

# RNB

## INTERIM REPORT

1 SEPTEMBER 2017 – 28 FEBRUARY 2018

# 2



RNB RETAIL AND BRANDS

POLARN O. PYRET  
DEPARTMENTS & STORES

Man of a kind  
**BROTHERS**

# RNB gains market share

The transformation from physical proprietary stores to e-commerce seem to have accelerated lately. Polarn O. Pyret, which has progressed the furthest in its adaptation, increased both sales and earnings. Brothers returned increased comparable sales in the quarter and is developing and adapting on the back of the experiences from PO.P. The comparable process of adaptation of Departments & Stores is progressing slowly, although Man of a kind and the upcoming equivalent brand for women's fashion is tapping the DSE potential of the brand relations being transferred to e-commerce. The group's total e-commerce sales increased by 50% year-on-year, and now amounts to SEK 128 M annually. The group's concepts and products show strength in the quarter relative to the underlying market. Operating income was SEK 4 M (11) in the second quarter.

## SECOND QUARTER, DECEMBER 1, 2017 – FEBRUARY 28, 2018 IN SUMMARY

- Net sales were SEK 589 m (590).
- Sales for comparable stores in Sweden decreased by -1.5 percent, outperforming the market downturn of -6.4 percent.
- Operating income was SEK 4 M (11).
- Profit after tax increased to SEK 1 M (-3).
- Earnings per share increased to SEK 0.02 (-0.08).
- Cash flow from operating activities was SEK -16 M (26).

## THE PERIOD, SEPTEMBER 1, 2017 – FEBRUARY 28, 2018 IN SUMMARY

- Net sales were SEK 1,171 M (1,175).
- Sales for comparable stores in Sweden decreased by -0.5 percent, outperforming the market downturn of -4.3 percent.
- Operating income was SEK 44 M (57).
- Profit after tax was SEK 46 M (55).

- Earnings per share were SEK 1.36 (1.63).
- Cash flow from operating activities was SEK 47 M (63).

## EVENTS IN AND AFTER THE QUARTER

- Polarn O. Pyret was chosen as a finalist in the Swedish Retail Awards 2018, in the categories Retail chain of the year and Loyalty program of the year.
- Brothers opened stores in Mall of Scandinavia in Stockholm and in the Bergvik shopping mall in Karlstad, Sweden.
- Departments & Stores presented extensive remodeling plans for the NK department store in Stockholm.
- Polarn O. Pyret opened a flagship store with an entirely new store concept in the PK building in central Stockholm.
- RNB issued a senior secured bond of SEK 400 M with a term of three years, which replaced previous funding.
- RNB and Wellstreet started a joint venture in the development and growth of digital services, with the aim of changing the future of retailing.

## CONTACT

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

## PRESS AND ANALYST MEETING

RNB will hold a press and analyst conference in connection with the publication of the report, presented by Magnus Håkansson, President and CEO and Kristian Lustin, CFO. The presentation will be held on March 27 at 10.00 a.m. (please note change of time) and can be followed through a teleconference/audiocast.

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

+46 8 566 426 96 (Sweden)

+44 20 300 898 10 (UK)

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

## FINANCIAL CALENDAR

Interim Report, third quarter 2017/2018	27 June 2018
Interim Report, fourth quarter 2017/2018	11 October 2018
Annual General Meeting 2017/2018	20 December 2018
Interim Report, first quarter 2018/2019	20 December 2018

This information is such that RNB RETAIL AND BRANDS AB (publ) is required to disclose according to the EU's Market Abuse Regulation and the Swedish Securities Markets Act. The information was submitted for publication through the agency of the above contact persons on March 27, 2018, at 07:00 CET.

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

# Comments from the CEO

## RAPID TRANSFORMATION

The transformation from physical proprietary stores to e-commerce has entered into an exponential phase. Our organization is working at full speed on realigning the technology (IT), our processes and shift of competences. In addition, we're also continuing to develop our service concepts through the stores.

The reorientation of Polarn O. Pyret in 2016–2018, with its effective e-commerce offering and best-in-class digital marketing initiatives, is now well on the way to achieving complete success. This was confirmed by the company's nominations for Retail chain of the year and Loyalty program of the year by the Sweden Retail Awards 2018.

Brothers' strong value offering to customers provides all the right conditions for moving in the same direction in the digital transition process, although the segment is currently a couple of steps behind Polarn O. Pyret.

In Departments & Stores we do not have the prerequisites to be as fast-paced in the development of e-commerce and digital marketing initiatives as a result of the business model we jointly operate alongside other sector companies (Nordiska Kompaniet and 95 retailers). We're investing in e-commerce concepts like Man of a kind and have decided to develop a corresponding e-commerce concept for women based on our unique contacts and relationships with strong brands. These e-commerce concepts are in a start-up phase and operating income burdens Group earnings, but we're building a platform for the future. Man of a kind's sales increased rapidly in percentage terms in the quarter, albeit from low levels.

To summarize, our e-commerce operations are growing rapidly. Sales increased by +50 percent in the quarter and rolling 12-month sales is now SEK 128 M.

We have also established a collaboration with the Wellstreet, Retailers Lab Incubator. This aims to create conditions for development of retail-related startups, supported by Wellstreet and RNB as a test platform, through which we will be able to become a partner. Retailers Lab also contributes to the reorienting the Group's operations.

Store sales are an integral part of the reorientation work, and we're implementing a number of initiatives aimed at improving the attractiveness of stores in new locations as well as new store concepts. We're also closing stores in less attractive locations.

We're not satisfied with the sales decrease of -0.6 percent in the quarter, and -1.5 percent in Sweden for comparable units. But compared to Stilindex (the Swedish Retail and Wholesale Trade Research Institute), which was down by -6.4 percent in the quarter, it's clear that consumers are attracted by our brand concepts and collections.

Operating income of SEK 4 M was just under SEK 7 M down on last year, and the downturn in Departments & Stores explains more than the full profit decrease. In the parts of the Group where we have made clear progress with the reorientation process we have a considerably better development, particularly in Polarn O. Pyret. Rolling 12-month operating profit now stands at SEK 50 M.



## STRONG PROGRESS FOR POLARN O. PYRET

Sales in the quarter for comparable units were +5.3 percent (+6.1 percent in Sweden). E-commerce is particularly strong, up +42 percent in the quarter and accounting for 17 percent of the quarter's sale. Finland's making good progress and is making a positive contribution, while Norway is stable but at unsatisfactory levels. We have a comprehensive action plan for the Norwegian operations, including the closure of a number of unprofitable stores and the opening of new stores in carefully selected locations.

The reorientation of the assortment implemented from August onwards is continuing with the spring and summer collections.

Operating income for the quarter was SEK 12 M, just under SEK 5 M up on last year. With rolling 12-month operating income of SEK 45 M, operating margin is now just over 6 percent with sustained clear potential. From next quarter, we'll see the positive profit effects of our distribution agreement with Boozt.

At the beginning of March, we successfully launched Polarn O. Pyret's new flagship store in the PK building in central Stockholm. A number of existing stores will be upgraded in 2018.



## **BROTHERS STABLE WITH STRONG SPRING COLLECTION**

Sales once again clearly outperformed the markets by +1.2 percent for comparable units (-0.9 percent in Sweden). E-commerce is making good progress, albeit from a low level. Gross margins in the quarter were slightly stronger than last year.

