital amounted to SEK 203,473,056 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.

As of August 31, 2018, the number of shareholders amounted to 6,007, of which 92.2 percent were registered in Sweden. The three largest shareholders were Konsumentföreningen Stockholm with 33.2 percent, Novobis AB with 11.8 percent and Catella Fondförvaltning

Governance structure



med 6,2 procent. Apart from Konsumentföreningen Stockholm and Novobis AB, no other shareholders hold more than 10 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 73-74 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 2016/2017 financial year

The AGM was held on December 21, 2016 at RNB's premises at Drottninggatan 33 in Stockholm, Sweden. At the AGM, 16 shareholders participated, personally or via proxy, representing 44.8 percent of the number of shares and votes in the company. Laszlo Kriss was elected Chairman of the AGM

Annual General Meeting for the 2017/2018 financial year

The AGM will be held on Thursday December 20, 2018 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 2017 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 2017/2018 financial year. Prior to the AGM on December 20, 2018, members of the Nomination Committee were appointed in accordance with the resolution. The Nomination Committee consists of Lars Ericsson, CEO of Konsumentföreningen Stockholm, Fredrik Carlsson, Novobis AB, Lars Odin Mellemseter, Hawk Invest AS 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 (6)	Additional (5) (5 st)	Remuneration Committee (1)	Audit Committee (4)
Laszlo Kriss	6/ 6	5/ 5		4/ 4
Per Thunell	6/ 6	5/ 5		4/ 4
Monika Elling	6/ 6	5/ 5		4/ 4
Michael Lemner	5/ 6	5/ 5	1/ 1	
Sara Wimmercranz	6/ 6	5/ 5	1/ 1	
Joel Lindeman	4/ 4	4/ 4	1/ 1	
Ivar Fransson	2/ 2	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 on December 21, 2017 re-elected the following Board members: Laszlo Kriss, Monika Elling, Michael Lemner, Per Thunell and Sara Wimmercranz, and elected new Board member Joel Lindeman. The President and CEO is co-opted to the Board.

Articles of Association

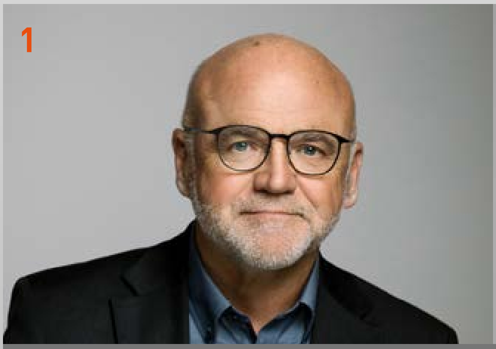
The Articles of Association may only be amended at the AGM or an Extraordinary General Meeting. The current Articles of Association are available at https://www.rnb.se/en/Corporate-governance/Articles-of-association/.

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,

Board of Directors

1



2

3

1 Laszlo Kriss, born in 1946

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

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

No other significant directorships.

Shareholding in RNB: 20,500

2 Monika Elling, born in 1962

M.Sc. (Econ.), 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 directorships: Chairman of Talent Eye AB and Board member of Ljung & Sjöberg AB.

Shareholding in RNB: 43,700

3. Joel Lindeman, born in 1976

B.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 of European Service Partner, Board member of Online Brands Nordic AB, Lorensbergs Organisationskonsulter, CZ Hospitality AB, B2B Scandinavia Group AB, StrategiQ Företagspartner AB, Intervex AB and Chairman of the Nomination Committee of Scandic Hotels Group.

Shareholding in RNB: 0

issues to be addressed at Board meetings, the Chairman's duties, the President's duties and certain other matters. The Board holds six scheduled Board meetings during 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 66-67 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.

4 Per Thunell, born in 1953

M.Sc. (Econ.), 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.

CFO of Konsumentföreningen Stockholm

Other directorships: No other significant directorships

Shareholding in RNB: 0

5 Michael Lemner, born in 1957

Degree in Economics

Member of RNB's Board since 2013.

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

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

Other directorships: Chairman of Doors & Fashion (Belgium), Board member of Fashion3 (AFM Fashion Brands), Rougegorge, Jules, Pimkie, Grain de Malice (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 Stampen AB and Dynamic Code AB.

Shareholding in RNB: 0

Shareholding as of October 31, 2018

Since the AGM on December 21, 2017 the Remuneration Committee comprises Joel Lindeman (Chairman), Michael Lemner and Sara Wimmercranz.

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 Magnus Håkansson, born in 1963

President and CEO

M.Sc. (Econ.), Stockholm School of Economics and MBA from MIT Sloan School

Employed since 2011

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

Shareholding in RNB: 71,500

Retail experience from competitive markets includes consulting, finance and executive roles. Formerly CEO of Expert Sverige AB, CFO of the KF Group and Chairman of RNB in 2010.

