RNB

RNB RETAIL AND BRANDS

ANNUAL REPORT **2016/2017**

Contents

RNB RETAIL AND BRANDS

RNB owns, operates and develops fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics stores that focus on providing excellent service and a world-class shopping experience. The RNB Group has operations in 10 countries with a total of 259 stores, of which 61 are operated by franchisees. The RNB RETAIL AND BRANDS share has been listed on Nasdaq Stockholm since 2001 in the Small Cap segment, retail sector, under the ticker RNBS. Sales are mainly conducted through the store concepts Brothers and Polarn O. Pyret. In the Departments & Stores business area, RNB RETAIL AND BRANDS manages stores at NK in Stockholm and Gothenburg.

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.

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.

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.

RNB

– RNB in summary

The year in brief

Q1 Polarn O. Pyret finalized the closure of operations in the Netherlands, generating a modest operating profit contribution in the quarter. Brothers launched their Made To Measure Trunk Show.

Q2 Polarn O. Pyret celebrated its 40th anniversary and launched a jubilee collection.

Q3 Polarn O. Pyret sustainability-proofed its full new-born collection and launched a special range in 100% organic cotton. Brothers launched its "We serve to suit you" campaign, focusing on personal service in store.

Q4 Increased focus on e-commerce operations. Marcus Uggla was recruited as new General Manager of Man of a kind. David Backman, Chief Digital Officer and Martin Jonasson, Logistics Manager, joined Group Management.

The financial year in figures

Net Sales	Operating income	EBIT margin	Cash flow from operating activities
SEK **2 222** M	SEK **63** M	**2.8** %	SEK **51** M
(SEK 2 173 M)	(SEK 36 M)	(1.7%)	(SEK 64 M)

Vision

RNB RETAIL AND BRANDS' vision is to offer paying 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 paying 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

- The Group shall achieve a long-term EBIT margin of 5 percent
- Departments & Stores shall achieve a long-term EBIT margin of 6-7 percent
- Polarn O. Pyret shall achieve a long-term EBIT margin of 10 percent
- Brothers shall achieve a long-term EBIT margin of 4-6 percent

Comments from the CEO

RNB delivered another year of distinctly positive earnings development, from SEK 36 M in operating income to SEK 63 M. The improvement was due to the strategic reorientation of Polarn O. Pyret during the year and Brothers strong operating income, which was driven by our increased focus on value offerings that our paying customers have already responded positively to. Profit growth was slightly offset by Departments & Stores (shops in the NK department store), which saw decreased visitor numbers. In addition, our e-commerce business, Man of a kind, was launched in the beginning of the year, with a negative profit impact in the first two years in line with plan.

Polarn O. Pyret on track

The strategic reorientation of Polarn O. Pyret was successful. The new strategy for pricing, discounts and CRM led to a sales decrease of 1.6 percent for comparable stores in Sweden, but had a positive impact on gross margin and operating income. The closure of operations in the Netherlands and the acquisition of the former Master Franchise-business in Finland also made a positive contribution.

Customer satisfaction with the new product range became clear towards the end of the year, although unfortunately delays in inbound deliveries to warehouses and stores meant that the positive results weren't visible in the fourth quarter. However, we believe that the reorientation has been successful and we are very confident about our new product range. Accordingly, we expect to continue to deliver profit growth in the coming years.

Brothers – stronger brand and awareness

Brother's positive profit growth continued during the year. On a contracting market, Brothers' sales increased by 2.7 percent in comparable stores in Sweden, implying increased market share and a higher gross margin. The business concept, that includes proprietary brands Riley, East West and The Tailoring Club, enjoys an exceptional position in the tailored and smart casual segment, and our service offering is market leading. Brothers continued to strengthen its service leadership and develop its digital interface with paying customers. Brothers is also focusing on raising brand awareness and clarifying the content of the brand. Over the last five years, Brothers has turned substantial operating losses to a profit of SEK 24 M, and we perceive potential for continued earnings growth in the future.

Departments & Stores under pressure

Departments & Stores delivered operating income of SEK 43 M, a decrease of SEK 15 M year-on-year. The number of visitors decreased year-on-year. We asses that this was due to a combination of several factors: traffic congestion and construction projects in central Stockholm—temporary until 2019, Mall of Scandinavia—a permanent factor although the impact is reducing, and the expansion of premium brand e-commerce concepts—permanent with steadily increasing impact.

Given its premium brands, market-leading service and well-invested stores, Departments & Stores is central to realizing NK's vision of becoming a world-class department store. We're continuing our initiatives in this area, and a large number of stores are due to be updated in line with plan during 2018-2020. Alongside NK and other stores, we also need to make significant progress in digital marketing and developing our e-commerce offering.

Man of a kind

Man of a kind entered its second year of operations. Earnings for the year of launch were low in line with plan, while the sales trend was positive. We're especially pleased with sales growth in the summer and after the end of the financial year in early fall. We've recruited a new General Manager who, alongside our dedicated team, is gradually closing the gap to our top competitors. We're well underway.

Ambitious sustainability goals

Our sustainability vision focuses on responsible production, attractive products and long-term sustainable operations, and forms the basis of our sustainability initiatives. The vision aims to lead the way for how we can assume genuine responsibility for creating financially, environmentally and socially sustainable progress. A key success factor for realizing our vision will be the integration of our sustainability work in the business models. Our sustainability vision was established and cemented into business operations during the year. We'll be stepping up our focus on ensuring that this is incorporated into subsidiaries' action plans during the year, and that the work is followed up systematically.

Over the last year, we've also made progress in our ongoing work, review of chemicals, selection of sustainable materials and the implementation of the new Code of Conduct. The launch of Polarn O. Pyret Repairs is also notable. All our activities originate in our prioritized goals within the areas internal training, production, products, environmental impact and circular flows.

RNB – rapid change

The Group strategy focuses on digital transformation, service leadership, sustainability and competence and provides the compass for our business operations. The pace of the reorientation and transformation process is driven by changing customer preferences and the resulting intensifying competition. Our foundation lies in the strong product range, excellent purchasing managers, clear store concepts and service leadership. Our employees are key to the success of our business and RNB encourages individual initiatives as well as embracing a culture of teamwork. Against this background, our business is buzzing with fast-paced progress and change.

We're now seeing the benefits of the reorientation work carried out in area after area. RNB has a strong portfolio of attractive retail business concepts and online sales are growing fast. This bodes well for continued earnings growth looking ahead.

Magnus Håkansson,
President and CEO

RNB in summary

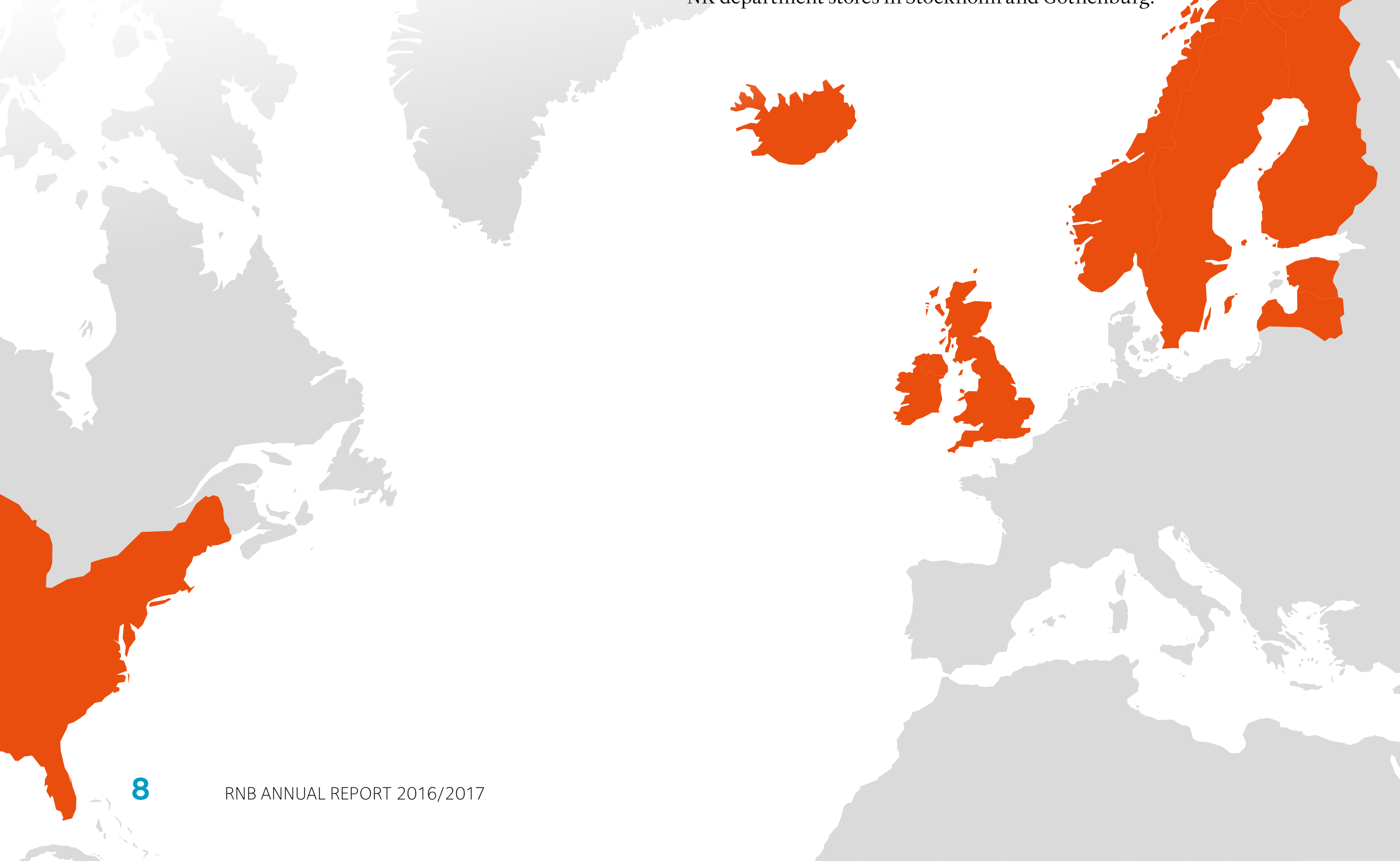
RNB RETAIL AND BRANDS owns, operates and develops fashion, clothing, accessories, jewelry and cosmetics stores. The vision is to offer our paying customers the ultimate shopping experience. Sales are conducted in large cities, smaller towns and shopping centers through the store concepts Brothers and Polarn O. Pyret. The business area Departments & Stores manages RNB RETAIL AND BRANDS' stores in the department stores NK in Stockholm and Gothenburg. The three store concepts are clearly positioned and differentiated with inspiring stores, excellent service and an attractive and target-group oriented fashion range.

RNB has operations in ten countries, with a total of 259 stores in the RNB Group, of which 61 are operated by franchisees.

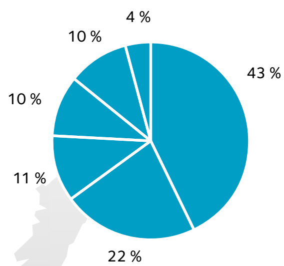
The **Brothers** business area is a fashion concept for men and the range primarily consists of proprietary brands, supplemented with external brands with a clear concept of tailored and smart-casual fashion, and with a strong emphasis on service.

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

The **Departments & Stores** business area focuses on the customer interface and on providing high quality fashion ranges and store environments. The stores offer fashion for women, men and children, as well as accessories, jewelry and cosmetics for paying customers demanding excellent service and quality. Sales are conducted in the NK department stores in Stockholm and Gothenburg.

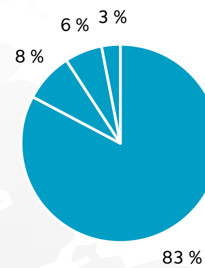


Net sales 2016/2017 per product category, %



43 %	Men
22 %	Children
11 %	Women
10 %	Cosmetics
10 %	Underwear & accessories
4 %	Jewelry

Net sales 2016/2017 per geographical market, %



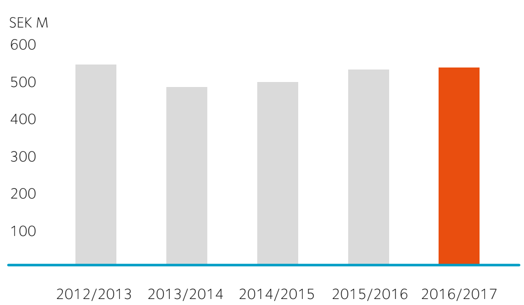
83 %	Sweden
8 %	Finland
6 %	Norway
3 %	Other

Business area	Total net sales	Share, %	Stores			Number of employees
BROTHERS	SEK 531 M	24%	**Total**	**71**	varav 18 franchise	234
			Sweden	58	varav 18 franchise	
			Finland	13	varav 0 franchise	
DEPARTMENTS & STORES	SEK 966 M	43%	**Total**	**42**	11 309 kvm	354
			NK Stockholm	27	6 650 kvm	
			NK Gothenburg	15	4 659 kvm	
POLARN O. PYRET	SEK 723 M	33%	**Total**	**146**	of which 43 franchise stores	348
			Sweden	64	of which 7 franchise stores	
			Norway	29	of which 0 franchise stores	
			Finland	19	of which 2 franchise stores	
			England	19	of which 19 franchise stores	
			USA	4	of which 4 franchise stores	
			Estonia	4	of which 4 franchise stores	
			Ireland	2	of which 2 franchise stores	
			Scotland	3	of which 3 franchise stores	
			Iceland	1	of which 1 franchise stores	
			Latvia	1	of which 1 franchise stores	
Total **RNB** RETAIL AND BRANDS	SEK 2 222 M		259 stores	10 countries		1 028

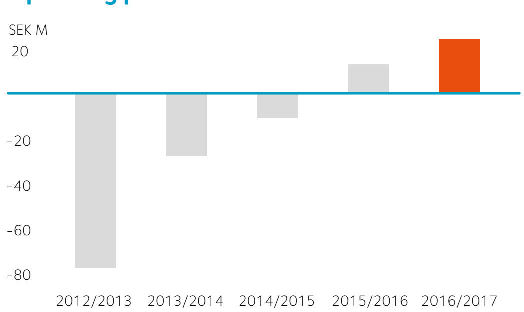
BROTHERS

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, which are 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 and making it easy for paying customers to navigate the range.

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

Key ratios Brothers

SEK M	**16/17**	15/16
Net sales	531	526
Share of RNB's sales, %	24	24
Operating income	24	13
Number of employees	234	239
Number of stores	71	75
Of which, franchises	18	21
Of which, abroad	13	14

Five years of change

Five years ago, Brothers initiated an extensive project aimed at re-positioning and clarifying the business concept in relation to its market competitors. The closure of the related concept store Sisters was an important strategic step in focusing on men's fashion and steering the brand towards the premium end of the upper mid-price segment.

Brothers currently offers a strong and inspiring product range within tailored and smart casual men's clothing. The share of proprietary brand sales has increased from just under 70 percent to just over 80 percent. The stores have been tailored to fit male purchasing patterns and campaigns focus on the product offering. The sales staff have high level of product range knowledge and offer market-leading service.

Since the turnaround work started in 2013, Brothers has turned a loss of SEK 45 M into a profit of SEK 24 M. The profit outlook remains positive.

Continued strong sales progress

Brothers' positive performance continued in 2016/2017. Like in the previous year, sales outperformed the market with improved gross margins, meaning that the product range has been well received by the target group. Operating income increased significantly compared to previous year. For the full year, Brothers returned an operating margin within the target of 4–6 percent, although there is room for further margin improvement.

Sustainable fashion

Brothers is now celebrating its 25th anniversary with continued dedication to style and quality. The offering is characterized by strong products with unique design, functionality and expression. Ranges are always based on classic and timeless concepts, but combined with the current season's trends.

Today's men's fashion is defined by being "well dressed" rather than "dressed up." The fit is becoming increasingly important for fashion-conscious men and Brothers' Made To Measure service is proving to be successful.