However, seasonally weak operating income of SEK -3 M was up in year-on-year terms. Rolling 12-month operating income was SEK 17 M, implying an operating margin of just over 3 percent.

We're satisfied with the spring collection, and this was clearly confirmed by customers during the first few weeks of the spring season.

We opened two new Brothers stores on March 1, one in Mall of Scandinavia and one in Bergvik (Karlstad). The launches were important and successful, and it's already clear that the Mall of Scandinavia store will be one of the largest Brothers stores in terms of sales.

## **DEPARTMENTS & STORES—PARTICULARLY CHALLENGING**

Visitor numbers were down significantly in the NK department stores in Stockholm and Gothenburg, and sales declined by -5.6 percent (-8.1 percent in Stockholm). In contrast with Polarn O. Pyret and Brothers, there is no e-commerce to offset the generally weak progress for proprietary stores.

The remodeling of NK in Stockholm which was announced in a press release in February requires a correspondingly dramatic development of e-commerce and digital communication in order for the business model to regain full competitiveness. The latter part is still only at the planning stage.

Operating income of SEK 9 M was almost SEK 9 M down on last year, and rolling 12-month operating income was at SEK 35 M, implying an operating margin of just under 4 percent.

## **MAN OF A KIND CONTINUES TO GROW**

Sales in the quarter totaled SEK 3 M. Customers like the concept and customer inflows are increasing as planned. We faced some logistics challenges in the quarter that affected efficiency. Operating income was SEK -3 M, slightly up on the corresponding quarter last year.

We've made the decision to develop a corresponding concept for women, based on Departments & Stores' brand portfolio.

## **MIXED CONDITIONS FOR RNB PORTFOLIO**

Polarn O. Pyret is optimally positioned for capitalizing on the market transformation with its digital customers, a clear brand and strong e-commerce profile. The growth and profitability potential of Polarn O. Pyret remains significant. Brothers has almost equally the right foundation. For Departments & Stores, we're facing some challenging years until the reorientation process has been completed. This realignment also depends on the process of digital development in collaboration with NK. Man of a kind, and eventually the corresponding concept for women, are e-commerce initiatives based on the Group's unique prospects through its portfolio of brand relationships.

Our operating income of SEK 4 M is unsatisfactory, but provides a snapshot in the midst of the reorientation process.

Magnus Håkansson  
President and CEO

# RNB RETAIL AND BRANDS

RNB RETAIL AND BRANDS owns, operates and develops fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics stores and e-commerce that focus on providing excellent service and a world-class shopping experience. Sales are conducted through the concepts Brothers, Man of a kind and Polarn O. Pyret. Within the Departments & Stores business area, departments are managed in the department store NK in Stockholm and in Gothenburg. The Group has some 270 stores and e-commerce platforms in 10 countries. RNB RETAIL AND BRANDS has been listed on Nasdaq Stockholm since 2001 under the ticker RNBS.

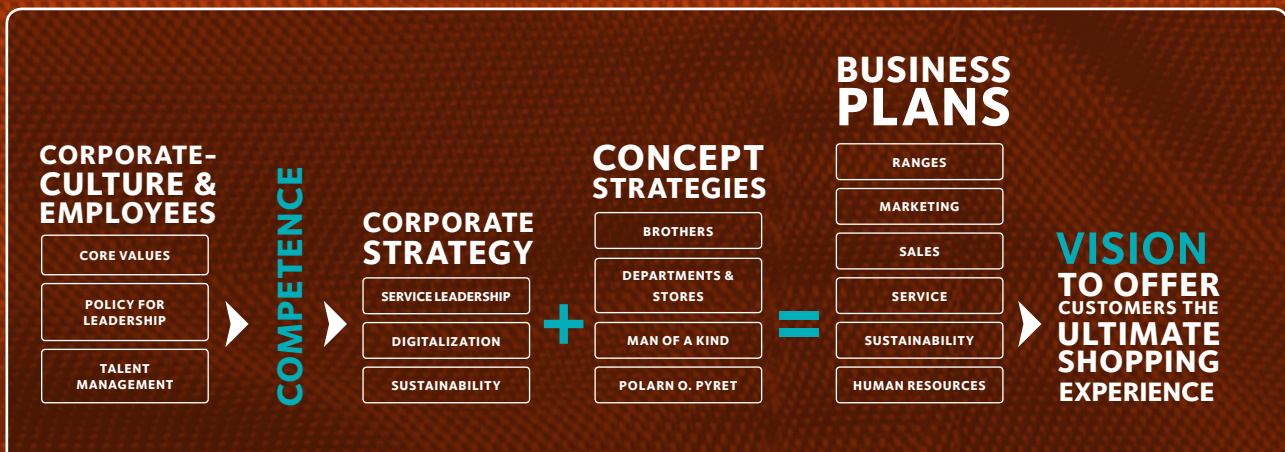
## Vision

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 in distinct concepts and stores offering an attractive range of fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics where customers are provided with excellent service and a world-class shopping experience.

## Business model



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

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



# Revenue and earnings RNB Group

## **SECOND QUARTER, DECEMBER 1, 2017 – FEBRUARY 28, 2018**

Reported net sales for the Group in the second quarter were SEK 589 M (590). All business areas except for Departments & Stores increased net sales, despite underlying market progress. E-commerce sales increased in all business areas using the online sales channel. For comparable units in Sweden, sales decreased by -1.5 percent, and for all national markets sales decreased by -0.6 percent expressed in SEK.

Gross margin for the Group increased slightly to 47.0 percent (46.5) in the quarter, with increased gross margin for all business areas with the exception of Departments & Stores in year-on-year terms.

Total operating expenses, excluding marketing initiatives, in the business areas increased by just under one percent year-on-year, where normal increases in rent and salary costs were offset by cutbacks and rationalizations. Marketing costs increased according to plan. Group-wide expenses increased, mainly because of planned increased IT development costs, which had been under-absorbed.

Operating income amounted to SEK 4 M (11).

Net financial items were SEK -4 M (-14), of which unrealized gains on currency hedges not affecting cash flow had an effect of SEK 0 M (-10).

Profit after tax amounted to SEK 1 M (-3).

### **Market progress in the quarter**

In Sweden, clothing sales in proprietary stores decreased by -6.4 percent according to Stilindex. Sales of men's, women's and children's clothing in Finland decreased by -2.2 percent in the quarter according to Tekstiili- ja Muotialat TMA (Textile and Fashion Suppliers and Retailers in Finland).

## **THE PERIOD, SEPTEMBER 1, 2017 – FEBRUARY 28, 2018**

Reported net sales for the Group in the period were SEK1 171 M (1,175). All business areas except for Departments & Stores increased net sales. E-commerce sales increased in all business areas using the online sales channel. For comparable units in Sweden, sales decreased by -0.5 percent, and for all national markets sales decreased by -0.2 percent expressed in SEK.

Gross margin for the Group is unchanged in the period to 50.7 percent (50.7), where business areas Man of a kind and Polarn O. Pyret achieved higher gross margins year-on-year.

