

# RNB

## INTERIM REPORT

1 SEPTEMBER 2014 – 28 FEBRUARY 2015

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**RNB** RETAIL AND BRANDS

**POLARN O. PYRET**

DEPARTMENTS & STORES

**BROTHERS**

# The Group's performance 2014/2015

RNB Retail and Brands positive trend of profit improvements is continuing – for the second quarter 2014/15, RNB reports positive operating income of SEK 17 M, an improvement of SEK 15 M in total compared to the previous year. The second quarter 2014/2015 was the company's fourth consecutive quarter with better sales than the market. Sales volume during the quarter for the three concepts amounted to between 14 and 18 percent.

## SECOND QUARTER, DECEMBER 1, 2014 – FEBRUARY 28, 2015 IN SUMMARY

- Sales in comparable stores increased during the quarter by +15.3%, compared to the market's increase of +1.9% (Swedish Retail and Wholesale Trade Research Institute (HUI)).
- Net sales amounted to SEK 578 M (502).
- Operating income totaled SEK 17 M (2), corresponding to an operating margin of 3.0 per cent (0.4).
- Profit before tax amounted to SEK 23 M (-2).
- Profit after tax amounted to SEK 23 M (-2), corresponding to SEK 0.67 (-0.06) per share.
- Cash flow from operating activities was SEK 24 M (42).
- During the quarter, RNB entered into an agreement on extension of the business financing (SEK 200 M) from the company's main owner, Konsumentföreningen in Stockholm. The agreement implies a possibility to extend the financing by one year, from 2016 to 2017.
- During the quarter, Kristian Lustin was employed as new CFO of RNB Retail and Brands. Kristian replaces Stefan Danieli.

## THE PERIOD, SEPTEMBER 1, 2014 – FEBRUARY 28, 2015 IN SUMMARY

- Net sales amounted to SEK 1,087m (1,096, including divested operation (JC)).
- Operating income amounted to SEK 40 M (11, including divested operation (JC)), corresponding to an operating margin of 3.7 per cent (1.0).
- Operating income for the latest 12-month period totaled SEK 30 M (3).
- Profit before tax amounted to SEK 45 M (5, including divested operation (JC)).
- Profit after tax amounted to SEK 45 M (4, including divested operation (JC)), which corresponds to SEK 1.32 (0.13) per share.
- Cash flow from operating activities was SEK 30 M (22).
- During the period, RNB entered into an agreement on extension of the business financing (SEK 200 M) from the company's main owner, Konsumentföreningen Stockholm. The agreement implies a possibility to extend the financing by one year, from 2016 to 2017.

## CONTACT

Magnus Håkansson, President +46 (0)768 87 20 02  
Stefan Danieli, CFO +46 (0)768 87 22 25

## PRESS AND ANALYST MEETING

RNB will hold a press and analyst conference in connection with publication of today's interim report for the second quarter 2014/2015. The conference will be held at the company's premises at Regeringsgatan 29, today, March 26, 2015 at 9.30 a.m.

## FINANCIAL CALENDAR

Interim report, third quarter 2014/2015 June 23 2015  
Year-end report 2014/2015 October 22 2015

The information is such that RNB RETAIL AND BRANDS AB (publ) is required to disclose under Sweden's Securities Market Act and/or Financial Instruments Trading Act. It was released for publication at 7.30 am CET on March 26, 2015.

Both an English version and a Swedish version of this report have been prepared. In the event of a difference between the two reports, the Swedish version shall prevail.

# Comments from the CEO

## THE STRONG TREND IS CONTINUING

The positive trend with increasing sales and improved operating income is continuing. In the second quarter 2014/2015, RNB displayed positive operating income of SEK 17 M, which was an overall improvement of SEK 15 M compared to the second quarter of the previous year. Operating income for the first two quarters of the year amounted to SEK 40 M, an improvement of SEK 29 M compared to the year-earlier period.

## ATTRACTIVE COLLECTIONS

The RNB Group's sales in comparable stores increased by 15.3 percent during the second quarter, which was considerably better than the market, which showed an increase of 1.9 percent according to the Swedish Retail and Wholesale Trade Research Institute (HUI). All three concepts performed significantly better than the market during the period as a whole and displayed double-digit growth. Our customers have confirmed the success of the fall and winter collections and both the marketing and display of garments in the stores worked well, which contributed to the positive earnings trend.

Early in the quarter, we saw relatively high inventory levels, which had a positive impact on sales during the period. The strong sales during the year contributed to normalising inventory levels again and by the end of the second quarter we had lower inventory levels of good quality.

The Christmas trade, which is so important for our industry, developed strongly. In December, we increased our sales by 13.8 percent, mainly due to strong assortment, effective campaigns and high product demand.

## AGGRESSIVE EFFORTS ARE DELIVERING INCREASED MARKET SHARES

Brothers as a concept has been strengthened in a number of areas and we can now be more aggressive because of this. The coordination between the product categories and marketing can be improved further as well as product presentation and sales activities in stores. These are areas in which we are focusing our aggressive efforts. In light of this, I expect that Brothers will continue to capture market shares in the coming quarters.

In the case of Polarn O. Pyret, we are continuing to capture market shares in relevant segments in Sweden. The campaigns during the Christmas period were effective and generated traffic to the stores. The breadth in the range was an important contributor to the strong sales during the entire period. In Norway, we are no longer seeing the negative earnings effects, which had an adverse impact on Polarn O. Pyret's operations early in the 2014 calendar year. The operations in Holland are also improving gradually, both in terms of sales and earnings. We are in the final phase in implementing the improvements and we will see some further improvements in earnings going forward, both in the Norwegian and Dutch operations.

The Departments & Stores business area also reported another strong quarter. We saw some decrease in traffic during the period at NK in Stockholm but the investments we made in renewal of retail space more than compensated for the reduced traffic through a higher sales rate and an increase

in the average spend. Our focus on continual improvements in sales management is continuing to bear fruit, which also contributed to the positive performance in the business area.

## HIGHER TEMPO IN IMPROVEMENTS

The sharply improved operating income during the first two quarters of the year has given us greater security in the work on making improvements and we have therefore been able to gradually increase the pace of implementation. We have very strong teamwork and the entire organisation is cooperating to implement the plans and to advance our value proposition with a focus on service content and on developing e-commerce along with digital communication.

