

# RNB

## YEAR-END REPORT

1 SEPTEMBER 2014 – 31 AUGUST 2015

# 4



**RNB** RETAIL AND BRANDS

**POLARN O. PYRET**  
DEPARTMENTS & STORES

**BROTHERS**

# Continued sales and profit improvement

RNB RETAIL AND BRANDS' positive profit improvement trend is continuing. For the fourth quarter 2014/2015, RNB reported operating income of SEK 12 M, an improvement of SEK 8 M compared to the preceding year. The fourth quarter 2014/2015 was the company's sixth consecutive quarter with better sales than the market. The sales increase during the quarter for the three concepts' comparable stores amounted to between 13 and 29 percent and to 18 percent for the Group overall.

## FOURTH QUARTER, JUNE 1, 2015 – AUGUST 31, 2015 IN SUMMARY

- Sales in comparable stores increased during the quarter by 17.7 percent, compared to the market's increase of 3.1 percent (Swedish Retail and Wholesale Trade Research Institute (HUI))
- Net sales totaled SEK 564 M (490), an increase of 15.0 percent.
- Operating income totaled SEK 12 M (4).
- Profit before tax amounted to SEK 6 M (3).
- Profit after tax amounted to SEK 6 M (4), corresponding to SEK 0.17 (0.11) per share.
- Cash from operating activities was SEK -14 M (-6).

## THE PERIOD, SEPTEMBER 1, 2014 – AUGUST 31, 2015 IN SUMMARY

- Sales in comparable stores increased during the period by 11.9 percent, compared to the market's decrease of 0.4 percent (HUI).
- Net sales amounted to SEK 2,136 M (1,917, excluding divested operation (JC), equivalent to an increase of 11.4 percent.
- Operating income amounted to SEK 48 M (-145, excluding divested operation, JC).
- Profit before tax amounted to SEK 42 M (-155, excluding divested operation, JC).
- Profit after tax amounted to SEK 42 M (-155, excluding divested operation JC), corresponding to SEK 1.25 (-4.57) per share.
- Cash flow from operating activities was SEK 73 M (-6).
- During the second quarter, RNB entered into an unilateral agreement on a possible extension of part 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.
- The Board of Directors proposes a dividend of SEK 0.25 per share, which is the company's first dividend in eight years.

## CONTACT

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

## PRESS AND ANALYST MEETING

RNB will hold a press and analyst conference in connection with publication of today's interim report for the fourth quarter 2014/2015. The conference will be held at the company's premises at Regeringsgatan 29, today, October 22, 2015 at 9.30 a.m.

## FINANCIAL CALENDAR

Annual General Meeting 2014/2015 December 17, 2015  
Interim report, first quarter 2015/2016 December 17, 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 October 22, 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 performance during the final quarter of the year was strong both in terms of sales and earnings. All three subsidiaries in the Group increased sales and Polarn O. Pyret reported a sharp improvement in earnings. RNB has now displayed an unbroken positive earnings trend with sales increases in six consecutive quarters. The Group's operating income for the quarter came in at SEK 12 M, an improvement of SEK 8 M compared to the year-earlier period. As a consequence operating income for the financial year 2014/2015 amounts to SEK 48 M.

The spring and summer were dominated by strong collections in Brothers and Polarn O. Pyret and efficient management in Departments & Stores. The start of clearance sales in the fourth quarter was well-timed and was helped by weather conditions that favored shopping. The very poor vacation weather in July also generated a positive effect on our sales. Visitor numbers in our stores developed well and sales in comparable stores across the RNB Group were very strong in the fourth quarter, with an increase equivalent to 17.7 percent. Trade statistics from HUI showed an increase in sales in comparable stores of 3.1 percent, which means that we outperformed the sector trend by a total of 14.6 percentage points. The fall collection in all three concepts has also been well received by the respective customer segments.

## BROTHERS – ESTABLISHED AS A LEADING MEN'S FASHION CHAIN

The aggressive investments in Brothers are continuing to deliver results in terms of sales. During the fourth quarter, sales increased in comparable proprietary stores in Sweden and Finland by 16.9 percent in total. This is now the fourth consecutive quarter in which Brothers' sales in comparable proprietary stores have increased by at least 11 percent and about 14 percent on average. Since the repositioning of Brothers in 2013, sales have developed positively. This was particularly noticeable in the past six quarters as the growth figures have been excellent, which is due to our success in clarifying the concept. We can thus confirm that we have established Brothers as one of the leading men's fashion chains with a unique position in the tailored segment combined with price-effective offers for basic and casual products. A natural effect of this is that Brothers is continuing to capture market shares and the strong performance confirms the view that Brothers is on the right track to reach positive operating income during the next financial year.