Total operating expenses, excluding marketing initiatives, in the business areas were unchanged year-on-year, where normal increases in rent and salary costs were offset by cutbacks and rationalizations. Marketing costs increased according to plan. Group-wide expenses increased, mainly because of planned increases to IT development costs, which had been under-absorbed. Operating income amounted to SEK 44 M (57).

Net financial items were SEK 2 M (-2 of which unrealized gains on currency hedges not affecting cash flow had an effect of SEK 9 M (6).

Profit after tax amounted to SEK 46 M (55).

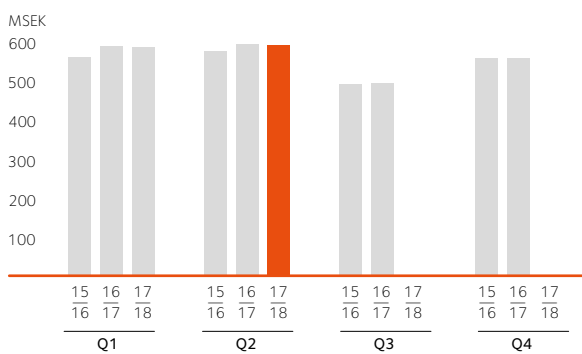
### **Market progress in the period**

In Sweden, clothing sales in proprietary stores decreased by -4.3 percent in the period according to Stilindex. Sales of men's, women's and children's clothing in Finland decreased by -2.6 percent in the period according to TMA.

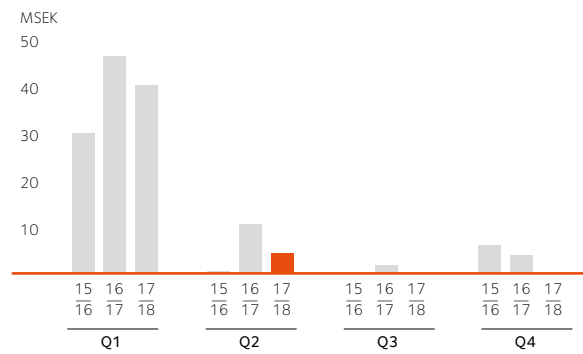
## Group overview

	3 months		6 months		12 months	
	Dec 2017	Dec 2016	Sep 2017	Sep 2016	Mar 2017	Sep 2016
	-Feb 2018	-Feb 2017	-Feb 2018	-Feb 2017	-Feb 2018	-Aug 2017
Net sales, SEK M	589	590	1,171	1,175	2,219	2,222
Gross margin,(%)	47.0	46.5	50.7	50.7	50.6	50.6
Operating income ,SEK M	4	11	44	57	50	63
Profit before tax, SEK M	1	-4	46	55	24	33
Profit after tax, SEK M	1	-3	46	55	21	30
Operating margin (%)	0.7	1.8	3.8	4.8	2.3	2.8
Earnings per share, SEK	0.02	-0.08	1.36	1.63	0.63	0.90
Cash flow from operating activities, SEK M	-16	26	47	63	34	51
Number of sales points	262	267	262	267	262	265

## Net sales per quarter



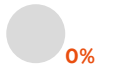



## Operating income per quarter



# Financial overview, business areas

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

Business area	Net sales, interim period	Share, %	Operating income, interim period	Own stores		Franchise	
				Stores	E-com	Stores	E-com
<b>BROTHERS</b>	<b>263MSEK</b>	 22%	<b>4MSEK</b>	<b>Total</b>	<b>51</b>	<b>2</b>	<b>18</b>
				Sweden	39	1	18
				Finland	12	1	
DEPARTMENTS & STORES	<b>488MSEK</b>	 42%	<b>21MSEK</b>	<b>Total</b>	<b>42</b>		
				NK Stockholm	27		
				NK Gothenburg	15		
Man of a kind	<b>6MSEK</b>	 0%	<b>-6MSEK</b>	<b>Total</b>	<b>1</b>		
POLARN O. PYRET	<b>415MSEK</b>	 35%	<b>46MSEK</b>	<b>Total</b>	<b>100</b>	<b>4</b>	<b>37</b>
				Sweden	56	2	7
				Norway	27	1	
				Finland	17	1	1
				England			16
				USA			3
				Estonia			3
				Ireland			2
				Scotland			3
				Iceland			1
				Latvia			1
<b>Total</b>	<b>1 171MSEK</b>		<b>44MSEK</b>		<b>193</b>	<b>7</b>	<b>55</b>
RNB RETAIL AND BRANDS				<b>248</b> stores	<b>14</b> e-com		<b>10</b> countries

Net sales and operating income per business area	3 months		6 months		12 months	
	Dec 2017 –Feb 2018	Dec 2016 –Feb 2017	Sep 2017 –Feb 2018	Sep 2016 –Feb 2017	Mar 2017 –Feb 2018	Sep 2016 –Aug 2017
<b>Net sales, SEK M</b>						
Brothers	132.4	128.0	262.9	258.1	535.6	530.8
Departments & Stores	257.9	276.9	488.3	511.9	942.3	965.9
Man of a kind	3.1	0.6	5.7	0.9	6.8	2.0
Polarn O. Pyret	195.5	184.8	414.5	403.6	733.8	722.9
Central operations & eliminations	0.0	-0.1	0.0	0.0	0.0	0.0
<b>Total</b>	<b>588.9</b>	<b>590.2</b>	<b>1,171.4</b>	<b>1,174.5</b>	<b>2,218.5</b>	<b>2,221.6</b>
<b>Operating income, SEK M</b>						
Brothers	-3.1	-4.1	4.0	10.8	17.0	23.8
Departments & Stores	9.2	17.7	21.4	28.8	35.5	42.9
Man of a kind	-3.3	-3.7	-6.2	-6.6	-12.8	-13.2
Polarn O. Pyret	11.9	7.3	45.6	36.9	44.7	36.0
Central operations & eliminations	-10.4	-6.6	-20.5	-13.0	-34.4	-26.9
<b>Total</b>	<b>4.3</b>	<b>10.6</b>	<b>44.3</b>	<b>56.9</b>	<b>50.0</b>	<b>62.6</b>



# BROTHERS

Brothers is a men's fashion concept offering a smart alternative to premium brands

## **SECOND QUARTER, DECEMBER 1, 2017 – FEBRUARY 28, 2018**

Net sales in the Brothers business area totaled SEK 132 M (128). Net sales in comparable units in Sweden and Finland increased by 1.2 percent, where the trend for e-commerce increased sharply. Net sales from franchise stores were unchanged in the quarter in year-on-year terms. Total brand sales (total sales to consumers excluding VAT across markets and distribution channels) were SEK 601 M (601) on a rolling 12-month basis.

The number of paying customers decreased in Sweden by increased in Finland year-on-year. Average spend per paying customer increased on both national markets.

Gross margin for the business area was up in the quarter compared to the corresponding period in the previous year, due to factors including positive exchange rate effects. Operating expenses were higher in the quarter, mainly due to more stores and positive effects of allocations to periods in the previous year.

Operating income in the quarter was SEK -3 M (-4), implying an operating margin of -2.3 percent (-3.2).

Inventories increased in the quarter, and were up in year-on-year terms at the end of the quarter, partly due to goods in transit for the spring season.