However, my view is that just like most of the players in our sector, we will see some negative effects on gross margins during the fall, mainly due to the strengthening of the US dollar, but also of the euro, against the Swedish krona. We have an advanced hedging policy and we are focusing actively on offsetting these negative effects. I am convinced that we will continue to improve our operating income. However, the sharp changes in our most important currency relationships mean that the rate of improvement in the Group's results will moderate during the second half of 2015.

In the previous quarter, I estimated that the coming year will be characterised by a continued strong market climate that will support a continued positive sales trend. Combined with a higher tempo in implementing improvements, this gives us a good basis for reaching our long-term financial goal of an operating margin of five per cent for the Group. We have already made progress - during the latest rolling 12-month period, the RNB Group displayed operating income of SEK 30 M, corresponding to an margin of 1.5 per cent.

Magnus Håkansson  
President and CEO





# BROTHERS

## DEPARTMENTS & STORES

### POLARN O. PYRET

RNB RETAIL AND BRANDS owns, operates and develops fashion, ready-to-wear clothing, accessories, jewelry and cosmetics stores that focus on providing excellent service and a world-class shopping experience. RNB has operations in 11 countries. The total number of stores in the RNB Group amounts to 268, of which 82 are operated by franchisees. The RNB RETAIL AND BRANDS share has been listed on the NASDAQ Stockholm Exchange since 2001 in the Small Cap segment, retail sector under the ticker RNBS.

The store concept strategy is to offer attractive and target-group-oriented ranges of fashion and accessories in major cities, towns and shopping

centers. The Brothers business area is a volume-oriented comprehensive concept for men and offers a mix of strong proprietary and external brands.

In the Department & Stores business area, rnb focuses on the customer interface and on providing high-quality product ranges and store environments. The stores offer fashion for women, men and children, as well as accessories, jewelry and cosmetics for customers demanding top-class service and quality. Sales are conducted in the NK department stores in Stockholm and Gothenburg.

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 a growing international presence.



# Revenue and earnings, RNB Group

## **SECOND QUARTER, DECEMBER 1, 2014 – FEBRUARY 28, 2015**

Reported net sales for the Group's concepts during the second quarter of the year increased, from SEK 502 M in the previous year to SEK 578 in the second quarter of this year, equivalent to an increase of 15.2 percent. The sales trend during the quarter was positive for RNB overall. For comparable stores in Sweden, the increase was 15.3 percent (HUI +1.9 percent).

Gross margin during the quarter for RNB's operations was 47.6 percent (49.7), with improvements compared to the previous year in Brothers, while Polarn O. Pyret and Departments & Stores displayed slightly weaker margins. All concepts have been successful in terms of Christmas sales, clearance sales and with their early spring sales. Polarn O. Pyret and Departments & Stores had a higher level of activity during the clearance sale period compared to the previous year due to increased product demand. Recognised currency effects during the quarter were limited for the Group overall.

Total gross profit for the Group rose compared to the previous year, while other revenue increased. Total overhead costs increased compared to the previous year, mainly due to the acquired Norwegian operations in Polarn O. Pyret. In addition, Departments & Stores was affected by increased costs as a consequence of high sales.

Operating income totaled SEK 17 M (2).

Financial expenses amounted to SEK -3 M (-3) and profit before tax amounted to SEK 23 M (-2).

Profit after tax amounted to SEK 21 M (-2).

Unrealized results on futures contracts affected earnings by SEK 8 M (-1).

## **THE PERIOD, SEPTEMBER 1, 2014 – FEBRUARY 28, 2015**

Reported net sales for the Group's remaining concepts during the period increased, from SEK 986 M in the previous year to SEK 1,087 in the same period this year, equivalent to an increase of 10.3 percent. Compared to the year-earlier period (including JC), net sales decreased from SEK 1,096 M to SEK 1,087 M.

Gross margin during the period for remaining operations was 50.8 percent (51.0), with improvements compared to the previous year for Brothers and Polarn O. Pyret. In the Polarn O. Pyret business area, the improved gross margin was explained by sales in Norway shifting from franchise to sales via proprietary stores.

Total gross profit for the Group rose compared to the previous year, while other revenue increased. Total overhead costs increased compared to the previous year, mainly due to the acquired Norwegian operations in Polarn O. Pyret.

Operating income amounted to SEK 40 M (11, including divested operation (JC)).

Financial expenses amounted to SEK -7 M (-6) and profit before tax, including divested operation (JC), amounted to SEK 45 M (5). Profit after tax including divested operation amounted to SEK 43 M (4).

Unrealized results on futures contracts affected earnings by SEK 9 M (-1).

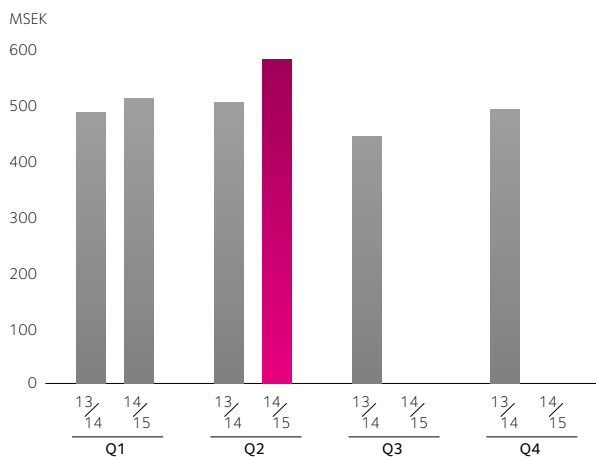
**Group overview**, excluding the divested operation (JC)

