

# RNB

## INTERIM REPORT

1 SEPTEMBER 2015 – 29 FEBRUARY 2016

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RNB RETAIL AND BRANDS

POLARN O. PYRET  
DEPARTMENTS & STORES

**BROTHERS**

# A mixed performance during the quarter

For the second quarter 2015/2016, RNB reported operating income of SEK 1 M, compared to SEK 17 M in the year-earlier period. The change in sales during the quarter for the three concepts' comparable stores in Sweden amounted to between -4 and 6 percent and to -1 percent for the Group overall. Brothers continued to perform positively with sales that were clearly better than the market. Sales in Departments & Stores decreased marginally. An overview of the operations in Polarn O. Pyret has been initiated in order to clearly increase profitability in the business area.

## SECOND QUARTER, DECEMBER 1, 2015 – FEBRUARY 29, 2016 IN SUMMARY

- Sales in comparable stores in Sweden decreased during the quarter by 0.8 percent, compared to the market's increase of 1.9 percent (Swedish Retail and Wholesale Trade Research Institute (HUI)).
- Net sales totaled SEK 573 M (578), a decrease of 1.0 percent.
- Operating income amounted to SEK 1 M (17).
- Operating income before depreciation for the latest 12-month period totaled SEK 86 M.
- Operating income for the latest 12-month period totaled SEK 38 M.
- The loss before tax amounted to SEK -5 M (23).
- The loss after tax amounted to SEK -5 M (23), which corresponds to SEK -0.14 (0.67) per share.
- Cash flow from operating activities was SEK 20 M (42).

## THE PERIOD, SEPTEMBER 1, 2015 – FEBRUARY 29, 2016 IN SUMMARY

- Sales in comparable stores increased during the period by 5.1 percent.
- Net sales amounted to SEK 1,129 M (1,087), equivalent to an increase of 3.8 percent.
- Operating income amounted to SEK 30 M (40).
- Profit before tax amounted to SEK 26 M (45).
- Profit after tax amounted to SEK 26 M (45), which corresponds to SEK 0.76 (1.32) per share.
- Cash flow from operating activities was SEK 36 M (48).

## EVENTS AFTER THE INTERIM PERIOD

- Polarn O. Pyret AB acquired 51 percent of the shares in Kids Company Oy in Finland. Kids Company Oy, which is the master franchise business of Polarn O. Pyret in Finland, operates twelve proprietary physical stores as well as an e-commerce store and three franchise stores. The operation generated net sales of about MSEK 100 in 2015. The acquisition is expected to close on March 31, 2016 and also includes a mutual option to acquire respectively sell the remaining 49 percent within a period of four years.

## CONTACT

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## 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 2015/2016. The conference will be held at the company's premises at Regeringsgatan 29, today, March 24, 2015 at 9.30 a.m.

## FINANCIAL CALENDAR

Interim report, second quarter 2015/2016	March 24, 2016
Interim report, third quarter 2015/2016	June 23, 2016
Year-end report 2015/2016	October 26, 2016

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 24, 2016.

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

## **POLARN O. PYRET WEIGHED ON THE QUARTER'S RESULTS**

It is gratifying that Brothers is continuing its strong performance with sales growth of 5.8 percent during the quarter, which is the sixth consecutive quarter that Brothers performs better than the market. Departments & Stores also developed favourably and delivered a very positive result, driven by strong sales during the Christmas season.

However, I am not satisfied with the earnings trend during the second quarter, which was almost exclusively related to the performance in Polarn O. Pyret. Sales have been weak during the quarter and gross margins were also pressed due to much too extensive campaigns and large price reductions. During the past two years, Polarn O. Pyret's sales developed positively. Net sales in the second quarter of the 2013/2014 fiscal year amounted to SEK 135 M and two years' later amounted to SEK 174 M, an increase equivalent to 29 percent. Unfortunately, the operating margin has not developed at the same positive rate during this period. In view of this, an overview has been initiated of the entire operations with the overall goal of clearly increasing the profitability in Polarn O. Pyret.

During Easter, the long planned relocation of the headquarters will be carried out. The costs of the move have weighed slightly on the quarter's results.

## **OVERVIEW OF POLARN O. PYRET INITIATED**

During the winter, a comprehensive overview was initiated of the entire operations in Polarn O. Pyret. This overview covered the structure, value proposition, marketing, organization and working processes and we are now acting forcefully and at a fast pace to bring about a clear improvement. The overview has resulted in a number of definite conclusions, including the completion of a significant organizational change in combination with more defined areas of responsibility. This work was carried out in February, which also means that five of the seven members of Polarn O. Pyret's management team are now new. The new organization has better potential to act quickly, commercially and close to customers in a constantly changing retail environment.