On March 1, the new Brothers stores opened in Mall of Scandinavia in Stockholm and in the Bergvik shopping mall in Karlstad, Sweden. In Mall of Scandinavia, Brothers opened 310 m<sup>2</sup> of retail space, which will also include the chain's Made To Measure concept.

## **THE PERIOD, SEPTEMBER 1, 2017 – FEBRUARY 28, 2018**

Net sales in the Brothers business area were SEK 263 M (258). Net sales in comparable units in Sweden and Finland increased by 1.8 percent, with the increase provided by e-commerce. Net sales from franchise stores were down marginally in the period year-on-year.

The number of paying customers in stores decreased year-on-year. Average spend per paying customer increased on both national markets. Gross margin for the business area was down in the period year-on-year.

Operating expenses were higher in the period, largely due to increased marketing costs and more stores.

Operating income in the period decreased to SEK 4 M (11), implying an operating margin of 1.5 percent (4.2).

Inventories increased slightly in the period, and were higher in year-on-year terms at the end of the period. The increase is due to increased store inventories and goods in transit.



# DEPARTMENTS & STORES

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Departments & Stores offer paying customers an international product mix and world-class service in an inspiring environment

## **SECOND QUARTER, DECEMBER 1, 2017 – FEBRUARY 28, 2018**

Net sales in the Departments & Stores business area were SEK 258 M (277), a decrease of 6.9 percent. The number of visitors in our stores in the two department stores were down significantly in the quarter, and for each month of the quarter, compared to the corresponding quarter of the previous year. Average spend per customer increased, and discounting decreased slightly, although this did not offset the reduced customer numbers.

Gross margin decreased compared to the corresponding quarter of the previous year. Operating expenses were unchanged year-on-year, despite normal increases in rent and salary costs.

Operating income amounted to SEK 9 M (18), with operating margin of 3.6 percent (6.4).

Business area inventories decreased in the quarter, but were up at the end of the quarter in year-on-year terms.

In the quarter, Nordiska Kompaniet presented its extensive remodeling plans for the Stockholm department store. This will make the department store more luxurious, bigger and more personal. The work is expected to take three years and encompasses 50 percent of the existing floor space.

In connection with this extensive upgrade, Departments & Stores is also implementing a major initiative and plans to remodel a large number of departments and develop the brand mix and concepts across virtually all departments. The remodeling process has already started, with a new accessories department at street level first out. The conversion and relocation of the Jewelry department and a major initiative aimed at cosmetics are next in line.

## **THE PERIOD, SEPTEMBER 1, 2017 – FEBRUARY 28, 2018**

Net sales in the Departments & Stores business area totaled SEK 488 M (512), a decrease of 4.6 percent. The number of visitors in our stores in the two department stores were down significantly in the period in year-on-year terms. In earlier quarters, visitor numbers fell in Stockholm while they increased slightly in Gothenburg, although this trend was interrupted in the second quarter. Competition for a large proportion of the premium range has accelerated as these brands are now also distributed on broad-based e-commerce platforms.

Average spend per customer increased, and discounting decreased in the period, although this did not offset the reduced customer numbers.

Gross margin decreased slightly year-on-year. Operating expenses were down on the previous year despite normal increases in rent and salary costs.

Operating income amounted to SEK 21 M (29), with operating margin of 4.4 percent (5.6).

Business area inventories increased in the period, and was up at the end of the period in year-on-year terms.



# Man of a kind

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Man of a kind is the new online destination for exclusive men's fashion. Man of a kind was launched in fall 2016 and offers a carefully selected premium clothing range and world-class service in an inspiring environment.

## **SECOND QUARTER, DECEMBER 1, 2017 – FEBRUARY 28, 2018**

Net sales in the Man of a kind business area were SEK 3 M (1). The number of visitors, conversion rate and average spend all increased compared to the corresponding quarter in the previous year. Gross margin increased year-on-year. Operating expenses were up on last year.

Operating income amounted to SEK -3 M (-4).

A decision has been made to develop a corresponding concept for women. This will also be based on the brand portfolio of Departments & Stores. The timing of this launch has not yet been determined.

## **THE PERIOD, SEPTEMBER 1, 2017 – FEBRUARY 28, 2018**

Net sales in the Man of a kind business area were SEK 6 M (1). The number of visitors, conversion rate and average spend all increased compared to corresponding period in the previous year. Gross margin increased year-on-year. Operating expenses were up on last year.

Operating income amounted to SEK -6 M (-7).

In the period, Man of a kind acquired Frontmen.com which has now been integrated in Man of a kind. After the acquisition, digital competences were also strengthened by the recruitment of fashion and e-commerce profile Oscar Arrsjö. The clothing range expanded in the period, adding strong brands like Helmut Lang, Parajumpers and RM Williams.





# POLARN O. PYRET

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

## SECOND QUARTER, DECEMBER 1, 2017 – FEBRUARY 28, 2018

Net sales for the quarter were SEK 196 M (185). Sales in comparable proprietary stores including e-commerce sales on all national markets increased by 5.3 percent year-on-year. The sales increase was derived from e-commerce. Rolling 12-month brand sales (total sales to consumers excluding VAT across all markets and distribution channels) were SEK 860 M (856).

Gross margin for the quarter was somewhat higher with the corresponding period of the previous year.

Operating expenses were up year-on-year.

Operating income amounted to SEK 12 M (7), an improvement of SEK 5 M, corresponding to an operating margin of 6.1 percent (4.0).

Business area inventories decreased in the quarter. The inventory was higher at the end of the quarter in year-on-year terms.

Polarn O. Pyret launched its campaign A New Chapter in fall 2017, presenting a long-awaited renewal of the brand and customer offering with a more contemporary context and a higher fashion content and sharpened sustainability focus. The brand is now taking the next big step by opening an entirely new concept store on March 8, 2018. The store, which is located in the PK building in central Stockholm, will also be the brand's flagship store.

Polarn O. Pyret has been chosen as a finalist for Retail chain of the year and Loyalty program of the year in Sweden Retail Awards 2018. The final will be held on May 21. The purpose of the Retail Awards is to highlight, reward and celebrate successful companies, persons and initiatives in retailing and is arranged by Svensk Handel (the Swedish Trade Federation).

## THE PERIOD, SEPTEMBER 1, 2017 – FEBRUARY 28, 2018

Net sales for the period were SEK 415 M (404). Sales in comparable proprietary stores including e-commerce sales on all national markets increased by 2.9 percent year-on-year. The sales increase was derived from e-commerce.

Gross margin for the period was somewhat higher with the corresponding period of the previous year.

Operating expenses were up year-on-year.

Operating income amounted to SEK 46 M (37), an improvement of SEK 9 M, corresponding to an operating margin of 11.0 percent (9.1).

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



# Financial position and liquidity

The Group's total assets amounted to SEK 1,165 M, compared to SEK 1,123 M at the beginning of the financial year. At the end of the period, equity was SEK 387 M (369) against SEK 340 M at the beginning of the financial year, providing an equity/assets ratio of 33.3 percent (33.1), against 30.3 percent at the beginning of the financial year.

As of February 28, inventories totaled SEK 432 M (382), against SEK 428 M at the beginning of the financial year.

Cash flow from changes in working capital was negative at SEK -13 M (-12), mainly due to changes in short term liabilities. Cash flow from operating activities decreased to SEK 47 M (63) in the period. After investments, cash flow decreased to SEK 18 M (46).