	Q2		6 months Sep - Feb		Full year	
	2014/ 2015	2013/ 2014	2014/ 2015	2013/ 2014	Latest 12 months	2013/ 2014
Net sales, SEK M	578	502	1,087	1,096	2,019	2,028
Gross margin (%)	47.6	49.7	50.8	50.8	50.9	50.90
Operating income excluding non-recurring items, writedown of Trademark & Goodwill and loss on sale of subsidiary, SEK M	17	2	40	14	30	3
Writedown of goodwill and trademark	-	-	-	-	-151	-151
Result on sale of subsidiary	-	-	-	-3	-	-3
Operating income, SEK M	17	2	40	11	-121	-151
Profit before tax, SEK M	23	-2	45	5	-121	-161
Profit after tax, SEK M	23	-2	45	4	-120	-161
Operating margin (%)	3.0	0.4	3.7	1.0	-6.0	-7.4
Earnings per share, SEK	0.67	-0.06	1.32	0.13	-3.54	-4.75
Cash flow from operating activities, SEK M	24	42	30	22	2	-6
Number of stores	268	267				267

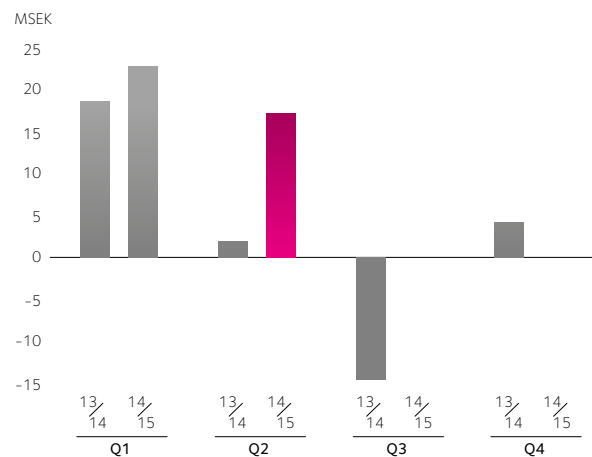
**Group overview**, including the divested operation (JC)

	Q2		6 months Sep - Feb		Full year	
	2014/ 2015	2013/ 2014	2014/ 2015	2013/ 2014	Latest 12 months	2013/ 2014
Net sales, SEK M	578	502	1,087	986	2,019	1,917
Gross margin (%)	47.6	49.7	50.8	51.0	50.9	51.0
Operating income excluding non-recurring items, writedown of Trademark & Goodwill and loss on sale of subsidiary, SEK M	17	2	40	19	30	9
Writedown of goodwill and trademark	-	-	-	-	-151	-151
Result on sale of subsidiary	-	-	-	-3	-	-3
Operating income, SEK M	17	2	40	17	-121	-145
Profit before tax, SEK M	23	-2	45	11	-121	-155
Profit after tax, SEK M	23	-2	45	10	-120	-155
Operating margin (%)	3.0	0.4	3.7	1.7	-6.0	-7.6
Earnings per share, SEK	0.67	-0.06	1.32	0.30	-3.54	-4.57
Cash flow from operating activities, SEK M	24	42	30	22	2	-6
Number of stores	268	267				267

### Net sales per quarter, excluding divested operation, MSEK



### Operating income per quarter, excl. writedown of goodwill, trademark and divested operation, MSEK

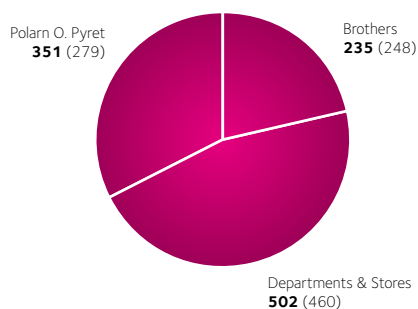


## FINANCIAL OVERVIEW BUSINESS AREAS

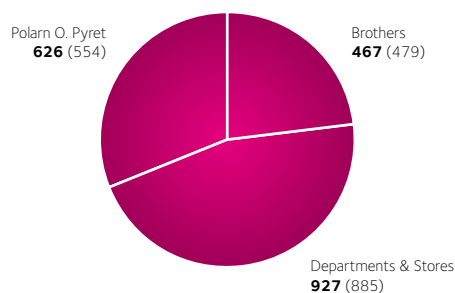
RNB RETAIL AND BRANDS reports sales and results for three business areas: Brothers, Departments & Stores and Polarn O. Pyret.

	Brothers				Departments & Stores				Polarn O. Pyret			
	Q2 14/15	Q2 13/14	Latest 12 months	2013/14	Q2 14/15	Q2 13/14	Latest 12 months	2013/14	Q2 14/15	Q2 13/14	Latest 12 months	2013/14
Net sales, SEK M	121	126	467	479	273	241	927	885	185	135	626	554
Operating income, excluding writedown of Goodwill, SEK M	-4	-10	-16	-29	22	19	57	55	7	-1	15	6
Operating income, SEK M	-4	-10	-166	-180	22	19	57	55	7	-1	15	6
Number of stores	77	81	77	79	45	45	45	45	146	141	146	143
Of which, franchise	27	27	27	27	-	-	-	-	55	50	55	52

Net sales per business area, September 2014 – February 2015, MSEK



Net sales per business area, March 2014 – February 2015, MSEK



# BROTHERS

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Brothers is a volume-oriented comprehensive concept for men and the business area has a total of 77 (81) stores, of which 27 (27) are operated by franchisees.

## **SECOND QUARTER, DECEMBER 1, 2014 – FEBRUARY 28, 2015**

Net sales for Brothers totaled SEK 121 M (126), a decrease of 4.1 percent. The decrease was explained by falling sales in Sisters, which has been discontinued. Sales in comparable proprietary stores in Sweden and Finland increased by 14.5 percent in total.

Net sales in Brothers showed an increase in proprietary stores during the quarter and also on the franchise side.

Total brand sales (total sales to consumers, excluding VAT, in all markets and distribution channels) amounted to SEK 570 M (601), measured on a rolling 12-month basis.

Gross margin for the business area continued to increase compared to the previous year. Strong Christmas sales, followed by some restraint during the clearance sale period had a positive effect on gross margin, and like the increased sales, contributed to increased gross profit.

Fixed costs for Brothers continued to decrease, both in the stores and in head office functions. The closure of Sisters stores also contributed to the cost reductions.

Operating income totaled SEK -4 M (-10).

The quality and level of inventories developed in a stable manner, with increased levels during the quarter, due to increased purchase volumes, and also partly as a result of advance deliveries of spring products.