## STRONG SALES IN POLARN O. PYRET

Sales in comparable stores for Polarn O. Pyret increased during the quarter by a record 28.8 percent. The performance was particularly strong in Sweden where the concept continues to capture market shares in relevant segments. The Norwegian operations displayed sharp sales growth and also contributed to the positive earnings trend during the quarter. Both sales and earnings in the Dutch operations continued to develop positively, but they still displayed negative operating income. It is important to bear in mind that the operations in Holland only comprise a small part of the overall Polarn O. Pyret business and have a limited impact on total operating income in the

subsidiary. Operating income in the fourth quarter amounted to SEK 14 M despite some non-recurring costs that were charged to the quarter's results. Polarn O. Pyret's value proposition is still strong with a leading position when it comes to performance, quality and service. The operational management has been gradually strengthened with positive effects on the flow of goods, marketing and product presentation.

## DEPARTMENTS & STORES INVESTMENTS ARE GENERATING A RETURN

The subsidiary Departments & Stores is continuing to show a strong increase in sales. During the fourth quarter, sales in comparable stores increased by 13.9 percent in total. We are continuing to invest in new retail space and we converted three sections during the quarter. The investments made during the year, where 11 of our 44 sections were converted and a few more improved, is the main reason for the strong increase in sales we have seen in the financial year just ended.

## GOOD POTENTIAL FOR 2015/2016

I can confirm that we have successfully managed to compensate for the significant currency effects that impacted us negatively during the past financial year. As previously communicated, my view is that these negative effects will gradually decline starting from the second quarter 2015/2016.

Turning to growth, we are in the initial phase of expanding Polarn O. Pyret's store network in Norway. As we previously have communicated we have focus on expanding e-commerce internationally and the first launch will occur in China in November. The Chinese launch will be made using T-mall, an e-commerce portal owned by Alibaba Group.

Our organisation is stable after completion of a number of key hires and the operational direction and action plans to support this are clearly defined. We have appointed Nanna Hedlund to assume the role as CEO of Polarn O. Pyret, which is very important to us. Nanna has a strong background as a leader within the retail sector and Nanna is the person in charge of the work to further develop Polarn O. Pyret's market leading position. My firmly held view is that the strong sales momentum we are now seeing will continue. In a nutshell – RNB is now displaying a strong and clear positive trend embracing the entire operations and we are looking forward with confidence to the performance during the 2015/2016 financial year.

For the first time in eight years the Board of Directors propose a dividend. The proposal means that the dividend will be SEK 0.25 per share and should be seen in the light of our positive future prospects.

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 262, of which 77 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

## **FOURTH QUARTER, JUNE 1, 2015 – AUGUST 31, 2015**

Reported net sales for the Group's concepts during the fourth quarter of the year increased, from SEK 490 M in the previous year to SEK 564 in the fourth quarter this year, equivalent to an increase of 15.0 percent. The sales trend during the quarter was positive for RNB overall. In comparable stores in Sweden, the increase was 17.7 percent (HUI 3.1 percent).

Gross margin during the quarter for RNB's operations was 47.8 percent (49.3), where all concepts showed slightly lower margins than the previous year. All concepts have increased their sales, driven by good demand for our current collections and successful campaigns during the period. The level of discounts increased slightly during the quarter. Gross profit for the Group increased by almost 12 percent overall compared to the previous year as a consequence of the higher sales. Currency effects had a negative impact on the gross margin during the quarter, primarily in Polarn O. Pyret but also in Brothers.

Total overhead costs increased compared to the previous year, which was partly due to the effects of allocating costs to particular periods in the previous year.

Operating income totaled SEK 12 M (4).

Net financial items amounted to SEK -6 M (-1) and profit before tax amounted to SEK 6 M (3).

Profit after tax amounted to SEK 6 M (4).

Unrealized results on futures contracts affected earnings by SEK -5 M (1).

## **THE PERIOD, SEPTEMBER 1, 2014 – AUGUST 31, 2015**

Reported net sales for the Group's remaining concepts during the period increased, from SEK 1,917 M in the previous year to SEK 2,136 M in the same period this year, equivalent to an increase of 11.4 percent. Compared to the year-earlier period (including JC), net sales increased from SEK 2,028 M to SEK 2,136 M.

Gross margin during the period for remaining operations was 50.1 percent (51.0), with improvements compared to the previous year for Brothers, while Polarn O. Pyret and Departments & Stores reported slightly lower margins. Brothers' consistently strong sales during the period contributed to a higher gross margin despite negative currency effects. The Polarn O. Pyret business area displayed a lower gross margin, largely due to negative currency rate effects, while Departments & Stores showed a lower gross margin due to an increased level of price reductions.

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 and to some extent to the new stores.

Operating income totaled SEK 48 M (-145).

Net financial items amounted to SEK -6 M (-10) and profit before tax amounted to SEK 42 M (-155). Profit after tax amounted to SEK 42 M (-155 and -161 including divested operation).