Net debt decreased to SEK 356 M, against SEK 363 M at the end of the previous financial year. The Group's cash and cash equivalents including unutilized overdraft facilities were SEK 140 M (161) at the end of the period, against SEK 136 M at the beginning of the financial year.

In the second quarter, the Group issued a senior secured bond of SEK 400 M. The bond loan is subject to variable Interest of Stibor 3m + 600 basis points and has a maturity date of February 2, 2021. The bond loan has a framework amount of SEK 600 M. The prospectus was published on March 16. The bond will be listed on Nasdaq Stockholm.

## INVESTMENTS AND DEPRECIATION/AMORTIZATION

Investments during the period, excluding investment in subsidiaries, totaled SEK 22 M (11). Depreciation/amortization totaled SEK -21 M (-24).

## EMPLOYEES

The average number of employees in the period was 1,002 (1,017).

## RELATED-PARTY TRANSACTIONS

No transactions were conducted between the RNB Group and related parties which materially impacted the Group's financial position and profit/loss. In the second quarter, the company repaid loans totaling SEK 380 M to Konsumentföreningen Stockholm. For more information, see Note 32 of the Annual Report 2016/2017.

## TAX

During the period, the Group paid tax totaling SEK 0 M (0). As the company has non-capitalized loss carry forwards of SEK 691 M, the tax expenses are expected to remain low. For more information, see Note 9 of the Annual Report 2016/2017.

## PARENT COMPANY

Parent Company net sales were SEK 46 M (52). Profit after net financial items was SEK -20 M (-21). Investments were SEK 9 M (4).

## SEASONAL VARIATIONS

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

## RISKS AND UNCERTAINTIES

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

### Financial risks

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

### Operational risks

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

For a more detailed description of the Group's management of financial risks, see Note 33 of the 2016/2017 Annual Report.

## REVIEW

This Interim Report has not been subject to review by the company's auditors.

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

Stockholm, Sweden, March 27, 2018

The Board of Directors and Chief Executive Officer of  
RNB RETAIL AND BRANDS (publ), corporate ID no. 556495-4682

Laszlo Kriss  
*Chairman*

Per Thunell  
*Deputy Chairman*

Monika Elling  
*Board member*

Michael Lemner  
*Board member*

Joel Lindeman  
*Board member*

Sara Wimmercranz  
*Board member*

Magnus Håkansson  
*President and CEO*



# Consolidated Income Statement

SEK M	3 months		6 months		12 months	
	Dec 2017 –Feb 2018	Dec 2016 –Feb 2017	Sep 2017 –Feb 2018	Sep 2016 –Feb 2017	Mar 2017 –Feb 2018	Sep 2016 –Aug 2017
Net sales	588.9	590.2	1,171.4	1,174.5	2,218.5	2,221.6
Goods for resale	-312.1	-315.8	-577.9	-579.2	-1,095.4	-1,096.7
<b>Gross income</b>	<b>276.8</b>	<b>274.4</b>	<b>593.5</b>	<b>595.3</b>	<b>1,123.1</b>	<b>1,124.9</b>
Other operating income	7.7	7.2	14.8	11.6	33.3	30.1
Other external expenses	-128.0	-117.4	-260.7	-246.1	-514.2	-499.6
Personnel expenses	-141.9	-141.5	-282.5	-279.6	-548.3	-545.4
Depreciation and impairment of non-current assets	-10.3	-12.1	-20.8	-24.3	-43.9	-47.4
<b>Operating income</b>	<b>4.3</b>	<b>10.6</b>	<b>44.3</b>	<b>56.9</b>	<b>50.0</b>	<b>62.6</b>
Financial income	-0.7	-0.2	1.3	2.0	1.8	2.5
Financial expenses	-3.0	-4.5	-8.9	-9.2	-17.9	-18.2
Unrealized profit/loss on futures contracts	0.2	-9.6	9.5	5.5	-10.2	-14.2
<b>Net financial items</b>	<b>-3.5</b>	<b>-14.3</b>	<b>1.9</b>	<b>-1.7</b>	<b>-26.3</b>	<b>-29.9</b>
<b>Profit before tax from continuing operations</b>	<b>0.8</b>	<b>-3.7</b>	<b>46.2</b>	<b>55.2</b>	<b>23.7</b>	<b>32.7</b>
Tax on net income for the period	0.0	1.0	0.0	0.0	-2.3	-2.3
<b>Net income for the period</b>	<b>0.8</b>	<b>-2.7</b>	<b>46.2</b>	<b>55.2</b>	<b>21.4</b>	<b>30.4</b>
<b>Other comprehensive income</b>						
<i>Other comprehensive income, which will be reclassified to net income in subsequent periods</i>						
Cash flow hedges – value changes	4.2	0.0	17.9	0.0	12.3	-5.6
Cash flow hedges recognised in income	-0.3	0.0	-3.9	0.0	-3.9	0.0
Translation differences	-1.5	0.1	-2.5	-1.2	-1.1	0.2
Tax attributable to items in other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
<b>Comprehensive income for the period</b>	<b>3.2</b>	<b>-2.6</b>	<b>57.7</b>	<b>54.0</b>	<b>28.7</b>	<b>25.0</b>
<b>Net income for the period attributable to:</b>						
Parent Company's shareholders	0.8	-2.7	46.2	55.2	21.4	30.4
	<b>0.8</b>	<b>-2.7</b>	<b>46.2</b>	<b>55.2</b>	<b>21.4</b>	<b>30.4</b>
<b>Comprehensive income attributable to:</b>						
Parent Company's shareholders	3.2	-2.6	57.7	54.0	28.7	25.0
	<b>3.2</b>	<b>-2.6</b>	<b>57.7</b>	<b>54.0</b>	<b>28.7</b>	<b>25.0</b>
<b>Earnings per share before and after dilution (SEK)</b>	<b>0.02</b>	<b>-0.08</b>	<b>1.36</b>	<b>1.63</b>	<b>0.63</b>	<b>0.90</b>
<b>Average number of shares, (000s)</b>	<b>33,912</b>	<b>33,912</b>	<b>33,912</b>	<b>33,912</b>	<b>33,912</b>	<b>33,912</b>