## **THE PERIOD, SEPTEMBER 1, 2014 – FEBRUARY 28, 2015**

Net sales for Brothers totaled SEK 235 M (248), a decrease of 5.1 percent. The decrease was explained by falling sales in Sisters.

Net sales for Brothers showed an increase in proprietary stores during the period, but also a slight increase in sales on the franchise side.

Gross margin for the business area continued to increase compared to the previous year. Consistently strong sales during the entire period had a positive effect on gross margin, and like the increased sales, contributed to increased gross profit.

Fixed costs for Brothers continued to decrease, both in the stores and in head office functions. The closure of Sisters stores also contributed to the cost reductions.

Operating income totaled SEK -7 M (-20).

The quality and level of inventories continued to develop favorably, however, with increased levels during the period, due to increased purchase volumes, and also partly as a result of advance deliveries of spring products.





# DEPARTMENTS & STORES

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The business area comprises operations at the department stores NK Stockholm and NK Gothenburg. The number of proprietary stores at the end of the period was 45 (45).

## **SECOND QUARTER, DECEMBER 1, 2014 – FEBRUARY 28, 2015**

Net sales in the Departments & Stores business area amounted to SEK 273 M (241), an increase of 13.1 percent. Sales increased significantly in both Stockholm and Gothenburg.

Gross profit in the NK department stores rose due to the increase in sales, despite some weakening in the gross margin. The weaker gross margin was mainly explained by an increased level of price reductions, but also on account of the currency trend, which had an impact on purchasing costs from international suppliers.

Overhead costs showed some increases compared to the previous year in stores and in head office functions, due to contractual increases in costs of premises (stores) and accrual-related increases in marketing costs during the second quarter.

Operating income amounted to SEK 22 M (19), with an operating margin of 7.9 percent (7.7).

The business area's inventories decreased as planned during the quarter, due to the sales trend. However, inventories are still slightly too high.

## **THE PERIOD, SEPTEMBER 1, 2014 – FEBRUARY 28, 2015**

Net sales in the Departments & Stores business area amounted to SEK 502 M (460), an increase of 9.2 percent. Sales continued to rise in both Stockholm and Gothenburg.

Gross profit in the NK department stores rose due to the strong sales trend, despite some weakening in the gross margin. This was mainly due to the currency trend, which reduced previously positive currency effects.

Overhead costs showed some increases compared to the previous year in stores and in head office functions, due to contractual increases in costs of premises (stores). In addition, certain non-recurring costs arose during the period.

Operating income amounted to SEK 39 M (37), with an operating margin of 7.8 percent (8.0).

The business area's inventories increased during the period, due to additional purchasing, increased deliveries of certain more exclusive brands, and altered contractual terms where Departments & Stores has changed to holding inventories for certain brands.



# POLARN O. PYRET

Polarn O. Pyret is a brand focused on baby and children's wear. The concept comprises 143 stores, of which 52 are franchise stores. Today, Polarn O. Pyret is established in 11 countries.

## SECOND QUARTER, DECEMBER 1, 2014 – FEBRUARY 28, 2015

Net sales in the period amounted to SEK 185 M (135), including a continued increase in sales in proprietary stores and in the e-commerce business. Sales in comparable proprietary stores increased by 18.5 percent, year-on-year. In addition, franchise sales displayed an increase during the quarter, both internationally and in Sweden.

Brand sales (total sales to consumers, excluding VAT, in all markets and distribution channels) amounted to SEK 787 M (755), measured on a rolling 12-month basis.

Gross margin in the quarter decreased compared to the year-earlier period, due to a higher proportion of sales activities, particularly during the clearance sale period. Gross profit developed positively, thanks to the increased sales.

Fixed costs for proprietary stores increased compared to the second quarter of the previous year, due to the acquisition of the Norwegian operations.

Operating income amounted to SEK 7 M (1), corresponding to an operating margin of 3.7 per cent (-0.8). Earnings in Sweden improved sharply compared to the previous year, and earnings in the acquired Norwegian operations also improved significantly during the quarter. The operations in Holland, where the first store was established in the second quarter 2013/2014, continue to have an adverse effect on the business area's results, but to a lesser extent than before.

Inventory levels have decreased during the quarter, in accordance with expected patterns, and as a consequence of the quarter's strong sales. Current inventory levels are considered to be effective, with good quality and age structure.

The number of proprietary stores at the end of the period was 91 (91). In addition, there were 55 (50) franchise stores, including 7 (7) in Sweden and 48 (43) abroad.

## THE PERIOD, SEPTEMBER 1, 2014 – FEBRUARY 28, 2015

Net sales during the period amounted to SEK 351 M (279), including a continued increase in sales in proprietary stores (partly explained by the acquired operations in Norway) and in the e-commerce business. Franchise sales decreased marginally on account of the acquisition in Norway, where sales have shifted to proprietary stores.

The gross margin during the period increased slightly compared to the year-earlier period, which was partly due to the fact that the Norwegian sales shifted from franchise to proprietary stores. Gross margin development, in combination with increased sales, generated an improvement in gross profit.

Fixed costs for proprietary stores increased compared to the previous year, due to the acquisition of the Norwegian operations.

Operating income totaled SEK 20 M (10), corresponding to an operating margin of 5.6 per cent (3.5). Earnings in Sweden improved sharply compared to the previous year, and earnings also improved significantly in the Norwegian operations, which were acquired in January 2014. The operations in Holland, where the first store was established in the second quarter 2013/2014, continue to have an adverse effect on the business area's results, but to a lesser extent than before.

Inventory levels decreased somewhat during the period. Current inventory levels are considered to be effective, with good quality and age structure.



# Financial position and liquidity

The Group had total assets of SEK 1,060 M compared to SEK 1,030 M at the end of the previous fiscal year. Shareholders' equity amounted to SEK 310 M at the end of the period, and to SEK 266 M at the end of the previous fiscal year, providing an equity/assets ratio of 29.2 percent (25.8).

The inventory level amounted to SEK 368 M (314) on February 28, where Brothers and Departments & Stores increased their inventories during the period, while Polarn O. Pyret displayed a certain decrease.

