

RNB

YEAR-END REPORT

1 SEPTEMBER 2019 – 31 AUGUST 2020

4



RNB RETAIL AND BRANDS

POLARN O. PYRET
DEPARTMENTS & STORES

Man of a kind
BROTHERS

Corporate restructuring ends

The coronavirus crisis continued to affect RNB in the fourth quarter, although to a lesser extent than in the third quarter. The corporate restructuring has proceeded according to plan, including operational changes, and the companies are now in good shape as the process comes to an end at the beginning of November. Operating income and cash flow for the quarter improved in year-on-year terms.

FOURTH QUARTER, JUNE 1, 2020 – AUGUST 31, 2020 IN SUMMARY

- Net sales decreased to SEK 326 M (552).
- Comparable sales for the Group on all national markets decreased by -32.8 percent.
- Sales for comparable units in Sweden decreased by -35.5 percent, compared to the market downturn of -18.4 percent.
- Operating income was SEK -17 M (-101).
- Operating income, excluding IFRS 16 and goodwill impairment, was SEK -47 M (-36).
- Profit after tax was SEK -50 M (-106).
- Earnings per share was SEK -0.49 (-3.13).
- Cash flow from operating activities was SEK 10 M (-44).

THE PERIOD, SEPTEMBER 1, 2019 – AUGUST 31, 2020 IN SUMMARY

- Net sales decreased to SEK 1,784 M (2,267).
- Comparable sales for the Group on all national markets decreased by -20.2 percent.
- Sales for comparable units in Sweden decreased by -20.4 percent, compared to the market downturn of -12.1 percent.
- Operating income was SEK -341 M (-110).
- Operating income, excluding IFRS 16 and goodwill impairment, was SEK -191 M (-45).
- Profit after tax was SEK -435 M (-142).
- Earnings per share was SEK -5.21 (-4.20).
- Cash flow from operating activities was SEK 245 M (49).
- In the second quarter, a preferential rights issue raised some SEK 84.8 M before issue expenses.
- In the third quarter, Brothers' operations in Finland, including 12 stores and an online platform, were wound down.
- In the third quarter, four of the Group's companies started a process of corporate restructuring.

EVENTS IN THE QUARTER

- A settlement proposal was submitted to the Stockholm District Court on July 1. The proposal involves an initial payment of SEK 10,000 and 25 percent of the remainder to the companies' creditors, implying a write-down of 75 percent of outstanding debt.

EVENTS AFTER THE END OF THE QUARTER

- The corporate restructuring period was extended by a further three months to December 23.
- The settlement negotiations were held on October 16. Stockholm District Court approved the settlement proposal on the same date, and the settlement will become legally binding on November 6. The reconstructions will end on the same day.
- The settlement benefits arising once the arrangement becomes legally binding are preliminary estimated at more than SEK 200 M for the Group.
- Comparable sales decreased by -20 percent in September, in-store sales were down -26 percent and e-commerce sales increased by 23 percent compared to the same month in the previous year. However, all operations have been adapted to reflect the lower sales.
- Sales of the first quarter and most probably quarter two will remain affected by the Covid-19 pandemic, although it is currently hard to assess the extent of the impact because of the volatile situation.

Comments from the CEO

The fourth quarter was also significantly impacted by the Covid-19 pandemic. Sales in physical stores remained significantly down, while e-commerce sales generally increased. The e-commerce share increased to 27 percent over twelve months for the three businesses that have e-commerce.

The work associated with the corporate restructuring continued at a high pace in the quarter. This gave us the opportunity to close loss-making stores earlier than planned, and to decrease costs associated with staff and premises, in order to quickly adapt to the new conditions.

Just under 25 percent of our stores have closed over the past five months; all shared a pattern of expected long-term profitability problems due to changing consumer patterns and rent levels.

Total costs decreased by a third in the quarter, and inventories were down by just under 20 percent on August of the previous year. Operating income for the quarter, excluding IFRS 16, decreased in year-on-year terms, however, the quarter is charged with provisions for closed stores in Brothers and PO.P.

BROTHERS

Brothers' comparable sales fell by 33 percent in the quarter; physical stores continued to lose sales while e-commerce sales increased. Stores in major cities experienced the biggest drop, while smaller towns did better. Despite the decline in sales, the result fell to only SEK -8 million, which shows that Brothers has managed the costs well.

Store visitors are more likely to complete a purchase, and the conversion rate increased significantly in the quarter. This indicates that store visits have dropped more than actual sales.

The number of e-commerce customers continued to increase, which will benefit Brothers in the long term, as this area has significant growth potential.

There were some delays to deliveries of the fall collection in the quarter due to the lockdowns last spring of all countries where we have production, while logistics chains are also not operating at full capacity. These items have now reached stores, with positive results. In combination with normal seasonal weather patterns, this creates good conditions for a strong fall season.

DEPARTMENTS & STORES

Comparable sales for Departments & Stores decreased by 47 percent in the quarter. The decrease was generally constant for all months. The NK Gala at the end of August generated additional customers and increased sales.

Visitor numbers more than halved, which indicates that we take good care of the visitors that do come, and that they are more ready to make a purchase. Non-European tourists decreased by some 98 percent in the quarter, both in absolute terms and in terms of sales.

In the quarter, Departments & Stores continued to offset lower sales through minimal staffing, extensive cost savings and short-term sales campaigns.

The corporate restructuring has implied renegotiated floor spaces, campaigns and setting a digital strategy. This means that we look forward to the future with confidence.

MAN OF A KIND

Man of a kind earnings improved in the quarter despite sales declining by 51 percent in the quarter. It was the first quarter of this year with lower sales than last year's quarter. The lower sales were mainly due to delayed deliveries of new summer collections, as Man of a kind's customers want to wear the latest fashions. Like for Brothers, many seasonal collections have now arrived in stores, which creates the right conditions for improved sales this fall.

POLARN O. PYRET

Sales in the fourth quarter were just over 13 percent lower in comparable stores and e-commerce. The result was SEK -26 million but is burdened by provisions for closed stores.

Stores sales decreased by 32 percent, while e-commerce increased by 43 percent. E-commerce represented 34 percent of PO.P's sales over the last 12 month period, evidence that PO.P has adapted to its customers' changing shopping patterns.

More stores were closed in Sweden and Norway during the quarter. A total of 25 stores were closed as part of the corporate restructuring process.

PO.P launched e-commerce operations in Germany in June, and secondhand sales came off to a strong start in the Swedish stores in August. PO.P will establish e-commerce operations in Switzerland in the fall, and extend its collaboration with the John Lewis department store in the UK.

The corporate restructuring has provided the opportunity to introduce several changes in just five months that would otherwise have taken many years. PO.P now rests on a sound foundation, with a strong brand and motivated staff.

OUTLOOK

The settlement negotiations held last week were approved on the same day, and the corporate restructuring of the Swedish subsidiaries will become legally binding and end on November 6. The settlement gains in quarter one are preliminary estimated at more than SEK 200 M for the Group. The restructuring has provided some great opportunities to review all aspects of operations, and the measures implemented mean that the business areas are now in a good position to achieve profitability in the future.

Kristian Lustin
President and CEO

Covid-19 and corporate restructuring

COVID-19

The company remains affected by the impact of Covid-19. Swedish fashion retailing has not reverted to the sales levels seen before the pandemic, and does not look set to do so in the near future.

SALES AND PROFIT

The company's sales and profit have been negatively affected by Covid-19. It is difficult to gauge the precise impact Covid-19 has had on the Group, although sales for comparable stores decreased by more than 50 percent in the third quarter and by more than 40 percent in the fourth quarter. In the third quarter, comparable e-commerce sales increased by more than 130 percent and by more than 20 percent in the fourth quarter. This realignment means that the subsidiaries now focus more sharply on e-commerce than ever. Covid-19 will continue to affect sales and profit negatively, although it is difficult to estimate the extent of the impact going forward.

PRODUCTION AND DELIVERY

The subsidiaries work closely with suppliers to ensure production and delivery of goods. Deliveries of the fall collections have been delayed, although outstanding items arrived in stores at the end of September and in early October.

CORPORATE RESTRUCTURING

On March 23, the Stockholm District Court approved an application for corporate reconstruction and decided that the subsidiaries Departments & Stores Europe AB, Polarn O. Pyret AB and Brothers AB would enter into restructuring. The restructuring has now been in process for six months, and the companies have had to make many difficult business-critical decisions in this period.