# Consolidated Cash Flow Statement, in summary

SEK M	3 months		6 months		12 months	
	Dec 2017 –Feb 2018	Dec 2016 –Feb 2017	Sep 2017 –Feb 2018	Sep 2016 –Feb 2017	Mar 2017 –Feb 2018	Sep 2016 –Aug 2017
<b>Operating activities</b>						
Operating income	4.3	10.6	44.3	56.9	50.0	62.6
Interest received and other financial income	-0.7	-0.2	1.3	2.0	1.8	2.5
Interest paid	-1.3	-4.6	-7.2	-9.3	-16.1	-18.2
Adjustment for non-cash items	10.5	10.2	21.0	25.1	44.0	48.1
Tax paid	0.0	0.0	0.0	0.0	-0.9	-0.9
<b>Cash flow before change in working capital</b>	<b>12.8</b>	<b>16.0</b>	<b>59.4</b>	<b>74.7</b>	<b>78.8</b>	<b>94.1</b>
<b>Cash flow from change in working capital</b>						
Change in inventories	27.0	38.8	-3.4	20.2	-47.7	-24.1
Decrease (+)/increase (-) in current receivables	-6.9	-10.6	-2.7	-4.3	-12.5	-14.1
Decrease (-)/increase (+) in current liabilities	-48.8	-18.6	-6.8	-27.4	15.7	-4.9
<b>Change in working capital</b>	<b>-28.7</b>	<b>9.6</b>	<b>-12.9</b>	<b>-11.5</b>	<b>-44.5</b>	<b>-43.1</b>
<b>Cash flow from operating activities</b>	<b>-15.9</b>	<b>25.7</b>	<b>46.5</b>	<b>63.3</b>	<b>34.3</b>	<b>51.0</b>
<b>Cash flow from investing activities</b>	<b>-15.9</b>	<b>-0.8</b>	<b>-28.1</b>	<b>-17.6</b>	<b>-34.6</b>	<b>-24.1</b>
<b>Cash flow after investments</b>	<b>-31.8</b>	<b>24.9</b>	<b>18.4</b>	<b>45.7</b>	<b>-0.4</b>	<b>26.9</b>
<b>Financing activities</b>						
Change in liabilities to financial institutions	395.2	-0.2	395.1	-0.4	394.6	-0.8
Amortization of loan	-380.0	0.0	-380.0	0.0	-385.0	-5.0
Paid dividend	-10.2	-8.5	-10.2	-8.5	-10.2	-8.5
<b>Cash flow from financing activities</b>	<b>5.0</b>	<b>-8.7</b>	<b>4.9</b>	<b>-8.9</b>	<b>-0.6</b>	<b>-14.3</b>
<b>Cash flow during the period</b>	<b>-26.8</b>	<b>16.2</b>	<b>23.3</b>	<b>36.8</b>	<b>-1.0</b>	<b>12.6</b>
Cash and cash equivalents at beginning of period	86.5	45.0	36.4	24.2	61.3	24.2
Exchange difference in cash and cash equivalents	-0.2	0.0	-0.2	0.2	-0.8	-0.4
<b>Cash and cash equivalents at end of period</b>	<b>59.5</b>	<b>61.3</b>	<b>59.5</b>	<b>61.3</b>	<b>59.5</b>	<b>36.4</b>

## Consolidated Balance Sheet, in summary

SEK M	Feb 28, 2018	Feb 29, 2017	Aug 31, 2017
<b>Assets</b>			
Intangible assets	435.7	423.3	429.4
Tangible assets	67.7	78.4	70.6
Financial assets	13.5	21.2	9.5
<b>Total non-current assets</b>	<b>516.9</b>	<b>522.9</b>	<b>509.5</b>
Inventories	432.1	382.1	427.7
Current receivables	156.1	149.1	149.3
Cash	59.5	61.3	36.4
<b>Total current assets</b>	<b>647.7</b>	<b>592.5</b>	<b>613.4</b>
<b>Total assets</b>	<b>1,164.6</b>	<b>1,115.4</b>	<b>1,122.9</b>
<b>Shareholders' equity and liabilities</b>			
Equity attributable to the Parent Company shareholders	387.5	369.0	340.0
<b>Total equity</b>	<b>387.5</b>	<b>369.0</b>	<b>340.0</b>
Non-current liabilities	415.1	402.1	399.0
Current liabilities	362.0	344.3	383.9
<b>Total liabilities</b>	<b>777.1</b>	<b>746.4</b>	<b>782.9</b>
<b>Total equity and liabilities</b>	<b>1,164.6</b>	<b>1,115.4</b>	<b>1,122.9</b>

## Changes in shareholders' equity, in summary

SEK M	Sep 2017 –Feb 2018	Sep 2016 –Feb 2017	Sep 2016 –Aug 2017
Opening balance	340.0	323.5	323.5
Net income for the period	46.2	55.2	30.4
<b>Other comprehensive income</b>			
Changes to cash flow hedges	17.9	-	-5.6
Cash flow hedges recognised in income	-3.9	-	-
Translation differences	-2.5	-1.2	0.2
<b>Total comprehensive income for the year</b>	<b>57.7</b>	<b>54.0</b>	<b>25.0</b>
Paid dividend	-10.2	-8.5	-8.5
<b>Balance at end of period</b>	<b>387.5</b>	<b>369.0</b>	<b>340.0</b>



# Key ratios

SEK M	Sep 2017 –Feb 2018	Sep 2016 –Feb 2017	Mar 2017 –Feb 2018	Sep 2016 –Aug 2017
Gross margin, %	50.7	50.7	50.6	50.6
Operating margin, %	3.8	4.8	2.3	2.8
Equity/assets ratio, %	33.3	33.1	33.3	30.3
Interest coverage ratio, x	6.2	7.0	1.8	2.0
Net debt, MSEK	355.6	341.5	355.6	362.7
Net debt/equity ratio, %	91.8	92.5	91.8	106.7
Return on equity, %	12.7	15.9	5.7	9.2
Return on capital employed, %	7.1	8.6	6.6	8.9
Average number of shares, 000s	33,912	33,912	33,912	33,912
Number of shares at end of period, 000s	33,912	33,912	33,912	33,912
Profit after tax per share, SEK	1.36	1.63	0.63	0.90
Equity per share at end of period, SEK	11.43	10.88	11.43	10.03
Average number of employees, full time	1,002	1,017	1,013	1,028

# Shareholders

Largest shareholders as of February 28, 2018

	Number of shares	Share capital/ Voting rights, %
Konsumentföreningen Stockholm	11,246,598	33.2
Novobis AB	4,000,000	11.8
Avanza Pension Försäkringsaktiebolaget	2,195,078	6.5
Catella Fondförvaltning	2,131,060	6.3
Hawk Invest AS	986,249	2.9
Nordnet pensionsförsäkring AB	892,982	2.6
Hans Björkstrand	793,000	2.3
Johan Fahlin	335,503	1.0
Skandia Leben	320,000	0.9
Christian Kock	276,724	0.8
<b>Total 10 largest shareholders</b>	<b>23,177,194</b>	<b>68.3</b>
Other	10,734,982	31.7
<b>Total</b>	<b>33,912,176</b>	<b>100.0</b>