We sell sustainable fashion—high quality clothing that can be used year after year, and it's a given that we take into account the environmental impact of our products. We continuously aim to improve the sustainability aspects of the fabrics we use and to decrease the use of chemicals.

Service excellence

An important part of enhancing the shopping experience is that Brothers' sales staff offer all paying customers excellent service based on extensive knowledge of men's fashion. Brothers continues to work on improving the service offering and the focus during the year has been on pinpointing and defining the goals of the service concept. In the years to come, we will be bringing Brothers' service concept to a new level.

Continued store openings

After five years of change, we look forward to developing Brothers further. The successful turnaround work has generated profitability and a strong foundation to build on. Brothers will be opening more physical stores, both in new locations as well as in cities where we are already successful.

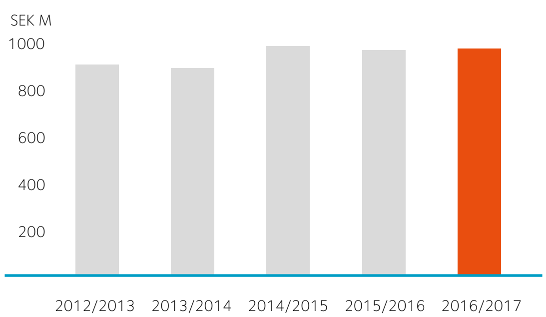
We also aim to develop our product range further and to continue to increase the share of proprietary brands. Concurrently, our work to increase digitalization and awareness of Brothers continues, in order to reach new paying customers and strengthen our online service and in stores.

The past few years have been eventful for Brothers, although the future for our service-oriented men's fashion concept is even more exciting. In the coming years, we intend to utilize our strong position to increase sales and profit.

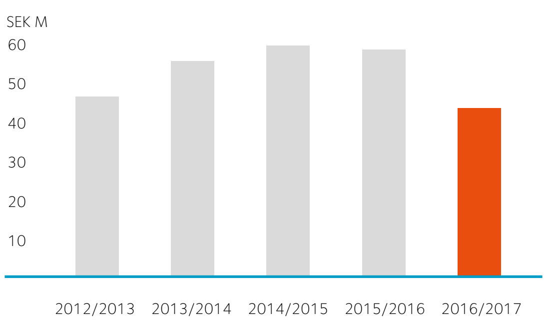
DEPARTMENTS & STORES

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 two 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 paying 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 paying 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	**16/17**	15/16
Net sales	966	959
Share of RNB's sales, %	43	44
Operating income	43	58
Number of employees	354	358
Number of stores	42	44
Total area, m²	11,309	11,309

Slight increase in net sales

Net sales in the Departments & Stores business area increased slightly, whilst earnings decreased year-on-year. The extensive redevelopment of central Stockholm that began last year impacted negatively on the business this year too, with a decrease in the number of visitors to the NK department stores due to accessibility. Unfortunately, central Stockholm will continue to undergo redevelopment over the next few years. The opening of Mall of Scandinavia is also assessed to have had a negative impact on visitor numbers. The strong progress made by e-commerce businesses offering premium brands has also led to intensified competition.

Promisingly, NK Gothenburg saw an increase in the number of visitors. Increased average spend compensated for the lower number of visitors during the year, and generated slightly higher net sales.

Extensive reorientation of NK

NK is undertaking a major business development project and we are a key partner in this process. NK's extensive reorientation initiative aims to bring the department store in line with world class standards, with an increased focus on the premium and luxury end of the market. This is a strong and promising initiative, and includes several of Departments & Stores' shops. The reorientation work will continue over the next few years, and we believe Departments & Stores will benefit long term.

In parallel, Departments & Stores continues to renew and develop its businesses in the NK department store. During the year, we added a new shop to the portfolio: Ganni. We have also strengthened our product offering by adding new strong brands like Chaumet, Damiani, Messika, Aesop, Chanel les exclusives, Gerard Darel, Appletrees, Belstaff, Totême, Rag & Bone and Canada Goose Black Label.

In Gothenburg, a major initiative has been completed in the cosmetics department, with many new brands added and an expanded service offering. This initiative has also driven sales growth, as cosmetics is one of the most visitor-driven segments.

In addition to the ongoing reorientation initiatives at NK, alongside NK and the other retailers, we need to make significant progress in terms of digital marketing and e-commerce in order to supplement the physical interface.

Intensified efforts are underway to retain service leadership

Departments & Stores strives to offer the industry's leading service, which is also reflected in NK's vision of being a world-class department store. The shopping experience should as a minimum meet, but preferably also exceed, the paying customer's expectations on all levels, from fashion and product mix to the in-store customer interface. In terms of service, Departments & Stores is already a market leader in Sweden, which has been confirmed over a number of years by repeatedly being awarded the highest service ratings on the market, measured by Mystery Shopping.

However, we're not satisfied with this and are intensifying the work of strengthening the service offering. During the year, we have focused closely on the Service Concept 2.0 project, aimed at further ensuring the consistency of our service delivery, increasing the number of unique service offerings and creating an outstanding customer experience.

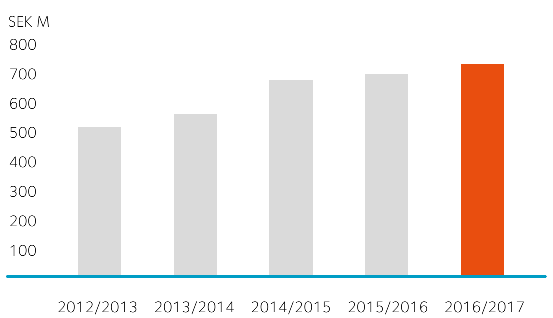
Strong brand portfolio

Departments & Stores has a very strong brand portfolio and is the largest individual operator at the NK department stores in Stockholm and Gothenburg. Alongside our market-leading service offering and the strong plans for developing new concepts in line with NK's vision, we are strengthening our position in the battle for paying customers. However, the redevelopment of central Stockholm is a disadvantage with a negative impact in terms of accessibility to the NK department store. This makes it challenging to increase the number of visitors over the coming years. The success of our digital offering will be key to our success in this increasingly competitive arena. In the long term, we believe we have a sound potential to deliver strong results.

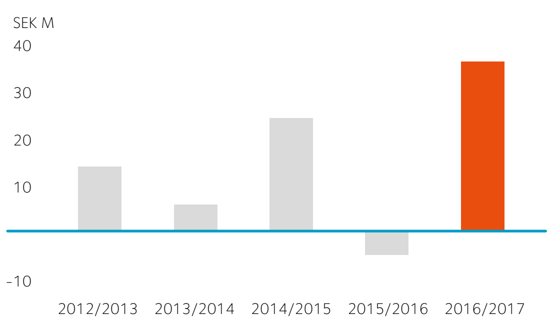
POLARN O. PYRET

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 and design. Polarn O. Pyret is currently 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 paying 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	**16/17**	15/16
Net sales	723	689
Share of RNB's sales, %	33	32
Operating income	36	–5
Number of employees	348	356
Number of stores	146	144
Of which, franchise	43	40
Of which, abroad	82	80

Significant profit growth

Polarn O. Pyret returned a significant increase in operating income in 2016/2017. The profit growth was driven by the reorientation of the business concept that was initiated two years ago. By the end of 2016, we could see the initial results from the new international structure, changed organization and a more commercially-oriented focus.

Net sales were positive, specifically e-commerce sales increased. However, sales in comparable stores decreased slightly. Average customer spend increased in the year. Gross margin performed well, mainly due to a limited number of discounting activities across all markets and the product mix. Underlying expenses were also lower than in the previous year.

The stripes never fade

During the fourth quarter, Polarn O. Pyret launched a new product range combining high quality, sustainable materials, playful designs and the latest fashion trends. The characteristic Polarn O. Pyret stripes remain albeit more subtly incorporated in the clothing. Above all, Polarn O.Pyret's renowned quality, fit and second hand value remained—something that our paying customers have appreciated for 40 years.

The changes to the product range are based on an extensive customer survey completed at the start of 2016. The survey attracted significant customer engagement and provided valuable insights into purchasing pattern and usage of Polarn O. Pyret clothes.

The new product range, which reached stores in August, was very well received by paying customers and is above plan in terms of high sales volumes.

Focus on sustainability for our children's future

Polarn O. Pyret has focused on sustainability since its inception in 1976 and it remains a strong priority. In an industry characterized by "buy and bin" and low prices, Polarn O. Pyret is defined by sustainable clothes on multiple levels.

Our starting point and ambition is that "each item of clothing should be used by three children," evident in the extensive second-hand sales of PO.P-clothes and also by being the most searched-for children's wear brand on Blocket (Sweden's largest online second hand site). We have also introduced the PO.P Repairs service, where we help our paying customers repair their outerwear. This service is free of charge for our most loyal customers. We also have high demands on the choice of materials. The clothes should be able to withstand being played in year after year, and should also reflect paying customer preferences for sustainable materials. Polarn O. Pyret currently uses 98 percent sustainable cotton and is set to reach 100 percent by spring 2018.

Rapid digital transition

Polarn O. Pyret has seen high growth in its e-commerce operations. In 2016/2017, digital sales increased by 30 percent and the e-commerce share of total sales reached 14 percent. We are able to utilize our proprietary store network to our advantage, and increased our omni-channel focus further in the year. Around 25 percent of e-commerce customers pick up their deliveries in store, which also boosts our traditional sales. We have seen a positive outcome from using tablets integrated with the tills in stores, which enable paying customers to buy products not available in the store.

We have also seen a clear trend towards an increasing share of paying customers shopping both online and in store, which is evidence of customer loyalty. We estimate that 13 percent of Polarn O. Pyret's paying customers currently shop from multiple channels, and these customers represent nearly a third of the turnover.

Potential for future growth

Polarn O. Pyret's reorientation delivered positive earnings over the past year, but more potential remains. The new product range, the gradual rebuild of the physical stores and the development of our omni-channel offering at an ambitious pace, combine to create clear potential for continued profit growth in the future years.

Man of a kind

Interview with Marcus Uggla, General Manager of Man of a kind since July 2017

What is Man of a kind?
Man of a kind is the obvious choice for high-end men's fashion online. Our vision is to provide a world-class shopping experience and an inspiring environment. We're currently focusing on sales to the Swedish market, but already have the capacity to deliver goods within the EU. The high-end segment we operate in has fewer competitors, and there is potential to become a key player on the internet.

So far, Man of a kind's sales have been marginal. How are you going to increase growth?
During Man of a kind's first year of operations we built the core foundation. This, alongside a unique brand portfolio, creates a platform for future growth. No specific area will be key to our success, instead we'll be working on several fronts and constantly improve our product range and service offering to paying customers. In addition, we need to ensure that we're working efficiently and streamline our routines and marketing activities. To ensure a market-leading service experience we need to run our operations extremely efficiently to deliver on the customers' increasing demands.

We're not building Man of a kind on the basis of huge investments or marketing budgets, but trying to run the business as any new start up with the difference being our access to significant internal synergies. This will speed up the journey.

You have extensive experience of online fashion sales from Campadre. What are the most important experiences that you're bringing to Man of a kind?
I have spent most of my career in entrepreneurial and digital companies, and the last seven years in selling fashion online. There are two major factors that I believe are key to success. The number one key factor is to have a strong customer value offering and to always fulfil it. The competition is fierce, and the paying customer determines who the winner is. In addition, you can never rest on your laurels, you must always seek to improve. To achieve that, it's key to take action and have the courage to test things out and run the risk of failing. Executing trumps planning.

How important is e-commerce for fashion retailers today?
If you look at the e-commerce share of the total market, it's evident that it's already very important and that it will become even more significant going forward. Apart from the fact that e-commerce as a sales channel is winning market share, many companies are becoming increasingly better at combining and utilizing all sales channels. To be successful, I believe an extensive presence in digital channels is necessary. It will become a given success factor.

How fast is the transition towards e-commerce in the fashion industry?
Currently, e-commerce comprises 15 percent of total sales in the fashion industry. This share is likely to increase rapidly over the next few years due to improved technology, faster and more flexible deliveries and more mature digital customers.

Will traditional fashion retailers be overtaken by pure e-commerce businesses in the future?
I believe that fashion retailers that don't embrace e-commerce as a sales channel will struggle to survive. There is already evidence of this in Sweden, but more so in the US, which is ahead of us in this evolution. Accordingly, I believe RNB's strategy of increasing the focus on digitalization and grow the e-commerce share is completely on the right track for future growth.

What is your view of the synergies between Man of a kind and the rest of RNB?
We all operate in retail and fashion, so there are major synergies to be had internally. We have a unique position in being able to piggy-back on Departments & Stores, and their extensive brand knowledge when developing our product range. In addition, we can benefit from central functions like logistics, finance and HR, which all normally require time and investment for a fast-moving e-commerce business.

What's your view of the competition, today and in the future, and also the risk of major international retailers establishing a presence in Sweden?
The competition is tough, both from domestic and international companies. However, I'm convinced that being one of few retailers that these premium brands want to work with online, means that we're securing our position in the market.

Will we see similar e-commerce initiatives for women's fashion from RNB in the future?
There are currently no concrete plans, but the initiatives made to start up Man of a kind have created the foundation for expanding into other categories too.

You recently acquired your competitor Frontmen. Can you elaborate on the decision behind the takeover?
Man of a kind has a unique position on the Swedish market and a strong focus on growth. The acquisition fits our strategy perfectly and strengthens our position as the obvious choice for premium men's fashion online. In addition, Frontmen.com had a similar vision to us, with a concept combining a strong product range with inspiring content.

Man of a kind aside, will you also be involved in the development of e-commerce sales in the rest of the RNB Group?
Digitalization and e-commerce are extremely important for RNB's future. Despite currently being a small part of the RNB Group financially, I believe that we play a very important role strategically. This means that I'm involved in several of the initiatives and projects relating to digitalization in the RNB Group.

"You can never rest on your laurels, you can always seek to improve. To achieve that, it's key to take action and have the courage to test things out and run the risk of failing. Executing trumps planning."