2 Kristian Lustin, born in 1970

Chief Financial Officer (CFO)

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 Carolina Söderqvist, born in 1970

CEO, Brothers

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

Employed since 2018

Significant assignments outside the company: Board member of Rapunzel of Sweden

Shareholding in RNB: 0

Previous roles include Marketing Director at Åhléns, Marketing Director at Björn Borg as well as project management and CEO in advertising.

4 Yvonne Magnusson, born in 1965

Interim CEO Departments & Stores

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

Employed since 2018

Shareholding in RNB: 0

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

Remuneration of the Board of Directors

The AGM on December 21, 2017 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 2017 appointed Ernst & Young as Auditor for the period until the end of the next AGM. Ernst & Young AB has appointed Authorized Public Accountant, Johan Eklund, as Auditor in Charge. Ernst & Young AB has been RNB RETAIL AND BRANDS' Auditor since 2004.

The Auditor's duties include reviewing the Board's and President's administration of the company and the quality of the company's accounting records. The Auditor reports

5 Nanna Hedlund, born in 1974

CEO, Polarn O. Pyret

M.Sc. (Econ.), Stockholm University

Employed since 2016

Significant assignments outside the company: Board member of Casall AB

Shareholding in RNB: 0

Previously Marketing Director at Kicks, marketing manager at Mio and Communications manager at JC.

6 Carl Franke, born in 1973

Chief Information Officer (CIO)

M.Sc. (Computer Science), Stockholm University

Employed since 2018

Shareholding in RNB: 1,000

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

7 David Backman,born in 1980

Assistant IT Manager and Chief Digital Officer

M.Sc. (Eng.) in Industrial Economics, Linköping University

Employed since 2015

Shareholding in RNB: 0

Previously Head of Digital Business Development for e-commerce, digital communication and CRM at RNB. Previously Head of Digital Development Marketing at Klarna and Management Consultant at Cartina and Connecta.

8 Martin Jungerts, born in 1981

Logistics Director

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

Employed since 2015

Shareholding in RNB: 400 via related parties

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

Shareholding as of October 31, 2018

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 improves its 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 eight persons—President/CEO of RNB, CFO of RNB, Presidents of each business area, IT Director, HR Director, Chief Digital Officer 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 prepared 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 fixed and variable salary, pension and other remuneration. Fixed and variable salary is determined by taking account of skills, area of responsibility and performance. Variable remuneration is based on the outcome in relation to clearly set goals for the company. For senior executives, the variable portion may not exceed 40 percent of fixed salary. Variable remuneration is evaluated annually and does not qualify for vacation or pension. Pension benefits are defined contribution and the standard age of retirement is 65 years. A notice period of six to twelve months normally applies upon termination of employment, as well as a right to termination benefits corresponding to the highest salary during the notice period in the event that the company terminates employment.

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 4 in the 2017/2018 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 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 Balance Sheet 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 carryforwards are recognized to the extent that future surpluses can be utilized against deferred tax assets.

Information and communication

Correct internal and external information requires 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, 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 22, 2018

Laszlo Kriss
Chairman of the Board

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, 2017 – August 31, 2018 on pages 64-72 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 22, 2018

Ernst & Young AB

Johan Eklund
Authorized Public Accountant

The Share

RNB's 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 August 31, 2018 was SEK 8.30, corresponding to market capitalization of SEK 281,471,060. The highest price quoted in the financial year was SEK 13.20 and the lowest SEK 7.11.

Share capital

As of August 31, 2018, 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, 2018, the number of shareholders amounted to 6,007, of which 97.4 percent were registered in Sweden. RNB's ten largest owners held shares corresponding to 68.4 percent of the capital and voting rights in the company.