All store rents in Sweden and Norway have been renegotiated. Unprofitable stores and stores that are expected to become unprofitable have been closed, which resulted in the closure of a further 13 proprietary stores in the two countries (30 stores closed in quarter three). In addition, some franchisees have chosen to close stores.

The subsidiaries have announced redundancies and all employment contracts for store staff have been renegotiated. Negotiations with employees and trade unions have been smooth, and the companies have been able to ensure more efficient in-store staffing levels. The companies have utilized the government guarantee scheme for staff salaries (see Note 1 Accounting Principles). Covid-19-specific subsidies such as short-term furlough schemes are not applicable to companies undergoing corporate restructuring. Departments & Stores and Brothers have applied for and been granted reorientation support for March-April 2020. This has been accounted for as an other operating income in the Consolidated Income Statement.

The corporate reconstruction of Polarn O. Pyret Norway was completed on 24 September, resulting in the write-down of some 73 percent of outstanding debt.

The period of corporate restructuring in Sweden was extended to December 23, and settlement negotiations were concluded at the Stockholm District Court on October 16. The settlement offers, which were presented on July 1, imply that all non-priority creditors will receive an amount of SEK 10,000 and 25 percent of any excess amount, i.e. a write-down of 75 percent. The composition proposals were approved by the district court on October 16 and will become legally binding on 6 November, when the corporate restructuring will also be completed. The settlement gains are preliminary estimated at more than SEK 200 M for the Group which will be recognized in the first quarter 2020/2021.

CONTACT

CEO Kristian Lustin

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PRESS AND ANALYST MEETING

RNB will hold a press and analyst conference in connection with the publication of the report, presented by Kristian Lustin, President and CEO, and Richard Roa, Group Business Controller. The presentation will be held on October 22 at 1 p.m. CET and can be followed through a teleconference/audiocast.

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

+46 8 505 583 59 (Sweden)

+44 333 300 08 04 (UK)

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

FINANCIAL CALENDAR

AGM 2019/2020	December 22, 2020
Interim Report, first quarter 2020/2021	December 22, 2020
Interim Report, second quarter 2020/2021	March 25, 2021
Interim Report, third quarter 2020/2021	June 24, 2021
Interim Report, fourth quarter 2020/2021	October 7, 2021

This information is such that RNB RETAIL AND BRANDS AB [publ] is required to disclose according to the EU's Market Abuse Regulation and the Swedish Securities Markets Act. The information was submitted for publication, through the agency of the contact person above on October 22, 2020 at 7 a.m. [CEST].

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

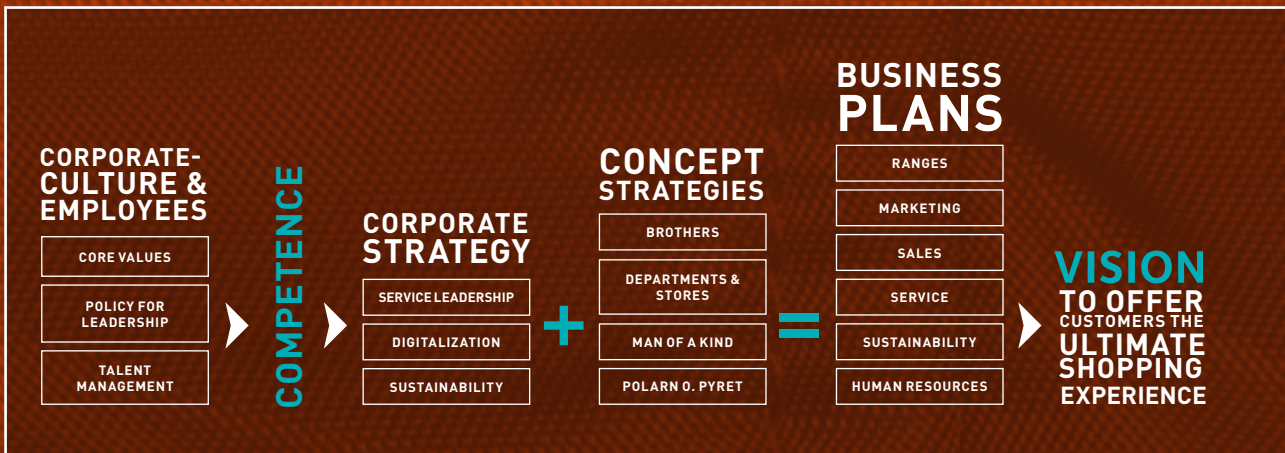
RNB RETAIL AND BRANDS

RNB RETAIL AND BRANDS owns, operates and develops fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics stores and e-commerce that focus on providing excellent service and a world-class shopping experience. Sales are conducted through the concepts Brothers, Departments & Stores, Man of a kind and Polarn O. Pyret. The Group has around 190 stores and e-commerce platforms in 10 countries. RNB RETAIL AND BRANDS is listed on Nasdaq Stockholm (RNBS).

Vision

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

Business model



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

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

Revenue and earnings RNB Group

FOURTH QUARTER, JUNE 1, 2020 – AUGUST 31, 2020

Reported net sales for the Group were SEK 326 M (552) in the fourth quarter. Sales decreased for all concepts in the quarter. Total Group sales for comparable units in Sweden were -35.5 percent compared to (-0.3) in the previous year, and sales decreased by -32.8 percent (-1.3) for all national markets, expressed in SEK.

The gross profit margin for the Group improved to 49.9 percent (43.9), despite a campaign-intensive quarter. Brothers and Man of a Kind improved their gross margins and Polarn O. Pyret maintained its margin.

Total costs decreased significantly in the quarter in year-on-year terms due to substantial cost cuts. In the quarter, provisions were expensed that will partly decrease when the settlements become legally binding.

Depreciation/amortization in the quarter totaled SEK -94 M (-11), of which SEK -82 M related to IFRS 16. During the quarter, restructuring costs totaled SEK 0 M (3).

Operating income was SEK -17 M (-101). IFRS 16 impacted operating income positively by SEK 30 M, corresponding to operating income excluding IFRS 16 of SEK -47 M (-101).

Net financial items totaled SEK -32 M (-6), of which IFRS 16 affected net financial items by SEK -19 M (0). Profit after tax amounted to SEK -50 M (-106).

Market progress in the quarter

According to Stilindex (the Swedish Retail and Wholesale Trade Research Institute), clothing sales in Sweden decreased by -18.4 (+1.3) percent in the quarter. Sales in Finland of men's, women's and children's clothing decreased by -7.4 percent (4.6).

THE PERIOD, SEPTEMBER 1, 2019 - AUGUST 31, 2020

Consolidated net sales totaled SEK 1,784 M (2,267) for the year. Man of a Kind's net sales increased by 12.3 percent in the period and both Polarn O. Pyret's and Brothers' e-commerce sales increased. For comparable units in Sweden, sales were

down by -20.4 percent, and sales decreased by -16.5 (+0.6) percent in SEK terms for all national markets.

The Group's Gross margin decreased to 47.5 percent (49.1) in the period. Man of a Kind returned a higher gross margin year-on-year, while other business areas returned lower gross margins due to increased sales campaigns compared to the previous year. Man of a Kind's net sales also increased in the period.

Total costs, including restructuring costs, decreased in the period year-on-year due to significant cost reductions. Depreciation/amortization in the period totaled SEK -304 M (-47), of which SEK 263 M related to IFRS 16.

During the period, restructuring costs up until February 2020 totaled SEK 12 M (27), these are reported under "Group wide and eliminations". Costs are reported under Other external expenses and personnel expenses.

Operating income was SEK -341 M (-110). IFRS 16 had a positive impact on operating income of SEK 34 M, corresponding to operating income excluding IFRS 16 of SEK -375 M (-110). Goodwill impairment amounted to SEK -184 M in the period.

Net financial items totaled SEK -93 M (-32), of which unrealized gains on currency hedges not affecting cash flow affected net financial items by SEK 0 M (-3) and IFRS 16 by SEK -58 M (0). Profit after tax amounted to SEK -435 M (-142).

Market progress in the period

According to Stilindex (the Swedish Retail and Wholesale Trade Research Institute), clothing sales in Sweden decreased by -12.1 percent (-2.2) in the period. Sales in Finland of men's, women's and children's clothing decreased by -14.9 percent (-1.5).

IFRS 16 and goodwill

In order to enable comparison of the 2019/2020 financial year results with previous years, some financial ratios have been stated excluding IFRS 16 and impairment of goodwill.