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

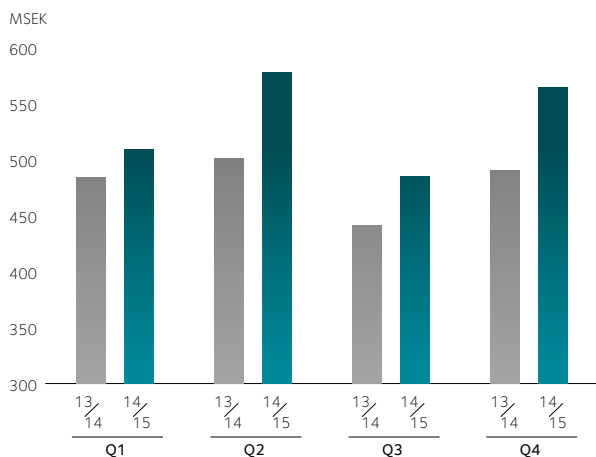
**Group overview**, excluding the divested operation (JC)

	Q4		Full year	
	2014/ 2015	2013/ 2014	2014/ 2015	2013/ 2014
Net sales, SEK M	564	490	2,136	2,028
Gross margin (%)	47.8	49.3	50.1	50.9
Operating income excluding non-recurring items, write-down of Goodwill and loss on sale of subsidiary, SEK M	12	4	48	3
Writedown of goodwill	-	-	-	-151
Result on sale of subsidiary	-	-	-	-3
Operating income, SEK M	12	4	48	-151
Profit before tax, SEK M	6	3	42	-161
Profit after tax, SEK M	6	4	42	-161
Operating margin (%)	2.1	0.8	2.2	-7.4
Earnings per share, SEK	0.17	0.11	1.25	-4.75
Cash flow from operating activities, SEK M	-14	-6	73	-6
Number of stores	262	267	262	267

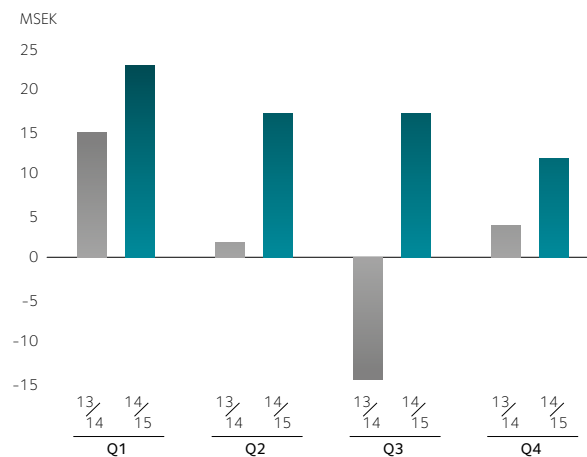
**Group overview**, including the divested operation (JC)

	Q4		Full year	
	2014/ 2015	2013/ 2014	2014/ 2015	2013/ 2014
Net sales, SEK M	564	490	2,136	1,917
Gross margin (%)	47.8	49.3	50.1	51.0
Operating income excluding non-recurring items, write-down of Goodwill and loss on sale of subsidiary, SEK M	12	4	48	9
Writedown of goodwill	-	-	-	-151
Result on sale of subsidiary	-	-	-	-3
Operating income, SEK M	12	4	48	-145
Profit before tax, SEK M	6	3	42	-155
Profit after tax, SEK M	6	4	42	-155
Operating margin (%)	2.1	0.8	2.2	-7.6
Earnings per share, SEK	0.17	0.11	1.25	-4.57
Cash flow from operating activities, SEK M	-14	-6	73	-6
Number of stores	262	267	262	267

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



### Operating income per quarter, excluding writedown of goodwill and divested operation, MSEK

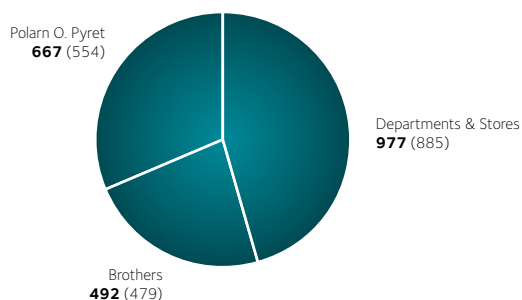


## FINANCIAL OVERVIEW BUSINESS AREAS

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			
	Q4 14/15	Q4 13/14	2014/ 2015	2013/ 2014	Q4 14/15	Q4 13/14	2014/ 2015	2013/ 2014	Q4 14/15	Q4 13/14	2014/ 2015	2013/ 2014
Net sales, SEK M	127	116	492	479	252	224	977	885	184	150	667	554
Operating income, excluding writedown of Goodwill, SEK M	-5	-4	-11	-29	10	14	59	55	14	3	24	6
Operating income, SEK M	-5	-4	-11	-180	10	14	59	55	14	3	24	6
Number of stores	78	79	78	79	44	45	44	45	140	143	140	143
Of which, franchise	25	27	25	27	-	-	-	-	52	52	52	52

### Net sales per business area, September 2014 – August 2015, MSEK



# BROTHERS

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Brothers is a volume-oriented comprehensive concept for men and the business area has a total of 78 (79) stores, of which 25 (27) are operated by franchisees.