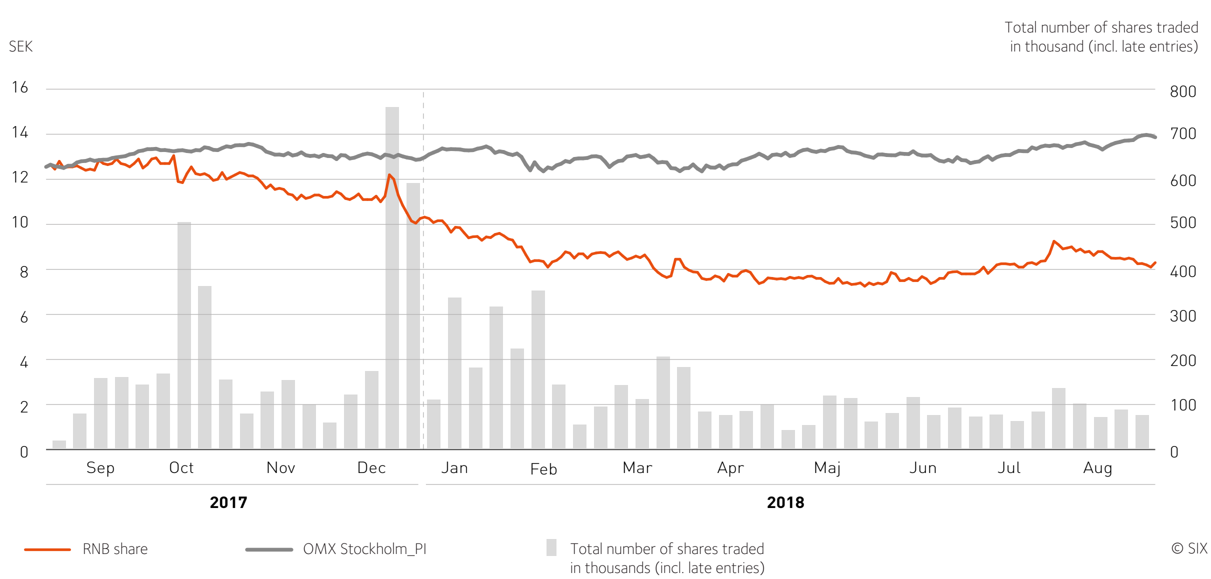
Proposed dividend

The Board of Directors proposes to the AGM that no dividend be paid for the financial year 2017/2018.

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, 2018

Largest shareholders	No. of shares	Share capital/ votes, %
Konsumentföreningen Stockholm	11,246,598	33.2
Novobis AB	4,000,000	11.8
Catella Fondförvaltning	2,111,997	6.2
Avanza Pension Försäkringsaktie-bolaget	2,046,195	6.0
Hans Björstrand	1,023,000	3.0
Pareto Securities AS	986,249	2.9
Nordnet pensionsförsäkring AB	890,537	2.6
Johan Fahlin	335,503	1.0
Skandia Leben	320,000	0.9
Christian Kock	284,228	0.8
Total, largest shareholders	**23,244,307**	**68.4**
Other	10,667,869	31.6
Total	**33,912,176**	**100.0**

Ownership structure as of August 31, 2018

Size of shareholding by category	No. of share-holders	Share capital/ votes, %
1-500	4,549	1.3
501-1,000	497	1.2
1,001-5,000	650	4.7
5,001-10,000	135	3.0
10,001-15,000	45	1.7
15,001-20,000	32	1.7
20,001 –	99	86.4
Total	**6,007**	**100.0**

Key data per share*

SEK/per share	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	**2017/ 2018**
Earnings per share	–5	1.25	0.76	0.90	1.07
Dividend per share	0	0.25	0.25	0.30	0
Buy price of the share at year-end on OMX Nordic	10.3	14.3	11.6	12.55	8.3
Equity per share	7.85	9.01	9.54	10.03	11.48

* 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

Year, transaction	Increase in no. of shares	Acc.umulated 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	1
2013 Merger 200:1	-6,748,523,024	33,912,176		203,473,056	1

Five-year summary

Income Statement

SEK M	Sep 13–Aug 14	Sep 14–Aug 15	Sep 15–Aug 16	Sep 16–Aug 17	**Sep 17–Aug 18**
Revenue	1,927.4	2,151.5	2,189.8	2,251.6	2,272.3
Operating income	–145.0	47.9	36.3	62.6	47.1
Net financial items	–9.9	–5.7	–10.4	–29.9	–8.4
Profit/loss after financial items	–155.0	42.3	25.8	32.7	38.8
Net income for the year	**–161.0**	**42.3**	**25.9**	**30.4**	**36.5**

Balance Sheet

SEK M	Sep 13–Aug 14	Sep 14–Aug 15	Sep 15–Aug 16	Sep 16–Aug 17	**Sep 17–Aug 18**
Non-current assets	512.2	501.0	535.8	509.5	537.7
Inventories	347.3	400.9	404.1	427.7	499.3
Trade receivables	49.8	48.7	45.6	53.4	50.0
Other current assets	80.8	78.1	93.0	95.8	127.3
Cash and cash equivalents	40.2	47.2	24.2	36.4	11.3
Assets included in disposal groups are classified as if held for sale/discontinuation	–	–	–	–	–
Total assets	**1,030.3**	**1,075.9**	**1,102.6**	**1,122.9**	**1,225.4**
Shareholders' equity	266.1	305.7	323.5	340.0	389.4
Non-current liabilities	402.7	385.5	401.8	399.0	418.5
Current liabilities	361.5	384.7	377.3	383.9	417.6
Liabilities in disposal groups are classified as if held for sale/discontinuation	–	–	–	–	–
Total equity and liabilities	**1,030.3**	**1,075.9**	**1,102.6**	**1,122.9**	**1,225.4**