Assessment of continued operations

The Board and CEO continuously monitor Group liquidity and financial resources in the short and long term. This quarterly report has been prepared on the basis of the assumption that the company has the ability to continue operations for the coming 12-month period, on a going concern basis. This assumption is based on RNB Retail and Brands AB and its subsidiaries having implemented forceful measures to strengthen the financial position in the period since March. The subsidiaries entered into corporate restructuring on March 23, 2020. The settlement proposals were approved on October 16 and will become legally binding at the beginning of November 2020. These arrangements confer benefits in the first quarter 20/21 that will strengthen the subsidiaries' financial position. Due to the significant negative impact of Covid-19 on clothing sales since March, this has led to decreased sales revenue.

This means that the Group remains dependent on external loan financing from banks. The Group's bank extended the credit limit of SEK 110 M for the period October 1 - December 20, 2020. The Group's liquidity forecast assumes that the current credit limit from the bank remains unchanged.

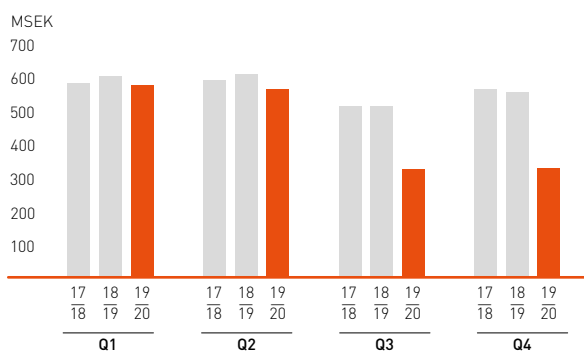
Accordingly, in the Board's and CEO's assessment, given that the proposed restructuring gains have gained legal force, and that the changes implemented generate cash flow as planned, and that the bank credit limit remains unchanged, the Group is expected to have sufficient liquidity and cash flow for continued operations in the coming 12-month period.

Should the above conditions not be satisfied, there is a significant risk to the Group's continued operations.

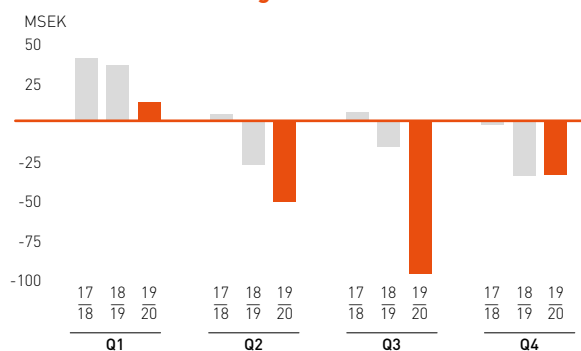
Group overview

	3 months		12 months	Full Year
	Jun 2020 -Aug 2020	Jun 2019 -Aug 2019	Sep 2019 -Aug 2020	Sep 2018 -Aug 2019
Net sales, SEK M	326	552	1,784	2,267
Gross margin, (%)	49.9	43.9	47.5	49.1
Operating income, SEK M	-17	-101	-341	-110
<i>Operating income before restructuring expenses and impairment of goodwill, SEK M</i>	-47	-36	-191	-45
Profit after tax, SEK M	-50	-106	-435	-142
Operating margin (%)	-5.1	-18.2	-19.1	-4.9
<i>Operating margin before restructuring expenses and impairment of goodwill, (%)</i>	-5.1	-6.4	-9.0	-2.0
Earnings per share, SEK	-0.49	-3.13	-5.21	-4.20
Cash flow from operating activities, SEK M	10	-44	245	49
Number of sales points	188	247	188	247

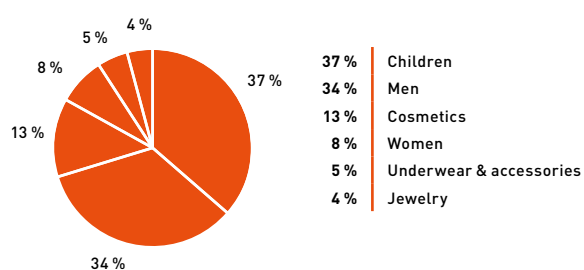
Net sales per quarter



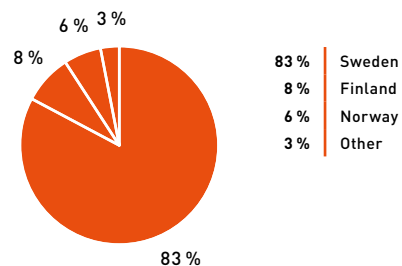
Operating income per quarter before impairment of goodwill



NET SALES 2019/2020 PER PRODUCT CATEGORY, %







NET SALES 2019/2020 PER GEOGRAPHICAL MARKET, %



Financial overview, business areas

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

Business area	Net sales, period, 12 months	Share, %	Operating result, period, excl. IFRS 16 and depreciation of goodwill, 12 months	Own stores		Franchise	
				Stores	E-com	Stores	E-com
BROTHERS	364MSEK	 20%	-83MSEK	Total Sweden Finland	38 38	1 1	5 5
DEPARTMENTS & STORES	739MSEK	 41%	-51MSEK	Total NK Stockholm NK Gothenburg	40 25		15
Man of a kind	25MSEK	 1%	-3MSEK	Total		1	
POLARN O. PYRET	656MSEK	 38%	-28MSEK	Total Sweden Norway Finland England USA Estonia Ireland Scotland Iceland Latvia	66 35 11 18	8 6 1 1	22 6 1 9 2 1 1 1 1
Total	1,784MSEK		-191MSEK		144	10	27
RNB RETAIL AND BRANDS					171 stores	17 e-com	10 countries

Net sales and operating income per business area	3 months		12 months	Full Year
	Jun 2020 -Aug 2020	Jun 2019 -Aug 2019	Sep 2019 -Aug 2020	Sep 2018 -Aug 2019
Net sales, SEK M				
Brothers	70.1	139.1	363.5	539.1
Departments & Stores	142.4	229.4	739.1	919.7
Man of a kind	3.4	7.1	25.2	23.5
Polarn O. Pyret	109.9	176.4	655.7	784.4
Central operations & eliminations	0.0	0.0	0.0	0.0
Total	325.8	552.0	1,783.5	2,266.7
Operating income, SEK M				
Brothers	-7.6	-3.9	-82.9	-12.3
Departments & Stores ¹	-15.9	-6.7	-50.6	16.9
Man of a kind	-0.7	-3.0	-3.1	-13.6
Polarn O. Pyret	-25.6	-12.1	-28.2	20.0
Central operations & eliminations	3.2	-9.8	-25.9	-56.1
Operating income excl. IFRS 16 and depreciation of goodwill¹	-46.5	-35.5	-190.6	-45.1

¹ The group operating result includes depreciation of goodwill relating to Departments & Stores in quarter 4 2018/2019, -65 SEK M and in quarter 3 2019/2020, -141 SEK M. Brothers in quarter 3 2019/2020, -43 SEK M.

BROTHERS

Brothers is a menswear fashion retailer and the number 1 destination when it comes to a smart casual and contemporary way of dressing, for all men no matter where life takes you

FOURTH QUARTER, JUNE 1, 2020 – AUGUST 31, 2020

Net sales in the Brothers business area totaled SEK 70 M (139). Sales in comparable stores in Sweden decreased by - 32.9 percent expressed in SEK. E-commerce increased in the quarter. Net sales from franchise stores were down in the quarter compared to the corresponding period in the previous year. Total brand sales in twelve months amounted to SEK 419 M (603).

The number of paying customers in comparable stores decreased by almost 40 percent in the quarter in year-on-year terms. In e-commerce, visitor numbers continued to increase and the conversion rate also increased.

The business area gross margin improved in the quarter, despite aggressive campaigns at lower prices, due to re-negotiated [cost prices]. All costs have been reviewed and were down significantly in the quarter in year-on-year terms following the rationalizations implemented. The main savings are derived from store rents and personnel costs.

Operating income was SEK -2 M (-4). Operating income excluding IFRS 16 amounted to SEK -8 M (-4).

Inventories were down on the previous quarter and in year-on-year terms, due to decreased purchasing and increased discounting. The company offset the lower sales effectively.

In the quarter, one proprietary store and six franchise stores were closed. Brothers took over one franchise store.