For Polarn O. Pyret, the focus going forward will be on expanding its presence in some of our larger markets. As part of this strategy, Polarn O. Pyret acquired 51 percent of the master franchise business in Finland and will take over on March 31, 2016. During the 2014/2015 fiscal year, the Finnish operations generated sales of about SEK 100 M with good profitability. The next step is to evaluate the operations in the smaller markets Baltic States, Iceland, China, Holland and in the USA. All measures are taking place against the backdrop of an ambition to clearly increase profitability in the business area. The priorities are now focused on profitable growth. The extraordinary activities related to the completed operational overview had a negative effect of SEK 2 M on the second quarter results. These costs in combination with weak sales and margins have contributed to the negative earnings trend during the quarter.

Some aspects of the transformation of Polarn O. Pyret to achieve the full profitability potential of the business area will also be demanding over the next two quarters. Polarn O. Pyret

has a strong and durable brand, which is trendy with digital customers. With the powerful measures now being implemented, the potential to reach profitable growth is very good.

## **DEPARTMENTS & STORES STABLE**

The sales trend in Departments & Stores remains stable and operating income in the first half of the 2015/2016 fiscal year was in line with earnings in the year-earlier period. The important Christmas season was stronger than the market generally but certain logistics problems impacted deliveries of new spring fashion ranges in February, which had some negative impact on sales and earnings at the end of the quarter. These problems are now solved. I am confident about the performance of the business area and the expected positive effect of our ambitious renovations of departments in both Stockholm and Gothenburg.

## **BROTHERS STILL STRONG**

Despite the fact that Brothers in the current fiscal year is facing comparisons with last year's exceptional sales figures, the business area is continuing to perform strongly with sales in comparable stores that once again are stronger than the market average. The balance in the fashion range between tailored and volume products is very good and I can see that the continued advancement of e-commerce and the service concept in stores will strengthen the value proposition further and continue to drive sales. Operating income after the second quarter is now SEK 8 M better than the previous year. The forecast that Brothers will display a positive result in the current fiscal year remains.

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 12 countries. The total number of stores in the RNB Group amounts to 264, of which 78 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, 2015 – FEBRUARY 29, 2016

Reported net sales for the Group's concepts during the second quarter of the year decreased, from SEK 578 M in the previous year to SEK 573 M, equivalent to a decrease of 1.0 percent. The Brothers business area increased its sales while the other business areas reported lower sales during the quarter. For comparable stores in Sweden, the sales decrease was 0.8 percent (HUI 1.9 percent) and for all countries it was -0.6 percent, calculated in Swedish kronor.

Gross margin during the quarter for RNB's operations was 47.0 percent (47.6), where Brothers increased its margin and the margin fell in Departments & Stores and in Polarn O. Pyret. Gross profit for the Group fell by just over 2.2 percent overall compared to the previous year due to lower sales at a slightly lower gross margin.

Total overhead costs increased compared to the previous year, but were lower than planned despite restructuring costs of SEK 2 M in Polarn O. Pyret.

Operating income amounted to SEK 1 M (17). Operating income for the latest 12-month period totaled SEK 38 M.

Net financial items amounted to SEK -5 M (6), and the loss before tax amounted to SEK -5 M (23).

The loss after tax was SEK -5 M (23).

Unrealized results on futures contracts affected earnings by SEK -3 M (8).

## THE PERIOD, SEPTEMBER 1, 2015 – FEBRUARY 29, 2016

Reported net sales for the Group's concepts during the period increased, from SEK 1,087 M in the previous year to SEK 1,129 M in the same period this year, equivalent to an increase of 3.8 percent. All business areas increased their sales during the period.

Gross margin during the period was 49.6 percent (50.8), with an improvement compared to the previous year in Brothers, a stable margin in Departments & Stores and a lower margin in Polarn O. Pyret. 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 effects and mix effects from products sold.

Total gross profit for the Group rose compared to the previous year, while other revenue decreased slightly. Total overhead costs increased compared to the year-earlier period, but were lower than planned.

Operating income amounted to SEK 30 M (40).

Net financial items amounted to SEK -5 M (5) and profit before tax amounted to SEK 26 M (45). Profit after tax amounted to SEK 26 M (45).

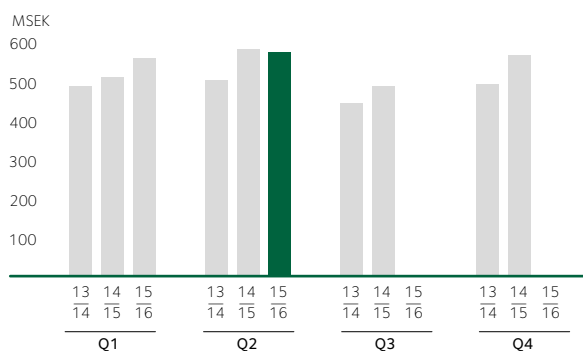
Unrealized results on futures contracts affected earnings by SEK 1 M (9).