Source: Euroclear Sweden AB

# Income Statement per quarter, Group

SEK M	Q2		Q1		Q4		Q3	
	2017/ 2018	2016/ 2017	2017/ 2018	2016/ 2017	2016/ 2017	2015/ 2016	2016/ 2017	2015/ 2016
Net sales	588.9	590.2	582.5	584.3	555.4	555.3	491.7	488.9
Goods for resale	-312.1	-315.8	-265.8	-263.4	-290.6	-286.9	-226.9	-223.6
<b>Gross income</b>	<b>276.8</b>	<b>274.4</b>	<b>316.7</b>	<b>320.9</b>	<b>264.8</b>	<b>268.4</b>	<b>264.8</b>	<b>265.3</b>
Other operating income	7.7	7.2	7.1	4.4	11.7	4.2	6.8	5.9
Other external expenses	-128.0	-117.4	-132.7	-128.7	-128.9	-119.9	-124.6	-121.5
Personnel expenses	-141.9	-141.5	-140.6	-138.1	-132.2	-130.1	-133.6	-137.6
Depreciation and impairment of non-current assets	-10.3	-12.1	-10.5	-12.2	-11.4	-16.6	-11.7	-12.1
<b>Operating income</b>	<b>4.3</b>	<b>10.6</b>	<b>40.0</b>	<b>46.3</b>	<b>4.0</b>	<b>6.0</b>	<b>1.7</b>	<b>0.0</b>
Financial income	-0.7	-0.2	2.0	2.2	-0.3	0.9	0.8	0.4
Financial expenses	-3.0	-4.5	-5.9	-4.7	-5.2	-3.9	-3.8	-3.1
Unrealized profit/loss on futures contracts	0.2	-9.6	9.3	15.1	-10.6	7.4	-9.1	-7.6
<b>Net financial items</b>	<b>-3.5</b>	<b>-14.3</b>	<b>5.4</b>	<b>12.6</b>	<b>-16.1</b>	<b>4.4</b>	<b>-12.1</b>	<b>-10.3</b>
<b>Profit before tax from continuing operations</b>	<b>0.8</b>	<b>-3.7</b>	<b>45.4</b>	<b>58.9</b>	<b>-12.1</b>	<b>10.4</b>	<b>-10.4</b>	<b>-10.3</b>
Tax on net income for the quarter	0.0	1.0	0.0	-1.0	-0.7	0.0	-1.6	0.0
<b>Net income for the quarter</b>	<b>0.8</b>	<b>-2.7</b>	<b>45.4</b>	<b>57.9</b>	<b>-12.8</b>	<b>10.4</b>	<b>-12.0</b>	<b>-10.3</b>
<b>Other comprehensive income</b>								
Other comprehensive income, to be reclassified to net income in subsequent quarters								
Cash flow hedges – value changes	4.2	-	13.7	-	-5.6	-	-	-
Cash flow hedges recognised in income	-0.3	0.0	-3.6	-	0.0	-	-	-
Translation differences	-1.5	0.1	-1.0	-1.3	1.5	0.6	-0.1	-0.7
Tax attributable to items in other comprehensive income	0.0	-	-	-	-	-	-	-
<b>Comprehensive income for the quarter</b>	<b>3.2</b>	<b>-2.6</b>	<b>54.5</b>	<b>56.6</b>	<b>-16.9</b>	<b>11.0</b>	<b>-12.1</b>	<b>-11.0</b>

# Key ratios per quarter

SEK M	Q2		Q1		Q4		Q3	
	2017/ 2018	2016/ 2017	2017/ 2018	2016/ 2017	2016/ 2017	2015/ 2016	2016/ 2017	2015/ 2016
Gross margin, %	47.0	46.5	54.4	54.9	47.7	48.3	53.9	54.3
Operating margin, %	0.7	1.8	6.9	7.9	0.7	1.1	0.3	0.0
Return on equity, %	0.2	-0.7	12.4	16.5	-3.7	3.2	-3.3	-3.2
Number of shares at end of quarter, 000s	33,912	33,912	33,912	33,912	33,912	33,912	33,912	33,912
Profit after tax per share, SEK	0.02	-0.08	1.34	1.71	-0.38	0.31	-0.35	-0.30
Equity per share at end of quarter, SEK	11.43	10.88	11.63	11.21	10.03	9.54	10.52	9.54
Total equity	387.5	369.0	394.5	380.1	340.0	323.5	356.9	323.6
Cash flow per share from operating activities	-0.5	0.8	1.8	0.5	-0.7	0.5	0.3	0.3
Cash flow from operating activities	-15.9	25.7	62.4	17.8	-23.6	17.8	11.2	10.1
Share price at end of quarter, SEK	8.8	18.6	11.3	11.6	12.6	11.6	12.8	11.5

# Income Statement, Parent Company

SEK M	3 months		6 months		12 months	
	Dec 2017 –Feb 2018	Dec 2016 –Feb 2017	Sep 2017 –Feb 2018	Sep 2016 –Feb 2017	Mar 2017 –Feb 2018	Sep 2016 –Aug 2017
Net sales	23.0	23.5	45.9	51.5	104.2	109.8
Other operating income	1.6	4.7	2.9	4.9	0.6	2.6
	<b>24.6</b>	<b>28.2</b>	<b>48.8</b>	<b>56.4</b>	<b>104.8</b>	<b>112.4</b>
<b>Operating expenses</b>						
Other external expenses	-17.7	-14.6	-36.7	-30.6	-68.8	-62.7
Personnel expenses	-13.9	-17.3	-26.7	-33.8	-58.5	-65.6
Depreciation and impairment of non-current assets	-3.1	-2.9	-5.9	-5.7	-11.3	-11.1
<b>Operating income</b>	<b>-10.1</b>	<b>-6.6</b>	<b>-20.5</b>	<b>-13.7</b>	<b>-33.8</b>	<b>-27.0</b>
Result from participations in group companies	0.0	0.0	0.0	0.0	73.2	73.2
Financial income	0.0	-0.2	9.3	0.0	10.0	0.7
Financial expenses	-4.6	-3.7	-8.4	-7.7	-27.3	-26.6
<b>Result after financial items</b>	<b>-14.7</b>	<b>-10.5</b>	<b>-19.6</b>	<b>-21.4</b>	<b>22.1</b>	<b>20.3</b>
Taxes	-	-	-	-	-	-
<b>Net income for the period</b>	<b>-14.7</b>	<b>-10.5</b>	<b>-19.6</b>	<b>-21.4</b>	<b>22.1</b>	<b>20.3</b>

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

# Balance Sheet, Parent Company, in summary

SEK M	Feb 28, 2018	Feb 29, 2017	Aug 31, 2017
<b>Assets</b>			
Intangible assets	27.7	20.5	24.3
Property, plant and equipment	4.2	5.3	4.7
Financial assets	561.7	576.7	566.7
Deferred tax assets	89.0	72.1	95.2
Other current assets	46.4	43.9	25.9
<b>Total assets</b>	<b>729.0</b>	<b>718.5</b>	<b>716.8</b>
<b>Shareholders' equity and liabilities</b>			
Equity	238.7	226.8	268.5
Non-current liabilities	395.2	385.0	380.0
Current liabilities	95.1	106.7	68.3
<b>Total equity and liabilities</b>	<b>729.0</b>	<b>718.5</b>	<b>716.8</b>