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 paying 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 paying customers, suppliers and the environment
- We operate sustainably and with business acumen in all situations

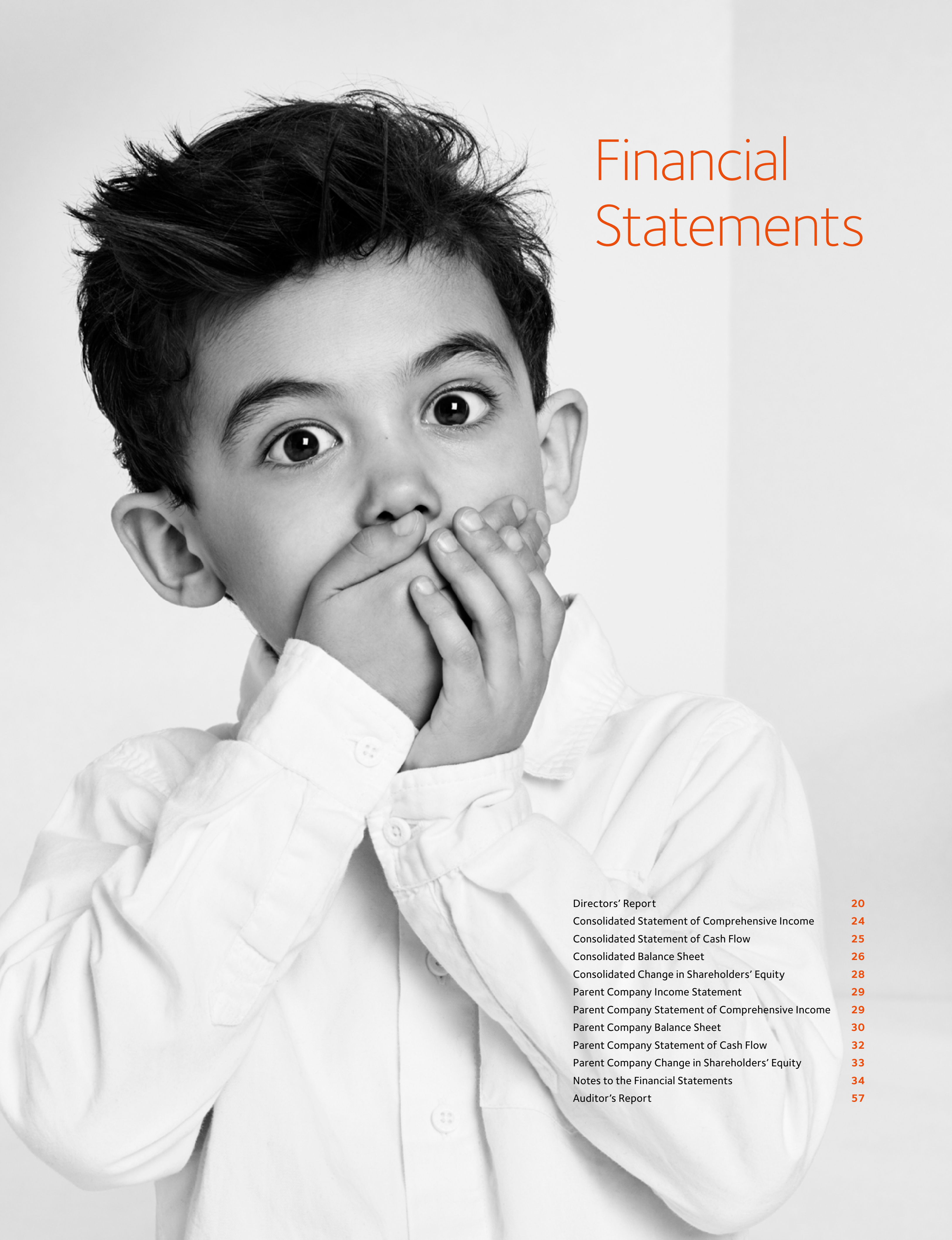
We believe in people

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

Direct communication

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

RNB



Financial Statements

Director's Report 2016/2017

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, 2016 – August 31, 2017.

Operations, business concept and strategy

RNB RETAIL AND BRANDS owns, operates and develops fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics stores that focus on providing excellent service and a world-class shopping experience. The RNB Group has operations in ten countries with sales mainly focusing on Scandinavia through the two store concepts Brothers and Polarn O. Pyret, as well as through stores in the NK department stores in Stockholm and Gothenburg. As of August 31, 2017, the total number of stores was 259 (263), of which 61 (61) were operated by franchisees.

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 three 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 paying customers an international product mix in an inspiring environment with world class service. Polarn O. Pyret is driven by a devotion to children and provides the most relevant and attractive product range in the children's wear quality segment. The production facility in Hong Kong sources supplier contacts, carries out production and monitors shipments, and has a key role in terms of quality control and sustainability.

Events in the financial year

Sales increased slightly compared to the corresponding period of the previous year. Operating income for the full year increased from SEK 36 M to SEK 63 M, with three of four quarters returning increased operating income year-on-year.

The e-commerce concept Man of a kind (www.manofakind.se) was established during the year. The concept is an online destination for exclusive men's fashion. During the year, the Group extended its current loan from Konsumentföreningen Stockholm (the Stockholm Consumer Cooperative Society). Accordingly, the loans mature in December 2018.

Events after the end of the financial year

At the beginning of October 2017, RNB acquired Frontmen.com in order to further strengthen its digital presence. Frontmen is an established operator in men's online fashion in Sweden.

Market

According to Stilindex (the Swedish Retail and Wholesale Trade Research Institute), clothing sales in Sweden decreased by 2.0 percent in the financial year. RNB's sales in comparable stores in Sweden decreased by 0.7 percent in the same period. Sales in Finland of men's, women's and children's clothing decreased by 1.7 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 2,222 M (2,173) in the financial year, an increase of 2.2 percent. New and closed stores provided 0.8 percent of this increase, changes in comparable stores -0.3 percent and exchange rate differences 1.7 percent. Gross margin in the period was 50.6 percent (50.3).

Operating income amounted to SEK 63 M (36). Net financial items totaled SEK -30 M (-10), of which unrealized gains on currency hedges not affecting cash flow affected net financial items by SEK -14 M (0). Profit after tax was SEK 30 M (26). Earnings per share was SEK 0.90 (0.25).

Business area progress in the financial year

Brothers business area

Net sales in the Brothers business area totaled SEK 531 M (526), an increase of 0.9 percent. Net sales in proprietary stores decreased in the financial year, partly as a result of fewer proprietary stores. Sales increased significantly in e-commerce stores, and sales to franchise stores increased slightly in the period despite fewer franchise stores.

Sales for comparable proprietary stores in Sweden and Finland increased by 1.7 percent. The number of paying customers in proprietary stores was down on the previous year, albeit with higher average spend. Gross margin in the business area increased year-on-year. Overhead costs were up slightly on the previous year as a result of significantly higher marketing costs, offset by lower external and personnel expenses.

Operating income was SEK 24 M (13), up 85 percent, implying an operating margin of 4.5 percent (2.4). Inventories increased in the year, mainly due to more incoming goods and the coming fall and winter collection.

Departments & Stores business area

Net sales in the Departments & Stores business area increased to SEK 966 M (959), up 0.8 percent. The number of visitors in the two in-store departments fluctuated; visitor numbers in Stockholm decreased while visitors in Gothenburg were up. The total number of visitors was stable year-on-year. Although the number of visitors was down in the year, higher average spend contributed to slightly higher net sales. Gross margin was down on the previous year, mainly due to more discounting activities and the sales mix. Expenses were up on the previous year, due to higher costs of premises attributable to increased retail space, increased rents and allocations to periods.

Operating income was SEK 43 M (58), with an operating margin of 4.4 percent (6.1). Business area inventories increased in the year. The increase was mainly due to new store space.

Polarn O. Pyret business area

Net sales amounted to SEK 723 M (689), with increased sales from proprietary stores and e-commerce alike. Sales in comparable proprietary stores including e-commerce on all national markets decreased by 2.4 percent year-on-year. Average spend increased in the year. Gross margin increased year-on-year, mainly due to a limited number of discounting activities across all markets and the product mix. Underlying expenses were lower than the previous year. Operating income was SEK 36 M (-5), corresponding to an improvement of SEK 41 M, or an operating margin of 5.0 percent (-0.8). Business area inventories increased in the year, mainly due to more incoming goods.

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 110 M (98). Profit/loss after net financial items was SEK 20 M (1). Investments totaled SEK 13 M (18).

Financial position and liquidity

The Group's total assets amounted to SEK 1,123 M, compared to SEK 1,103 M at the end of the previous financial year. At the end of the period, equity was SEK 340 M, and SEK 323 M at the end of the previous financial year, providing an equity/assets ratio of 30.3 percent (29.3).

As of August 31, inventories totaled SEK 428 M (404). Inventories increased for all business areas in the period. Cash flow from changes in working capital was negative at SEK -43 M (-12), mainly due to increased inventories and receivables. Cash flow from operating activities decreased to SEK 51 M (64) in the period. After investments, cash flow increased to SEK 27 M (-14). Net debt decreased to SEK 363 M, against SEK 379 M at the end of the previous financial year. Current borrowing has been extended to December 2018.

The Group's cash and cash equivalents including unutilized overdraft facilities totaled SEK 136 M at the end of the period, compared to SEK 124 M at the end of the previous financial year.

Investments and depreciation/amortization

Investments during the period, excluding investments in subsidiaries, totaled SEK 35 M (56). Depreciation /amortization totaled SEK -47 M (-52).

Employees

The average number of employees was 1,028 (1,047) 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 that revised core values for RNB's corporate culture introduced in 2015 that are now being actively implemented.

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. Staff policy is based on mutual responsibility and stipulates what the company can offer and the expectations it places on its employees. 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. CSR does not represent the efforts of an individual employee, but is an integrated part of all staff's duties, and for this reason a long-term approach and sustainability are a part of RNB's group-wide core values.

RNB pursues CSR and sustainability issues on the basis of the three following objectives:
- Responsible production
- Attractive products
- Operations that are sustainable in the long term

Fundamentally, RNB's sustainability work is managed at Group level through a CSR platform, which establishes joint guidelines for each subsidiary regarding communication, policies and affiliations. In addition to the joint guidelines, each subsidiary adopts operation-specific action plans in the following four areas:
- Supply chain
- Product and value offering
- Point-of-sales and charity work
- Internal environmental initiatives and RNB as an employer

All action plans are relevant to operations, and the most significant are supplemented by prioritized objectives for the coming three years as follows:
- Thorough understanding of working conditions in RNB's production facilities for its proprietary brands
- RNB does not use suppliers for production of proprietary brands that seriously violate the Group's Code of Conduct
- Improved water and chemicals processing in production
- Reduced environmental impact on the basis of the materials and methods used
- Increased recycling and reuse
- Internal expertise and commitment to CSR and sustainability

RNB publishes a separate sustainability report at the end of the financial year that describes the sustainability work of the Group and its subsidiaries. This can be found at: https://www.rnb.se/en/Our-responsibility/

Related-party transactions

There were no transactions between the RNB Group and related parties that materially impacted the Group's financial position and results of operations.

The company has two loans from its principal shareholder Konsumentföreningen Stockholm, totaling SEK 400 M, of which SEK 380 M has been utilized, at market interest rates.

For more information on transactions with related parties, see Note 32.

Tax paid

During the financial year, the Group paid tax totaling SEK 1 M (0).

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 33.

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 60-68.

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 two 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 also ensures that information about the composition of the Nomination Committee, including 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 21, 2017, members of the Nomination Committee were appointed in accordance with the resolution of the AGM in December 2016. The Nomination Committee consists of Sune Dahlqvist, Chairman of Konsumentföreningen Stockholm, Fredrik Carlsson, Novobis AB, Christian Kock and Johan Fahlin.

Guidelines for remuneration to senior executives

The AGM on December 21, 2016, 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 the recruitment and motivates executives. Remuneration paid to members of Group management comprises fixed and variable salary, pension and other remuneration. Combined, these components comprise the individual's total remuneration. The fixed and variable salary components jointly represent the employee's salary.

Fixed salary, paid monthly in SEK, is based on the employee's areas of responsibility and experience. Variable salary is primarily related to the outcome of the subsidiaries and the Group's operating profit 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 seven 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.

The terms of employment for Group management include regulations governing notice of 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.

Ownership structure

As of August 31, 2017, RNB had 6,544 shareholders. The three largest shareholders were Konsumentföreningen Stockholm (33.2% of the share capital/votes), Novobis AB (11.8%) and Avanza Pension Försäkringsaktiebolaget (7.9%). 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, 2017.

The number of shares in the company on August 31, 2017 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 are no provisions in the company's Articles of Association limiting the number of votes that each shareholder may cast at the AGM, nor any limitations on the right to transfer shares. Further information is available in the section the RNB. Share on pages 69-70.

Expected future progress

RNB will continue the implementation of the Group's focused strategies in the three concepts Brothers, Departments & Stores and Polarn O. Pyret. Based on the strong clothing ranges and distinct store looks, positive earnings growth is expected over the coming year. Brothers' operations are expected to make positive progress in terms of sales and profit. Departments & Stores' performance remains stable. Man of a kind's sales increased towards the end of the year, and the upward trend has continued. This progress, alongside a dedicated team, means that RNB expects progress to improve on the start-up year. The positive effects of the work associated with turning Polarn O. Pyret around are expected to continue. Overall, this provides RNB with the right conditions for delivering profit growth over the coming financial year.

Dividends

The Board of Directors proposes a dividend of SEK 0.30 (0.25) per share for the financial year 2016/2017. The Parent Company's equity is fully covered after the proposed dividend. In accordance with Chapter 18, Section 4 of the Swedish Companies Act, the Board considers that the proposed dividend is justifiable with regard to the demands operations place on the extent of the Parent Company's and Group's need for consolidation, liquidity and financial position generally.

Proposed distribution of earnings

The following funds are at the disposal of the Annual General Meeting, SEK:

Retained earnings	33,370,954
Net income for the year	20,292,554
	53,663,508

The Board proposes that retained earnings be allocated as follows:

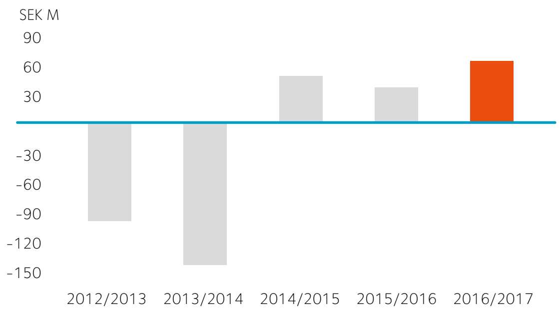
Dividend (SEK 0.30 per share)	10,173,653
Carried forward	43,489,855
	53,663,508

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

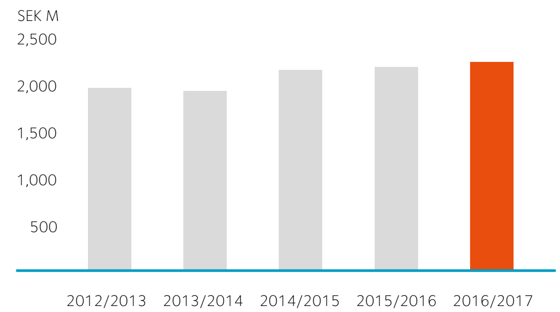
	Sep 12–Aug 13	Sep 13–Aug 14	Sep 14–Aug 15	Sep 15–Aug 16	**Sep 16–Aug 17**
Gross profit margin, %	49.3	51.0	50.1	50.3	50.6
Operating margin, %	neg.	neg.	2.2	1.7	2.8
Equity/assets ratio, %	32.9	25.8	28.4	29.3	30.3
Capital employed, SEK m	800.0	671.0	693.4	726.6	739.0
Return on capital employed, %	neg.	neg.	8.1	5.2	8.9
Return on equity, %	neg.	neg.	14.8	8.2	9.2
Earnings per share, SEK	-54.56	-4.75	-1.25	0.76	0.90

Operating profit



Including divested operations

Net sales



Including divested operations

Consolidated Statement of Comprehensive Income

SEK 000	Note	**Sep 16–Aug 17**	Sep 15–aug 16
Net sales	3	2,221,564	2,173,133
Other operating income	3,6	30,072	16,677
		2,251,636	**2,189,810**
Operating expenses			
Goods for resale	17	–1,096,697	–1,079,505
Other external expenses	5,27	–499,523	–477,353
Personnel expenses	4	–545,422	–544,725
Depreciation/amortization and impairment of property, plant and equipment and intangible assets	11,12,14	–47,426	–51,935
Operating income	3	**62,568**	**36,292**
Profit/loss from financial investments			
Interest income and similar profit/loss items	3,7	2,513	2,186
Interest expenses and similar profit/loss items	8	–32,395	–12,629
Profit/loss after financial items	3	**32,686**	**25,849**
Tax on net income for the year	9	–2,260	3
Net income for the year		**30,426**	**25,852**
Other comprehensive income			
Other comprehensive income to be reclassified to net income in subsequent periods			
Cash flow hedges		–5,629	–
Cash flow hedges written back to earnings		–	–
Translation differences		210	387
Tax attributable to items in other comprehensive income		–	–
Comprehensive income for the year		**25,007**	**26,239**
Net income for the year attributable to:			
Parent Company shareholders		30,426	25,852
Comprehensive income attributable to:			
Parent Company shareholders		25,007	26,239
Earnings per share, SEK	10	0.90	0.76

