

# RNB

## INTERIM REPORT

1 SEPTEMBER 2014 – 31 MAY 2015

# 3



**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 third quarter 2014/2015, RNB reports operating income of SEK -4 M, an improvement of SEK 11 M (excluding impairment losses) compared to the preceding year. The third quarter 2014/2015 was the company's fifth consecutive quarter with better sales than the market. The sales increase during the quarter for the three concepts' comparable stores amounted to between 5 and 10 percent and to 8.8 percent for the Group overall.

## THIRD QUARTER, MARCH 1, 2015 – MAY 31, 2015 IN SUMMARY

- Sales in comparable stores increased during the quarter by 8.8 percent, compared to the market's decrease of 2.8 percent (Swedish Retail and Wholesale Trade Research Institute (HUI)).
- Net sales amounted to SEK 485 M (442).
- Operating income totaled SEK -4 M (-166, including impairment of goodwill of 151).
- The loss before tax amounted to SEK -8 M (-169).
- The loss after tax amounted to SEK -8 M (-169), corresponding to SEK -0.25 (-4.99) per share.
- Cash flow from operating activities was SEK 40 M (-22).
- New stores were established in Karlstad and in Värmdö.

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

- Net sales amounted to SEK 1,573 M (1,538, including divested operation, JC).
- Operating income totaled SEK 36 (-154, including divested operation, JC), corresponding to an operating margin of 2.3 percent (-10.0).
- Operating income for the latest 12-month period totaled SEK 40 M.
- Profit before tax amounted to SEK 36 M (-164, including divested operation, JC).
- Profit after tax amounted to SEK 36 M (-165), including divested operation, JC), corresponding to SEK 1.07 (-4.86) per share.
- Cash flow from operating activities was SEK 87 M (1).
- During the second quarter, RNB entered into an agreement on possible 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  
Kristian Lustin, CFO +46 (0)768 87 24 63

## PRESS AND ANALYST MEETING

RNB will hold a press and analyst conference in connection with publication of today's interim report for the third quarter 2014/2015. The conference will be held at the company's premises at Regeringsgatan 29, today, June 23, 2015 at 9.30 a.m.

## FINANCIAL CALENDAR

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

## **CONTINUING INCREASES IN EARNINGS AND SALES**

The performance in the third quarter 2014/2015 was strong both in terms of sales and earnings. Operating income during the quarter came in at SEK -4 M, an improvement of SEK 11 M compared to the year-earlier period. This is now the fifth consecutive quarter in which we show a positive earnings trend and increased sales. Sales in comparable stores increased by 8.8 percent for the Group in total. Seen in the light of the fact that the market (according to HUI) decreased by 2.8 percent, our performance was clearly strong. The previous quarter showed the same pattern – sales that sharply exceeded the market trend. All three concepts displayed sales increases and performed better than the market during each individual month in the quarter.

## **GOOD SALES TREND IN BROTHERS**

After the work on development of the concept, the investments in Brothers have been more aggressive in recent quarters. This has already delivered a positive impact in terms of sales. During the third quarter, sales in Brothers increased by seven percent in comparable stores. This is now the third consecutive quarter in which Brothers' sales in comparable proprietary stores have increased by at least seven percent. The concept is strong because our tailored product range combined with volume products, strong marketing and product displays in stores have all helped to deliver results. We estimate that Brothers will continue to capture market shares and we now also expect Brothers to show positive operating income during the next financial year.

## **POLARN O. PYRET CONTINUES TO CAPTURE MARKET SHARES IN SWEDEN**

Sales in comparable stores for Polarn O. Pyret increased during the quarter by five percent. The performance was particularly strong in Sweden where the concept continues to capture market shares in relevant segments. The main reason for the positive trend is the spring range. The Norwegian operations are now stable and are making a good contribution to the earnings trend during the financial year. With a new management team in place, intensive work on improvements is in progress, which will further strengthen the positive trend. Both sales and earnings in the Dutch operations developed positively, although the growth rate was too low. Unfortunately, this improvement was not enough to report positive operating income during the quarter. However, it is important to remember that the operations in Holland only represent about two percent of Polarn O. Pyret's overall operations, in terms of sales. The gross margin in Polarn O. Pyret was negatively impacted by the currency turbulence during the year and particularly by changes in the SEK/USD exchange rate.