### Group overview

	3 months		6 months		12 months	
	Dec 2015 -Feb 2016	Dec 2014 -Feb 2015	Sep 2015 -Feb 2016	Sep 2014 -Feb 2015	Latest 12 months	Sep 2014 -aug 2015
Net sales, SEK M	573	578	1,129	1,087	2,178	2,136
Gross margin (%)	47.0	47.6	49.6	50.8	49.5	50.1
Operating income, SEK M	1	17	30	40	38	48
Profit before tax, SEK M	-5	23	26	45	23	42
Profit after tax, SEK M	-5	23	26	45	23	42
Operating margin (%)	0.1	3.0	2.7	3.7	1.8	2.2
Earnings per share, SEK	-0.14	0.67	0.76	1.32	0.69	1.25
Cash flow from operating activities, SEK M	20	42	36	48	62	74
Number of stores	264	267	264	267	264	267

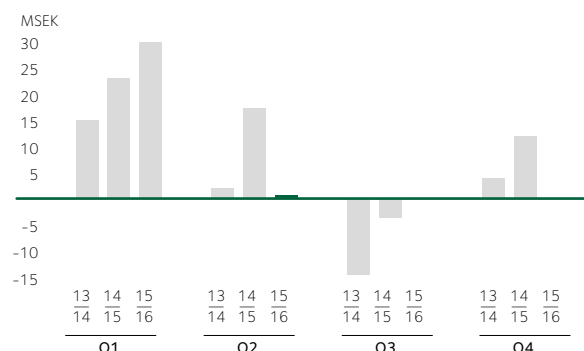
### Net sales per quarter

excluding writedown of goodwill and divested operation






### Operating income per quarter

excluding writedown of goodwill and divested operation



# Financial overview business areas

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

Business area	Net sales, interim period	Share, %	Operating income, interim period	Stores
<b>BROTHERS</b>	<b>259</b> MSEK 	23%	<b>1</b> MSEK	<b>Total</b> <b>76</b> of which 23 franchise Sweden 63 of which 23 franchise Finland 13 of which 0 franchise
DEPARTMENTS & STORES	<b>505</b> MSEK 	45%	<b>39</b> MSEK	<b>Total</b> <b>44</b> NK Stockholm 29 NK Gothenburg 15
<b>POLARN O. PYRET</b>	<b>364</b> MSEK 	32%	<b>6</b> MSEK	<b>Total</b> <b>144</b> of which 55 franchise Sweden 64 of which 7 franchise Norway 28 of which 0 franchise Finland 16 of which 16 franchise England 16 of which 16 franchise USA 5 of which 5 franchise Netherlands 4 of which 0 franchise Estonia 4 of which 4 franchise Ireland 2 of which 2 franchise Scotland 2 of which 2 franchise Iceland 1 of which 1 franchise Latvia 1 of which 1 franchise China 1 of which 1 franchise
<b>Total</b> RNB RETAIL AND BRANDS	<b>1,129</b> MSEK		<b>30</b> MSEK	<b>264</b> stores <b>12</b> countries

Net Sales and Operating Income per Business Area	3 months		6 months		12 months	
	Dec 2015 –Feb 2016	Dec 2014 –Feb 2015	Sep 2015 –Feb 2016	Sep 2014 –Feb 2015	Latest 12 months	Sep 2014 –aug 2015
<b>Net sales, SEK M</b>						
Brothers	131.3	120.5	259.2	235.0	516.6	492.4
Departments & Stores	267.1	273.0	505.3	501.6	980.3	976.6
Polarn O. Pyret	174.1	184.8	364.4	350.7	680.8	667.1
Other	0.0	-0.1	0.0	0.0	0.1	0.1
<b>Total</b>	<b>572.5</b>	<b>578.2</b>	<b>1,128.9</b>	<b>1,087.3</b>	<b>2,177.8</b>	<b>2,136.2</b>
<b>Operating income, SEK M</b>						
Brothers	-4.0	-4.3	0.6	-6.8	-3.4	-10.8
Departments & Stores	18.0	21.5	38.7	38.9	58.7	58.9
Polarn O. Pyret	-5.8	6.8	5.7	19.6	10.1	24.0
Other	-7.7	-6.9	-14.7	-11.8	-27.1	-24.2
<b>Total</b>	<b>0.5</b>	<b>17.1</b>	<b>30.3</b>	<b>39.9</b>	<b>38.3</b>	<b>47.9</b>

# BROTHERS

Brothers is a volume-oriented comprehensive concept for men and the business area has a total of 76 (76) stores, of which 23 (26) are operated by franchisees.