Consolidated Statement of Cash Flow

SEK 000	Note	**Sep 16–Aug 17**	Sep 15–Aug 16
Operating activities			
Operating income from remaining operations		62,568	36,292
Interest received		2,513	1,888
Interest paid		-18,179	-12,122
Tax paid		-931	0
Adjustment for items not included in cash flow	28	48,118	49,817
Cash flow from operating activities before change in working capital		**94,089**	**75,875**
Cash flow from change in working capital			
Decrease (+)/increase (-) in inventories		-24,078	9,280
Decrease (+)/increase (-) in current receivables		-14,134	-6,261
Decrease (-)/increase (+) in current liabilities		-4,870	-15,068
Cash flow from operating activities		**51,007**	**63,826**
Investing activities			
Acquisition of property, plant and equipment and intangible assets		-36,729	-53,518
Divestment of property, plant and equipment		105	0
Investment of non-current receivables		0	-18,318
Received repayment of non-current receivable		13,250	1,850
Acquisition of subsidiaries	29	-681	-8,128
Cash flow from investing activities		**-24,055**	**-78,114**
Financing activities			
Amortization of loans		-5,789	-324
Dividend		-8,478	-8,478
Cash flow from financing activities		**-14,267**	**-8,802**
Cash flow for the year		**12,685**	**-23,090**
Cash and cash equivalents at beginning of year		24,150	47,193
Exchange rate difference in cash and cash equivalents		-396	47
Cash and cash equivalents at end of year	19	**36,439**	**24,150**

Consolidated Balance Sheet

SEK 000	Note	**Aug 31, 2017**	Aug 31, 2016
ASSETS			
Non-current assets			
Intangible assets			
Software	11	25,350	23,002
Rental rights	12	6,170	7,926
Goodwill	2,13	397,892	391,753
		429,412	**422,681**
Property, plant and equipment			
Equipment and store fittings	14	70,565	90,286
		70,565	**90,286**
Financial assets			
Non-current receivables	2,16,31	9,544	22,794
		9,544	**22,794**
Total non-current assets		**509,521**	**535,761**
Current assets			
Inventories			
Goods for resale	2,17	427,718	404,090
		427,718	**404,090**
Current receivables			
Trade receivables	2,31	53,374	45,620
Current tax assets		8,173	6,750
Other receivables	31	15,545	11,924
Derivative assets	31	0	2,282
Prepaid expenses and accrued income	18	72,091	72,020
		149,183	**138,596**
Cash and cash equivalents	19	36,439	24,150
Total current assets		**613,340**	**566,836**
TOTAL ASSETS	3	**1,122,861**	**1,102,597**

SEK 000	Note	**Aug 31, 2017**	Aug 31, 2016
EQUITY AND LIABILITIES			
Equity attributable to Parent Company shareholders	20		
Share capital		203,473	203,473
Other contributed capital		2,240,118	2,240,118
Other reserves		-17,173	-11,754
Retained earnings		-2,116,859	-2,134,233
Net income for the year		30,426	25,852
Total equity attributable to Parent Company shareholders		**339,985**	**323,456**
Non-current liabilities			
Liabilities to credit institutions	31	-	133
Deferred tax liabilities	9	0	0
Other non-current liabilities	21,31	399,009	401,700
Total non-current liabilities		**399,009**	**401,833**
Current liabilities			
Liabilities to credit institutions	31	133	1,299
Trade payables	22	176,389	180,503
Other liabilities	23	66,263	65,595
Derivative liabilities	31	17,539	52
Accrued expenses and deferred income	24	123,543	129,859
Total current liabilities		**383,867**	**377,308**
TOTAL EQUITY AND LIABILITIES	3	**1,122,861**	**1,102,597**

Consolidated Change in Shareholders' Equity

SEK 000	Share capital	Other capital contributions	Translation reserve	Hedging reserve	Retained earnings	Net income for the year	**Total equity**
	Equity attributable to Parent Company shareholders						
Shareholders' equity, 31 August 2015	**203,473**	**2,240,118**	**-12,141**	**0**	**-2,168,048**	**42,293**	**305,695**
Transfer of previous year's profit/loss					42,293	-42,293	0
Dividend					-8,478		-8,478
Net income for the year						25,852	25,852
Other comprehensive income for the year			387				387
Comprehensive income for the year			*387*			*25,852*	*26,239*
Shareholders' equity, August 31, 2016	**203,473**	**2,240,118**	**-11,754**	**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**

Parent Company Income Statement

SEK 000	Note	**Sep 16–Aug 17**	Sep 15–Aug 16
Net sales	32	109,788	97,998
Other operating income	6	2,582	5,650
		112,370	**103,648**
Operating expenses			
Other external expenses	5,27	–62,617	–64,950
Personnel expenses	4	–65,644	–59,281
Depreciation/amortization and impairment of property, plant and equipment and intangible assets	11,14	–11,087	–8,082
Operating income		**–26,978**	**–28,665**
Profit/loss from financial investments			
Profit/loss from shares in Group companies	30	73,246	39,435
Interest income and similar profit/loss items	7	660	886
Interest expenses and similar profit/loss items	8	-26,636	-10,627
Profit/loss after financial items		**20,292**	**1,029**
Tax on net income for the year	9	–	–
Net income for the year		**20,292**	**1,029**

Parent Company Statement of Comprehensive Income

SEK 000	Note	**Sep 16–Aug 17**	Sep 15–Aug 16
Net income for the year		20,292	1,029
Other comprehensive income		–	–
Comprehensive income for the year		**20,292**	**1,029**

Parent Company Balance Sheet

SEK 000	Note	**Aug 31, 2017**	Aug 31, 2016
ASSETS			
Non-current assets			
Intangible assets			
Software	11	24,341	21,681
		24,341	**21,681**
Property, plant and equipment			
Equipment	14	4,682	5,943
		4,682	**5,943**
Financial assets			
Participations in subsidiaries	15,25	561,654	561,654
Other non-current receivables	16,25	5,000	15,000
		566,654	**576,654**
Total non-current assets		**595,677**	**604,278**
Current assets			
Current receivables			
Trade receivables	31	0	176
Receivables from Group companies	32	86,823	73,415
Current tax receivable		1,920	1,895
Other receivables	31	272	17
Prepaid expenses and accrued income	18	6,201	7,237
		95,216	**82,740**
Cash and bank balances	19,25	25,880	9,325
Total current assets		**121,096**	**92,065**
TOTAL ASSETS		**716,773**	**696,343**

SEK 000	Note	**2017-08-31**	2016-08-31
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		203,473	203,473
Reserve for development expenses		11,355	-
Total restricted equity		**214,828**	**203,473**
Non-restricted equity			
Retained earnings		33,371	52,175
Net income for the year		20,292	1,029
Total non-restricted equity		**53,663**	**53,204**
Total equity		**268,491**	**256,677**
Non-current liabilities			
Other non-current liabilities	21,25	380,000	385,000
Total non-current liabilities		**380,000**	**385,000**
Current liabilities			
Trade payables	22	5,754	8,056
Liabilities to Group companies	32	35,322	32,268
Other liabilities	23	3,849	3,533
Accrued expenses and deferred income	24	23,357	10,809
Total current liabilities		**68,282**	**54,666**
TOTAL EQUITY AND LIABILITIES		**716,773**	**696,343**

Parent Company Statement of Cash Flow

SEK 000	Note	**Sep 16–Aug 17**	Sep 15–Aug 16
Operating activities			
Operating income		–26,978	–28,665
Interest received		660	886
Interest paid		–15,426	–10,628
Tax paid		0	0
Adjustment for items not included in cash flow	28	11,087	8,082
Cash flow from operating activities before change in working capital		**–30,657**	**–30,325**
Cash flow from change in working capital			
Decrease (+)/increase (–) in current receivables		–12,476	–12,398
Decrease (–)/increase (+) in current liabilities		2,406	17,677
Cash flow from operating activities		**–40,727**	**–25,046**
Investing activities			
Acquisition of intangible assets and property, plant and equipment		–12,486	–18,535
Divestment of property, plant and equipment		–	988
Investment of non-current receivables		–	–15,000
Received repayment of non-current receivable		10,000	–
Shareholders' contribution paid		–	–33,000
Cash flow from investing activities		**–2,486**	**–65,547**
Financing activities			
Group contributions received		73,246	72,435
Amortization of loans		–5,000	–
Dividend		–8,478	–8,478
Cash flow from financing activities		**59,768**	**63,957**
Cash flow for the year		**16,555**	**–26,636**
Cash and cash equivalents at beginning of year		9,325	35,961
Cash and cash equivalents at end of year	19	25,880	9,325

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, 2015	**203,473**	**0**	**-847**	**61,500**	**264,126**
Transfer of previous year's profit/loss			61,500	-61,500	0
Dividend			-8,478		-8,478
Net income for the year				1,029	1,029
Other comprehensive income for the year					0
Comprehensive income for the year				*1,029*	*1,029*
Shareholders' equity, August 31, 2016	**203,473**	**0**	**52,175**	**1,029**	**256,677**
Transfer of previous year's profit/loss			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**

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. 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 2016/2017 financial year were signed by the Board of Directors and the President on November 23, 2017, 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 21, 2017.

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 Statement. 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.

The Group applies hedge accounting when there is an effective link between hedged future cash flows and financial derivatives from the fourth quarter 2016/2017 onwards. For more information see the section Currency derivatives and hedge accounting.

New IFRS standards that have been issued but not yet adopted

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

IFRS 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. The standard will apply from January 1, 2018, which for RNB Retail and Brands means the financial year 2018/2019.

During the period, RNB RETAIL AND BRANDS investigated what effects the standard will give rise to in the Financial Statements. 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

The standard introduces new principles for revenue recognition and extended disclosure requirements for revenue. This standard will apply from January 1, 2018. RNB RETAIL AND BRANDS has evaluated the effects of the new standard and concluded that the standard will not imply any significant changes for the Group.

IFRS 16 Leases

This standard replaces IAS 17 for financial years starting after January 1, 2019, which tt 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.

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.

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.

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. Related transaction costs are recognized in the Income Statement.
- *Loans and receivables.*
  This category comprises cash and cash equivalents, trade receivables, accrued income long-term receivables and other receivables. Loan receivables and trade receivables are initially recognized at fair value and subsequently at accrued cost. The anticipated term of trade receivables is mainly short, implying that the value is recognized without discounting. 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 includes currency futures with negative fair value. Profit/loss resulting from the revaluation of hedging derivatives is reported in accordance with the information provided under Currency derivatives and hedge accounting. Related transaction costs are recognized in the Income Statement. 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.

Note 1 **Cont.**

- *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 and matches 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 is 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.

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 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 value 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 value 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.

Note 1 Cont.

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 on 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.

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 segment

RNB RETAIL AND BRANDS has identified Group Management as its chief decision making body. RNB reports three operating segments as of the end of the 2016/17 financial year, namely: Polarn O. Pyret, Departments & Stores and Brothers. 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.

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

Note 1 Cont.

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
Where costs associated with internal accumulated development expenses are capitalized, a restriction has been introduced to the potential distribution of equity in the form of a requirement for the allocation of an equal amount to a dedicated restricted fund for development expenses. Other changes to RFR2 have not had any material impact on the Parent Company's financial reporting in 2016/17.

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. Se not 31.

Inventories
Inventories have been 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 17.

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 21.

Note 3 Segment and revenue reporting by country

Sep 16 – Aug 17	Polarn O. Pyret	Departments & Stores	Brothers	Other	Eliminations	Total
Revenue						
External sales	722,933	965,846	530,740	2,045	–	2,221,564
Internal sales	–	–	–	128,054	-128,054	0
Interest income	2,684	–	70	660	-901	2,513
Other revenue	7,893	13,915	9,990	2,582	-4,308	30,072
Total	**733,510**	**979,761**	**540,800**	**133,341**	**-133,263**	**2,254,149**
Earnings						
Operating income	36,044	42,891	23,759	-40,126	–	62,568
Profit/loss after financial items	**35,720**	**42,638**	**23,777**	**-69,449**	**–**	**32,686**
Other disclosures						
Assets	277,009	491,495	286,350	203,960	-135,953	1,122,861
Liabilities and provision	161,827	189,702	93,403	473,897	-135,953	782,876
Investments	11,452	2,379	9,073	12,547	–	35,451
Depreciation and impairment losses	12,173	10,740	12,811	11,702	–	47,426
Non-current assets by country						
Sweden	17,820	257,451	121,449	34,023	–	430,743
Norway	52,714	–	–	–	–	52,714
Finland	21,897	–	3,546	–	–	25,443
Netherlands	–	–	–	–	–	0
Hong Kong	–	–	–	621	–	621

Sep 15 – Aug 16	Polarn O. Pyret	Departments & Stores	Brothers	Other	Eliminations	Total
Revenue						
External sales	688,507	958 616	526,010	–	–	2,173,133
Internal sales	–	22	–	113,812	-113,834	0
Interest income	1,455	282	98	1,184	-833	2,186
Other revenue	9,075	5,018	8,930	5,650	-11,996	16,677
Total	**699,037**	**963,938**	**535,038**	**120,646**	**-126,663**	**2,191,996**
Earnings						
Operating income	-5,310	57,961	12,750	-29,109	–	36,292
Profit/loss after financial items	**-5,580**	**58,107**	**12,467**	**-39,145**	**–**	**25,849**
Other disclosures						
Assets	296,881	487,022	304,222	114,784	-100,312	1,102,597
Liabilities and provision	136,282	183,294	101,251	458,626	-100,312	779,141
Investments	18,711	13,321	5,877	18,535	–	56,444
Depreciation and impairment losses	16,086	11,079	14,696	10,074	–	51,935
Non-current assets by country						
Sweden	22,982	265,812	128,180	43,099	–	460,073
Norway	55,347	–	–	–	–	55,347
Finland	15,065	–	4,137	–	–	19,202
Netherlands	276	–	–	–	–	276
Hong Kong	–	–	–	863	–	863

Central administration and Man of a kind are recognized under Other in segment reporting.

Note 3 Cont.

Net sales per country

	Sep 16 - Aug 17	Sep 15 - Aug 16
Net sales in Sweden	1,854,908	1,829,938
Net sales in Finland	171 665	143 238
Net sales in Norway	125 384	128 271
Net sales in other countries	69,607	71,686
	2,221,564	**2,173,133**

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 distributed between women and men

	Sep 16 - Aug 17		Sep 15 - aug 16	
Group	Total	Of which men	Total	Of which men
Sweden	849	149	890	150
Finland	93	4	61	4
Norway	63	1	64	1
Hong Kong	22	6	23	7
Netherlands	1	1	9	1
	1,028	**161**	**1,047**	**163**

	Sep 16 - Aug 17		Sep 15 - aug 16	
Parent Company	Total	Of which men	Total	Of which men
Sweden	70	25	71	25
	70	**25**	**71**	**25**

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

	Aug 31, 17		31 aug 16	
Group	Total	Of which men	Total	Of which men
Board of Directors	6	4	6	4
Management incl. President	9	5	7	3

Salaries, other remuneration and social security expenses

	Sep 16–Aug 17			Sep 15–aug 16		
Group total	Board of Directors and President	Other employees	Total	Board of Directors and President	Other employees	Total
Salaries and other remuneration	11,858	390 976	402,834	11,712	388,508	400,220
Social security expenses	3,571	112,043	115,614	3,692	114,161	117,853
Pension expenses	2,757	32,276	35,033	2,369	24,860	27,229
	18 185	**535,296**	**553,481**	**17,773**	**527,529**	**545,302**

During the financial year, contributions for personnel totaling SEK 31,098,000 (28,215,000) were received.

For the 2016/2017 financial year, Group expenses for defined contribution pension plans amounted to SEK 35.0 M (27.2).