## **FOURTH QUARTER, JUNE 1, 2015 – AUGUST 31, 2015**

Net sales for Brothers totaled SEK 127 M (116), an increase of 9.5 percent. Sales in comparable proprietary stores in Sweden and Finland increased by 16.9 percent.

Net sales during the quarter increased in proprietary stores, on the franchise side and also in the e-commerce business. The number of visitors continued to increase.

Total brand sales (total sales to consumers, excluding VAT, in all markets and distribution channels) amounted to SEK 594 M (573), measured on a rolling 12-month basis.

Gross margin for the business area was lower than the previous year. Sales of regular goods were strong early in the quarter and price activities were successful. However, the level of discounts rose compared to the previous year, which along with currency effects impacted the gross margin negatively.

Overhead costs in Brothers are at a slightly higher level than the previous year and the main reason was higher personnel expenses, as a result of new stores.

Operating income totaled SEK -5 M (-4). Operating income excluding the discontinued Sisters concept increased compared to the previous year.

The quality and level of inventories continued to develop favorably, however, with increased levels during the quarter, due to earlier deliveries of the fall collection. The inventory level matched the expected product demand.

## **THE PERIOD, SEPTEMBER 1, 2014 – AUGUST 31, 2015**

Net sales for Brothers totaled SEK 492 M (479), an increase of 2.8 percent. The low increase was explained by the fact that sales in Sisters are included in the comparative figure.

Net sales for Brothers showed an increase in proprietary stores and in e-commerce during the period, and stable sales on the franchise side. The number of visitors increased during almost all the months of the year.

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

Overhead costs in Brothers are at the same level as the previous year.

Operating income amounted to SEK -11 M (-29), excluding the previous year's impairment of goodwill in Brothers & Sisters of SEK 151 M.

The quality and level of inventories continued to develop favorably, however, with increased levels during the year, due to increased purchase volumes, earlier deliveries and higher value of goods due to exchange rate fluctuations.





# DEPARTMENTS & STORES

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 44 (45).

## FOURTH QUARTER, JUNE 1, 2015 – AUGUST 31, 2015

Net sales in the Departments & Stores business area amounted to SEK 252 M (224), an increase of 12.7 percent. Sales increased in Stockholm as well as in Gothenburg.

Gross margin remained at the same level during the period, despite high clearance sale activity early in the quarter which was compensated by very strong sales during the rest of the summer. Three sections were converted during the period.

Overhead costs showed increases compared to the previous year in stores and in head office functions. Some of the increased costs related to allocation of costs to particular periods and increased personnel expenses that partly relate to higher payroll taxes during the period.

Operating income amounted to SEK 10 M (14), with an operating margin of 4.0 percent (6.3).

The business area's inventories were stable during the quarter, despite earlier delivery of the fall collection. Compared to the previous year, inventories are higher due to additional purchasing, new premium brands and altered contractual terms.

## THE PERIOD, SEPTEMBER 1, 2014 – AUGUST 31, 2015

Net sales in the Departments & Stores business area amounted to SEK 977 M (885), an increase of 10.4 percent. Sales continued to rise in both Stockholm and Gothenburg and beat HUI's Stil clothing sales index during all months.

Gross profit in the NK department stores increased due to the strong sales trend, which was due to more paying customers combined with a higher average spend. Gross margin fell slightly, which was primarily due to a slightly larger obsolescence write-down of inventories during the year, but also to a smaller extent explained by the currency trend, which together meant more expensive cost of goods sold. Eleven sections were converted during the period.

Overhead costs showed some increases compared to the previous year in stores and in head office functions, due to contractual increases in the cost of premises, higher personnel expenses and certain non-recurring costs during the period.

Operating income amounted to SEK 59 M (55), with an operating margin of 6.0 percent (6.2).

The business area's inventories increased during the period, due to additional purchasing, new premium brands, altered contractual terms where Departments & Stores has changed to holding inventories for certain brands, slightly higher value of goods due to fluctuations in exchange rates and earlier delivery of the fall collection.



# POLARN O. PYRET

Polarn O. Pyret is a brand focused on baby and children's wear. The concept comprises 140 stores, of which 52 are franchise stores. Today, Polarn O. Pyret is established in 11 countries.

## FOURTH QUARTER, JUNE 1, 2015 – AUGUST 31, 2015

Net sales in the period amounted to SEK 184 M (150), including a continued increase in sales in proprietary stores and in the e-commerce business. Sales in comparable proprietary stores increased by 28.8 percent, year-on-year. Franchise sales displayed a stable level 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 845 M (763), measured on a rolling 12-month basis.

Gross margin in the quarter decreased compared to the year-earlier period, mainly due to currency effects on cost of goods sold, but also to a higher level of sales activities, both in stores and in e-commerce, during the quarter. Gross profit increased sharply during the period as a result of the increased sales.

Overhead costs for proprietary stores increased slightly compared to the year-earlier period, mainly due to higher marketing costs, personnel expenses and sales-related expenses.