## **SECOND QUARTER, DECEMBER 1, 2015 – FEBRUARY 29, 2016**

Net sales for Brothers totaled SEK 131 M (121), an increase of 9.0 percent. Net sales during the quarter increased in proprietary stores and also in e-commerce while sales on the franchise side continued to be lower than the year-earlier period.

Sales in comparable proprietary stores in Sweden and Finland increased by 6.4 percent. The number of visitors to the stores continued to rise and with an increased conversion rate. Total brand sales (total sales to consumers, excluding VAT, in all markets and distribution channels) amounted to SEK 594 M (533), measured on a rolling 12-month basis.

Gross margin for the business area increased during the quarter compared to the previous year. The increased gross margin is due to mix effects and lower currency effects than the previous year. Increased sales during the quarter contributed to a higher gross profit. Sales of proprietary brands increased during the quarter.

Overhead costs in Brothers are at a higher level as planned than the previous year and the main reasons were higher personnel expenses and premises costs, as a result of new stores and increased sales.

Operating income was negative during the quarter and amounted to SEK -4 M (-4).

Inventories increased during the quarter, mainly due to deliveries of the spring collection. The inventory level was slightly high but matched the expected product demand.

## **THE PERIOD, SEPTEMBER 1, 2015 – FEBRUARY 29, 2016**

Net sales for Brothers totaled SEK 259 M (235), an increase of 10.3 percent. Net sales for Brothers showed an increase in proprietary stores and in e-commerce during the period, and lower sales on the franchise side.

Sales in comparable proprietary stores in Sweden and Finland increased by 11.2 percent. The number of visitors increased during every month of the period except one.

Gross margin for the business area increased slightly compared to the year-earlier period, despite higher negative currency effects. Consistently strong sales during the whole period combined with a slightly higher gross margin resulted in an increased gross profit.

Overhead costs in Brothers are at a higher level as planned than the previous year and the main reasons were higher personnel expenses and premises costs, as a result of new stores and increased sales.

Operating income amounted to SEK 1 M (7).

The quality and level of inventories continued to develop favorably with a higher level compared to the previous year, but with a higher inventory level during the period. The inventory level was slightly high at the end of the period but matched the expected product demand.



# 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 44 (45).

## **SECOND QUARTER, DECEMBER 1, 2015 – FEBRUARY 29, 2016**

Net sales in the Departments & Stores business area amounted to SEK 267 M (273), a decrease of 2.2 percent. Sales in Stockholm and in Gothenburg showed a decline during the second half of November, which continued during the quarter. To some extent, this was offset by increased average spends and a higher conversion rate. The logistics problems, which are now solved, had a negative impact on sales during the second half of the quarter as did the conversion of NK Juvelsalongen at NK Stockholm.

Gross margin was lower compared to the same quarter last year.

Overhead costs increased slightly compared to the previous year in stores and in head office functions, which was planned.

Operating income amounted to SEK 18 M (22), with an operating margin of 6.7 percent (7.9).

The business area's inventories decreased during the quarter but were higher at the end of the quarter than the previous year. The increase compared to the previous year was due to additional purchasing, new premium brands, more expensive goods and altered contractual terms.

## **THE PERIOD, SEPTEMBER 1, 2015 – FEBRUARY 29, 2016**

Net sales in the Departments & Stores business area amounted to SEK 505 M (502), an increase of 0.7 percent. Sales increased substantially in both Stockholm and Gothenburg at the start of the period but showed a decline since the second half of November.

Gross margin is at a stable level compared to the year-earlier period. Gross profit increased slightly as a result of the higher sales.

Overhead costs showed some increases compared to the year-earlier period due to contractual increases in the cost of premises and higher personnel expenses.

Operating income amounted to SEK 39 M (39), with an operating margin of 7.7 percent (7.8).

The business area's inventories increased during the period and were higher at the end of the period than the previous year. The increase compared to the previous year was due to additional purchasing, new premium brands, more expensive goods and altered contractual terms.





# POLARN O. PYRET

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Polarn O. Pyret is a brand focused on baby and children's wear. The concept comprises 144 stores, of which 55 are franchise stores. Today, Polarn O. Pyret is established in 12 countries.

## **SECOND QUARTER DECEMBER 1, 2015 – FEBRUARY 29, 2016**

Net sales during the quarter amounted to SEK 174 M (185), with lower sales in proprietary stores but offset by an increase in the e-commerce business. Franchise sales decreased during the quarter, both internationally and in Sweden.

Sales in comparable proprietary stores in all countries declined by 3.8% year-on-year, however sales increased in local currency in both Norway and Holland. Brand sales (total sales to consumers, excluding VAT, in all markets and distribution channels) amounted to SEK 884 M (787), measured on a rolling 12-month basis.

Gross margin during the quarter decreased compared to the year-earlier period, mainly explained by currency effects and mix effects as sales increased of products with lower margins. Gross profit fell during the quarter as a consequence.