Multi-employer plans

The Group has retirement and family pension obligations for white-collar 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 149 percent (153). 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, 17	Aug 31, 16
Brothers & Sisters Sverige AB	0.005%	0.006%
Departments & Stores Europe AB	0.012%	0.011%
Polarn O. Pyret AB	0.011%	0.012%
RNB Retail and Brands AB	0.006%	0.006%

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

	Aug 31, 17	Aug 31, 16
Brothers & Sisters Sverige AB	0.006%	0.006%
Departments & Stores Europe AB	0.010%	0.011%
Polarn O. Pyret AB	0.010%	0.012%
RNB Retail and Brands AB	0.004%	0.004%

Note 4 **Cont.**

Parent Company	Sep 16–Aug 17 Board of Directors and President	Other employees	Total	Sep 15–aug 16 Board of Directors and President	Other employees	Total
Salaries and other remuneration	5,516	34,748	40,264	5,019	31,080	36,099
Social security expenses	1 733	11,701	13,434	1,634	10,678	12,312
Pension expenses	1,399	3,874	5,273	1,111	3,852	4,963
	8,648	**50,323**	**58,971**	**7,764**	**45,610**	**53,374**

Remuneration to the Board and senior executives

Guidelines for remuneration to senior executives

The AGM on December 21, 2016 resolved on the following guidelines for remuneration and other terms of employment for management.

The company offers market-related total remuneration, with the aim of recruiting and retaining senior executives. The remuneration structure for management comprises fixed and variable salary as well as pension and other remuneration. Overall, this comprises the individual's total remuneration. Fixed and variable salary together represent the employee's salary.

Fixed salary, in SEK per month, is based on the individual's areas of responsibility and experience. Variable salary primarily relates to the subsidiaries' operating profit and/or consolidated profit and cash flow against pre-determined targets.

With regard to current bonuses, it is proposed that the company's costs for variable salary given maximum outturns, and that given that all bonus-related targets are met and that the surplus fully finances the relevant bonus, may not exceed a total of SEK 3,250,000 (excluding social security contributions), of which SEK 750,000 to the President and SEK 500,000 or SEK 250,000 to other senior executives depending on position. The calculation is based on the seven individuals, including the President, that currently comprise Group management. Bonuses will be evaluated annually and the bonus structure will be reviewed each year. Bonus do not qualify for vacation or pension contributions.

Variable salary in the bonus program may not exceed 40 percent of fixed salary.

The President is entitled to occupational pension corresponding to a maximum premium of 30 percent of current annual salary. Other members of management are entitled to pension according to the ITP plan or equivalent. The retirement age is 65.

Other remuneration and benefits shall be on market terms and contribute to the ability of executives to complete their assignments.

Management's terms of employment include provisions governing notice of termination. Under these agreements, employment may normally be terminated by the employee subject to a notice period of six months and, if termination is initiated by the company, a notice period of six to twelve months. Unchanged salary is paid during the notice period. For the President, a notice period of up to 12 months applies if termination is initiated by the company.

The Board is entitled to diverge from the above guidelines if the Board deems that there are specific grounds to justify such a divergence in individual cases.

Board of Directors

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 1,275,000 (1,275,000) allocated as follows: SEK 350,000 (350,000) to the Chairman of the Board and SEK 160,000 (160,000) to each of the other Board members and SEK 75,000 (75,000) in special fees to the chairman of the Audit Committee and SEK 25,000 (25,000) to each of the other two members of the Audit Committee. The Chairman of the Board and 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 to the President and CEO consists of fixed salary, variable salary, pension, company car and other remuneration. During the 2016/2017 financial year, President and CEO Magnus Håkansson received salary and other remuneration totaling SEK 4,241,000 (3,744,000). The President is entitled to a maximum bonus of SEK 750,000 based on the Group's profit after financial items and cash flow. The President received a bonus of SEK 106,000 (0) for the financial year 2016/2017.

RNB's pension costs for President and CEO Magnus Håkansson amounted to SEK 1,399,000 (1,111,000) for the financial year.

The President is covered by an occupational pension plan corresponding to a premium of 30 percent 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 to other senior executives comprises fixed salary, variable salary, pension and other remuneration. Fixed and variable salary constitute the employee's salary. Variable salary is based on the outcome of the subsidiaries' operating profit and/or consolidated profit against pre-determined targets.

Salary and other payments totaling SEK 9,042,000 (8,340,000) excluding bonuses were paid to other senior executives in the 2016/2017 financial year. Bonuses totaling SEK 479,000 (375,000) were paid to senior executives in the 2016/2017 financial year.

The retirement age for other senior executives is 65. Pension premiums amounted to the equivalent of 17-35 percent of current annual salary. Pension costs for other senior executives amounted to SEK 2,358,000 (1,986,000) for the 2016/2017 financial year.

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

Note 4 Cont.

Remuneration to the Board of Directors and President

	Sep 16–Aug 17			Sep 15–aug 16		
	Salary and other remuneration	Of which, bonuses	Pension expense	Salary and other remuneration	Of which, bonuses	Pension expense
Chairman of the Board Laszlo Kriss	375			375		
Board member Ivar Fransson	160			160		
Board member Per Thunell	185			185		
Board member Michael Lemner	160			160		
Board member Monika Elling	235			235		
Board member Sara Wimmercranz	160			160		
President and CEO Magnus Håkansson	4,241	106	1,399	3,744	-	1,111
	5,516	**106**	**1,399**	**5,019**	**0**	**1,111**

Note 5 Remuneration to auditors

	Group		**Parent Company**	
	Sep 16–Aug 17	Sep 15–Aug 16	**Sep 16–Aug 17**	Sep 15–Aug 16
Ernst & Young AB				
Audit assignment	2,134	2,312	736	866
Audit work apart from the audit assignment	375	274	190	185
Tax consultancy	141	198	0	100
Other services	-	-	-	-
	2,649	**2,784**	**926**	**1,151**
Other auditing firms				
Audit assignment	59	69	-	-
Audit work apart from the audit assignment	-	-	-	-
Tax consultancy	-	-	-	-
Other services	-	-	-	-
	59	**69**	**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. For example, tax consultancy services include advice relating to tax, VAT and private taxation. Everything else is regarded as other services.

Note 6 Other operating income

	Group		**Parent Company**	
	Sep 16–Aug 17	Sep 15–Aug 16	**Sep 16–Aug 17**	Sep 15–Aug 16
Capital gain on divestment of property, plant and equipment and intangible assets	0	0	-	-
Forwarding of other expenses to franchisees	3,043	4,883	-	-
Invoiced services and rents	2,212	5,427	490	5,650
Other revenue	24,817	6,367	2 092	-
	30,072	**16,677**	**2,582**	**5,650**

Note 7 Interest income and similar profit/loss items

Group

Interest income and similar income statement items for 2016/2017 included SEK 0 (298,000) 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.

Parent Company

Interest income for 2016/2017 included interest income from Group companies of SEK 0 (698,000).

Note 8 Interest expenses and similar profit/loss items

Group
Interest expenses and similar profit/loss items for 2016/2017 included negative net fair value changes in currency derivatives of SEK 14,141,000 (0). The value changes relate to currency derivatives that do not comply with requirements for hedge accounting.

Parent Company
Interest expenses for 2016/2017 included interest expenses to Group companies of SEK 253,000 (23,000).

Note 9 Taxes

Tax on net income for the year

	Group		Parent Company	
	Sep 16–Aug 17	Sep 15–Aug 16	**Sep 16–Aug 17**	Sep 15–Aug 16
Current tax	-1,329	-	-	-
Current tax attributable to previous years	-931	3	-	-
Deferred tax	-	-	-	-
	-2,260	**3**	**0**	**0**

Deferred tax for the year

	Group		Parent Company	
	Sep 16–Aug 17	Sep 15–Aug 16	**Sep 16–Aug 17**	Sep 15–Aug 16
Deferred tax revenue pertaining to temporary differences	-	-	-	-
Deferred tax expense pertaining to other temporary differences	-	-	-	-
	0	**0**	**0**	**0**

Tax pertaining to items recognized directly in equity

	Group		Parent Company	
	Sep 16–Aug 17	Sep 15–Aug 16	**Sep 16–Aug 17**	Sep 15–Aug 16
Other tax effect	-	-	-	-
Unutilized tax effect due to unconsidered effects of loss carryforwards	-	-	-	-
	0	**0**	**0**	**0**

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

	Group		Parent Company	
	Sep 16–Aug 17	Sep 15–Aug 16	**Sep 16–Aug 17**	Sep 15–Aug 16
Reported profit before tax	32,686	25,849	20,292	1,029
Reported profit before tax	**32,686**	**25,849**	**20,292**	**1,029**
Tax according to current tax rate, 22% (22%)	-7,191	-5,687	-4,464	-226
Tax effect of non-deductible items				
-Impairment of participations in subsidiaries	-	-	-	-7,260
-Other, non-deductible	-548	-337	-234	-56
Tax effect of non-tax deductible items				
-Other, non-deductible	-	1,019	-	6
Effect of tax change attributable to previous years	-931	3	-	-
Effect of other tax rates in foreign subsidiaries	336	654	-	-
Utilization of previously unrecognized loss carryforwards	6,074	4,351	4,698	7,536
Tax on net income for the year	**-2,260**	**3**	**0**	**0**
Tax on net income for the year	-2,260	3	-	-
	-2,260	**3**	**0**	**0**

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

	Group		Moderbolaget	
	Aug 31, 17	Aug 31, 16	**Aug 31, 17**	Aug 31, 16
Deferred tax liabilities				
Derivative receivables	0	502	-	-
Deferred tax assets				
Non-current assets				
-Equipment	-	-491	-	-
Derivative liabilities	0	-11	0	-
	0	**0**	**0**	**0**

Given the past earnings trend, deferred tax assets attributable to loss carryforwards and derivatives liabilities in the Group and Parent Company are recognized only insofar as deferred tax liabilities exist against which to offset them. Unutilized, unrecognized loss carryforwards are found in both the Group's foreign and Swedish entities. These amounted to SEK 690,716,000 (739,106,000) in total, and are allocated as follows between

Note 9 Cont.

the various countries: Sweden SEK 293,626,000 (350,227,000), Norway SEK 139,065,000 (124,658,000), Denmark 118,758,000 (119,664,000), Germany 97,608,000 (105,030,000) and the Netherlands 41,659,000 (39,527,000). The loss carryforwards in the Netherlands are subject to a time limitation, SEK 6,178,000 must be utilized within 5 years at the latest and SEK 10,153,000 must be utilized within 7 years at the latest, SEK 7,219,000 within 7 years at the latest, SEK 15,977,000 within 8 years at the latest and SEK 2,132,000 within 9 years. Other loss carryforwards 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	
	Sep 16–Aug 17	Sep 15–Aug 16	**Sep 16–Aug 17**	Sep 15–Aug 16
Deferred tax assets	0	502	0	0
Deferred tax liabilities	0	-502	-	-
	0	**0**	**0**	**0**

Note 10 Earnings per share

RNB has no outstanding equity instruments that imply dilution. With this in mind, Earnings per share and the average number of shares refers to before and after dilution. Calculation of the average number of shares was based on the following reconciling items.

	Number of shares at end of period	
Period	**Sep 16–Aug 17**	Sep 15–Aug 16
Sep 1 – Aug 31	33,912,176	33,912,176

The average number of outstanding shares based on the above amounted to 33,912,176 (33,912,176). Earnings per share is obtained by dividing net income for the year by the average number of shares.

Note 11 Software

Group	**Aug 31, 17**	Aug 31, 16
Opening cost	50,607	89,187
Purchases in the year	11,885	17,246
Divestments and disposals in the year	-987	-55,824
Translation difference	-4	-2
Closing accumulated cost	**61,502**	**50,607**
Opening amortization	-26,619	-72,321
Disposals in the year	-2	53,337
Amortization in the year	-9,534	-7,635
Translation difference	3	-
Closing accumulated amortization	**-36,151**	**-26,619**
Opening impairment	-987	-1,090
Disposals in the year	987	1,090
Impairment in the year	0	-987
Closing accumulated impairment	**0**	**-987**
Closing planned residual value	**25,350**	**23,002**

The Group's non-current assets include lease items pertaining to IT platforms held on the basis of financial lease agreements with a cost of SEK 2,814,000 (2,814,000) and accumulated amortization amounting to SEK 2,814,000 (2,814,000). The carrying amount is thus SEK 0 (0)

Parent Company	**Aug 31, 17**	Aug 31, 16
Opening cost	41,512	37,479
Divestments and disposals in the year	0	-9,758
Purchases in the year	11,563	13,791
Closing accumulated cost	**53,075**	**41,512**
Opening amortization	-19,831	-21,065
Divestments and disposals in the year	0	7,681
Amortization in the year	-8,903	-6,447
Closing accumulated amortization	**-28,734**	**-19,831**
Opening impairment	0	-1,090
Disposals in the year	0	1,090
Closing accumulated impairment	**0**	**0**
Closing planned residual value	**24,341**	**21,681**

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, 17	Aug 31, 16
Opening cost	97,228	102,409
Purchases in the year	0	501
Divestments and disposals in the year	-1	-5,567
Translation difference	0	-115
Closing accumulated cost	**97,227**	**97,228**
Opening amortization	-79,805	-80,104
Divestments and disposals in the year	0	2,900
Amortization in the year	-1,755	-2,641
Translation difference	0	40
Closing accumulated amortization	**-81,560**	**-79,805**
Opening impairment	-9,497	-9,497
Closing accumulated impairment	**-9,497**	**-9,497**
Closing planned residual value	**6,170**	**7,926**

Note 13 Goodwill

Group	Aug 31, 17	Aug 31, 16
Opening cost	391,753	379,218
Purchases in the year	6,179	12,536
Translation difference	-40	-1
Closing accumulated cost	**397,892**	**391,753**

Goodwill item allocated by segment:

	31 aug 17	31 aug 16
Polarn O. Pyret	66,779	60,640
Departments & Stores	233,445	233,445
Brothers	97,668	97,668
Closing accumulated cost	**397,892**	**391,753**

The goodwill that resulted from the current and 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. In order to complete these calculations, certain judgments and estimates are required. The key assumptions are discounting rate, cash flow forecast for the period 2017/18 - 2021/22 and growth assumptions after the end of the forecast period.

The calculations are based on forecasts of cash flows over the period based on the budget and strategic five-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 (3) 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 10.3 percent (9.9) before tax. The discount rate is calculated as a weighted average between return on equity and borrowed capital (WACC). The forecast corresponds to prior experiences and external sources of information. All operating segments are deemed to have a similar risk profile, which is why the same discount rate is used.

Sensitivity analysis

A general analysis of the sensitivity of the variables utilized has been 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 any 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 10.3 percent to 11 percent, or 12 percent before tax, does not imply an impairment need for any of the operating segments.

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

Stable profits throughout the forecast period for Departments & Stores would imply that the carrying amounts are justified, and that no impairment need exists. Deviations in forecast cash flows during individual years affect impairment testing, although the critical factor for the model is expected sustainable operating income and cash flow.

Other key assumptions

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, market share and growth

Growth is based on budget and strategic three-year plans. Management has extrapolated the remaining two years on the basis of a general growth rate of 2% that has then also been used in the terminal period. A sensitivity analysis relating to sales growth for 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.

Note 13 Cont.

Gross margins
In the five-year period, the gross margin has been assumed to be on a par with the current financial year. Discount sales are generally considered to be at normal levels. 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.

Overhead costs
Overhead costs are essentially expected to grow with sales. Key overhead costs such as personnel expenses and cost of premises are based on strategic plans, including on the basis of factors such as real wage increases and expected rent increases. A sensitivity analysis regarding the trend for total expenses for operating segments indicates that an increase in total expenses of 1 percentage point on the basis of budget and strategic plans would not generate an impairment need for any of the operating segments.

Note 14 Equipment and store fittings

Group	**Aug 31, 17**	Aug 31, 16
Opening cost	348,159	384,356
Accumulated cost acquired companies	0	3,687
Purchases in the year	17,387	40,420
Divestments and disposals in the year	-6,214	-82,754
Translation difference	295	2,450
Closing accumulated cost	359,627	348,159
Opening amortization	-257,891	-296,714
Accumulated depreciation acquired companies	0	-1,017
Divestments and disposals in the year	5,118	81,413
Amortization in the year	-36,138	-40,672
Translation difference	-151	-901
Closing accumulated depreciation	-289,062	-257,891
Opening impairment	0	-80
Disposals in the year	0	80
Impairment for the year	0	0
Closing accumulated impairment	**0**	**0**
Closing planned residual value	**70,565**	**90,268**

The Group's non-current assets include lease items pertaining to store fittings held on the basis of financial lease agreements with a cost of SEK 5,025,000 (5,025,000) and accumulated depreciation amounting to SEK 5,025,000 (4,550,000). Accordingly, the carrying amount is SEK 0 (475,000).