## **ANOTHER GOOD QUARTER FOR DEPARTMENTS & STORES**

The Departments & Stores business area, which performed well during the second quarter, continued to develop strongly in the third quarter. Sales during the third quarter in comparable stores increased by ten percent overall. This shows once again that the investments we made in renovating retail space have had a positive effect. During the period, the converted areas in NK Fashion & Denim and NK Lingerie in Gothenburg as well as Hilfiger and Morris in NK Stockholm all displayed good results. Naturally, the strong increases in sales and earnings during the quarter were also due to attractive collections and continued successful efforts in relation to sales management.

## **ON THE WAY TO MEETING OUR FINANCIAL GOAL**

In line with the increased confidence from the improvements in earnings, we have been able to gradually raise the tempo of our work on improvements. The entire organization is involved and is cooperating in order to continue advancing our value proposition with service content in focus. Active and thorough HR work further strengthens the corporate culture and teamwork. During the year, a number of key employees were successfully recruited. E-commerce is continuing to grow and digital communication is developing well at a fast pace.

As communicated previously, the positive earnings trend was reduced somewhat by currency effects during the quarter. We are seeing negative effects on gross margins due to the strengthening of the US dollar against the Swedish krona. We are also negatively impacted by the strengthening of the EUR against the SEK, although to a lesser extent. The negative effect for our three concepts – mainly from the SEK/USD rate, is most evident for Polarn O. Pyret.

Despite the negative impact from currency effects, the basis for achieving our long-term financial goal of a five percent operating margin in each quarter is improving. It is gratifying to see that operating income for the latest rolling 12-month period now amounts to SEK 40 M.

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 265, of which 80 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

## **THIRD QUARTER, MARCH 1, 2015 – MAY 31, 2015**

Reported net sales for the Group's concepts during the third quarter of the year increased, from SEK 442 M in the previous year to SEK 485 in the third quarter of this year, equivalent to an increase of 9.9 percent. The sales trend during the quarter was positive for RNB overall. For comparable stores in Sweden, the increase was 8.8 percent (HUI -2.8 percent).

Gross margin during the quarter for RNB's operations was 51.1 percent (53.0), with improvements compared to the previous year in Brothers. Margins were stable in Departments & Stores while Polarn O. Pyret displayed slightly weaker margins. All concepts have increased their sales, driven by good demand for our spring and summer collections. The level of discounts has somewhat increased during the quarter. Total gross profit for the Group increased by 6 percent compared to the previous year as a consequence of the higher sales. Total overhead costs increased somewhat compared to the previous year. Currency effects had a negative impact on the gross margin during the quarter.

Operating income amounted to SEK -4 M (-15, excluding impairment of goodwill of SEM 151 M).

Financial expenses amounted to SEK -5 M (-4) and profit before tax totaled SEK -8 M (-169).

The loss after tax was SEK -8 M (-169).

Unrealized results on futures contracts affected earnings by SEK -3 M (1).

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

Reported net sales for the Group's remaining concepts during the period increased, from SEK 1,427 M in the previous year to SEK 1,573 M in the same period this year, equivalent to an increase of 10.2 percent. Compared to the year-earlier period (including JC), net sales increased from SEK 1,538 M to SEK 1,573 M.

Gross margin during the period for remaining operations was 50.9 percent (51.6), 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. The Polarn O. Pyret business area displayed a lower gross margin largely due to negative currency effects, while the business area Departments & Stores displayed a lower gross margin due to increased level of discounts.

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 36 M (-1, including divested operation, JC).

Net financial items amounted to SEK 0 M (-9) and profit before tax amounted to SEK 36 M (-164, including the divested operation, JC). Profit after tax, including divested operation, amounted to SEK 36 M (-165).

Unrealized results on futures contracts affected earnings by SEK 6 M (0).