Cash flow from operating activities amounted to SEK 30 M (22) during the period. Working capital was negatively impacted by marginal increases in trade receivables and other current receivables as well as decreases in current liabilities (primarily related to final payment for the acquisition of the Norwegian operations). Working capital (excluding inventories) increased by SEK 8 M during the period. Cash flow after investments amounted to SEK 18 M (-21), which is equivalent to an improvement of SEK 39 M compared to the year-earlier period.

Net debt amounted to SEK 345 M compared to SEK 365 M at the end of the previous fiscal year.

The Group's cash and cash equivalents at the end of the period, including unutilized overdraft facilities, amounted to SEK 156 M compared to SEK 140 M at the end of the previous fiscal year.

## INVESTMENTS AND DEPRECIATION/ AMORTIZATION

Investments during the period, excluding investment in subsidiaries totaled SEK 18 M (21). Depreciation/amortization totaled SEK -23 M (-23).

## EMPLOYEES

The average number of employees during the period was 1,001 (1,158), including employees in acquired operations and excluding employees in divested operations (JC) 1,001 (1,000).

## RELATED-PARTY TRANSACTIONS

No transactions were conducted between the RNB Group and related parties, which have materially impacted the Group's financial position and results.

The company has two loans from Konsumentföreningen Stockholm, the company's principal shareholder, totaling SEK 400 M, based on market-related terms.

For further information on transactions with related parties, see the Annual Report 2013/2014, Note 5 on pages 47-49.

## TAXES

During the period, the Group paid tax totaling SEK 0 M (0). As the company has existing loss carryforwards, no tax expense was charged to the period. For further information see the 2013/2014 Annual Report, Note 12 on pages 50-51.

## PARENT COMPANY

Net sales in the Parent Company amounted to SEK 42 M (70). The result after net financial items amounted to SEK -17 M (-14). Investments totaled SEK 2 M (0).

## ACCOUNTING POLICIES

This report was prepared in accordance with IAS 34, Interim Financial Reporting and the Swedish Annual Accounts Act. The interim report for the Parent Company was prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 - Accounting for Legal Entities. The accounting policies applied correspond with those presented in the 2013/2014 Annual Report.

## RISKS AND UNCERTAINTIES

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

### Financial risks

- Currency exposure related to purchase of goods and sales in international markets.
- Interest-rate exposure associated with the Group's net debt.
- Financial covenants to lenders.

### Strategic and operational risks

- Demand for RNB's products, like general demand in the retail sector, is affected by changes in the overall market conditions.
- Competition from other players active in the same segment as RNB.
- Identification of constantly shifting fashion trends and customer preferences.
- In other respects, refer to the detailed description of the Group's management of financial risks in the 2013/2014 Annual Report.

## REVIEW

This interim report has not been subject to review by the Company's auditor.



The Board of Directors and the President declare that the interim report provides a true and fair overview of the Company's and the Group's operations, financial position and earnings and also describes significant risks and uncertainties facing the Company and other companies in the Group.

Stockholm, March 26, 2015

The Board of Directors and President of  
RNB RETAIL AND BRANDS (publ)

Laszlo Kriss  
*Chairman of the Board*

Ann-Sofie Danielsson  
*Vice Chairman of the Board*

Monika Elling  
*Board member*

Ivar Fransson  
*Board member*

Michael Lemner  
*Board member*

Per Thunell  
*Board member*

Magnus Håkansson  
*President & CEO*

**Largest shareholders** as of February 28, 2015

	Number of shares	Share capital/ Voting rights, %
Konsumentföreningen Stockholm	11,246,598	33.16
Catella fondförvaltning	4,372,814	12.89
Avanza pension	1,585,875	4.68
Provobis Property & Leisure AB	1,043,375	3.08
Client long	953,025	2.81
Skandinaviska Enskilda Banken	651,792	1.92
Michael Löfman	575,000	1.70
Nordnet pensionsförsäkring	501,815	1.48
SEB Life International Assurance	476,512	1.41
Case Asset Management AB	450,000	1.33
<b>Total 10 largest shareholders</b>	<b>21,856,806</b>	<b>64.46</b>
Other	12,055,370	35.54
<b>Total</b>	<b>33,912,176</b>	<b>100.00</b>

Source: Euroclear Sweden AB

# Consolidated Income Statement

SEK M	3 months		6 months		12 months	
	Dec 2014 –Feb 2014	Dec 2013 –Feb 2014	Sep 2014 –Feb 2014	Sep 2013 –Feb 2014	Latest 12 months	Sep 2013 –Aug 2014
Net sales	578.2	501.7	1,087.3	985.5	2,018.8	1,917.0
Goods for resale	-302.8	-252.2	-534.6	-483.1	-990.9	-939.4
<b>Gross income</b>	<b>275.4</b>	<b>249.5</b>	<b>552.7</b>	<b>502.4</b>	<b>1,027.9</b>	<b>977.6</b>
Other operating income	3.1	3.9	9.4	2.7	17.1	10.4
Other external expenses	-117.0	-113.6	-239.6	-213.6	-458.2	-432.6
Personnel expenses	-132.5	-128.1	-259.5	-249.2	-513.2	-502.9
Depreciation and impairment of non-current assets	-11.9	-9.9	-23.1	-23.0	-44.1	-44.0
Impairment of goodwill	-	-	-	-	-150.9	-150.9
Profit/loss on sale of subsidiary	-	-	-	-2.6	-	-2.6
<b>Operating income</b>	<b>17.1</b>	<b>1.8</b>	<b>39.9</b>	<b>16.7</b>	<b>-121.4</b>	<b>-145.0</b>
Financial income	1.0	0.4	3.2	0.7	4.2	1.7
Financial expenses	-3.2	-3.1	-7.0	-5.5	-14.6	-13.1
Unrealized profit/loss on futures contracts	7.8	-0.8	8.7	-0.8	10.9	1.4
<b>Net financial items</b>	<b>5.6</b>	<b>-3.5</b>	<b>4.9</b>	<b>-5.6</b>	<b>0.5</b>	<b>-10.0</b>
<b>Profit before tax from continuing operations</b>	<b>22.7</b>	<b>-1.7</b>	<b>44.8</b>	<b>11.1</b>	<b>-120.9</b>	<b>-155.0</b>
Tax on net income for the period	0.0	-0.2	0.0	-0.8	0.7	-0.1
<b>Net income for the period from continuing operations</b>	<b>22.7</b>	<b>-1.9</b>	<b>44.8</b>	<b>10.3</b>	<b>-120.2</b>	<b>-155.1</b>
<b>Discontinued operations</b>						
Profit after tax for the fiscal year relating to discontinued operations	-	-	-	-5.9	-	-5.9
<b>Net income for the period</b>	<b>22.7</b>	<b>-1.9</b>	<b>44.8</b>	<b>4.4</b>	<b>-120.2</b>	<b>-161.0</b>
<b>Other comprehensive income</b>						
Translation differences	-1.0	0.4	-1.2	-0.8	-1.1	-0.7
<b>Comprehensive income for the period</b>	<b>21.7</b>	<b>-1.5</b>	<b>43.6</b>	<b>3.6</b>	<b>-121.3</b>	<b>-161.7</b>
<b>Net income for the period attributable to:</b>						
Parent Company's shareholders	22.7	-1.9	44.8	4.4	-120.2	-161.0
Non-controlling interests	-	-	-	-	-	-
<b>Comprehensive income attributable to:</b>						
Parent Company's shareholders	21.7	-1.5	43.6	3.6	-121.3	-161.7
Non-controlling interests	-	-	-	-	-	-
<b>Earnings per share before and after dilution (SEK)</b>	<b>0.67</b>	<b>-0.06</b>	<b>1.32</b>	<b>0.13</b>	<b>-3.54</b>	<b>-4.75</b>
<b>Average number of shares, (000s)*</b>	<b>33,912</b>	<b>33,912</b>	<b>33,912</b>	<b>33,912</b>	<b>33,912</b>	<b>33,912</b>