Parent Company	**Aug 31, 17**	Aug 31, 16
Opening cost	8,973	59,271
Purchases in the year	923	4,744
Divestments and disposals in the year	0	-55,042
Closing accumulated cost	**9,896**	**8,973**
Opening amortization	-3,030	-56,356
Divestments and disposals in the year	0	54,961
Amortization in the year	-2,184	-1,635
Closing accumulated depreciation	**-5,214**	**-3,030**
Opening impairment	0	-80
Disposals in the year	0	80
Closing accumulated impairment	**0**	**0**
Closing planned residual value	**4,682**	**5,943**

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

Note 15 Participations in subsidiaries

Company	Corp. ID no.	Reg. office	No.	Share of equity (%)	Carrying amount
Ängsviol Blomster AB	556539-1926	Stockholm	1,000	100	-
Polarn O. Pyret AB	556235-7383	Stockholm	10,000	100	106,000
PO.P International IP AB	556889-3704	Stockholm	500	100	-
PO.P International OTH AB	556889-3613	Stockholm	500	100	-
PO.P International Suomi AB	556890-1630	Stockholm	500	100	-
Kids Company Oy	2016120-7	Helsinki	40,800	51	-
PO.P International UK AB	556899-3654	Stockholm	500	100	-
Polarn O. Pyret Netherlands B.V.	852 123 747	Amsterdam	1	100	-
Polarn O. Pyret Norge AS	985 983 860	Oslo	4,597	100	-
Portwear AB	556188-7513	Stockholm	1,911,680	100	270,654
Departments & Stores Europe AB	556541-8778	Stockholm	810,000	100	-
Departments & Stores Denmark ApS	30 27 43 18	Copenhagen	1	100	-
Brothers & Sisters AB	556468-8991	Stockholm	37,147,880	100	185,000
Brothers & Sisters Sverige AB	556513-6826	Stockholm	1,000	100	-
RNB Retail and Brands Norge AS	961 313 880	Oslo	500	100	-
Nordic Textile Grosshandels GmbH	HR B 52245	Cologne	1	100	-
Brothers Clothing Oy	2587462-8	Helsinki	100	100	-
RNB Far East Ltd.	1 642 223	Hong Kong	1	100	-
Carrying amount					**561,654**

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

Parent Company	Aug 31, 17	Aug 31, 16
Opening carrying amount	561,654	561,654
Shareholders' contribution paid	-	33,000
Impairment in the year	-	-33,000
Closing carrying amount	**561,654**	**561,654**

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

Note 16 Non-current receivables

Group	Aug 31, 17	Aug 31, 16
Opening cost	22,794	5,650
Additional receivables	0	18,994
Amortizations, deductible receivables	-13,250	-1,850
Closing accumulated cost	**9,544**	**22,794**
Closing carrying amount	**9,544**	**22,794**

Parent Company	Aug 31, 17	Aug 31, 16
Opening cost	15,000	0
Additional receivables	-	15,000
Amortizations, deductible receivables	-10,000	-
Closing accumulated cost	**5,000**	**15,000**
Closing carrying amount	**5,000**	**15,000**

Receivables of SEK 5,000,000 (15,000,000) in the Parent Company and Group relate to investments of cash and cash equivalent in blocked accounts. In the current financial year, funds in this blocked account decreased by SEK 10,000,000, which was reclassified to cash and cash equivalents in the Group and Parent Company.

Note 17 Inventories

Group	Aug 31, 17	Aug 31, 16
Carrying amount by segment		
Brothers	112,479	104,911
Departments & Stores	171,893	168,785
Polarn O. Pyret	143,346	130,394
Closing carrying amount	**427,718**	**404,090**

Of total recognized inventories of SEK 427,718,000 (404,090,000), SEK 21,191,000 (19,217,000) represents net realizable value less selling expenses. The remainder was recognized at cost. Inventories consist exclusively of goods for resale.

Note 18 Prepaid expenses and accrued income

Group	Aug 31, 17	Aug 31, 16
Prepaid rent	21,942	27,982
Prepaid other expenses	37,619	34,174
Accrued income	12,530	9,864
	72,091	**72,020**

Parent Company	Aug 31, 17	Aug 31, 16
Prepaid rent	875	808
Prepaid leasing	346	278
Prepaid other expenses	4,980	6,151
	6,201	**7,237**

Note 19 Cash and cash equivalents

Cash and cash equivalents are held in the following currencies.

Group	Exchange rate Aug 31, 17	Exchange rate Aug 31, 16	Aug 31, 17	Aug 31, 16
SEK			55,664	-8,098
NOK	1.02	1.02	-24,981	3,192
DKK	1.27	1.28	0	9
USD	7.97	8.54	7,348	9,155
EUR	9.48	9.51	-3,536	15,750
HKD	1.02	1.10	1,944	4,143
			36,439	**24,150**

Parent Company	Exchange rate Aug 31, 17	Exchange rate Aug 31, 16	Aug 31, 17	Aug 31, 16
SEK			24,999	-13,666
NOK	1.02	1.02	-1,377	5,296
EUR	9.48	9.51	-4,986	8,540
USD	7.97	8.54	7,245	9,155
			25,880	**9,325**

An approved unutilized committed credit facility with Danske Bank, which is not included in cash and cash equivalents amounted to SEK 100 M (100) as of August 31, 2017 in the Group and Parent Company. The average interest rate in the year was 2.01% (2.03%). There are no special financial covenants associated with the committed credit 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 20 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 registered share capital of the Parent Company. 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.

As of August 31, 2017, 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

Funds at the disposal of the AGM, SEK:	Aug 31, 17	Aug 31, 16
Retained earnings	33 370 954	52,175,594
Net income for the year	20,292,554	1,028,695
	53 663 508	**53,204,289**
The Board proposes that retained earnings be allocated as follows:		
Dividend SEK 0.30 per share (SEK 0.25 per share)	10,173,653	8,478,044
Carried forward	43 489 856	44,726,245
	53 663 508	**53,204,289**

Note 21 Interest-bearing liabilities

Group	Aug 31, 17	Aug 31, 16
Non-current liabilities		
Liability to main owner	380,000	385,000
Liability relating to conditional purchase consideration	19,009	16,700
Liabilities to credit institutions	-	133
	399,009	**401,833**
Current liabilities		
Liabilities to credit institutions	133	1,299
	133	**1,299**

Parent Company	Aug 31, 17	Aug 31, 16
Non-current liabilities		
Liability to main owner	380,000	385,000
	380,000	**385,000**

Note 21 Cont.

Maturity structure of long-term borrowing:

	Group		Parent Company	
	Aug 31, 2017	Aug 31, 2016	**Aug 31, 2017**	Aug 31, 2016
Between 1 and 2 years	380,000	385,133	380,000	385,000
Between 2 and 5 years	19,009	16,700	-	-
More than 5 years	-	-	-	-
	399,009	**401,833**	**380,000**	**385,000**

Debt to main owner
In the financial year 2009/2010, RNB signed a loan agreement with Konsumentföreningen Stockholm. The loan agreement is divided into two tranches of SEK 200 M each. Loan 1 is a promissory note, while loan 2 is a revolving facility. As of August 31, 2017, SEK 380 M (385) was utilized. In the financial year, the company signed an agreement with the lender regarding extending the loan until December 2018. Both loans are free of amortizations up until the maturity date and are reported as long-term liabilities. The full debt matures for payment within five years. There are no financial covenants associated with the loans. Interest on the loans is variable and is based on Stibor, with a minimum 0 percent plus a margin. The current interest rate as of August 31, 2017, is 4.0 percent (4.0) for the promissory note and 3.9 percent (3.9) for the revolving credit. Effective interest is 4.06 percent (1.37) and 3.95 percent (3.75) respectively.

Liability relating to conditional 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 conditional 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 profit before depreciation and amortization for the comping years. Changes in fair value of the liability are reported under Interest expenses and similar profit/loss items in the Income Statement.

Note 22 Trade payables

Trade payables are held in the following currencies.

Group	**Exchange rate**	Kurs 31 aug 16	**31 aug 17**	31 aug 16
SEK			111,559	120,612
NOK	1.02	1.02	1,705	4,332
DKK	1.27	1.28	3	180
USD	7.97	8.54	26,357	16,030
EUR	9.48	9.51	36,743	38,867
GBP	10.29	11.19	10	481
HKD	1.02	1.10	12	0
			176,389	**180,503**

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

Parent Company	**Exchange rate**	Kurs 31 aug 16	**31 aug 17**	31 aug 16
SEK			4,965	6,365
NOK	1.02	1.02	0	0
USD	7.97	8.54	789	1,691
EUR	9.48	9.51	0	0
			5,754	**8,056**

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

Note 23 Other liabilities

Group	**Aug 31, 17**	Aug 31, 16
Value added tax	13,993	26,026
Personnel-related taxes	14,470	14,410
Gift vouchers	13,719	14,385
Other	24,081	10,774
	66,263	**65,595**

Parent Company	**Aug 31, 17**	Aug 31, 16
Value added tax	1,276	956
Personnel-related taxes	1,322	1,370
Other	1,251	1,207
	3,849	**3,533**

Note 24 Accrued expenses and deferred income

Group	**Aug 31, 17**	Aug 31, 16
Accrued vacation and payroll liabilities	57,949	57,451
Accrued social security expenses	26,783	23,249
Accrued interest	71	182
Other accrued expenses	29,700	37,116
Prepaid income relating to customer club bonuses and sale-or-return	9 041	11,861
	123,543	**129,859**

Parent Company	**Aug 31, 17**	Aug 31, 16
Accrued vacation and payroll liabilities	6,075	5,179
Accrued social security expenses	1,701	1,627
Accrued interest	0	65
Other accrued expenses	15,581	3,938
	23,357	**10,809**

Note 25 Pledged assets

For liabilities to credit institutions and overdraft facilities

Group	**Aug 31, 17**	Aug 31, 16
Chattel mortgages	-	-
Assets with reservation of title	15,000	15,475
Shares in subsidiaries	410,839	421,908
	425,839	**437,383**

Parent Company	**Aug 31, 17**	Aug 31, 16
Assets with reservation of title	15,000	15,000
Shares in subsidiaries	106,000	106,000
	121,000	**121,000**

Note 26 Contingent liabilities

Parent Company	Aug 31, 17	Aug 31, 16
Guarantees for subsidiaries	16,937	16,939
	16,937	**16,939**

Note 27 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 2016 – August 2017	289,208	12,229
September 2015 – August 2016	282,161	11,428

This relates exclusively to fixed minimum fees. In addition, there are commitments relating to sales-based rental income which are variable. Fixed rental fees for the year amounted to SEK 278,872,000 (270,967,000) and the sales-based fee to SEK 4,779,000 (5,073,000).

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

	Group		Parent Company	
Fees that are due	**Aug 31, 17**	Aug 31, 16	**Aug 31, 17**	Aug 31, 16
Within 1 year	312,274	290,813	11,816	11,741
Within 2-5 years	496,341	399,912	30,799	40,161
More than 5 years	11,256	14,328	1,008	0

This refers to fixed and variable rental fees.

Of the future lease commitments listed above, SEK 0 (510,000) 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 (510,000).

Note 28 Statement of Cash Flow

Adjustment for non-cash items

Group	Aug 31, 17	Aug 31, 16
Depreciation and impairment losses	47,426	51,935
Capital gain on sales and disposals of non-current assets	1,061	607
Other adjustments	-369	-2,725
	48,118	**49,817**

Parent Company	Aug 31, 17	Aug 31, 16
Depreciation and impairment losses	11,087	8,082
	11,087	**8,082**

Note 29 Acquisitions and divestments of subsidiaries

In the financial year 2016/2017, there were no acquisitions or divestments. However, the earlier acquisition analysis relating to Kids Company Oy was finalized.

On March 1, 2016, the Group acquired 51 percent of the Finnish master franchise business in the Polarn O. Pyret segment, Kids Company Oy. The company's registered office is in Helsinki, Finland. The company generates sales of about SEK 95 M annually and has about 20 employees. The acquisition is mainly expected to generate synergies in logistics, establishments and local market knowledge. The consideration transferred was SEK 11.5 M. The acquisition agreement included a combined put/call option on the same terms. With regard to the remaining 49 percent, the Group has deemed that no non-controlling interest exists but instead a liability is recognized in respect of contingent consideration for the remaining 49 percent. The fair value of this liability has been calculated based on parameters specified in the option contract, with the most important based on the EBITDA forecast for the company in the next few years. The acquisition implied consolidated goodwill of SEK 17.5 M. The acquisition analysis was completed in the financial year.

Fair value of acquired assets and liabilities is indicated below:

Item	Kids Clothing Oy
Goodwill	17,546
Other non-current assets	2,253
Inventories	11,949
Non-current receivables	676
Current receivables	5,103
Cash and cash equivalents	2,687
Current and non-current liabilities	-9,569
Purchase consideration	**30,645**
Additional purchase consideration posted to liabilities	-19,149
Purchase consideration paid	**11,496**
Cash and cash equivalents in divested company	-2,687
Impact on consolidated cash and cash equivalents	**8,809**

The above pertains to Group liquid funds in the previous and current years.

Note 30 Profit/loss from participations in Group companies

Parent Company	Aug 31, 17	Aug 31, 16
Shareholders' contribution paid	-	-33,000
Group contributions received	73,246	72,435
	73,246	**39,435**

Note 31 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. On August 31, 2017, cash and cash equivalents amounted to SEK 36,439,000 (24,150,000) for the Group and SEK 25,880,000 (9,325,000) for the Parent Company. In addition, there is SEK 5,000,000 (15,000,000) in blocked bank balances, which are recognized as non-current receivables.

Loans and receivables
The terms for payment of trade receivables are 10-30 days. Certain customers and franchisees in the Group's concepts 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, 2017, trade receivables falling due within one year amounted to SEK 53,374,000 (45,620,000) for the Group and SEK 0 (236,000) for the Parent Company. In addition to this, non-current receivables, which are interest-based, amounted to SEK 9,544,000 (22,794,000).

Age analysis trade receivables	Aug 31, 17	Aug 31, 16
Not due	38,247	29,831
< 60 days	6,632	9,129
60 - 90 days	1,323	2,175
90 - 180 days	4,180	3,181
> 180 days	2,992	1,305
Total trade receivables	**53,374**	**45,620**

The age analysis of trade receivables presented above included a provision for depreciation/amortization of SEK 3,506,000 (6,302,000).

Age analysis other non-current receivables	Aug 31, 17	Aug 31, 16
Not due	9,544	22,794
Total other non-current receivables	**9,544**	**22,794**

The age analysis of non-current receivables presented above included a provision for depreciation/amortization of SEK 10,539,000 (8,019,000).

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, 17	Aug 31, 16
Opening provisions	14,321	15,617
Provisions for probable losses	1 529	2,000
Confirmed losses	-64	-3,296
Recovered customer losses	-1 741	-
Closing provisions	14,045	14,321

Age analysis other receivables

Group	Aug 31, 17	Aug 31, 16
Not due	14,021	11,011
< 60 days	614	660
60 - 90 days	777	252
90 - 180 days	0	0
> 180 days	132	0
Total other receivables	**15,545**	**11,924**

Parent Company	Aug 31, 17	Aug 31, 16
Not due	232	17
< 60 days	0	0
60 - 90 days	0	0
90 - 180 days	0	0
> 180 days	40	0
Total other receivables	**272**	**17**

Financial assets measured at fair value through the Income Statement
Outstanding hedging and value on August 31, 2017:

Currency	Hedged volume	Fair value	No. of hedged months
USD	0	0	0-12 mån
EUR	0	0	0-12 mån
Total		**0**	

Value change in currency derivatives is reported in the Statement of Comprehensive Income in accordance with 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 requirements for hedge accounting are reported in Net income 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 trades payable, 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 and conditions for payment of trade payables allow 10 to 90 days of credit. Also refer to Note 22 for a description of the composition of trade payables by currency.