THE PERIOD, SEPTEMBER 1, 2019 - AUGUST 31, 2020

Net sales in the Brothers business area totaled SEK 364 M (539). Sales in comparable stores in Sweden decreased by -24.3 percent expressed in SEK. Net sales from franchise stores were down in the period compared to the corresponding period of the previous year. The number of paying customers in comparable stores was down in the period year-on-year, although the hit rate was higher. In e-commerce, visitor numbers increased and the conversion rate was higher.

Gross margin in the business area was marginally lower in the period year-on-year. Expenses decreased in the period.

Operating income was SEK -116 M (-12) in the period. Operating income, excluding IFRS 16 and Goodwill impairment, was SEK -83 M (-12). Goodwill impairment amounted to SEK -43 M (0).

Inventories were down at year-end, due to decreased purchasing and increased discounting. The company offset the lower sales effectively. In the period, 17 proprietary stores and one e-commerce store were closed, and six franchise stores. In addition, Brothers took over one franchise store.



DEPARTMENTS & STORES

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

FOURTH QUARTER, JUNE 1, 2020 – AUGUST 31, 2020

Net sales in the Departments & Stores business area was SEK 142 M (229), a decrease of -37.9 percent. The number of paying customers in our in-store departments in Stockholm and Gothenburg more than halved year-on-year. Stockholm had the largest reduction in visitor numbers. Foreign tourist visitors decreased by 98 percent in the quarter, both in customer numbers and sales. Average spend per customer was slightly up year-on-year, and the conversion rate increased.

Gross margin decreased year-on-year due to a longer period of sales reductions. Expenses were significantly lower in the quarter in year-on-year terms due to significant cost reductions. The main savings are derived from staff costs, followed by rent.

Operating income was SEK 1 M (-72). Operating income was SEK -16 M (-7), excluding IFRS 16, and goodwill impairment, with an operating margin of -11.2 percent (-2.9).

Business area inventories were lower and with a better mix at the end of the quarter compared to the previous year.

The refurbishment of the department store continues but has been delayed as a result of the Covid-19 outbreak. Morris Lady in Gothenburg closed in the quarter.

THE PERIOD, SEPTEMBER 1, 2019 - AUGUST 31, 2020

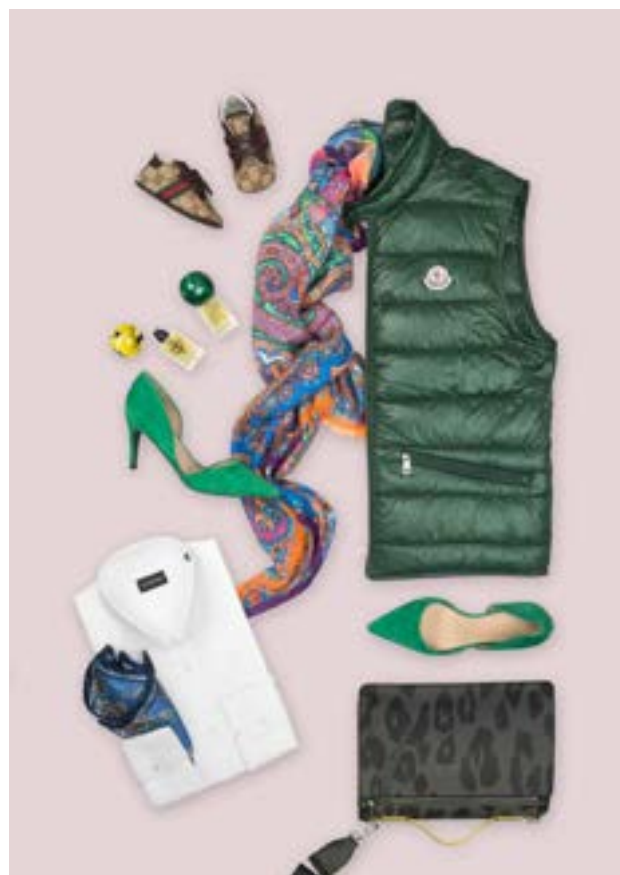
Net sales in the Departments & Stores business area were SEK 739 M (920), a decrease of -19.6 percent. The number of paying customers in the two in-store departments in Stockholm and Gothenburg was down in the period in year-on-year terms, specifically in the third and fourth quarter. Average spend per customer and the conversion rate both increased in the period.

Gross margin decreased year-on-year due to a higher number of campaigns and longer periods of sales reductions. Expenses were lower in the period in year-on-year terms due to the implemented rationalizations.

Operating income was SEK -175 M (-48). Operating income was SEK -51 M (17), excluding IFRS 16, and goodwill impairment, with an operating margin of -6.8 (1.8) percent. Goodwill impairment amounted to SEK -141 M (-65).

Business area inventories were lower and with a better mix at the end of the period compared to the previous year.

The refurbishment of the department store continues but has been delayed as a result of the Covid-19 outbreak. In the period, the business area opened NK Details in Stockholm and Gothenburg. NK Male Grooming in Stockholm relocated to a different floor. A piercing studio opened on the ground floor in Stockholm, with the Swedish jewelry brand Ennui Atelier and NK Hair Bar. In Stockholm, NK Luxury Corner is currently operating in a temporary store space. The Hugo Boss and Boss stores have been completed and have opened, and Byredo has opened its regular store on the ground floor.



Man of a kind

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

FOURTH QUARTER, JUNE 1, 2020 – AUGUST 31, 2020

Net sales in the Man of a kind business area decreased to SEK 3 M (7). Visitor numbers decreased in year-on-year terms. Gross margins were higher year-on-year.

Operating income was SEK -1 M (-3). Operating income was SEK -1 M (-3), excluding IFRS 16.

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

THE PERIOD, SEPTEMBER 1, 2019 - AUGUST 31, 2020

Net sales in the Man of a kind business area increased to SEK 25 M (24). Visitor numbers increased in year-on-year terms and average order value increased. Gross margin was higher year-on-year due to the full price strategy for most of the period, new ranges and brands.

Operating income was SEK -3 M (-14). Operating income was SEK -3 M (-14), excluding IFRS 16.

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

Some of the brands Man of a kind offers online are exclusive to Man of a kind in Sweden, i.e. the brands are not available online through any other retailer.



POLARN O. PYRET

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

FOURTH QUARTER, JUNE 1, 2020 – AUGUST 31, 2020

Net sales totaled SEK 110 M (176) in the quarter. Sales in comparable proprietary stores on all national markets decreased by 13 percent year-on-year, expressed in SEK. Comparable e-commerce increased by 43 percent. PO.P's e-commerce sales were 34 percent on a rolling 12-month basis.

Total brand sales amounted to SEK 806 M (918).

The number of paying customers in comparable physical stores was down by nearly 30 percent in year-on-year terms. The in-store conversion rate increased while average spend per customer decreased. In e-commerce, visitor numbers increased by nearly 50 percent, with a higher conversion rate. Average spend per customer was down slightly. Gross margin in the quarter was in line with the corresponding quarter of the previous year, the gross margin was negatively impacted by campaigns, but was given a boost by the absence of negative exchange rate effects.

Operating expenses were clearly down year-on-year, due to the significant cost savings implemented. Personnel expenses, followed by rents are the two cost items that have decreased most.

Operating income was SEK -19 M (-12). Operating income, excluding IFRS 16, amounted to SEK -26 M (-12) with an operating margin of -23.3 percent (-6.9).

Business area inventories were down at the end of the quarter in year-on-year terms, due to slightly lower purchasing and several successful sales campaigns. The inventory product mix has also improved.

PO.P closed 12 proprietary stores in the quarter, two in Sweden and 10 in Norway. Franchisees closed seven franchise stores.

THE PERIOD, SEPTEMBER 1, 2019 - AUGUST 31, 2020

Net sales totaled SEK 656 M (784) in the period. Sales in comparable proprietary stores on all national markets decreased by -10.8 percent year-on-year, expressed in SEK. The number of paying customers in comparable stores was down in year-on-year terms. The in-store conversion rate decreased while average spend per customer increased. In e-commerce, the number of paying customers was up with a higher conversion rate and a marginally lower average spend per customer.

Gross margin in the period was down marginally in year-on-year terms.

Operating expenses were down in year-on-year terms. Operating income was SEK -22 M (20). Operating income, excluding IFRS 16, amounted to SEK -28 M (20) with an operating margin of -4.3 percent (2.5).

Business area inventories were down at the end of the period in year-on-year terms, due to slightly lower purchasing and several successful sales campaigns. The inventory product mix has also improved. The company closed 31 proprietary stores in the period. Eight franchise stores were closed. The company also opened two new e-commerce sites.