# Reconciliation of key ratios

SEK M	6 months		12 months	
	Sep 2017 –Feb 2018	Sep 2016 –Feb 2017	Mar 2017 –Feb 2018	Sep 2016 –Aug 2017
Net sales	1,171.4	1,174.5	2,218.5	2,221.6
Goods for resale	-577.9	-579.2	-1,095.4	-1,096.7
<b>Gross profit</b>	<b>593.5</b>	<b>595.3</b>	<b>1,123.1</b>	<b>1,124.9</b>
Other operating income	14.8	11.6	33.3	30.1
Other external expenses	-260.7	-246.1	-514.2	-499.6
Personnel expenses	-282.5	-279.6	-548.3	-545.4
Depreciation and impairment of non-current assets	-20.8	-24.3	-43.9	-47.4
<b>Operating income (EBIT)</b>	<b>44.3</b>	<b>56.9</b>	<b>50.0</b>	<b>62.6</b>
Interest income and similar profit/loss items	1.3	2.0	1.8	2.5
Interest expenses and similar profit/loss items	-8.9	-9.2	-17.9	-18.2
Unrealized profit/loss on futures contracts	9.5	5.5	-10.2	-14.2
<b>Net financial items</b>	<b>1.9</b>	<b>-1.7</b>	<b>-26.3</b>	<b>-29.9</b>
<b>Profit/loss after financial items</b>	<b>46.2</b>	<b>55.2</b>	<b>23.7</b>	<b>32.7</b>
Adjustments:				
Tax on net profit/loss for the period	0.0	0.0	-2.3	-2.3
<b>Net income for the period</b>	<b>46.2</b>	<b>55.2</b>	<b>21.4</b>	<b>30.4</b>
Operating income	44.3	56.9	50.0	62.6
Depreciation and impairment of non-current assets	20.8	24.3	43.9	47.4
<b>Operating income before depreciation, amortization and impairment of non-current assets (EBITDA)</b>	<b>65.1</b>	<b>81.2</b>	<b>93.9</b>	<b>110.0</b>
Loans	0.0	385.0	0.0	380.0
Contingent consideration	19.9	17.0	19.9	19.0
Other non-current interest-bearing liabilities	395.2	0.1	395.2	0.0
<b>Non-current liabilities</b>	<b>415.1</b>	<b>402.1</b>	<b>415.1</b>	<b>399.0</b>
Loans	0.0	385.0	0.0	380.0
Contingent consideration	19.9	17.0	19.9	19.0
Other non-current interest-bearing liabilities	395.2	0.1	395.2	0.0
Other current interest-bearing liabilities	0.0	0.7	0.0	0.1
Cash and cash equivalents	-59.5	-61.3	-59.5	-36.4
<b>Net debt</b>	<b>355.6</b>	<b>341.5</b>	<b>355.6</b>	<b>362.7</b>
Equity, opening balance	340.0	323.5	369.0	323.5
Equity, closing balance	387.5	369.0	387.5	340.0
<b>Average equity</b>	<b>363.8</b>	<b>346.3</b>	<b>378.3</b>	<b>331.8</b>
Total assets	1,164.6	1,115.4	1,164.6	1,122.9
Trade payables	-172.4	-141.8	-172.4	-176.4
Other current liabilities	-189.6	-202.5	-189.6	-207.5
<b>Capital employed</b>	<b>802.6</b>	<b>771.1</b>	<b>802.6</b>	<b>739.0</b>
Net income for the period	46.2	55.2	21.4	30.4
Average equity	363.8	346.3	378.3	331.8
<b>Return on equity, %</b>	<b>12.7</b>	<b>15.9</b>	<b>5.7</b>	<b>9.2</b>
Capital employed, opening balance	739.0	725.3	771.1	725.3
Capital employed, closing balance	802.6	771.1	802.6	739.0
<b>Average capital employed</b>	<b>770.8</b>	<b>748.2</b>	<b>786.9</b>	<b>732.2</b>
Interest expenses and similar profit/loss items	-8.9	-9.2	-17.9	-18.2
Unrealized expense on futures contracts	0.0	0.0	-10.2	-14.2
Profit before tax from continuing operations	46.2	55.2	23.7	32.7
Average capital employed	770.8	748.2	786.9	732.2
<b>Return on capital employed, %</b>	<b>7.1</b>	<b>8.6</b>	<b>6.6</b>	<b>8.9</b>
Operating income	44.3	56.9	50.0	62.6
Interest income and similar profit/loss items	1.3	2.0	1.8	2.5
Unrealized income on futures contracts	9.5	5.5	0.0	0.0
<b>Profit/loss after financial income</b>	<b>55.1</b>	<b>64.4</b>	<b>51.8</b>	<b>65.1</b>

# Definition of key ratios

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

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

## MARGIN METRICS

### Gross profit margin

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

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

### Operating margin

Operating income as a percentage of net sales.

*Purpose:* The margin measures operational profitability.

## RETURN METRICS

### Return on equity

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

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

### Return on capital employed

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

*Purpose:* Return generated by the company independently of financing.

## FINANCIAL METRICS

### Equity/assets ratio

Shareholders' equity in relation to total assets.

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

### Net debt

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

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

### Net debt/equity ratio

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

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

### Interest coverage ratio

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

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

## SHARE-BASED METRICS

### Equity per share

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

*Purpose:* The measure illustrates shareholders' equity per share.

### Earnings per share

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

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

## OTHER TERMS

### Number of full-time employees

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

### Average number of shares

Weighted average of outstanding common shares in the period.

### Sales for comparable units, change, %

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

### Sales points

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

### Stilindex

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

# Notes

## NOTE 1 ACCOUNTING POLICIES

This report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Annual Accounts Act. The Interim Report for the Parent Company has been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2—Accounting for Legal Entities. The accounting policies applied correspond to the information provided in the Annual Report 2016/2017.

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

From the fourth quarter 2016/2017, hedge accounting has been applied where there is an effective link between hedged future cash flows and financial derivatives. This implies that value changes in currency derivatives where there is an effective link are presented under Other comprehensive income, in the line Cash flow hedges—value change, instead of being included under Financial items in the Income Statement. The change is forward-looking and has not been adjusted retroactively, as the measurement of hedge effectiveness was not initiated until the fourth quarter.

Furthermore, since the previous quarter, unrealized losses on currency hedges that fail to comply with hedge accounting are reported on a dedicated line under Net financial items.

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

**IFRS 9 Financial Instruments**, applies to financial years starting January 1, 2018, which for RNB Retail and Brands means the financial year 2018/2019. The preliminary assessment is that the standard will have an impact on the Financial Statements, mainly requirements pertaining to the information provided in Notes.

**IFRS 15 Revenue from Customer Contracts**, applies to financial years starting January 1, 2018, which for RNB Retail and Brands means the financial year 2018/2019. The company's preliminary assessment is that the standard will not imply any significant changes for the Group.

**IFRS 16 Leases**, applies to financial years starting January 1, 2019, which for RNB Retail and Brands means the financial year 2019/2020. The company's preliminary assessment is that the standard will significantly affect the Financial Statements as the standard will result in the reporting of material assets and liabilities attributed to the Group's rental agreements for its premises.

## NOTE 2 FINANCIAL ASSETS AND LIABILITIES VALUED AT FAIR VALUE

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

The Group uses derivative instruments to manage currency risks in USD and EUR. From the fourth quarter 2016/2017, the reporting applies hedge accounting when there is an effective link between hedged future cash flows and financial derivatives. Furthermore, since the previous quarter, unrealized losses on currency hedges that fail to comply with hedge accounting are reported on a dedicated line under Net financial items.

Fair value of financial derivatives was SEK 6 (8) M.

## NOTE 3 ACQUISITION OF FRONTMEN

RNB acquired Frontmen in October 2017. Frontmen is an established online retailer in men's fashion in Sweden.

The acquisition was an asset acquisition where the fashion brands, domains and the customer data base were acquired. The purchase consideration is based on future sales generated from the acquisition in the first 18 months. The acquisition was consolidated as of November 1, 2017.

# RNB RETAIL AND BRANDS

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