Operating income amounted to MSEK 14 (3), equivalent to an operating margin of 7.4 percent (1.8). Earnings improved in Sweden, Norway and in Holland. 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 increased during the quarter, in accordance with expected deliveries of goods for the next season, additional purchasing and to some extent due to currency effects. Current inventory levels are considered to be effective, with good quality and age structure.

## THE PERIOD, SEPTEMBER 1, 2014 – AUGUST 31, 2015

Net sales during the period amounted to SEK 667 M (554), 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 on account of the acquisition in Norway, where sales have shifted to proprietary stores.

Gross margin during the period decreased slightly compared to the year-earlier period, where a major reason was increased cost of goods sold due to fluctuations in exchange rates. This was offset somewhat by mix changes between proprietary stores and franchise-owned stores, where Polarn O. Pyret Norway was owned for 8 months in the previous year compared to 12 months during the period. Despite the gross margin trend, gross profit increased due to the higher sales.

Overhead costs for proprietary stores increased compared to the previous year, due to the acquisition of the Norwegian operations. Operating income amounted to SEK 24 (6), equivalent to an operating margin of 3.6 percent (1.0). Earnings in all countries improved compared to the previous year. Earnings improved during the period 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 increased during the period as a consequence of the higher value of goods due to fluctuations in exchange rates and additional purchase volumes. 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 1,076 M compared to SEK 1,030 M at the end of the previous fiscal year. Shareholders' equity amounted to SEK 306 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 28.4 percent (25.8).

At August 31, 2015, inventories totaled SEK 401 M (347), where all three business areas increased their inventory levels compared to the year-earlier period. The increase was largely due to currency effects on inventories.

Cash flow from operating activities amounted to SEK 73 M (-6) during the period. Working capital was negatively impacted by higher inventories while other items resulted in a positive cash flow. Working capital (excluding inventories) decreased by SEK 27 M during the period. Cash flow after investments amounted to SEK 22 M (-56), which is equivalent to an improvement of SEK 78 M compared to the previous year. Investments largely referred to the disbursed contingent consideration relating to Polarn O. Pyret's Norwegian operations and ongoing store investments. This contingent consideration was recognised during the second quarter under operating activities and has now been adjusted. During the period, external loans were amortized by SEK 15 M.

Net debt amounted to SEK 341 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 147 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 42 M (38). Depreciation/amortization and impairment losses amounted to SEK -48 M (-44), excluding the previous year's impairment of goodwill in Brothers & Sisters of SEK 151 M.

## EMPLOYEES

The average number of employees during the period was 1,024 (1,092), including employees in acquired operations and excluding employees in divested operations (JC) 1,024 (1,040).

## 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 385 M.

For further information on transactions with related parties, refer to 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 85 M (108). The result after net financial items amounted to SEK 62 M (-159). Investments totaled SEK 6 M (4).

## DIVIDEND

The Board of Directors proposes a dividend of SEK 0.25 per share for the fiscal year 2014/2015. The total sum corresponding to the proposed dividend amounts to SEK 8.5 M.

## 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 auditors.



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, October 22, 2015

The Board of Directors and President of  
RNB RETAIL AND BRANDS (publ), Corporate Identity Number 556495-4682

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 August 31, 2015

	Number of shares	Share capital/ Voting rights, %
Konsumentföreningen Stockholm	11,246,598	33.16
Catella fondförvaltning	4,186,154	12.34
Avanza pension	2,322,607	6.85
Provobis Property & Leisure AB	1,400,000	4.13
Client long	953,025	2.81
Skandinaviska Enskilda Banken	663,184	1.96
Michael Löfman	575,000	1.70
Case Asset Management AB	500,000	1.47
SEB Life International Assurance	476,512	1.41
Nordnet pensionsförsäkring	424,852	1.25
<b>Total 10 largest shareholders</b>	<b>22,747,932</b>	<b>67.08</b>
Other	11,164,244	32.92
<b>Total</b>	<b>33,912,176</b>	<b>100.00</b>