Financial liabilities measured at fair value in the Income Statement
Outstanding hedging and value on August 31, 2017:

Currency	*Hedged volume	Fair value	No. of hedged months
USD	10,630	17,086	0-12 mån
EUR	0	453	0-12 mån
Total		**17,539**	

* Hedged volume relates to hedging with currency futures.

Note 31 Cont.

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.

Committed credit facility

See Note 19.

Other loans

See Note 21.

Financial leasing loans

Present value of future payment commitments resulting from financial lease contracts are reported as liabilities to credit institutions at SEK 0 (510,000), of which the short-term element is SEK 0 (510,000).

Accrued expenses

Accrued expenses mainly consist of personnel expenses. See Note 24.

Group, August 31, 2017

Financial Assets	Assets measured at fair value through profit or loss	Loan receivables	**Totalt**
Trade 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 loan liabilities	19,009	380,000	399,009
Other liabilities		52,544	52,544
Accrued expenses		81,303	81,303
			726,917

Group, 31 August 2016

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

Financial liabilities	Liabilities measured at	Övriga finansiella skulder	**Totalt**
Trade payables		180,503	180,503
Derivatives	52		52
Loans from credit institutions		1,432	1,432
Other loan liabilities	16,700	385,000	401,700
Other liabilities		51,210	51,210
Accrued expenses		80,882	80,882
			715,779

Note 31 **Cont.**

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)

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 consid-eration	19,009			19,009
Other financial liabilities:				
Trade payables				176,389
Loans from credit institutions				133
Other loan liabilities				380,000
Other liabilities				52,544
Accrued expenses				81,303

No transfers have occurred between levels during the financial year.

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

No transfers have 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 outstanding loans from Konsumentföreningen Stockholm totaled SEK 380 M as of August 31, 2017. The loans are free of amortization, mature in December 2018 and are reported as long-term liabilities.

The acquisition of Kids Company Oy generated a debt to the selling party relating to the estimated purchase consideration. This liability is valued at fair value, which is estimated to amount to SEK 19,009,000. The option the liability is based on can be exercised by 2020 at the earliest.

Maturity structure of the Group's financial liabilities

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 contracts	-	17,539	-	-	-	-	17,539

2015/2016	0-3 months	4-12 months	1-2 years	2-3 years	3-4 years	More than 4 years	Total contracted cash flows
Other non-current liabilities	3 804	11 411	396 411	-	-	24 600	436 226
Liabilities to credit institutions	6	1,318	135	-	-	-	1,459
Trade payables	180,503	-	-	-	-	-	180,503
Currency futures contracts	-	52	-	-	-	-	52

Note 32 Transactions with related parties including Parent Company intra-group transactions

The Group's related party transactions

In the financial year, Brothers & Sisters purchased services from companies in which Magnus Håkansson was a Director totaling SEK 49,000 (0). Pricing was on market terms. As of August 31, 2017, the RNB Group's outstanding debt to the company was SEK 0 (0). In the financal year, Departments & Stores purchased services from company in which Monika Elling was a Director totaling SEK 58,000 (361,000). Pricing was on market terms. As of August 31, 2017 the Group's outstanding debt to the company totaled SEK 0 (0). In the financial year, Departments & Stores purchased services from company in which Hanna Graflund-Sleyman was a Director totaling SEK 2,752,000 (2,169,000) and sold goods totaling SEK 109,000 (115,000). Pricing was on market terms. As of August 31, 2017, the Group's outstanding debt to the company totaled SEK 5,000 (900,000) with receivables of SEK 1,000 (3,000). In the financial year, Polarn O. Pyret purchased services from a company in which Magnus Håkansson was a Director totaling SEK 19,000 (16,000). Pricing was on market terms. As of August 31, 2017, the Group's outstanding debt to the company totaled SEK 0 (0). In the financial year, the Parent Company purchased services from companies where the following individuals had a controlling interest or served as Director: Ivar Fransson SEK 0 (40,000), Michael Lemner SEK 292,000 (125,000), Monika Elling SEK 29,000 (708,000), Sara Wimmercranz SEK 310,000 (0) and Magnus Håkansson SEK 104,000 (763,000). Pricing was on market terms. As of August 31, 2017, the Group's outstanding debt to the companies totaled SEK 0 (135,000).

In the financial year 2009/2010, RNB signed a loan agreement with Konsumentföreningen Stockholm. The loan agreement is divided into two tranches of SEK 200 M each. Loan 1 is a promissory note, while loan 2 is a revolving facility. The credit limit under the revolving facility of SEK 200 M is available according to the Group's needs. As of August 31, 2017, SEK 380 M (385) was utilized. In the financial year, the company signed an agreement with the lender regarding extending the loan until December 2018. Both loans are free of amortizations up until the maturity date and are reported as long-term liabilities. The full debt matures for payment within five years. There are no financial covenants associated with the loans. Interest on the loans is variable and is based on Stibor, with a minimum 0 percent plus a margin. The current interest rate as of August 31, 2017, is 4.0 percent for the promissory note and 3.9 percent for the revolving credit.

Parent Company

Parent Company net sales of SEK 109,788,000 (97,998,000) relate to internal billed services to subsidiaries in their entirety. The Parent Company has purchased services from subsidiaries totaling SEK 677,000 (636,000).

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, 17**	Aug 31, 16	**Aug 31, 17**	Aug 31, 16
Brothers & Sisters AB	240	291	-	-
Brothers Clothing Oy	-	-	5,650	9,130
Brothers & Sisters Sverige AB	-	-	29,453	22,919
Departments & Stores Europe AB	54,188	47,478	-	-
Departments & Stores Denmark Aps	100	51	-	-
Polarn O. Pyret AB	3,161	20,443	-	-
Polarn O. Pyret Norge AS	27,131	-	-	-
Portwear AB	46	-	-	-
RNB Far East Ltd.	1,957	5,152	-	-
RNB Retail and Brands Norge AS	-	-	-	-
Ängsviol Blomstern AB	-	-	219	219
	86,823	**73,415**	**35,322**	**32,268**

Note 33 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, 45–50 percent is denominated in foreign currency with the USD and EUR the most significant. The main aim is that 70-90 percent of expected 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

Note 33 **Cont.**

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 %	–/+ 11	–/+ 1
USD	+/– 5 %	–/+ 13	–/+ 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 loans and committed credit facilities. Available liquid funds are used to reduce utilization of the committed credit 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 affects the interest rate cost by SEK 1 M upon maximum utilization of the available overdraft (SEK 100 M).

Capital structure

For some years, the Group has enjoyed good cash flow from operating activities as a result of positive operating profit 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 profit 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 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.

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 extensive and well-functioning collaborations with franchisees, agreements can be terminated with negative consequences for the company's operations. RNB also has exposure in the form of trade receivables from franchisees with the ensuing risk of customer losses.

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 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, Turkey, 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 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

Note 33 Cont.

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.

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 34 Events after the end of the year

At the beginning of October 2017, RNB acquired Frontmen.com to further strengthen its digital presence. Frontmen is an established operator in men's online fashion in Sweden.

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 23, 2017

Laszlo Kriss
Chairman of the Board

Magnus Håkansson
President and CEO

Monika Elling
Board member

Ivar Fransson
Board member

Michael Lemner
Board member

Per Thunell
Deputy Chairman

Sara Wimmercranz
Board member

Our Audit Report was submitted on November 23, 2017
Ernst & Young AB

Johan Eklund
Authorized Public Accountant

Auditor’s Report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts Statements for RNB RETAIL AND BRANDS AB (publ) for the financial year, September 1, 2016 to August 31, 2017. The company’s annual accounts and consolidated accounts are included in the printed version of this document on pages 20-56.

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 2017 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 2017 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.

Revenue

For the financial year 2016/2017, net sales totaled SEK 2,222 M in the Group. The Group’s principles governing income recognition are specified in Note 1, Accounting principles, in the Consolidated Financial Statements. 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. We consider that revenue is a key audit matter given the number of transactions and the geographical spread of the sales channels.

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. 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

The carrying amount of inventories as of August 31, 2017 was SEK 428 M for the Group, corresponding to 38% of total Group assets. The Group’s principles for recognizing inventories is indicated in Note 1, Accounting principles, of the consolidated accounts. More information on inventories is provided under Note 17, Inventories.

Inventories are valued at the lower of cost and net sales value. Net sales value is influenced by the Board of Directors’ and management’s assessments. These are dependent on factors such as fashion trends and seasonal fluctuations. We asses that the valuation of inventories is a key audit matter as the value is significant and is influenced by critical estimates and judgments.

Regarding valuation of inventories, we have evaluated the Group’s routines and processes for pricing 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

The carrying amount of goodwill as of August 31, 2017 was SEK 398 M for the Group, corresponding to 35 percent of total Group assets. The carrying amount of shares in subsidiaries as of August 31, 2017 was SEK 562 M in the Parent Company, corresponding to 78 percent of Parent Company total 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. The Group annually, and when there is an indication of a decline in value, carries out impairment testing to ensure that reported amounts do not exceed the estimated recoverable amount. Recoverable amounts comprise value in use for the respective cash-generating unit and is determined by a present value calculation of forecast future cash flows. The calculation is based on the expected outturn for a number of factors on the basis of the Group’s business plans and forecasts. 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 presented 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 page1-19 and 60-74. 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 my (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 my (our) audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Managing Director.
- Conclude on the appropriateness of the Board of Director's and Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter, or, on very rare occasions, we judge that a matter should not be communicated in the Auditor's Report as a result of the conclusion that the negative consequences of doing so could reasonably be assumed to be greater than the general interest of such communication.

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, 2016 – August 31, 2017, 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 accepted accounting practice 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, 2016 and has acted as the company's auditor since December 28, 1996.

Stockholm, Sweden, November 23, 2017

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, 2016 – August 31, 2017. 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. Governance is exercised through the Annual General Meeting, the Board of Directors and the President in accordance with the Swedish Companies Act, the Articles of Association and the Swedish Code of Corporate Governance.

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

RNB RETAIL AND BRANDS applies the rules contained in the Swedish Code of Corporate Governance. The Code is based on the "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.

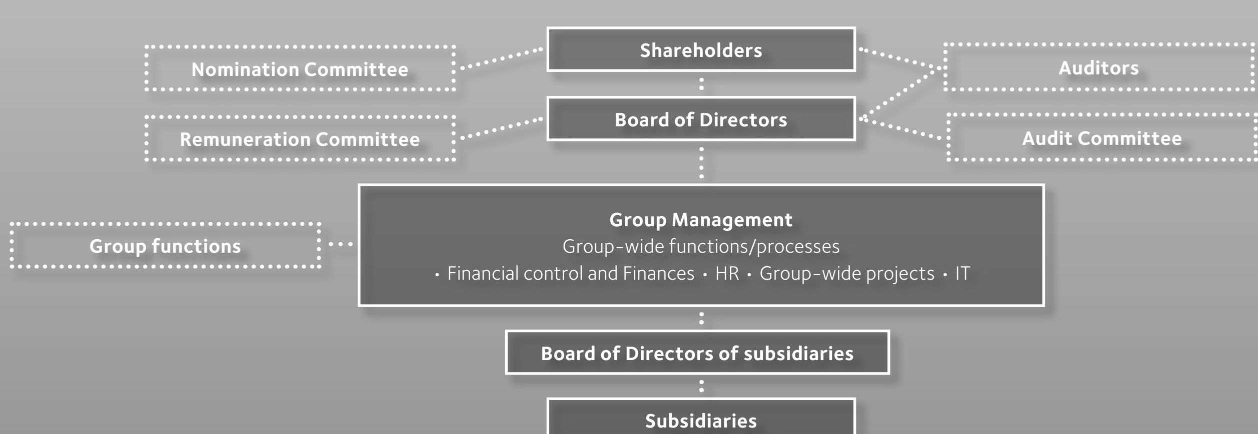
RNB RETAIL AND BRANDS also applies the Swedish Annual Accounts Act for reporting of its corporate governance work. RNB RETAIL AND BRANDS follows progress in the corporate governance field and continually adjusts its corporate governance principles with the aim of creating value for owners and other stakeholders.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

Shares and shareholders

As of August 31, 2017, RNB's share capital totaled SEK 203,473,056 distributed over 33,912,176 shares with a quotient value of SEK 6. All shares are common shares. Each share carries one vote at the AGM and all shares have an equal right to share in the company's assets and profits.

As of August 31, 2017, the number of shareholders amounted to 6,544, of which 97.3 percent were registered in Sweden. The three largest shareholders as of August 31, 2017 were Konsumentföreningen Stockholm with 33.2 percent, Novobis AB with 11.8 percent and Avanza

Governance structure



Pension Försäkringsaktiebolaget with 7.9 percent. 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 69.1 percent of the capital and voting rights in the company. For more information about the share and shareholders, please see pages 69–70 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 2015/2016 financial year

The AGM was held on December 21, 2016 at RNB's premises at Drottninggatan 33 in Stockholm, Sweden. At the AGM, 13 shareholders participated, personally or via proxy, representing 43.3 percent of the number of shares and votes in the company. Laszlo Kriss was elected Chairman of the AGM

Annual General Meeting for the 2016/2017 financial year

The AGM for shareholders in RNB will be held on Thursday December 21, 2017 at Drottninggatan 33 in Stockholm, Sweden at 5 p.m. 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 of the financial year, convene the four largest shareholders in the company. They shall then appoint one member each to the Nomination Committee. The Chairman of the Board is to be co-opted to the Nomination Committee, but not as Chairman. The Chairman of the Board shall also ensure that information about the composition of the Nomination Committee, with contact information, is published well in advance of the AGM. The Chairman of the Board shall also to report to the Nomination Committee regarding the conditions for the Board of Directors' work and specific 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 shall hold meetings as necessary, but at least once annually. Shareholders shall be able to submit proposals to the Nomination Committee for further evaluation.

The AGM in December 2016 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 2016/2017 financial year. Prior to the AGM on December 21, 2017, members of the Nomination Committee were appointed in accordance with the resolution of the AGM in December 2016, and comprise Sune Dahlqvist, Chairman of Konsumentföreningen Stockholm, Fredrik Carlsson, Novobis AB, Christian Kock 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 (0)	Remuneration Committee (3)	Audit Committee (4)
Laszlo Kriss	6	0		4
Per Thunell	6	0		4
Monika Elling	6	0		4
Ivar Fransson	6	0	3	
Michael Lemner	6	0	3	
Sara Wimmercranz	6	0	3	

This does not include the statutory Board meeting following election.

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. Members are elected at the AGM for the period up to the end of the following AGM. RNB's Articles of Association do not include 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, 2016 elected the following Board members: Laszlo Kriss, Monika Elling, Ivar Fransson, Michael Lemner, Per Thunell and Sara Wimmercranz. The President and CEO is co-opted to the Board.

Articles of Association

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

Board of Directors—Rules of Procedure

RNB RETAIL AND BRANDS' Board is subject to formal Rules of Procedure that comply with the Swedish Companies Act with respect to the division of duties and reporting. The formal Rules of Procedure govern Board's meetings, matters to be addressed at Board meetings,

Board of Directors

1. Laszlo Kriss, born in 1946

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

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

No other significant directorships.

Shareholding in RNB: 20,500

2. Monika Elling, born in 1962

Master of Science (Economics and Business), Stockholm School of Economics and Mechanical Engineer.

Member of RNB's Board since 2014.

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

Other directorships: Chairman of Talent Eye AB and Board member of Ljung & Sjöberg AB

Shareholding in RNB: 37,300

3. Ivar Fransson, born in 1957

Degree in Economics.

Member of RNB's Board since 2012.

Independent to the Company and Management, independent to the Company's major owners. Management consultant in Trinovo Consulting Group.

Other directorships: Board member of OKQ8 Bank AB.