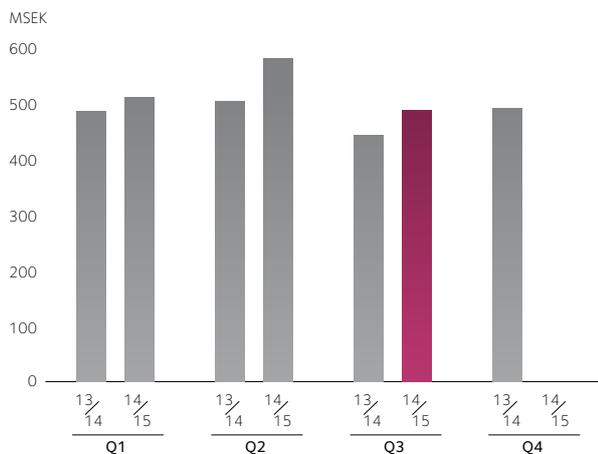
**Group overview**, excluding the divested operation (JC)

	Q3		9 months Sep-May		Full year	
	2014/ 2015	2013/ 2014	2014/ 2015	2013/ 2014	Latest 12 months	2013/ 2014
Net sales, SEK M	485	442	1,573	1,538	2,063	2,028
Gross margin (%)	51.1	53.0	50.9	51.4	50.5	50.9
Operating income excluding non-recurring items, writedown of Goodwill and loss on sale of subsidiary, SEK M	-4	-15	36	-1	40	3
Writedown of goodwill	-	-151	-	-151	-	-151
Result on sale of subsidiary	-	-	-	-3	-	-3
Operating income, SEK M	-4	-166	36	-154	40	-151
Profit before tax, SEK M	-8	-169	36	-164	39	-161
Profit after tax, SEK M	-8	-169	36	-165	40	-161
Operating margin (%)	-0.8	-37.5	2.3	-10.0	1.9	-7.4
Earnings per share, SEK	-0.25	-4.99	1.07	-4.86	1.18	-4.75
Cash flow from operating activities, SEK M	40	-22	87	1	81	-6
Number of stores	265	267				267

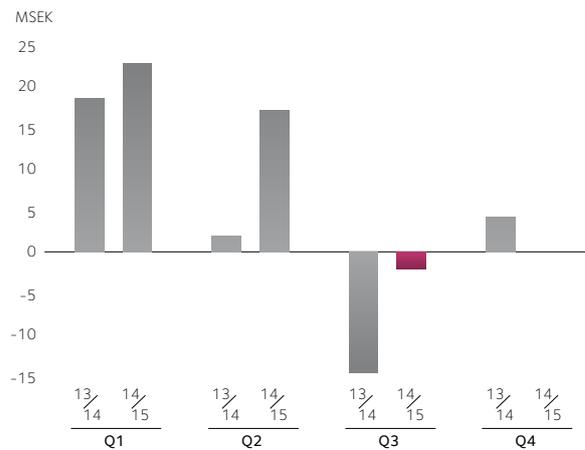
**Group overview**, including the divested operation (JC)

	Q3		9 months Sep-May		Full year	
	2014/ 2015	2013/ 2014	2014/ 2015	2013/ 2014	Latest 12 months	2013/ 2014
Net sales, SEK M	485	442	1,573	1,427	2,063	1,917
Gross margin (%)	51.1	53.0	50.9	51.6	50.5	51.0
Operating income excluding non-recurring items, writedown of Goodwill and loss on sale of subsidiary, SEK M	-4	-15	36	5	40	9
Writedown of goodwill	-	-151	-	-151	-	-151
Result on sale of subsidiary	-	-	-	-3	-	-3
Operating income, SEK M	-4	-166	36	-149	40	-145
Profit before tax, SEK M	-8	-169	36	-158	39	-155
Profit after tax, SEK M	-8	-169	36	-159	40	-155
Operating margin (%)	-0.8	-37.5	2.3	-10.4	1.9	-7.6
Earnings per share, SEK	-0.25	-4.99	1.07	-4.68	1.18	-4.57
Cash flow from operating activities, SEK M	40	-22	87	1	81	-6
Number of stores	265	267				267