Overhead costs increased slightly compared to the same quarter of the previous year, mainly due to restructuring costs and non-recurring costs. After a variable performance in recent years in Polarn O. Pyret, an overview has been initiated of the entire operations. The first part of this overview resulted in significant organizational changes, which were implemented during the quarter in essentially all functions, country managers have gained clearer responsibilities and the majority of the members of the management team are now new.

Operating income totaled SEK -6 M (7), equivalent to an operating margin of -3.3 percent (3.7).

Inventory levels decreased during the quarter and are at the same level as the year-earlier period. Current inventory levels are considered to be effective, with good quality and have a better age structure than at the end of the year-earlier period.

## **THE PERIOD, SEPTEMBER 1, 2015 – FEBRUARY 29, 2016**

Net sales in the period amounted to SEK 364 M (351), with a continued sales increase in proprietary stores and in the e-commerce business. Franchise sales were stable during the first quarter but fell slightly in the second quarter.

Gross margin during the period fell compared to the year-earlier period, where one reason was increased cost of goods sold due to changes in exchange rates and mix effect from products sold. Gross profit was lower in the period than the previous year.

Overhead costs increased compared to the previous year due to personnel- and sales-related costs as well as the restructuring costs and non-recurring costs during the second quarter. During the period, two new stores were opened in Sweden and Norway.

Operating income amounted to SEK 6 (20), equivalent to an operating margin of 1.6 percent (5.6).

Inventory levels decreased during the period and are at the same level as the year-earlier period. Current inventory levels are considered to be effective, with good quality and have a better age structure than at the end of the year-earlier period.



# Financial position and liquidity

The Group had total assets of SEK 1,076 M compared to SEK 1,076 M at the end of the previous fiscal year. Shareholders' equity amounted to SEK 324 M at the end of the period, and to SEK 306 M at the end of the previous fiscal year, providing an equity/assets ratio of 30.1 percent (29.2).

At February 29, 2016, inventories totaled SEK 387 M (368), where two of the three business areas increased their inventory levels compared to the previous year. The increase was due to currency effects and increased purchasing.

Cash flow from changes in working capital was negative at SEK -11 M (-11) for the period, due to increased current receivables and decreased current liabilities and offset by lower inventories. Cash flow from operating activities amounted to SEK 36 M (48) during the period. Cash flow after investments amounted to SEK 15 M (17), which is equivalent to a decline of SEK 2 M compared to the previous year. Net debt amounted to SEK 333 M compared to SEK 341 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 153 M compared to SEK 147 M at the end of the previous fiscal year. Cash and cash equivalents includes blocked funds relating to hedging.

## INVESTMENTS AND DEPRECIATION/ AMORTIZATION

Investments during the period, excluding investment in subsidiaries totaled SEK 22 M (18). Depreciation/amortization totaled SEK -23 M (-23).

## EMPLOYEES

The average number of employees during the period was 991(1,001).

## 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 2014/2015, Note 5 on page 46.

## 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 2014/2015 Annual Report, Note 12 on pages 48-49.

## PARENT COMPANY

Net sales in the Parent Company amounted to SEK 47 M (42). The result after net financial items amounted to SEK -19 M (-17). Investments totaled SEK 5 M (2).

## 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 2014/2015 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, consumer behavior and weather 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 2014/2015 Annual Report.

## EVENTS AFTER THE INTERIM PERIOD

Polarn O. Pyret AB acquired 51 percent of the shares in Kids Company Oy in Finland. Kids Company Oy, which is the master franchise business of Polarn O. Pyret in Finland, operates twelve proprietary physical stores as well as an e-commerce store and three franchise stores. The operation generated net sales of about MSEK 100 in 2015. The acquisition is expected to close on March 31, 2016 and also includes a mutual option to acquire respectively sell the remaining 49 percent within a period of four years.

## 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 24, 2016

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

Laszlo Kriss  
*Chairman of the Board*

Per Thunell  
*Vice Chairman of the Board*

Monika Elling  
*Board member*

Ivar Fransson  
*Board member*

Michael Lemner  
*Board member*

Sara Wimmercranz  
*Board member*

Magnus Håkansson  
*President & CEO*

**Largest shareholders** as of February 29, 2016

	<b>Number of shares</b>	<b>Share capital/ Voting rights, %</b>
Konsumentföreningen Stockholm	11,246,598	33.2
Catella fondförvaltning	3,300,392	9.7
Avanza pension	2,410,034	7.1
Novobis AB	2,062,339	6.1
ABG Sundal Collier ASA	662,249	2.0
Skandinaviska Enskilda Banken	659,766	2.0
Nordnet pensionsförsäkring	552,949	1.6
Case Asset Management AB	500,000	1.5
Michael Löfman	410,000	1.2
Johan Fahlin	340,000	1.0
<b>Total 10 largest shareholders</b>	<b>22,144,327</b>	<b>65.4</b>
Other	11,767,849	34.6
<b>Total</b>	<b>33,912,176</b>	<b>100.0</b>