Financial position and liquidity

The Group's total assets amounted to SEK 1,736 M, compared to SEK 1,112 M at the end of the previous financial year. The increase was due to the Group's rental commitments being recognized in the Balance Sheet in accordance with IFRS 16, which was not applied in the previous year.

As of August 31, inventories totaled SEK 379 M, compared to SEK 458 M at the end of the previous financial year.

Cash flow from changes in working capital was positive in the period at SEK 225 M (71). Cash flow from operating activities was SEK 245 M (49) in the period. After investments, cash flow was SEK 215 M (-7).

Net debt increased to SEK 1,159 M, compared to SEK 442 M at the end of the previous financial year. Excluding the IFRS 16 effect, net debt decreased to 334 M (442). The corporate bond with a nominal amount of SEK 400 M is the Group's largest liability and originates from the acquisition of JC in 2006.

SHAREHOLDERS' EQUITY

Group equity was SEK -133 M at the end of the period, against SEK 235 M at the end of the previous financial year, implying an equity/assets ratio of -7.6 percent (21.1) at year-end. Excluding IFRS 16, the equity/assets ratio was -18.9 percent (21.1).

Group equity was negative as of August 31, 2020 due to substantial impairment because of changed assumptions and significant losses in the third quarter. The corporate restructuring is expected to take legal effect, after the expiration of the appeal period, on November 6, 2020, at which time the respective subsidiaries' and the Group's equity will be significantly strengthened by the estimated composition gains. The profits are tentatively estimated at more than SEK 200 million for the Group.

LIQUIDITY

The Group's cash and cash equivalents including overdraft facilities totaled SEK 170 M at the end of the period, compared to SEK 58 M at the end of the previous financial year.

INVESTMENTS AND DEPRECIATION/AMORTIZATION

Investments during the period, excluding investments in subsidiaries, totaled SEK 25 M (60). Depreciation/amortization in the quarter totaled SEK -488 M (-112), of which SEK -184 M (-65) related to goodwill impairment and SEK -263 M related to IFRS 16. For more information see Note 4 and 5.

EMPLOYEES

The average number of employees, recalculated as full time equivalents, was 757 (992) in the period.

RELATED-PARTY TRANSACTIONS

There were no transactions in the financial year between the RNB Group and related parties that materially impacted the Group's financial position and results of operations. For more information on transactions with related parties, see Note 34 of the 2018/2019 Annual Report.

TAX

During the financial year, the Group paid tax totaling SEK 0 M (0). As the company has non-capitalized loss carry-forwards of SEK 779 M at the end of the previous financial year, tax expenses are expected to remain low. For more information, see Note 9 of the 2018/2019 Annual Report.

PARENT COMPANY

Parent Company net sales were SEK 39 M (103). Profit/loss after net financial items was SEK -253 M (-35). Investments totaled SEK 2 M (22).

The Parent Company has receivables due from the subsidiaries. Estimated losses from arrangements with creditors on these receivables were expensed in the third quarter.

SEASONAL VARIATIONS

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

RISKS AND UNCERTAINTIES

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

Financial risks

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

The Parent Company's credit limit of SEK 110 M was extended by three months and runs until December 20, 2020.

The corporate bond with a nominal amount of SEK 400 M runs until February 2023. The corporate restructuring means that certain bond covenants have been breached, although this does not affect maturity. Interest since March 2020 has been expensed but not paid.

Operational risks

- Demand for RNB's products, like general demand in the retail sector, is affected by changes in overall market conditions, consumer behavior and weather patterns.
- Competition from existing and new operators active in RNB's segments.
- Identifying continuously shifting fashion trends and customer preferences.
- Covid-19 will continue to negatively affect sales and profit, although it is difficult to gauge the extent and duration of this impact.
- Three of the Group's subsidiaries are currently undergoing restructuring, which implies increased risk in several areas for these subsidiaries and the Group.

For a more detailed description of the Group's risks and risk management, see the 2018/2019 Annual Report.

RIGHTS ISSUE

In the second quarter, a preferential rights issue raised SEK 74.9 M after issue expenses. The issue increased the company's share capital to SEK 30.5 M, and the number of shares to 101,736,528 and the number of votes to 101,736,528.

REVIEW

This Interim Report has not been subject to review by the Company's Auditors.

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

Stockholm, Sweden, October 22, 2020
The Board of Directors and Chief Executive Officer of
RNB RETAIL AND BRANDS AB (publ)

Michael Lemner
Board member

Per Thunell
Chairman

Joel Lindeman
Board member

Kristian Lustin
President and CEO

Consolidated Income Statement

SEK M	3 months		12 months	Full Year
	Jun 2020 -Aug 2020	Jun 2019 -Aug 2019	Sep 2019 -Aug 2020	Sep 2018 -Aug 2019
Net sales	325.8	552.0	1,783.5	2,266.7
Goods for resale	-163.2	-309.4	-935.6	-1,154.1
Gross income	162.6	242.6	847.9	1,112.6
Other operating income	14.8	5.8	46.8	29.6
Other external expenses	-14.1	-141.3	-279.4	-570.4
Personnel expenses	-86.0	-132.0	-463.6	-570.2
Depreciation and impairment of non-current assets	-94.0	-10.6	-304.2	-46.7
Impairment of goodwill	0.0	-65.0	-184.0	-65.0
Result from divestment of subsidiaries	0.0	0.0	-4.8	0.0
Operating income	-16.7	-100.5	-341.3	-110.1
Financial income	1.0	1.4	2.8	2.2
Financial expenses	-32.9	-7.2	-95.8	-32.0
Unrealized profit/loss on futures contracts	0.0	-0.1	0.0	-2.6
Net financial items	-31.9	-5.9	-93.0	-32.4
Profit before tax from continuing operations	-48.6	-106.4	-434.3	-142.5
Tax on net income for the period	-1.5	0.2	-0.5	0.1
Net income for the period	-50.1	-106.2	-434.8	-142.4
Other comprehensive income				
<i>Other comprehensive income, which will be reclassified to net income in subsequent periods</i>				
Cash flow hedges – value changes	0.0	5.3	4.8	15.2
Cash flow hedges recognised in income	0.0	-8.4	-12.1	-28.4
Translation differences	-0.9	1.0	-0.3	1.2
Tax attributable to items in other comprehensive income	-	-	-	-
Comprehensive income for the period	-51.0	-108.3	-442.4	-154.4
Net income for the period attributable to:				
Parent Company's shareholders	-50.1	-106.2	-434.8	-142.4
	-50.1	-106.2	-434.8	-142.4
Comprehensive income attributable to:				
Parent Company's shareholders	-51.0	-108.3	-442.4	-154.4
	-51.0	-108.3	-442.4	-154.4
Earnings per share before and after dilution (SEK)	-0.49	-3.13	-5.21	-4.20
Average number of shares, (000s)	101,737	33,912	83,391	33,912

Consolidated Balance Sheet, in summary

SEK M	Aug 31, 2020	Aug 31, 2019
Assets		
Intangible assets	191.1	386.3
Tangible assets	73.1	84.8
Right-of-use assets	772.8	0.0
Financial assets	12.5	8.7
Total non-current assets	1049.5	479.8
Inventories	378.6	458.4
Current receivables	146.5	163.1
Cash	161.1	10.6
Total current assets	686.2	632.1
Total assets	1,735.7	1,111.9
Shareholders' equity and liabilities		
Equity attributable to the Parent Company shareholders	-132.5	235.0
Total equity	-132.5	235.0
Long-term lease liabilities	657.0	-
Other non-current liabilities	412.3	422.7
Current lease liabilities	168.0	-
Other current liabilities	630.9	454.2
Total liabilities	1868.2	876.9
Total equity and liabilities	1,735.7	1,111.9

Changes in shareholders' equity, in summary

SEK M	Sep 2019 –Aug 2020	Sep 2018 –Aug 2019
Opening balance	235.0	389.4
Net income for the period	-434.8	-142.4
Other comprehensive income		
Changes to cash flow hedges	4.8	15.2
Cash flow hedges recognised in income	-12.1	-28.4
Translation differences	-0.3	1.2
Total comprehensive income for the year	-442.4	-154.4
Paid dividend	0.0	0.0
Rights issue	74.9	0.0
Balance at end of period	-132.5	235.0