Source: Euroclear Sweden AB

# Consolidated Income Statement

SEK M	Note	3 months		12 months	
		Jun 2015 –Aug 2015	Jun 2014 –Aug 2014	Sep 2014 –Aug 2015	Sep 2013 –Aug 2014
Net sales		563.6	490.0	2,136.2	1,917.0
Goods for resale		-294.0	-248.6	-1,065.7	-939.4
<b>Gross income</b>		<b>269.6</b>	<b>241.4</b>	<b>1,070.5</b>	<b>977.6</b>
Other operating income		1.1	4.0	15.3	10.4
Other external expenses		-111.1	-99.6	-467.8	-432.6
Personnel expenses		-136.3	-131.6	-522.2	-502.9
Depreciation and impairment of non-current assets		-11.5	-10.4	-47.9	-44.0
Impairment of goodwill		-	0.0	-	-150.9
Profit/loss on sale of subsidiary		-	0.0	-	-2.6
<b>Operating income</b>		<b>11.8</b>	<b>3.8</b>	<b>47.9</b>	<b>-145.0</b>
Financial income		1.5	1.0	5.0	1.7
Financial expenses		-2.0	-3.0	-11.2	-13.1
Unrealized profit/loss on futures contracts		-5.4	1.2	0.6	1.4
<b>Net financial items</b>		<b>-5.9</b>	<b>-0.8</b>	<b>-5.6</b>	<b>-10.0</b>
<b>Profit before tax from continuing operations</b>		<b>5.9</b>	<b>3.0</b>	<b>42.3</b>	<b>-155.0</b>
Tax on net income for the period		-	0.7	-	-0.1
<b>Net income for the period from continuing operations</b>		<b>5.9</b>	<b>3.7</b>	<b>42.3</b>	<b>-155.1</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>5.9</b>	<b>3.7</b>	<b>42.3</b>	<b>-161.0</b>
<b>Other comprehensive income</b>					
<i>Other comprehensive income, which will be reclassified to net income in subsequent periods</i>					
Translation differences		-1.1	-1.4	-2.7	-0.7
<b>Comprehensive income for the period</b>		<b>4.8</b>	<b>2.3</b>	<b>39.6</b>	<b>-161.7</b>
<b>Net income for the period attributable to:</b>					
Parent Company's shareholders		5.9	3.7	42.3	-161.0
<b>Comprehensive income attributable to:</b>					
Parent Company's shareholders		4.8	2.3	39.6	-161.7
<b>Net income from continuing operations per share before and after dilution (SEK)</b>		<b>0.17</b>	<b>0.11</b>	<b>1.25</b>	<b>-4.57</b>
<b>Earnings per share before and after dilution (SEK)</b>		<b>0.17</b>	<b>0.11</b>	<b>1.25</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>

# Consolidated Cash Flow Statement, in summary

SEK M	3 months		12 months	
	Jun 2015 –Aug 2015	Jun 2014 –Aug 2014	Sep 2014 –Aug 2015	Sep 2013 –Aug 2014
<b>Operating activities</b>				
Operating income from continuing operations	11.8	3.7	47.9	-145.1
Operating income from discontinued operations	-	-	-	-5.6
Adjustment for non-cash items	1.5	1.0	5.0	1.8
Interest received and other financial income	-1.7	-0.7	-14.2	-10.7
Interest paid	14.3	13.9	47.1	195.8
<b>Cash flow before change in working capital</b>	<b>25.9</b>	<b>17.9</b>	<b>85.8</b>	<b>36.2</b>
<b>Cash flow from changes in working capital</b>				
Change in inventories	-34.2	-33.9	-54.5	-9.8
Decrease (+)/increase (-) in current receivables	-2.9	-17.1	3.4	7.0
Decrease (-)/increase (+) in current liabilities	-3.0	26.7	38.5	-39.3
<b>Change in working capital</b>	<b>-40.1</b>	<b>-24.3</b>	<b>-12.6</b>	<b>-42.1</b>
<b>Cash flow from operating activities</b>	<b>-14.2</b>	<b>-6.4</b>	<b>73.2</b>	<b>-5.9</b>
<b>Cash flow from investing activities</b>	<b>-12.3</b>	<b>-13.6</b>	<b>-51.2</b>	<b>-50.0</b>
<b>Cash flow after investments</b>	<b>-26.5</b>	<b>-20.0</b>	<b>22.0</b>	<b>-55.9</b>
<b>Financing activities</b>				
Borrowings	-	-	-	51.0
Amortization of loan	-15.0	-	-15.0	-
Other	-	-	-	-1.6
<b>Cash flow from financing activities</b>	<b>-15.0</b>	<b>0.0</b>	<b>-15.0</b>	<b>49.4</b>
<b>Cash flow during the period</b>	<b>-41.5</b>	<b>-20.0</b>	<b>7.0</b>	<b>-6.5</b>



## Consolidated Balance Sheet, in summary

SEK M	Aug 31, 2015	Aug 31, 2014
<b>Assets</b>		
Intangible assets	407.8	411.2
Tangible assets	87.6	92.1
Financial assets	5.6	8.8
<b>Total non-current assets</b>	<b>501.0</b>	<b>512.1</b>
Inventories	400.9	347.4
Current receivables	126.7	130.6
Cash	47.2	40.2
<b>Total current assets</b>	<b>574.8</b>	<b>518.2</b>
<b>Total assets</b>	<b>1,075.8</b>	<b>1,030.3</b>
<b>Shareholders' equity and liabilities</b>		
Equity attributable to the Parent Company's shareholders	305.7	266.1
Non-current liabilities	385.5	402.7
Current liabilities	384.6	361.5
<b>Total equity and liabilities</b>	<b>1,075.8</b>	<b>1,030.3</b>