Key ratios

	Sep 13–Aug 14	Sep 14–Aug 15	Sep 15–Aug 16	Sep 16–Aug 17	**Sep 17–Aug 18**
Gross profit margin, %	51.0	50.1	50.3	50.6	49.9
EBIT margin, %	neg.	2.2	1.7	2.8	2.1
Profit margin, %	neg.	2.0	1.2	1.4	1.6
Risk-bearing equity, SEK m	266.1	305.7	323.5	340.0	389.4
Share of risk-bearing equity, %	25.8	28.4	29.3	30.3	31.8
Equity/assets ratio, %	25.8	28.4	29.3	30.3	31.8
Capital employed, SEK M	671.0	693.4	726.6	739.0	834.1
Return on capital employed, %	neg.	8.1	5.2	8.9	8.4
Return on equity, %	neg.	14.8	8.2	9.2	10.0
Number of full-time employees	1,040	1,024	1,047	1,028	1,021
Number of proprietary stores at end of period	188	185	202	198	202
Number of franchise stores at end of period	79	77	61	61	59

Per share data*

	Sep 13–Aug 14	Sep 14–Aug 15	Sep 15–Aug 16	Sep 16–Aug 17	**Sep 17–Aug 18**
Profit after tax, SEK	–4.75	1.25	0.76	0.90	1.07
Equity, SEK	8	9	10	10	11
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, 18**	Aug 31, 17
Net sales	2,238.4	2,216.4
Goods for resale	–1,122.0	–1,096.7
Gross profit	**1,116.4**	**1,119.7**
Other operating income	33.9	35.3
Other external expenses	–516.9	–499.5
Personnel expenses	–544.3	–545.4
Depreciation, amortization and impairment of property, plant and equipment	–41.9	–47.4
Operating income (EBIT)	**47.1**	**62.6**
Interest income and similar profit/loss items	5.2	2.5
Interest expenses and similar profit/loss items	–27.4	–18.3
Unrealized gains on currency derivatives	13.8	–14.1
Net financial items	**–8.4**	**–29.9**
Profit/loss after financial items	**38.8**	**32.7**
Adjustments:		
Tax on profit for the period	–2.3	–2.3
Profit for the period	**36.5**	**30.4**
Operating income	47.1	62.6
Depreciation, amortization and impairment of property, plant and equipment	41.9	47.4
Operating income before depreciation/amortization of property, plant and equipment (EBITDA)	**89.0**	**110.0**
Loans	0.0	380.0
Contingent additional purchase consideration	23.4	19.0
Other non-current interest-bearing liabilities	395.1	0.0
Non-current liabilities	**418.5**	**399.0**
Loans	0.0	380.0
Contingent additional purchase consideration	23.4	19.0
Other non-current interest-bearing liabilities	395.1	0.0
Other current interest-bearing liabilities	26.3	0.1
Cash and cash equivalents	–11.3	–36.4
Net debt	**433.5**	**362.7**
Equity, opening balance	340.0	323.5
Equity, closing balance	389.4	340.0
Average equity	**364.7**	**331.7**
Total assets	1,225.4	1,122.9
Trade payables	–204.1	–176.4
Other current liabilities	–187.2	–207.3
Capital employed	**834.1**	**739.1**
Profit for the period	36.5	30.4
Average equity	364.7	331.7
Return on equity, %	**10.0**	**9.2**
Capital employed, opening balance	739.1	726.6
Capital employed, closing balance	834.1	739.1
Average capital employed	**786.6**	**732.9**
Interest expenses and similar profit/loss items	–27.4	–18.3
Unrealized expense on currency hedges	0.0	–14.1
Profit/loss after financial items	38.8	32.7
Average capital employed	786.6	732.9
Return on capital employed, %	**8.4**	**8.9**
Operating income	47.1	62.6
Interest income and similar profit/loss items	5.2	2.5
Unrealized income on currency hedges	13.8	0.0
Earnings after financial items	**66.2**	**65.1**

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 income 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 income before depreciaiton 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.

Information about the AGM

The Annual General Meeting will be held at 5 p.m. on December 20, 2018 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 14, 2018, and notify the company of their intention to participate no later than Monday December 17, 2018 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@rnb.se.

Nominee-registered shares

Shareholders whose shares are held through nominees must arrange for temporary registration of the shares in their own name in order to be entitled to participate in the AGM. Such registration must be completed with Euroclear Sweden AB by December 14, 2018. 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 2017/2018.

Calendar

December 20, 2018	Interim Report for the first quarter
December 20, 2018	Annual General Meeting, 5 p.m.
March 26, 2019	Interim Report for the second quarter
June 26, 2019	Interim Report for the third quarter
October 10, 2019	Interim Report for the fourth quarter

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