Consolidated Cash Flow Statement, in summary

SEK M	3 months		12 months	Full Year
	Jun 2020 -Aug 2020	Jun 2019 -Aug 2019	Sep 2019 -Aug 2020	Sep 2018 -Aug 2019
Operating activities				
Operating income	-16.7	-100.5	-341.3	-110.1
Interest received and other financial income	-0.5	1.4	1.3	2.2
Interest paid	-19.2	-8.5	-77.1	-29.7
Adjustment for non-cash items	34.2	72.7	437.2	115.3
Tax paid	0.0	0.0	0.0	0.0
Cash flow before change in working capital	-2.2	-34.9	20.1	-22.3
Cash flow from change in working capital				
Change in inventories	-32.1	13.7	64.2	40.3
Decrease (+)/increase (-) in current receivables	-2.2	-29.5	19.6	-3.6
Decrease (-)/increase (+) in current liabilities	46.6	7.1	140.8	34.3
Change in working capital	12.3	-8.7	224.6	71.0
Cash flow from operating activities	10.1	-43.6	244.7	48.7
Cash flow from investing activities	-0.6	-4.0	-29.9	-55.9
Cash flow after investments	9.6	-47.6	214.9	-7.2
Financing activities				
Change in overdraft facility	-5.7	32.9	28.6	6.6
Change in other debt	0.0	0.0	20.0	0.0
Change in corporate bond	0.0	0.0	0.0	0.0
Amortization of loan	0.0	0.0	-20.0	0.0
Amortization of lease liabilities (rental payments)	-20.1	0.0	-168.5	0.0
Rights issue	0.0	0.0	74.9	0.0
Cash flow from financing activities	-25.8	32.9	-65.0	6.6
Cash flow during the period	-16.2	-14.7	149.9	-0.6
Cash and cash equivalents at beginning of period	176.6	25.4	10.6	11.3
Exchange difference in cash and cash equivalents	0.8	-0.1	0.7	-0.1
Cash and cash equivalents at end of period	161.1	10.6	161.1	10.6

Income Statement, Parent Company

SEK M	3 months		12 months	Full Year
	Jun 2020 –Aug 2020	Jun 2019 –Aug 2019	Sep 2019 –Aug 2020	Sep 2018 –Aug 2019
Net sales	12.9	23.7	39.1	103.5
Other operating income	0.5	0.6	2.1	4.8
	13.4	24.3	41.2	108.3
Operating expenses				
Other external expenses	-8.2	-21.4	-43.3	-88.5
Personnel expenses	-1.6	-9.8	-19.1	-58.6
Depreciation and impairment of non-current assets	-1.4	-3.2	-5.7	-17.7
Operating income	2.2	-10.1	-26.9	-56.5
Result from participations in group companies	-9.0	-25.0	-200.8	45.0
Financial income	1.6	1.5	6.5	5.0
Financial expenses	-7.2	-7.4	-32.2	-28.5
Result after financial items	-12.4	-41.0	-253.4	-35.0
Taxes	-	-	-	-
Net income for the period	-12.4	-41.0	-253.4	-35.0

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

Balance Sheet, Parent Company, in summary

SEK M	Aug 31, 2020	Aug 31, 2019
Assets		
Intangible assets	12.1	23.2
Property, plant and equipment	0.7	1.5
Financial assets	462.7	519.3
Deferred tax assets	56.4	202.9
Other current assets	0.0	0.0
Total assets	531.9	746.9
Shareholders' equity and liabilities		
<i>Restricted equity</i>		
Share capital	30.5	203.5
Share premium reserve	54.6	-
<i>Total restricted equity</i>	<i>85.1</i>	<i>203.5</i>
<i>Non-restricted equity</i>		
Retained earnings	213.9	55.6
Net income for the period	-253.4	-35.0
<i>Total non-restricted equity</i>	<i>-39.5</i>	<i>20.6</i>
Total equity	45.6	224.1
Non-current liabilities	412.3	399.9
Current liabilities	74.0	122.9
Total equity and liabilities	531.9	746.9

Notes

NOTE 1 ACCOUNTING PRINCIPLES

This report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Annual Accounts Act. The Interim Report for the Parent Company has been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2—Accounting for Legal Entities. The accounting policies applied correspond to the information provided in the Annual Report 2018/2019, with the exception that the Group from September 1, 2019 applies IFRS 16. Disclosures in accordance with IAS 34. 16A appear in addition to the financial statements and their accompanying notes in other parts of this interim report.

This report includes critical estimates and judgments. For more information, see Note 2 of the Annual Report for 2018/2019.

The government guarantee scheme for staff salaries has not affected the recognized salary expenses. These have been included in the arrangements with creditors and are subject to approval. However, the companies are not held liable for social security expenses for these salary costs and unlike salaries, these costs have not been expensed.

Gross profit is reported separately in the Interim Report, diverging from the presentation in the Annual Report.

In the financial summary on page 8 of this report, operating income has been reported exclusive of IFRS 16 and goodwill impairment.

New IFRS standards issued but not yet applied

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. The Group uses the Accounting for covid-19 lease modifications rule that has been introduced by IASB in IFRS 16 and approved by the EU.

NOTE 2 FINANCIAL ASSETS AND LIABILITIES VALUED AT FAIR VALUE

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

The Group uses derivative instruments to manage currency risks in USD and EUR. The reporting applies hedge accounting when there is an effective link between hedged future cash flows and financial derivatives. The Group had no financial derivatives outstanding as of 31 August 2020 (SEK 7 M).

NOTE 3 LEASE AGREEMENTS IFRS 16

From September 1, 2019, RNB applies the standard IFRS 16 Leases, whereby lease agreements are reported in the Balance Sheet and all lease expenses are reported as amortization and interest expenses (the company applies exemptions, for more information see paragraph 3 below). The Group's lease agreements are mainly rent agreements for store premises. The lease period is determined by the contractual non-cancellable period governing extension or expected cancellation of the agreement. If it cannot be determined with reasonable certainty that an extension or cancellation will take place, the extension is not included in the calculation of the lease liability. Rent agreements are reviewed continuously, most recently on August 31, 2020.

The main effects of IFRS 16 are:

EBITDA: positive effect as all lease expenses are reported as amortization and interest expenses (outside EBITDA). Previously, operating lease agreements were reported as operating expenses in EBITDA.

Equity: no effect because the increase in rights-in-use (lease contracts) corresponds to the increase in lease liabilities.

Net debt: increases significantly due to the increase in lease liabilities. The increase corresponds to the lease liability.

Cash flow: no effect on total cash flow.

RNB applies IFRS 16's modified retrospective transition approach, which means that comparative figures have not been restated, in accordance with IFRS 16.C5(b). The right-of-use asset has been recognized according to the principle described in IFRS 16.C8(b.ii), i.e. at an amount corresponding to the lease liability adjusted for prepaid or accrued expenses. Comparative figures have not been restated. RNB also applies the practical exemptions regarding reporting payments attributable to short-term lease agreements and lease agreements for assets of low value as an expense in the Income Statement.

The transition to IFRS 16 had the following effects on the Group's Balance Sheet as of September 1, 2019.

Operating lease commitments as of August 31, 2019	698,006
Discounting using the Group's weighted average marginal interest rate on borrowing of 1.74 percent.	-49,203
Additional liabilities for financial leases as of August 31, 2019	0
Less: short-term lease agreements and lease agreements where the underlying asset has a low value which has been expensed linearly	-6,815
Additional adjustments due to judgments regarding utilization of extension options or canceled agreements	564,535
Lease liabilities as of September 1, 2019	1,206,523

In cases where rental discounts have been obtained and falls under the Accounting for covid-19 lease modification rule, these discounts have not affected IFRS 16 calculations. In cases where rental discounts have been obtained and do not fall under this rule, these discounts have reduced the value of lease assets and lease liabilities, and depreciation/amortization and interest have been decreased.

NOTE 4 GOODWILL IMPAIRMENT

Group	Aug 31, 20	Aug 31, 19
Opening cost	335,229	399,723
Purchases in the year		
Impairment in the year	-184,000	-65,000
Translation difference	-86	506
Closing accumulated cost	151,143	335,229

Goodwill item allocated by segment:

	Aug 31, 20	Aug 31, 19
Brothers	54,668	97,668
Departments & Stores	27,445	168,445
Polarn O. Pyret	69,030	69,116
Closing accumulated cost	151,143	335,229

Impairment testing of goodwill

Impairment testing is carried out by calculating the value-in-use on a segment by segment basis. The calculations are based on forecasts of cash flows over the period based on the budget, forecasts and strategic plans generated during April-May and Aug 2020. The key parameters are revenue, operating income, working capital, investments and WACC. 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 0.2 percent (0.2). This is based on an assessment of the future long-term market growth rate at the time of impairment testing. Forecast cash flows have been calculated at present value based on a discount rate of 11.0 percent (9.0) after tax. The discount rate reflects the market assessment of monetary values over time and the specific risks that pertain to the asset for which estimates of future cash flows have not been adjusted. A higher discount rate has been applied as a result of higher applied risk premiums due to increased uncertainty in the market climate. All operating segments are deemed to have a similar risk profile, which is why the same discount rate is used.