## Changes in shareholders' equity, in summary

SEK M	Sep 2014 –Aug 2015	Sep 2013 –Aug 2014
Opening balance	266.1	427.8
Net income for the period	42.3	-161.0
Other comprehensive income	-2.7	-0.7
<b>Balance at end of period</b>	<b>305.7</b>	<b>266.1</b>

## Key ratios, excluding the divested operation

		Sep 2014 –Aug 2015	Sep 2013 –Aug 2014
Sales development in comparable stores, RNB total	%	11.9	1.1
Gross margin	%	50.1	51.0
Operating margin	%	2.2	-7.6
Profit margin	%	2.0	-8.1
Equity/assets ratio	%	28.4	25.8
Interest coverage ratio	ggr	4.8	-10.8
Net debt	Mkr	340.5	364.7
Net debt/equity ratio	%	111.4	137.1
Average number of employees, full time		1,024	1,040
Average number of shares, (000s)		33,912	33,912
Number of shares at end of period, (000s)		33,912	33,912
Profit after tax per share	Kr	1.25	-4.57
Equity per share at end of period	Kr	9.01	7.85

## Net Sales and Operating Income per Business Area

	3 months		12 months	
	Jun 2015 –Aug 2015	Jun 2014 –Aug 2014	Sep 2014 –Aug 2015	Sep 2013 –Aug 2014
<b>Net sales, SEK M</b>				
Brothers	127.4	116.4	492.4	479.2
Departments & Stores	252.2	223.7	976.6	884.6
Polarn O. Pyret	183.9	150.0	667.1	553.7
Other	0.1	-0.1	0.1	-0.5
<b>Total continuing operations</b>	<b>563.6</b>	<b>490.0</b>	<b>2,136.2</b>	<b>1,917.0</b>
Divested operations	-	-	-	110.8
<b>Total</b>	<b>563.6</b>	<b>490.0</b>	<b>2,136.2</b>	<b>2,027.8</b>
<b>Operating income, SEK M</b>				
Brothers	-5.0	-4.1	-10.8	-179.9
Departments & Stores	10.2	14.0	58.9	54.6
Polarn O. Pyret	13.7	2.7	24.0	5.6
Other	-7.1	-8.8	-24.2	-25.3
<b>Total continuing operations</b>	<b>11.8</b>	<b>3.8</b>	<b>47.9</b>	<b>-145.0</b>
Divested operations	-	-	-	-5.6
<b>Total</b>	<b>11.8</b>	<b>3.8</b>	<b>47.9</b>	<b>-150.6</b>

# Income Statement per quarter, Group

SEK M	Note	2015	2015	2014/2015	2014	2014	2014
		Jun-Aug	Mar-May	Dec-Feb	Sep-Nov	Jun-Aug	Mar-May
Net sales		563.6	485.3	578.2	509.1	490.0	441.5
Goods for resale		-294.0	-237.1	-302.8	-231.8	-248.6	-207.7
<b>Gross profit</b>		<b>269.6</b>	<b>248.2</b>	<b>275.4</b>	<b>277.3</b>	<b>241.4</b>	<b>233.8</b>
<b>Gross profit margin</b>		<b>47.8%</b>	<b>51.1%</b>	<b>47.6%</b>	<b>54.5%</b>	<b>49.3%</b>	<b>53.0%</b>
Other operating income		1.1	4.8	3.1	6.3	4.0	3.7
Other external expenses		-111.1	-118.5	-117.0	-121.2	-99.2	-119.4
Personnel expenses		-136.3	-126.4	-132.5	-127.0	-131.6	-122.1
Depreciation and impairment of non-current assets		-11.5	-11.9	-11.9	-12.6	-10.8	-10.6
Impairment of goodwill		-	-	-	-	-	-150.9
<b>Operating income</b>		<b>11.8</b>	<b>-3.8</b>	<b>17.1</b>	<b>22.8</b>	<b>3.8</b>	<b>-165.5</b>
Financial income		1.5	0.3	1.0	2.2	1.0	0.0
Financial expenses		-2.0	-2.2	-3.2	-3.8	-3.0	-4.6
Unrealized profit/loss on futures contracts		-5.4	-2.7	7.8	0.9	1.2	1.0
<b>Result after net financial items</b>		<b>5.9</b>	<b>-8.4</b>	<b>22.7</b>	<b>22.1</b>	<b>3.0</b>	<b>-169.1</b>
Tax		-	-	-	-	0.7	-
<b>Net income for the period</b>		<b>5.9</b>	<b>-8.4</b>	<b>22.7</b>	<b>22.1</b>	<b>3.7</b>	<b>-169.1</b>
<b>Other comprehensive income</b>							
Translation differences		-1.1	-0.4	-1.0	-0.2	-1.4	1.5
<b>Comprehensive income for the period</b>		<b>4.8</b>	<b>-8.8</b>	<b>21.7</b>	<b>21.9</b>	<b>2.3</b>	<b>-167.6</b>