Shareholding in RNB: 14,436 via endowment insurance.

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. 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 62–63 of the Annual Report.

Board Committees

The Board includes 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.

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4. Per Thunell, born in 1957

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

Member of RNB's Board since 2012.

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

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

Other directorship: 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 (Belgien)

Shareholding in RNB: 0 shares

6. Sara Wimmercranz, born in 1980

Human resources specialist.

Member of RNB's Board since 2015.

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

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

Shareholding in RNB: 0

Shareholdings as of August 31, 2017

Since the AGM on December 21, 2016 the Remuneration Committee comprises Ivar Fransson, (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 2016/2017 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

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

Employed since 2011

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

Degree of Master of Science in Business and Economics, 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. Peter Bondelid, born in 1962

President of Brothers

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

Employed since 2012

Shareholding in RNB: 0

Previously Global Supply Chain Director at RNB, Management Consultantat Accenture and Monitor Group. Experience from a number of industries and roles.

4. Hanna Graflund Sleyman, born in 1978

President of Departments & Stores

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

Employed since 2009

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

Shareholding in RNB: 5,125 via related parties

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

Remuneration of the Board of Directors

The AGM on December 21, 2016 approved total Directors' fees of SEK 1,275,000, to be allocated as follows: SEK 350,000 to the Chairman and SEK 160,000 to each of the other Board members who do not receive salary from the company, SEK 75,000 to the Chairman of the Audit Committee and SEK 25,000 to each of the other two members of the Audit Committee.

Auditors

RNB RETAIL AND BRANDS' Auditor is elected by the AGM. The AGM in December 2016 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.

5. Nanna Hedlund, born in 1974

President of Polarn O. Pyret AB

Degree of Master of Science in Business and Economics, Stockholm University

Employed since 2016

Shareholding in RNB: 0

Extensive international retail experience in marketing, brand development and digitalization. Previously Marketing Director at Kicks, Marketing Manager at Mio and Communication Manager at JC.

6. Mia Bystedt, born in 1971

Head of IT

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

Employed since 2008

Shareholding in RNB: 0

Previously systems manager and Group IT Director for RNB. Previous positions include Systems Developer at AU-System (Teleca) and TDC Sverige.

7. Ann Surtell, born in 1958

Head of HR

Stockholm University

Employed since 2016

Shareholding in RNB: 0

Previous positions include Head of HR at Empower AB, Nordic HR Manager at Forex Bank AB and Head of HR at VPC AB.

8. David Backman, born in 1980

Assistant IT Manager and Chief Digital Officer

M.Sc in Industrial Engineering and Management, Linköping University

Employed since 2015

Shareholding in RNB: 0

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

9. Martin Jonasson, born in 1981

Head of Logistics

M.Sc in Industrial Engineering and Management, Chalmers University of Technology.

Employed since 2015

Shareholding in RNB: 0

Formerly Goods Supply Manager at Coop Logistik, and experience of multiple Supply Chain, Sourcing and Production Logistics functions at Nera Networks.

The Auditor reports the outcome of its examination to shareholders in an Audit Report, which is presented to the AGM. In addition, the Auditor submits detailed reports to the Audit Committee at scheduled Audit Committee meetings and to the Board of Directors once annually. Apart from the Audit, the Auditor shall inform the Board of Directors of duties carried out besides Audit services, remuneration for such services and other circumstances, which are of important for the Auditor's independence. During the financial year, Ernst & Young mainly provided consultancy services pertaining to tax. RNB RETAIL AND BRANDS believes that the execution of these services does not compromise the independence of Ernst & Young.

Internal audit

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

The President & CEO and Group Management

The President manages operations in accordance with the approved Rules of Procedure governing the division between the President and the Board of Directors as well as the Board's instructions. The President is responsible for keeping the Board informed and for ensuring that the Board has the necessary information and complete decision-making data as far as possible. The President also keeps the Chairman informed of the company's and Group's performance and financial position.

The President and other members of Group Management hold meetings throughout the financial year to follow up budget and plans, and to discuss strategic issues. RNB RETAIL AND BRANDS' Group Management comprises nine persons (of whom four women)—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 President 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 a highly skilled Management team with the capability to achieve set goals. The forms of remuneration shall motivate the Group Management to do their utmost to safeguard the interests of shareholders.

Remuneration to management consists of fixed salary, 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 2016/2017 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 23, 2017

Laszlo Kriss
Chairman of the Board

Magnus Håkansson
President and CEO

Monika Elling
Board member

Ivar Fransson
Board member

Michael Lemner
Board member

Per Thunell
Deputy Chairman

Sara Wimmercranz
Board member

Audit opinion concerning the Corporate Governance Report

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

The Board of Directors and the President are responsible for the Corporate Governance Report for the financial year September 1, 2016 – August 31, 2017 on pages 60–68 and for its preparation in accordance with the Annual Accounts Act.

We have reviewed the Corporate Governance Report and based on this review and on our knowledge of the company and the Group, we believe we have a sufficient basis for our opinion. This statutory review has another aim and direction, and is substantially less exhaustive in scope, than an audit conducted in accordance with International Standards on Auditing (ISA) and other generally accepted auditing standards in Sweden.

We consider that a Corporate Governance Report has been prepared and its statutory content is consistent with the annual accounts and consolidated accounts.

Stockholm, Sweden, November 23, 2017

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, 2017 was SEK 12,55, corresponding to market capitalization of SEK 425,597,809. The highest price quoted in the financial year was SEK 19.50 and the lowest SEK 10.00.

Share capital

As of August 31, 2017, 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

According to Euroclear, as of August 31, 2017 RNB had 6,544 shareholders, of which 97.3 percent were registered in Sweden. On the same date, shares registered outside Sweden represented 2.7 percent of total capital.

RNB's ten largest owners held shares corresponding to 69.2 percent of share capital and voting rights in the company.

Dividend policy and proposed dividend

The Board of Directors' long-term objective is to distribute half of profit after tax to shareholders. The Board of Directors proposes to the AGM that a dividend of SEK 0.30 per share should be paid for the financial year 2016/2017.

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 www.rnb.se/en/Investor-Relations/.

The RNB share development

Owners on August 31 2017

Largest shareholders	No. of shares	Share capital/ votes, %
Konsumentföreningen Stockholm	11,246,598	33.2
Novobis AB	4,000,000	11.8
Avanza Pension Försäkringsaktiebolaget	2,689,958	7.9
Catella Fondförvaltning	2,196,806	6.5
Nordnet pensionsförsäkring AB	1,003,132	3.0
Hawk Invest AS	986,249	2.9
Christian Kock	451,779	1.3
Johan Fahlin	337,585	1.0
Hans Björstrand	300,000	0.9
Clients Account - DCS	234,030	0.7
Total largest shareholders	**23,446,137**	**69.2**
Other	10,466,039	30.8
Total	**33,912,176**	**100.0**

Ownership structure on August 31, 2017

Size of shareholding by category	No. of shareholders	Share capital/ votes, %
1–500	4,895	1.5
501–1 000	574	1.3
1 001–5 000	780	5.5
5 001–10 000	131	3.0
10 001–15 000	49	1.8
15 001–20 000	20	1.1
20 001 –	95	85.8
Total	**6,544**	**100.0**

Key data per share*

SEK/per share	2012/2013	2013/2014	2014/2015	2015/2016	**2016/2017**
Earnings per share	-55	-5	1.25	0.76	0.90
Dividend per share	0	0	0.25	0.25	0.30
The buying price of the share at year-end on the OMX Nordic	10.3	10.3	14.3	11.6	12.55
Equity per share	12.62	7.85	9.01	9.54	10.03

Share capital progress

Year, transaction	Increase in no. of shares	Accumulated no. of shares	Increase in share capital	Accumulated share capital	Quotient value per share, SEK
1997, Opening balance		90,000		9,000,000	100
1998, New share issue	11,250	101,250	1,125,000	10,125,000	100
2000, New share issue	106,125	207,375	10,612,500	20,737,500	100
2001, Split 25:1	4,977,000	5,184,375		20,737,500	4
2001, New share issue	150,000	5,334,375	600,000	21,337,500	4
2001, New share issue	253,740	5,588,115	1,014,960	22,352,460	4
2001, New share issue	2	5,588,117	8	22,352,468	4
2001, New share issue	1,916,320	7,504,437	7,665,280	30,017,748	4
2005, New share issue	800,000	8,304,437	3,200,000	33,217,748	4
2005, Split 2:1	8,304,437	16,608,874		33,217,748	2
2006, Split 2:1	16,608,874	33,217,748		33,217,748	1
2006, New share issue	20,871,016	54,088,764	20,871,016	54,088,764	1
2006, New share issue	1,083,562	55,172,326	1,083,562	55,172,326	1
2006, New share issue	755,286	55,927,612	755,286	55,927,612	1
2006, New share issue	151,220	56,078,832	151,220	56,078,832	1
2006, Conversion of debt instrument	1,000,000	57,078,832	1,000,000	57,078,832	1
2008, New share issue	57,078,832	114,157,664	57,078,832	114,157,664	1
2009, New share issue	34,959,350	149,117,014	34,959,350	149,117,014	1
2009, New share issue	16,308,237	165,425,251	16,308,237	165,425,251	1
2013, New share issue	6,617,009,949	6,782,435,200	38,047,805	203,473,056	1
2013, Merger 200:1	-6,748,523,024	33,912,176		203,473,056	1

Five-year summary

Income Statement

SEK m	Sep 12–Aug 13	Sep 13–Aug 14	Sep 14–Aug 15	Sep 15–Aug 16	**Sep 16–Aug 17**
Revenue	1,952.9	1,927.4	2,151.5	2,189.8	2,251.6
Operating income	-100.0	-145.0	47.9	36.3	62.6
Net financial items	-27.0	-9.9	-5.7	-10.4	-29.9
Profit/loss after financial items	-126.9	-155.0	42.3	25.8	32.7
Net income for the year	**-628.7**	**-161.0**	**42.3**	**25.9**	**30.4**

Balance Sheet

SEK m	Sep 12–Aug 13	Sep 13–Aug 14	Sep 14–Aug 15	Sep 15–Aug 16	**Sep 16–Aug 17**
Non-current assets	632.1	512.2	501.0	535.8	509.5
Inventories	327.7	347.3	400.9	404.1	427.7
Trade receivables	66.0	49.8	48.7	45.6	53.4
Other current assets	71.8	80.8	78.1	93.0	95.8
Cash and cash equivalents	31.8	40.2	47.2	24.2	36.4
Assets included in disposal groups are classified as if held for sale/discontinuation	171.2	–	–	–	–
Total assets	**1,300.6**	**1,030.3**	**1,075.9**	**1,102.6**	**1,122.9**
Equity	427.8	266.1	305.7	323.5	340.0
Non-current liabilities	363.4	402.7	385.5	401.8	399.0
Current liabilities	342.6	361.5	384.7	377.3	383.9
Liabilities included in disposal groups are classified as if held for sale/discontinuation	166.8	–	–	–	–
Total equity and liabilities	**1,300.6**	**1,030.3**	**1,075.9**	**1,102.6**	**1,122.9**

Key ratios

	Sep 12–Aug 13	Sep 13–Aug 14	Sep 14–Aug 15	Sep 15–Aug 16	**Sep 16–Aug 17**
Gross profit margin, %	49.3	51.0	50.1	50.3	50.6
EBIT margin, %	neg	neg	2.2	1.7	2.8
Profit margin, %	neg	neg	2.0	1.2	1.4
Risk-bearing equity, SEK m	427.8	266.1	305.7	323.5	340.0
Share of risk-bearing equity, %	32.9	25.8	28.4	29.3	30.3
Equity/assets ratio, %	32.9	25.8	28.4	29.3	30.3
Capital employed, SEK m	800.0	671.0	693.4	726.6	739.0
Return on capital employed, %	neg	neg	8.1	5.2	8.9
Return on equity, %	neg	neg	14.8	8.2	9.2
Number of full-time employees	1,045	1,040	1,024	1,047	1,028
Number of proprietary stores at end of period	163	188	185	202	198
Number of franchise stores at end of period	108	79	77	61	61

Per-share data *

	Sep 12–Aug 13	Sep 13–Aug 14	Sep 14–Aug 15	Sep 15–Aug 16	**Sep 16–Aug 17**
Profit after tax, SEK	-54.56	-4.75	1.25	0.76	0.90
Equity, SEK	13	8	9	10	10
Average number of outstanding shares, thousands	11.523	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 has been calculated according to the IFRS definition.
In connection with the completed rights issue, a 200:1 reverse share split was carried out.
Historical comparative figures regarding the average number of shares and earnings per share have been adjusted for this.

Key performance measures

SEK m	**Aug 31, 17**	Aug 31, 16
Net sales	2,221.6	2,173.1
Goods for resale	–1,096.7	–1,079.5
Gross profit	**1,124.9**	**1,093.6**
Other operating income	30.1	16.7
Other external expenses	–499.6	–477.4
Personnel expenses	–545.4	–544.7
Depreciation/amortization of property, plant and equipment	–47.4	–51.9
Operating income (EBIT)	**62.6**	**36.3**
Interest income and similar profit/loss items	2.5	1.9
Interest expenses and similar profit/loss items	–18.2	–12.6
Unrealized gains on currency derivatives	–14.2	0.3
Net financial items	**–29.9**	**–10.4**
Profit/loss after financial items	**32.7**	**25.9**
Adjustments:		
Tax on profit for the period	–2.3	0.0
Profit for the period	**30.4**	**25.9**
Operating income	62.6	36.3
Depreciation/amortization of property, plant and equipment	47.4	51.9
Operating income before depreciation/amortization of property, plant and equipment (EBITDA)	**110.0**	**88.2**
Loans	380.0	385.0
Conditional additional purchase consideration	19.0	16.7
Other non-current interest-bearing liabilities	0.0	0.1
Non-current liabilities	**399.0**	**401.8**
Loans	380.0	385.0
Conditional additional purchase consideration	19.0	16.7
Other non-current interest-bearing liabilities	0.0	0.1
Other current interest-bearing liabilities	0.1	1.3
Cash and cash equivalents	–36.4	–24.2
Net debt	**362.7**	**378.9**
Equity IB	323.5	305.7
Equity UB	340.0	323.5
Average equity	**331.8**	**314.6**
Total assets	1.122.9	1.102.6
Trade payables	–176.4	–180.5
Other current liabilities	–207.4	–195.5
Capital employed	**739.1**	**726.6**
Profit for the period	30.4	25.9
Average equity	331.8	314.6
Return on equity, %	**9.2**	**8.2**
Capital employed IB	726.6	693.4
Capital employed UB	739.1	726.6
Average capital employed	**732.9**	**710.0**
Interest expenses and similar profit/loss items	–18.2	–12.6
Unrealized expense on currency hedges	–14.2	0.0
Profit/loss after financial items	32.7	25.9
Average capital employed	732.9	710.0
Return on capital employed, %	**8.9**	**5.4**
Operating income	62.6	36.3
Interest income and similar profit/loss items	2.5	1.9
Unrealized income on currency hedges	0.0	0.3
Earnings after financial income	**65.1**	**38.5**

Definition 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.

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 21, 2017 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 15, 2017 and notify the company of their intention to participate no later than Monday December 18, 2017 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 ann-charlotte.rudels@rnb.se.

Nominee-registered shares

Shareholders whose shares are held through nominees must arrange for temporary registration of the shares in their own name in order to be entitled to participate in the AGM. Such registration must be completed with Euroclear Sweden AB by December 15, 2017. Shareholders should request nominees to process re-registration in good time before this date.

Dividend

The Board's proposal is that a cash dividend for the 2016/2017 financial year be declared of SEK 0.30 per share, equivalent to SEK 10.17 M in total.

Calendar

Dec 21, 2017	Interim Report for the first quarter
Dec 21, 2017	Annual General Meeting, 5 p.m.
Mar 27, 2018	Interim Report for the second quarter
June 27, 2018	Interim Report for the third quarter
October 11, 2018	Year-end Report

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