Source: Euroclear Sweden AB

# Consolidated Income Statement

SEK M	3 months		6 months		12 months	
	Dec 2015 –Feb 2016	Dec 2014 –Feb 2015	Sep 2015 –Feb 2016	Sep 2014 –Feb 2015	Latest 12 months	Sep 2014 –aug 2015
Net sales	572.5	578.2	1,128.9	1,087.3	2,177.8	2,136.2
Goods for resale	-303.2	-302.8	-569.0	-534.6	-1,100.1	-1,065.7
<b>Gross income</b>	<b>269.3</b>	<b>275.4</b>	<b>559.9</b>	<b>552.7</b>	<b>1,077.7</b>	<b>1,070.5</b>
Other operating income	2.3	3.1	6.6	9.4	12.5	15.3
Other external expenses	-116.3	-117.0	-236.0	-239.6	-464.2	-467.8
Personnel expenses	-143.4	-132.5	-277.0	-259.5	-539.7	-522.2
Depreciation and impairment of non-current assets	-11.4	-11.9	-23.2	-23.1	-48.0	-47.9
<b>Operating income</b>	<b>0.5</b>	<b>17.1</b>	<b>30.3</b>	<b>39.9</b>	<b>38.3</b>	<b>47.9</b>
Financial income	0.4	1.0	0.6	3.2	2.4	5.0
Financial expenses	-2.3	-3.2	-5.6	-7.0	-9.8	-11.2
Unrealized profit/loss on futures contracts	-3.2	7.8	0.5	8.7	-7.6	0.6
<b>Net financial items</b>	<b>-5.1</b>	<b>5.6</b>	<b>-4.5</b>	<b>4.9</b>	<b>-15.0</b>	<b>-5.6</b>
<b>Profit before tax from continuing operations</b>	<b>-4.6</b>	<b>22.7</b>	<b>25.8</b>	<b>44.8</b>	<b>23.3</b>	<b>42.3</b>
Tax on net income for the period	-	-	-	-	-	-
<b>Net income for the period from continuing operations</b>	<b>-4.6</b>	<b>22.7</b>	<b>25.8</b>	<b>44.8</b>	<b>23.3</b>	<b>42.3</b>
<b>Net income for the period</b>	<b>-4.6</b>	<b>22.7</b>	<b>25.8</b>	<b>44.8</b>	<b>23.3</b>	<b>42.3</b>
<b>Other comprehensive income</b>						
<i>Other comprehensive income, which will be reclassified to net income in subsequent periods</i>						
Translation differences	0.1	-1.0	0.5	-1.2	-1.0	-2.7
<b>Comprehensive income for the period</b>	<b>-4.5</b>	<b>21.7</b>	<b>26.3</b>	<b>43.6</b>	<b>22.3</b>	<b>39.6</b>
<b>Net income for the period attributable to:</b>						
Parent Company's shareholders	-4.6	22.7	25.8	44.8	23.3	42.3
<b>Comprehensive income attributable to:</b>						
Parent Company's shareholders	-4.5	21.7	26.3	43.6	22.3	39.6
<b>Earnings per share before and after dilution (SEK)</b>	<b>-0.14</b>	<b>0.67</b>	<b>0.76</b>	<b>1.32</b>	<b>0.69</b>	<b>1.25</b>
<b>Average number of shares, (000s)</b>	<b>33,912</b>	<b>33,912</b>	<b>33,912</b>	<b>33,912</b>	<b>33,912</b>	<b>33,912</b>