\* 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.

# Consolidated Balance Sheet

SEK M	Feb 28, 2014	Feb 28, 2013	Aug 31, 2013
<b>Assets</b>			
Goodwill	379.2	529.8	379.2
Other intangible assets	30.4	35.1	32.0
Property, plant and equipment	85.8	101.2	92.1
Non-current receivables	3.4	3.8	8.8
Inventories	367.6	313.8	347.4
Other current assets	193.6	226.6	170.8
<b>Total assets</b>	<b>1,060.0</b>	<b>1,210.3</b>	<b>1,030.3</b>
<b>Shareholders' equity and liabilities</b>			
Equity attributable to the Parent Company's shareholders	309.7	431.4	266.1
Non-current liabilities	400.3	403.8	402.7
Current liabilities	350.0	375.1	361.5
<b>Total equity and liabilities</b>	<b>1,060.0</b>	<b>1,210.3</b>	<b>1,030.3</b>



# Consolidated Cash Flow Statement

SEK M	3 months		6 months		12 months	
	Dec 2014 –Feb 2014	Dec 2013 –Feb 2014	Sep 2014 –Feb 2014	Sep 2013 –Feb 2014	Latest 12 months	Sep 2013 –Aug 2014
<b>Operating activities</b>						
Operating income from continuing operations	17.1	1.8	39.9	16.7	-145.1	-145.1
Operating income from discontinued operations	-	-	-	-5.6	-5.6	-5.6
Adjustment for non-cash items	10.7	11.1	23.7	22.5	195.8	195.8
Interest received and other financial income	1.0	0.4	3.2	0.8	1.8	1.8
Interest paid	-3.5	-3.0	-8.1	-6.1	-10.7	-10.7
<b>Cash flow before change in working capital</b>	<b>25.3</b>	<b>10.3</b>	<b>58.7</b>	<b>28.3</b>	<b>36.2</b>	<b>36.2</b>
<b>Cash flow from changes in working capital</b>						
Change in inventories	26.4	19.7	-20.2	23.6	-9.8	-9.8
Change in operating receivables and liabilities	-27.3	11.6	-8.3	-29.6	-32.3	-32.3
<b>Change in working capital</b>	<b>-0.9</b>	<b>31.3</b>	<b>-28.5</b>	<b>-6.0</b>	<b>-42.1</b>	<b>-42.1</b>
<b>Cash flow from operating activities</b>	<b>24.4</b>	<b>41.6</b>	<b>30.2</b>	<b>22.3</b>	<b>-5.9</b>	<b>-5.9</b>
<b>Cash flow from investing activities</b>	<b>-8.1</b>	<b>-36.7</b>	<b>-12.7</b>	<b>-42.9</b>	<b>-50.0</b>	<b>-50.0</b>
<b>Cash flow after investments</b>	<b>16.3</b>	<b>4.9</b>	<b>17.5</b>	<b>-20.6</b>	<b>-55.9</b>	<b>-55.9</b>
<b>Financing activities</b>						
Repayment of loans	-	51.0	-	51.0	51.0	51.0
Other	-	-	-	-1.6	-1.6	-1.6
<b>Cash flow from financing activities</b>	<b>0.0</b>	<b>51.0</b>	<b>0.0</b>	<b>49.4</b>	<b>49.4</b>	<b>49.4</b>
<b>Cash flow during the period</b>	<b>16.3</b>	<b>55.9</b>	<b>17.5</b>	<b>28.8</b>	<b>-6.5</b>	<b>-6.5</b>

## Changes in shareholders' equity

SEK M	Sep 2014 –Feb 2015	Sep 2013 –Feb 2014	Sep 2013 –Aug 2014
Opening balance	266.1	427.8	427.8
Net income for the period	44.8	4.4	-161.0
Other comprehensive income	-1.2	-0.8	-0.7
<b>Balance at end of period</b>	<b>309.7</b>	<b>431.4</b>	<b>266.1</b>