Outcome from impairment testing in the quarter

Impairment testing in the quarter did not result in goodwill impairment. Departments & Stores' impairment testing resulted in a value close to the boundary for goodwill impairment. Sensitivity analyses for the assumptions used in the test to indicate what impacts the value can be found below.

Sensitivity analysis Departments & Stores

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

A lower annual growth rate and a higher discount rate imply an impairment need for the recognized value of goodwill. In order to justify the book value of goodwill, the segment would require sustainable operating income of some SEK 24 M, corresponding to sustainable cash flow of some 19 M. A negative departure of SEK 10 M from sustainable operating income of SEK 24 M would affect the value of goodwill by in the range of SEK 50 M.

Other key assumptions Departments & Stores

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

Sales

Over the last five years, visitor and customer numbers in the Departments & Stores operating segment have declined. Several significant factors influence department store sales. The Covid-19 pandemic more than halved paying customer numbers in the third and fourth quarter 2019/2020, and virtually all [non-Europe] tourist visitors disappeared. Extensive construction work has been carried out in central Stockholm, and directly adjacent to the department store, since 2014. This has negatively affected the shopping experience and pedestrian traffic in the area around the department store. The district of Brunkebergstorg is being regenerated as a social hub in central Stockholm. Over the last five years, the Gallerian shopping mall has undergone a major transformation as part of the extensive development project Urban Escape. The Sergelstan refurbishment project is a project that encompasses three buildings to be developed into offices, a hotel, retail spaces and residences. Hamngatspalatset, which is expected to offer both office space and shops, adjacent to the NK department store.

The purchasing patterns of modern customers show a growing trend towards e-commerce. NK opened e-commerce operations in September 2020, although Departments & Stores' operations have not yet been included. As of the reporting date, e-commerce would not have compensated for lower customer numbers and visitors

Gross margins

A sensitivity analysis regarding the impact of gross margin on sustainable operating income indicates that a decrease in gross margin of 1 percentage point forecast affects sustainable operating income negatively by just under SEK 9.3 M, which would generate a need for impairment for Department & Stores in the event of such a scenario.

Costs

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

Personnel expenses

Forecast personnel expenses are based on forecast inflation, a degree of growth in real wages and planned rationalizations.

Personnel expenses are one of Departments & Stores' two largest cost items, corresponding to 44 percent of total costs. A change in personnel costs of 1% annually would affect sustainable operating income by SEK 1.7 M.

Cost of premises

The anticipated cost of premises is based on forecast inflation, rent adjustments and renegotiated contracts. The cost of premises corresponds to just over 44 percent of Departments & Stores' total costs. A change of 1 percent annually would affect sustainable operating income by some SEK 1.7 M.

NOTE 5 IMPAIRMENT TESTING OF VALUE OF SHARES IN SUBSIDIARIES

Parent Company	Aug 31, 20	Aug 31, 19
Opening cost	511,704	561,704
Depreciation and amortization in the year	-49,000	-50,000
Closing accumulated cost	462,704	511,704

Shares in subsidiaries by segment:

	Aug 31, 20	Aug 31, 19
Brothers	146,000	185,000
Departments & Stores	210,654	220,654
Polarn O. Pyret	106,000	106,000
Closing accumulated cost	462,704	511,704

Book value of shares in subsidiaries corresponds to book value of acquired companies in Parent Company reporting and shall be recognized at fair value according to IFRS.

Impairment testing of value of shares in subsidiaries

Impairment testing proceeds from the same valuation models and the same estimated value of cash generating units that have been applied in the calculation of Group goodwill (for more information, see Note 4).

Outcome from impairment testing of goodwill in the quarter

Impairment testing carried out resulted in impairment of shares in subsidiaries totaling SEK 10 M for Departments & Stores. In addition to the valuation of future cash flows, impairment testing also takes into account net debt for the segment and the fair value of shares. Testing is carried out on the basis of the value of future cash flows, less net debt, and comparing the result with the recognized value of the shares.

NOTE 6 COMPANIES THAT ARE NO LONGER CONSOLIDATED IN THE GROUP

After Brothers Oy entered into liquidation, RNB has made the assessment that the company is no longer under the Group's influence. This means that the company is no longer consolidated in the Group from April 17. The expected loss of SEK -4.8 M from the liquidation implies for RNB has been recognized under "Profit/loss from divestment of subsidiaries" in the Consolidated Income Statement.

NOTE 7 IFRS 15 REVENUE RECOGNITION

See page 7 for revenue recognition by segment and product category.

Key ratios

SEK M	Sep 2019 -aug 2020	Sep 2018 -aug 2019
Gross margin, %	47.5	49.1
Operating margin, %	-19.1	-4.9
Operating margin, excl. IFRS 16, %	-21.0	-4.9
Equity/assets ratio, %	-7.6	21.1
Equity/assets ratio, excl. IFRS 16, %	-18.9	21.1
Interest coverage ratio, x	-3.5	-3.1
Ratio of net debt and operating income before depreciation/amortization	7.9	276.4
Net debt, MSEK	1,159.0	442.3
Net debt/equity ratio, %	-874.7	188.2
Return on equity, %	-848.4	-45.6
Return on capital employed, %	-41.6	-14.2
Average number of shares, 000s	83,391	33,912
Number of shares at end of period, 000s	101,737	33,912
Profit after tax per share, SEK	-5.21	-4.20
Equity per share at end of period, SEK	-1.30	6.93
Average number of employees, full time	757	992

See Definition of key ratios at page 25

Shareholders

Largest shareholders as of August 31, 2020

	Number of shares	Share capital/ Votes, %
Konsumentföreningen Stockholm	41,832,649	41.1
Novobis AB	11,957,790	11.8
Nordnet pensionsförsäkring AB	4,029,560	4.0
Avanza Pension Försäkringsaktiebolaget	2,411,252	2.4
Strategiq Capital AB	2,100,000	2.1
SEB Investment Management	1,885,670	1.9
Magnus Jansson	1,050,070	1.0
Gynningskust Holding AB	718,160	0.7
Lars-Erik Harvig	649,000	0.6
Hans Christer Artursson	607,409	0.6
Total 10 largest shareholders	67,241,560	66.2
Other	34,494,968	33.8
Total	101,736,528	100.0

Source: Euroclear Sweden AB

Income Statement per quarter, Group

SEK M	Q4		Q3		Q2		Q1	
	2019/ 2020	2018/ 2019	2019/ 2020	2018/ 2019	2019/ 2020	2018/ 2019	2019/ 2020	2018/ 2019
Net sales	325.8	552.0	324.1	511.3	560.9	603.9	572.7	599.5
Goods for resale	-163.2	-309.4	-186.0	-244.3	-319.9	-323.9	-266.5	-276.5
Gross income	162.6	242.6	138.1	267.0	241.0	280.0	306.2	323.0
Other operating income	14.8	5.8	14.6	9.3	9.5	7.9	7.9	6.6
Other external expenses	-14.1	-141.3	-95.8	-145.5	-79.9	-142.3	-89.6	-141.3
Personnel expenses	-86.0	-132.0	-98.4	-137.8	-144.1	-158.4	-135.1	-142.0
Depreciation and impairment of non-current assets	-94.0	-10.6	-54.2	-9.9	-78.2	-15.5	-77.8	-10.7
Impairment of goodwill	0.0	-65.0	-184.0	-	0.0	-	0.0	-
Result from divestment of subsidiaries	0.0	-	-4.8	-	-	-	-	-
Operating income	-16.7	-100.5	-284.5	-16.9	-51.7	-28.3	11.6	35.6
Financial income	1.0	1.4	0.6	0.1	-0.1	0.0	1.3	0.7
Financial expenses	-32.9	-7.2	-34.6	-8.4	-12.1	-7.5	-16.2	-8.9
Unrealized profit/loss on futures contracts	0.0	-0.1	0.0	0.1	0.0	-0.8	0.0	-1.8
Net financial items	-31.9	-5.9	-34.0	-8.2	-12.2	-8.3	-14.9	-10.0
Profit before tax from continuing operations	-48.6	-106.4	-318.5	-25.1	-63.9	-36.6	-3.3	25.6
Tax on net income for the quarter	-1.5	0.2	0.8	-1.8	0.8	1.9	-0.6	-0.2
Net income for the quarter	-50.1	-106.2	-317.7	-26.9	-63.1	-34.7	-3.9	25.4
Other comprehensive income								
Other comprehensive income, to be reclassified to net income in subsequent quarters								
Cash flow hedges – value changes	0.0	5.3	8.8	5.2	4.2	6.0	-8.2	-1.3
Cash flow hedges recognised in income	0.0	-8.4	-6.7	-7.8	-1.0	-5.9	-4.4	-6.3
Translation differences	-0.9	1.0	0.7	0.2	0.8	-0.9	-0.9	0.9
Tax attributable to items in other comprehensive income	-	-	-	-	-	-	-	-
Comprehensive income for the quarter	-51.0	-108.3	-314.9	-29.3	-59.1	-35.5	-17.4	18.7