## Number of Stores at end of period

	Aug 31, 2015	May 31, 2015	Feb 28, 2015	Nov 30, 2014	Aug 31, 2014	May 31, 2014
Own stores Sweden	140	141	142	142	147	147
Own stores Norway	28	28	28	28	25	25
Own stores Finland	13	12	12	12	12	12
Own stores Netherlands	4	4	4	4	4	4
Franchise stores Sweden	32	32	33	34	34	34
Franchise stores outside Sweden	45	48	48	47	45	45
<b>Total</b>	<b>262</b>	<b>265</b>	<b>267</b>	<b>267</b>	<b>267</b>	<b>267</b>

Brothers	Aug 31, 2015			Aug 31, 2014		
	Own	Franchise	Total	Own	Franchise	Total
Brothers, Sweden (single)	40	25	65	38	27	65
Brothers, Finland (single)	13	-	13	12	-	12
Bro & Sisters Sweden (duo)	-	-	0	1	-	1
Outlet (duo)	-	-	0	1	-	1
<b>Total</b>	<b>53</b>	<b>25</b>	<b>78</b>	<b>52</b>	<b>27</b>	<b>79</b>

Departments & Stores	Own	Own
<b>Number of stores</b>	<b>44</b>	<b>45</b>
Total retail space, m <sup>2</sup>	11,055	11,300

Polarn O. Pyret	Own	Franchise	Total	Own	Franchise	Total
Sweden	56	7	63	62	7	69
Norway	28	-	28	25	-	25
Finland	-	16	16	-	16	16
England	-	14	14	-	13	13
Scotland	-	2	2	-	2	2
Ireland	-	2	2	-	4	4
Iceland	-	1	1	-	1	1
Estonia	-	4	4	-	3	3
Latvia	-	1	1	-	1	1
Netherlands	4	-	4	4	-	4
USA	-	5	5	-	5	5
<b>Total</b>	<b>88</b>	<b>52</b>	<b>140</b>	<b>91</b>	<b>52</b>	<b>143</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 -Aug 2015	Sep 2013 -Aug 2014
Net sales	-	110.8
Goods for resale	-	-56.2
<b>Gross income</b>	<b>0.0</b>	<b>54.6</b>
Other operating income	-	-1.7
Other external expenses	-	-31.0
Personnel expenses	-	-27.5
Depreciation and impairment of non-current assets	-	-
<b>Operating income</b>	<b>0.0</b>	<b>-5.6</b>
Financial income	-	0.1
Financial expenses	-	-0.3
<b>Net financial items</b>	<b>0.0</b>	<b>-0.2</b>
<b>Profit before tax of operation for disposal</b>	<b>0.0</b>	<b>-5.8</b>
Tax on net income for the year	-	-0.1
<b>Net loss for the year of operation for disposal</b>	<b>0.0</b>	<b>-5.9</b>

Net cash flow in the JC segment is as follows:

SEK M	Sep 2014 -Aug 2015	Sep 2013 -Aug 2014
Operating activities	-	-3.0
Investment	-	-
Financing	-	-6.9
<b>Net cash flow</b>	<b>0.0</b>	<b>-9.9</b>

# Income Statement Parent Company

SEK M	3 months		12 months	
	Jun 2015 –Aug 2015	Jun 2014 –Aug 2014	Sep 2014 –Aug 2015	Sep 2013 –Aug 2014
Net sales	21.3	20.1	85.2	107.7
Other operating income	1.7	-1.7	8.6	4.9
	<b>23.0</b>	<b>18.4</b>	<b>93.8</b>	<b>112.6</b>
Other external expenses	-13.3	-17.6	-59.6	-79.1
Personnel expenses	-14.3	-7.2	-50.6	-51.5
Depreciation and impairment of non-current assets	-3.2	-1.7	-9.3	-6.7
<b>Operating income</b>	<b>-7.8</b>	<b>-8.1</b>	<b>-25.7</b>	<b>-24.7</b>
Result from participations in group companies	95.5	26.8	95.5	-123.2
Financial income	0.5	0.9	1.5	0.9
Financial expenses	-2.1	-3.3	-9.8	-11.7
<b>Result after financial items</b>	<b>86.1</b>	<b>16.3</b>	<b>61.5</b>	<b>-158.7</b>
Taxes	-	-	-	-
<b>Net income for the period</b>	<b>86.1</b>	<b>16.3</b>	<b>61.5</b>	<b>-158.7</b>

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

# Balance Sheet Parent Company, in summary

SEK M	Aug 31, 2015	Aug 31, 2014
<b>Assets</b>		
Intangible assets	15.3	20.0
Property, plant and equipment	2.8	1.4
Financial assets	501.7	501.7
Deferred tax assets	70.4	90.8
Other current assets	35.9	28.9
<b>Total assets</b>	<b>686.1</b>	<b>642.8</b>
<b>Shareholders' equity and liabilities</b>		
Equity	264.1	202.6
Non-current liabilities	385.0	400.0
Current liabilities	37.0	40.2
<b>Total equity and liabilities</b>	<b>686.1</b>	<b>642.8</b>

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