## Key ratios, excluding the divested operation

		6 months		12 months	
		Sep 2014 –Feb 2014	Sep 2013 –Feb 2014	Mar 2014 –Feb 2015	Sep 2013 –Aug 2014
Gross margin	%	15.3	-3.4	7.2	1.1
Operating margin	%	50.8	51.0	50.9	51.0
Profit margin	%	3.7	1.7	-6.0	-7.6
Equity/assets ratio	%	4.1	1.0	-6.0	-8.1
Interest coverage ratio	ggr	29.2	35.6	29.2	25.8
Net debt	Mkr	7.4	3.0	-7.3	-10.8
Net debt/equity ratio	%	344.8	330.3	344.8	364.7
Average number of employees, full time		111.3	76.6	111.3	137.1
Average number of shares, (000s)		1,001	1,000	1,041	1,040
Number of shares at end of period, (000s)		33,912	33,912	33,912	33,912
Profit after tax per share	Kr	33,912	33,912	33,912	33,912
Equity per share at end of period	Kr	1.32	0.13	-3.54	-4.75
Eget kapital per aktie vid periodens slut	Kr	9.13	12.72	9.13	7.85

## Net Sales and Operating Income per Business Area

	3 months		6 months		12 months	
	Dec 2014 –Feb 2014	Dec 2013 –Feb 2014	Sep 2014 –Feb 2014	Sep 2013 –Feb 2014	Latest 12 months	Sep 2013 –Aug 2014
<b>Net sales, SEK M</b>						
Brothers	120.5	125.6	235.0	247.5	466.7	479.2
Departments & Stores	273.0	241.4	501.6	459.5	926.7	884.6
Polarn O. Pyret	184.8	134.8	350.7	278.8	625.6	553.7
Other	-0.1	-0.1	0.0	-0.3	-0.2	-0.5
<b>Total continuing operations</b>	<b>578.2</b>	<b>501.7</b>	<b>1,087.3</b>	<b>985.5</b>	<b>2,018.8</b>	<b>1,917.0</b>
Divested operations	-	-	-	110.8	-	110.8
<b>Total</b>	<b>578.2</b>	<b>501.7</b>	<b>1,087.3</b>	<b>1,096.3</b>	<b>2,018.8</b>	<b>2,027.8</b>
<b>Operating income, SEK M</b>						
Brothers	-4.3	-10.2	-6.8	-20.3	-166.4	-179.9
Departments & Stores	21.5	18.5	38.9	36.8	56.7	54.6
Polarn O. Pyret	6.8	-1.1	19.6	9.8	15.4	5.6
Other	-6.9	-5.4	-11.8	-9.6	-27.1	-25.3
<b>Total continuing operations</b>	<b>17.1</b>	<b>1.8</b>	<b>39.9</b>	<b>16.7</b>	<b>-121.4</b>	<b>-145.0</b>
Divested operations	-	-	-	-5.6	-	-5.6
<b>Total</b>	<b>17.1</b>	<b>1.8</b>	<b>39.9</b>	<b>11.1</b>	<b>-121.4</b>	<b>-150.6</b>

# Income Statement per quarter, Group

SEK M	Note	2014/2015	2014	2014	2014	2013/2014	2013
		Dec-Feb	Sep-Nov	Jun-Aug	Mar-May	Dec-Feb	Sep-Nov
Net sales		578.2	509.1	490.0	441.5	501.7	483.8
Goods for resale		-302.8	-231.8	-248.6	-207.7	-252.2	-230.9
<b>Gross profit</b>		<b>275.4</b>	<b>277.3</b>	<b>241.4</b>	<b>233.8</b>	<b>249.5</b>	<b>252.9</b>
<b>Gross profit margin</b>		<b>47.6%</b>	<b>54.5%</b>	<b>49.3%</b>	<b>53.0%</b>	<b>49.7%</b>	<b>52.3%</b>
Other operating income		3.1	6.3	4.0	3.7	3.9	-1.2
Other external expenses		-117.0	-122.6	-99.2	-119.4	-113.6	-100.0
Personnel expenses		-132.5	-127.0	-131.6	-122.1	-128.1	-121.1
Depreciation and impairment of non-current assets		-11.9	-11.2	-10.8	-10.6	-9.9	-13.1
Impairment of goodwill		-	-	-	-150.9	-	-
Profit/loss on sale of subsidiary		-	-	-	-	-	-2.6
<b>Operating income</b>		<b>17.1</b>	<b>22.8</b>	<b>3.8</b>	<b>-165.5</b>	<b>1.8</b>	<b>14.9</b>
Financial income		1.0	2.2	1.0	-	0.4	0.3
Financial expenses		-3.2	-3.8	-3.0	-4.6	-3.1	-2.4
Unrealized profit/loss on futures contracts		7.8	0.9	1.2	1.0	-0.8	-
<b>Result after net financial items</b>		<b>22.7</b>	<b>22.1</b>	<b>3.0</b>	<b>-169.1</b>	<b>-1.7</b>	<b>12.8</b>
Tax		-	-	0.7	-	-0.2	-0.6
<b>Net income for the period</b>		<b>22.7</b>	<b>22.1</b>	<b>3.7</b>	<b>-169.1</b>	<b>-1.9</b>	<b>12.2</b>
<b>Discontinued operations</b>							
Profit after tax for the fiscal year relating to discontinued operations	1	-	-	-	-	-	-5.9
<b>Net income for the period</b>		<b>22.7</b>	<b>22.1</b>	<b>3.7</b>	<b>-169.1</b>	<b>-1.9</b>	<b>6.3</b>
<b>Other comprehensive income</b>							
Translation differences		-1.0	-0.2	-1.4	1.5	0.4	-1.2
<b>Comprehensive income for the period</b>		<b>21.7</b>	<b>21.9</b>	<b>2.3</b>	<b>-167.6</b>	<b>-1.5</b>	<b>5.1</b>



## Number of Stores at end of period

	Feb 28, 2015	Nov 30, 2014	Aug 31, 2014	May 31, 2014	Feb 28, 2014	Nov 30, 2013
Own stores Sweden	142	142	147	147	149	150
Own stores Norway	28	28	25	25	25	-
Own stores Finland	12	12	12	12	12	12
Own stores Netherlands	4	4	4	4	4	3
Franchise stores Sweden	34	34	34	34	34	37
Franchise stores outside Sweden	48	47	45	45	43	70
<b>Total</b>	<b>268</b>	<b>267</b>	<b>267</b>	<b>267</b>	<b>267</b>	<b>272</b>