Key ratios per quarter

SEK M	Q4		Q3		Q2		Q1	
	2019/ 2020	2018/ 2019	2019/ 2020	2018/ 2019	2019/ 2020	2018/ 2019	2019/ 2020	2018/ 2019
Gross margin, %	49.9	43.9	42.6	52.2	43.0	46.4	53.5	53.9
Operating margin, %	-5.1	-18.2	-87.8	-3.3	-9.2	-4.7	2.0	5.9
Return on equity, %	46.8	-36.7	-418.3	-7.5	-27.7	-8.9	-1.7	6.4
Average number of shares, 000s	101,737	33,912	101,737	33,912	95,774	33,912	33,912	33,912
Number of shares at end of quarter, 000s	101,737	33,912	101,737	33,912	101,737	33,912	33,912	33,912
Profit after tax per share, SEK	-0.49	-3.13	-3.12	-0.79	-0.66	-1.02	-0.12	0.75
Equity per share at end of quarter, SEK	-1.30	6.93	-0.80	10.12	2.29	10.99	6.53	12.03
Total equity	-132.5	235.0	-81.5	343.3	233.4	372.6	221.5	408.1
Cash flow per share from operating activities	0.5	-1.3	1.4	0.5	-0.3	0.8	-1.3	1.4
Cash flow from operating activities	10.1	-42.6	147.0	18.4	-31.8	27.0	-42.6	46.9
Share price at end of quarter, SEK	0.7	3.8	0.4	4.7	1.0	6.0	1.3	6.7

Reconciliation of key ratios

SEK M	12 months Sep 2019 –Aug 2020	Full Year Sep 2018 –Aug 2019
Net sales	1,783.5	2,266.7
Goods for resale	-935.6	-1,154.1
Gross profit	847.9	1,112.6
Other operating income	46.8	29.6
Other external expenses	-279.4	-570.4
Personnel expenses	-463.6	-570.2
Depreciation and impairment of non-current assets	-304.2	-46.7
Impairment of goodwill	-184.0	-65.0
Result from divestment of subsidiaries	-4.8	-
Operating income (EBIT)	-341.3	-110.1
Interest income and similar profit/loss items	2.8	2.2
Interest expenses and similar profit/loss items	-95.8	-32.0
Unrealized profit/loss on futures contracts	0.0	-2.6
Net financial items	-93.0	-32.4
Profit/loss after financial items	-434.3	-142.5
Adjustments:		
Tax on net profit/loss for the period	-0.5	0.1
Net income for the period	-434.8	-142.4
Operating income	-341.3	-110.1
Depreciation and impairment of non-current assets	304.2	46.7
Impairment of goodwill	184.0	65.0
Operating income before depreciation, amortization and impairment of non-current assets (EBITDA)	146.9	1.6
Other operating income	-341.3	-110.1
Other external expenses IFRS 16	-296.5	-
Depreciation and impairment of right-of-use assets	263.2	-
Impairment of goodwill	184.0	65.0
Operating income before IFRS 16 and impairment of goodwill	-190.6	-45.1

Reconciliation of key ratios, cont.

SEK M	12 months Sep 2019 –Aug 2020	Full Year Sep 2018 –Aug 2019
Loans	0.0	0.0
Contingent consideration	0.0	22.8
Other non-current interest-bearing liabilities	412.3	397.2
Other non-current liabilities	0.0	2.7
Long-term lease liabilities	657.0	0.0
Non-current liabilities	1,069.3	422.7
Loans	0.0	0.0
Contingent consideration	21.3	22.8
Long-term lease liabilities	657.0	0.0
Other non-current interest-bearing liabilities	412.3	397.2
Current lease liabilities	168.0	0.0
Other current interest-bearing liabilities	61.5	32.9
Cash and cash equivalents	-161.1	-10.6
Net debt	1,159.0	442.3
Equity, opening balance	235.0	389.4
Equity, closing balance	-132.5	235.0
Average equity	51.3	312.2
Total assets	1,735.7	1,111.9
Trade payables	-228.0	-215.2
Current lease liabilities	-168.0	-0.0
Other current liabilities	-402.9	-239.0
Capital employed	936.8	657.7
Net income for the period	-434.8	-142.4
Average equity	51.3	312.2
Return on equity, %	-848.4	-45.6
Capital employed, opening balance	690.6	834.2
Capital employed, closing balance	936.8	657.7
Average capital employed	813.7	746.0
Interest expenses and similar profit/loss items	-95.8	-32.0
Unrealized expense on futures contracts	0.0	-2.6
Profit before tax from continuing operations	-434.3	-142.5
Average capital employed	813.7	746.0
Return on capital employed, %	-41.6	-14.5
Operating income	-341.3	-110.1
Interest income and similar profit/loss items	2.8	2.2
Unrealized income on futures contracts	0.0	0.0
Profit/loss after financial income	-338.5	-107.9

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 of operations 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 net 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.

Operating margin excluding IFRS 16

Operating profit excluding effects of the IFRS 16 reporting standard as a percentage of net sales (this KPI includes lease charges as an operating expense and not as depreciation/amortization and interest expenses.

Purpose: The measure is used to measure operational profitability and illustrate the effect of the relatively new reporting standard IFRS 16, thus facilitating comparability with earlier periods.

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.

Equity/assets ratio excluding IFRS 16

Equity in relation to total assets excluding effects from the reporting standard IFRS 16. (This KPI does not include lease contracts as an asset/liability in the Balance Sheet)

Purpose: Equity/assets illustrates the proportion of assets financed by equity. Removing the effect of the IFRS 16 reporting standard from the KPI facilitates comparability with previous periods.

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 excluding IFRS 16

Loans and other non-current and current interest-bearing liabilities less financial assets including cash and cash equivalents, excluding the effect of IFRS 16. The KPI does not include lease contracts as an asset/liability in the Balance Sheet.

Purpose: Net debt illustrates the ability to pay off interest-bearing liabilities using available liquid funds if due on the date of calculation. Removing the effect from the IFRS 16 reporting standard from the KPI facilitates comparability with previous periods.

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.

Ratio of net debt and operating income before depreciation/amortization

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

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

SHARE-BASED METRICS

Equity per share

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

Purpose: The measure illustrates shareholders' equity per share.

Earnings per share

Net income divided by the weighted average number of shares 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.

Sales points

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

The Swedish Retail and Wholesale Trade Research Institute.

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

Total expenses

Total expenses include: other external expenses, personnel expenses and depreciation/amortization.

Total brand sales

Total sales in proprietary stores and franchisee stores to consumers, excluding sales tax, on all markets, measured on a rolling 12-month basis.

Restructuring expenses

Restructuring expenses are expenses attributable to the separation and disposal project agreed at the AGM December 20, 2018.

Operating profit before restructuring costs

Operating profit according to the Income Statement, excluding costs related to the separation and disposal project agreed at the AGM December 20, 2018.

Operating income before restructuring impairment of goodwill

Operating profit according to the Income Statement, excluding costs related to the separation and disposal project agreed at the AGM 20 December 2018, including goodwill impairment.

Operating profit excluding IIFRS 16

Operating profit according to the Income Statement adjusted for the effect of the IFRS 16 reporting standard. (This KPI includes lease expenses as an operating expense and not as a cost for depreciation/amortization and interest expenses)

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