# Consolidated Cash Flow Statement, in summary

SEK M	3 months		6 months		12 months	
	Dec 2015 –Feb 2016	Dec 2014 –Feb 2015	Sep 2015 –Feb 2016	Sep 2014 –Feb 2015	Latest 12 months	Sep 2014 –aug 2015
<b>Operating activities</b>						
Operating income	0.5	17.1	30.3	39.9	38.3	47.9
Interest received and other financial income	0.4	1.0	0.6	3.2	2.4	5.0
Interest paid	-2.2	-3.5	-5.5	-8.1	-11.6	-14.2
Adjustment for non-cash items	10.7	10.7	21.9	23.7	45.3	47.1
<b>Cash flow before change in working capital</b>	<b>9.4</b>	<b>25.3</b>	<b>47.3</b>	<b>58.7</b>	<b>74.4</b>	<b>85.8</b>
<b>Cash flow from changes in working capital</b>						
Change in inventories	25.9	26.4	13.8	-20.2	-20.5	-54.5
Decrease (+)/increase (-) in current receivables	-24.1	-14.9	-14.2	4.2	-15.0	3.4
Decrease (-)/increase (+) in current liabilities	9.1	4.9	-10.9	4.8	23.2	38.9
<b>Change in working capital</b>	<b>10.9</b>	<b>16.4</b>	<b>-11.3</b>	<b>-11.2</b>	<b>-12.3</b>	<b>-12.2</b>
<b>Cash flow from operating activities</b>	<b>20.3</b>	<b>41.7</b>	<b>36.0</b>	<b>47.5</b>	<b>62.1</b>	<b>73.6</b>
<b>Cash flow from investing activities</b>	<b>-8.8</b>	<b>-25.5</b>	<b>-20.7</b>	<b>-30.1</b>	<b>-41.8</b>	<b>-51.2</b>
<b>Cash flow after investments</b>	<b>11.5</b>	<b>16.2</b>	<b>15.3</b>	<b>17.4</b>	<b>20.3</b>	<b>22.4</b>
<b>Financing activities</b>						
Amortization of loan	-	-	-	-	-15.0	-15.0
Paid dividend	-8.5	0.0	-8.5	0.0	-8.5	0.0
<b>Cash flow from financing activities</b>	<b>-8.5</b>	<b>0.0</b>	<b>-8.5</b>	<b>0.0</b>	<b>-23.5</b>	<b>-15.0</b>
<b>Cash flow during the period</b>	<b>3.0</b>	<b>16.2</b>	<b>6.8</b>	<b>17.4</b>	<b>-3.2</b>	<b>7.4</b>
Cash and cash equivalents at beginning of year	50.6	41.3	47.2	40.2	57.7	40.2
Exchange difference in cash and cash equivalents	-0.3	0.2	-0.7	0.1	-1.2	-0.4
<b>Cash and cash equivalents at end of year</b>	<b>53.3</b>	<b>57.7</b>	<b>53.3</b>	<b>57.7</b>	<b>53.3</b>	<b>47.2</b>

## Consolidated Balance Sheet, in summary

SEK M	Feb 29, 2016	Feb 28, 2015	Aug 31, 2015
<b>Assets</b>			
Intangible assets	405.4	409.6	407.8
Tangible assets	83.0	85.8	87.6
Financial assets	4.5	3.4	5.6
<b>Total non-current assets</b>	<b>492.9</b>	<b>498.8</b>	<b>501.0</b>
Inventories	387.1	367.6	400.9
Current receivables	142.4	135.9	126.7
Cash	53.3	57.7	47.2
<b>Total current assets</b>	<b>582.8</b>	<b>561.2</b>	<b>574.8</b>
<b>Total assets</b>	<b>1,075.7</b>	<b>1,060.0</b>	<b>1,075.8</b>
<b>Shareholders' equity and liabilities</b>			
Equity attributable to the Parent Company's shareholders	323.5	309.7	305.7
Non-current liabilities	385.0	400.3	385.5
Current liabilities	367.2	350.0	384.6
<b>Total equity and liabilities</b>	<b>1,075.7</b>	<b>1,060.0</b>	<b>1,075.8</b>

## Changes in shareholders' equity, in summary

SEK M	Sep 2015 –Feb 2016	Sep 2014 –Feb 2015	Sep 2014 –Aug 2015
Opening balance	305.7	266.1	266.1
Attributable to shareholders	-8.5	-	-
Net income for the period	25.8	44.8	42.3
Other comprehensive income	0.5	-1.2	-2.7
<b>Balance at end of period</b>	<b>323.5</b>	<b>309.7</b>	<b>305.7</b>

# Income Statement per quarter, Group

SEK M	2015/2016 Dec-Feb	2015 Sep-Nov	2015 Jun-Aug	2015 Mar-Maj	2014/2015 Dec-Feb	2014 Sep-Nov
Net sales	572.5	556.4	563.6	485.3	578.2	509.1
Goods for resale	-303.2	-265.8	-294.0	-237.1	-302.8	-231.8
<b>Gross profit</b>	<b>269.3</b>	<b>290.6</b>	<b>269.6</b>	<b>248.2</b>	<b>275.4</b>	<b>277.3</b>
<b>Gross profit margin</b>	<b>47.0%</b>	<b>52.2%</b>	<b>47.8%</b>	<b>51.1%</b>	<b>47.6%</b>	<b>54.5%</b>
Other operating income	2.3	4.3	1.1	4.8	3.1	6.3
Other external expenses	-116.3	-119.7	-111.1	-118.5	-117.0	-121.2
Personnel expenses	-143.4	-133.6	-136.3	-126.4	-132.5	-127.0
Depreciation and impairment of non-current assets	-11.4	-11.8	-11.5	-11.9	-11.9	-12.6
<b>Operating income</b>	<b>0.5</b>	<b>29.8</b>	<b>11.8</b>	<b>-3.8</b>	<b>17.1</b>	<b>22.8</b>
Financial income	0.4	0.2	1.5	0.3	1.0	2.2
Financial expenses	-2.3	-3.3	-2.0	-2.2	-3.2	-3.8
Unrealized profit/loss on futures contracts	-3.2	3.7	-5.4	-2.7	7.8	0.9
<b>Result after net financial items</b>	<b>-4.6</b>	<b>30.4</b>	<b>5.9</b>	<b>-8.4</b>	<b>22.7</b>	<b>22.1</b>
Tax	-	-	-	-	-	-
<b>Net income for the period</b>	<b>-4.6</b>	<b>30.4</b>	<b>5.9</b>	<b>-8.4</b>	<b>22.7</b>	<b>22.1</b>
<b>Other comprehensive income</b>						
Translation differences	0.1	0.4	-1.1	-0.4	-1.0	-0.2
<b>Comprehensive income for the period</b>	<b>-4.5</b>	<b>30.8</b>	<b>4.8</b>	<b>-8.8</b>	<b>21.7</b>	<b>21.9</b>