Brothers	Feb 28, 2015			Feb 28, 2014		
	Own	Franchise	Total	Own	Franchise	Total
Brothers, Sweden (single)	38	27	65	37	27	64
Brothers, Finland (single)	12	-	12	12	-	12
Bro & Sisters Sweden (duo)	-	-	0	4	-	4
Outlet (duo)	-	-	0	1	-	1
<b>Total</b>	<b>50</b>	<b>27</b>	<b>77</b>	<b>54</b>	<b>27</b>	<b>81</b>

Departments & Stores	Own	Own
<b>Number of stores</b>	<b>45</b>	<b>45</b>
Total retail space, m <sup>2</sup>	11,372	11,145

Polarn O. Pyret	Own	Franchise	Total	Own	Franchise	Total
Sweden	59	7	66	62	7	69
Norway	28	-	28	25	-	25
Finland	-	17	17	-	16	16
England	-	15	15	-	12	12
Scotland	-	2	2	-	2	2
Ireland	-	3	3	-	4	4
Iceland	-	1	1	-	1	1
Estonia	-	4	4	-	2	2
Latvia	-	1	1	-	1	1
Netherlands	4	-	4	4	-	4
USA	-	5	5	-	5	5
<b>Total</b>	<b>91</b>	<b>55</b>	<b>146</b>	<b>91</b>	<b>50</b>	<b>141</b>

## NOTE 1 DISPOSAL GROUP THAT IS SOLD DISCONTINUED

In February 2013, RNB RETAIL AND BRANDS AB (publ) announced that the company was conducting a strategic review of the JC business area. One of the alternatives in this strategic review was a disposal of JC. In line with this, this alternative became a reality in September and RNB Retail and Brands entered into an agreement on divestment of JC to an external buyer. The sale was completed with effect from November 1, 2013.

SEK M	Sep 2014 -Nov 2014	Sep 2013 -Nov 2013	Sep 2013 -Aug 2014
Net sales	-	110.8	110.8
Goods for resale	-	-56.2	-56.2
<b>Gross income</b>	<b>0.0</b>	<b>54.6</b>	<b>54.6</b>
Other operating income	-	-1.7	-1.7
Other external expenses	-	-31.0	-31.0
Personnel expenses	-	-27.5	-27.5
Depreciation and impairment of non-current assets	-	-	-
Impairment of trademark	-	-	-
<b>Operating income</b>	<b>0.0</b>	<b>-5.6</b>	<b>-5.6</b>
Financial income	-	0.1	0.1
Financial expenses	-	-0.3	-0.3
<b>Net financial items</b>	<b>0.0</b>	<b>-0.2</b>	<b>-0.2</b>
<b>Profit before tax of operation for disposal</b>	<b>0.0</b>	<b>-5.8</b>	<b>-5.8</b>
Tax on net income for the year	-	-0.1	-0.1
<b>Net loss for the year of operation for disposal</b>	<b>0.0</b>	<b>-5.9</b>	<b>-5.9</b>

Net cash flow in the JC segment is as follows:

SEK M	Sep 2014 -Nov 2014	Sep 2013 -Nov 2013	Sep 2013 -Aug 2014
Operating activities	-	-3.0	-3.0
Investment	-	-	-
Financing	-	-6.9	-6.9
<b>Net cash flow</b>	<b>0.0</b>	<b>-9.9</b>	<b>-9.9</b>

# Income Statement Parent Company

SEK M	3 months		6 months		12 months	
	Dec 2014 –Feb 2014	Dec 2013 –Feb 2014	Sep 2014 –Feb 2014	Sep 2013 –Feb 2014	Latest 12 months	Sep 2013 –Aug 2014
Net sales	21.7	34.7	42.4	70.4	79.7	107.7
Other operating income	1.4	0.1	4.2	0.3	8.8	4.9
	<b>23.1</b>	<b>34.8</b>	<b>46.6</b>	<b>70.7</b>	<b>88.5</b>	<b>112.6</b>
Other external expenses	-14.0	-22.3	-31	-43.2	-70.8	-79.1
Personnel expenses	-13.0	-17.2	-23.9	-33.1	-47.3	-51.5
Depreciation and impairment of non-current assets	-2.3	-1.7	-4.0	-3.3	-7.3	-6.7
<b>Operating income</b>	<b>-6.2</b>	<b>-6.4</b>	<b>-12.3</b>	<b>-8.9</b>	<b>-36.9</b>	<b>-24.7</b>
Result from participations in group companies	-	-	-	-	-123.2	-123.2
Financial income	0.4	-	0.6	-	1.5	0.9
Financial expenses	-2.7	-2.8	-5.3	-4.9	-12.1	-11.7
<b>Result after financial items</b>	<b>-8.5</b>	<b>-9.2</b>	<b>-17.0</b>	<b>-13.8</b>	<b>-170.7</b>	<b>-158.7</b>
Taxes	-	-	-	-	-	-
<b>Net income for the period</b>	<b>-8.5</b>	<b>-9.2</b>	<b>-17.0</b>	<b>-13.8</b>	<b>-170.7</b>	<b>-158.7</b>

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

# Balance Sheet Parent Company

SEK M	Feb 28, 2014	Feb 28, 2013	Aug 31, 2013
<b>Assets</b>			
Intangible assets	18.1	21.0	20.0
Property, plant and equipment	1.3	0.8	1.4
Financial assets	501.6	651.6	501.7
Deferred tax assets	-	-	-
Other current assets	100.9	127.6	119.7
<b>Total assets</b>	<b>621.9</b>	<b>801.0</b>	<b>642.8</b>
<b>Shareholders' equity and liabilities</b>			
Equity	185.6	347.5	202.6
Non-current liabilities	400.0	400.0	400.0
Current liabilities	36.3	53.5	40.2
<b>Total equity and liabilities</b>	<b>621.9</b>	<b>801.0</b>	<b>642.8</b>

# RNB RETAIL AND BRANDS

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**Postal address:**

Box 161 42  
103 23 Stockholm

**Visiting address:**

Regeringsgatan 29, 9 tr  
Stockholm

**[www.rnb.se](http://www.rnb.se)**

**Questions about the report**

can be directed to [info@rnb.se](mailto:info@rnb.se)