## Key ratios

	6 months		12 months	
	Sep 2015 -Feb 2016	Sep 2014 -Feb 2015	Mar 2015 -Feb 2016	Sep 2014 -Aug 2015
Sales development in comparable stores, RNB total, %	-0.6	15.3	-4.0	11.9
Gross margin, %	49.6	50.8	49.5	50.1
Operating margin, %	2.7	3.7	1.8	2.2
Profit margin, %	2.3	4.1	1.1	2.0
Equity/assets ratio, %	30.1	29.2	30.1	28.4
Interest coverage ratio, x	6.1	7.4	2.3	4.8
Net debt, MSEK	333.3	344.8	333.3	340.5
Net debt/equity ratio, %	103.0	111.3	103.0	111.4
Average number of employees, full time	991	1,001	1,014	1,024
Average number of shares, 000s	33,912	33,912	33,912	33,912
Number of shares at end of period, 000s	33,912	33,912	33,912	33,912
Profit after tax per share, SEK	0.76	1.32	0.69	1.25
Equity per share at end of period, SEK	9.54	9.13	9.54	9.01

# Income Statement Parent Company

SEK M	3 months		6 months		12 months	
	Dec 2015 –Feb 2016	Dec 2014 –Feb 2015	Sep 2015 –Feb 2016	Sep 2014 –Feb 2015	Latest 12 months	Sep 2014 –aug 2015
Net sales	23.4	21.7	47.0	42.4	89.8	85.2
Other operating income	0.9	1.4	1.8	4.2	6.2	8.6
	<b>24.3</b>	<b>23.1</b>	<b>48.8</b>	<b>46.6</b>	<b>96.0</b>	<b>93.8</b>
Other external expenses	-16.2	-14.0	-32.3	-31.0	-60.9	-59.6
Personnel expenses	-14.2	-13.0	-28.2	-23.9	-54.9	-50.6
Depreciation and impairment of non-current assets	-1.6	-2.3	-3.6	-4.0	-8.9	-9.3
<b>Operating income</b>	<b>-7.7</b>	<b>-6.2</b>	<b>-15.3</b>	<b>-12.3</b>	<b>-28.7</b>	<b>-25.7</b>
Result from participations in group companies	-	-	-	-	95.5	95.5
Financial income	0.1	0.4	0.1	0.6	1.0	1.5
Financial expenses	-1.9	-2.7	-3.5	-5.3	-8.0	-9.8
<b>Result after financial items</b>	<b>-9.5</b>	<b>-8.5</b>	<b>-18.7</b>	<b>-17.0</b>	<b>59.8</b>	<b>61.5</b>
Taxes	-	-	-	-	-	-
<b>Net income for the period</b>	<b>-9.5</b>	<b>-8.5</b>	<b>-18.7</b>	<b>-17.0</b>	<b>59.8</b>	<b>61.5</b>

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

# Balance Sheet Parent Company

SEK M	Feb 29, 2016	Feb 28, 2015	Aug 31, 2015
<b>Assets</b>			
Intangible assets	15.9	18.1	15.3
Property, plant and equipment	3.5	1.3	2.8
Financial assets	561.7	501.6	561.7
Deferred tax assets	32.3	61.0	70.4
Other current assets	41.8	48.0	35.9
<b>Total assets</b>	<b>655.2</b>	<b>630.0</b>	<b>686.1</b>
<b>Shareholders' equity and liabilities</b>			
Equity	237.0	186.1	264.1
Non-current liabilities	385.0	400.0	385.0
Current liabilities	33.2	43.9	37.0
<b>Total equity and liabilities</b>	<b>655.2</b>	<b>630.0</b>	<b>686.1</b>



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**Questions about the report**

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As of March 25, 2016, the company's visiting address will be Drottninggatan 33 in Stockholm.