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



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

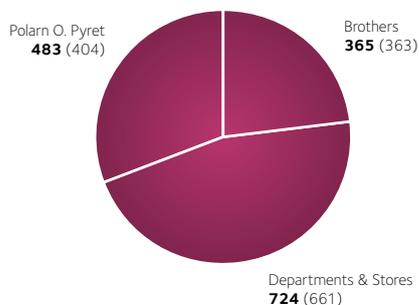


## FINANCIAL OVERVIEW BUSINESS AREAS

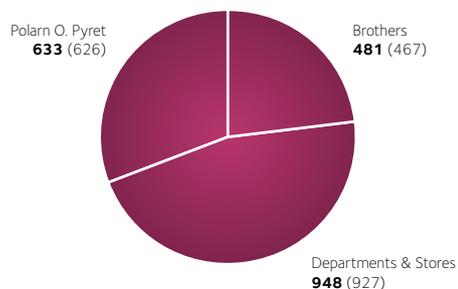
RNB RETAIL AND BRANDS reports sales and results for three business areas: Brothers, Departments & Stores and Polarn O. Pyret.

	Brothers				Departments & Stores				Polarn O. Pyret			
	Q3 14/15	Q3 13/14	Latest 12 months	2013/14	Q3 14/15	Q3 13/14	Latest 12 months	2013/14	Q3 14/15	Q3 13/14	Latest 12 months	2013/14
Net sales, SEK M	130	115	481	479	223	201	948	885	133	125	633	554
Operating income, excluding writedown of Goodwill, SEK M	1	-5	-10	-29	10	4	63	55	-9	-7	13	6
Operating income, SEK M	1	-156	-10	-180	10	4	63	55	-9	-7	13	6
Number of stores	77	79	77	79	44	45	44	45	144	143	144	143
Of which, franchise	25	27	25	27	-	-	-	-	55	52	55	52

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



Net sales per business area, June 2014 – May 2015, MSEK



# BROTHERS

Brothers is a volume-oriented comprehensive concept for men and the business area has a total of 77 (79) stores, of which 25 (27) are operated by franchisees.

## **THIRD QUARTER, MARCH 1, 2015 – MAY 31, 2015**

Net sales for Brothers totaled SEK 130 M (115), an increase of 12.7 percent. Sales in comparable proprietary stores in Sweden and Finland increased by 13.7 percent.

Net e-commerce sales increased sharply during the quarter, although from low levels.

Total brand sales (total sales to consumers, excluding VAT, in all markets and distribution channels) amounted to SEK 581 M (593), measured on a rolling 12-month basis. Gross margin in the business area continued to increase compared to the previous year, despite negative currency effects. Increased sales of volume products had a positive effect on the gross margin, and like the increased sales, contributed to an improvement in gross profit.

Overhead costs for Brothers were at a stable level during the quarter.

Operating income amounted to SEK 1 M (-5), excluding impairment of goodwill in Brothers & Sisters of SEK 151 M.

The quality and level of inventories developed in a stable manner, with slightly lower levels during the quarter due to increased sales. The level of inventory has also been affected of changes in exchange rates.

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

Net sales for Brothers totaled SEK 365 M (363), an increase of 0.6 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, with a slight decrease in sales on the franchise side.

Gross margin for the business area continued to increase 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 increased gross profit.

Overheads costs for Brothers continued to decrease compared to the year-earlier period.

Operating income amounted to SEK -6 M (-25), 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 period, due to increased purchase volumes and higher value of goods on account of changes in exchange rates.



# 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).

## **THIRD QUARTER, MARCH 1, 2015 – MAY 31, 2015**

Net sales in the Departments & Stores business area amounted to SEK 223 M (201), an increase of 10.6 percent. Sales increased in Stockholm as well as in Gothenburg.

Gross profit in the NK department stores rose due to higher sales, despite a slightly larger obsolescence write-down of inventories during the period. Gross margin remained at the same level as the previous year.

Overhead costs were unchanged compared to the previous year. Operating income amounted to SEK 10 M (4), with an operating margin of 4.4 percent (1.9).

The business area's inventories decreased as planned during the quarter, due to the sales trend. Compared to the previous year, the level of inventories was higher due to additional purchasing, new premium brands and altered contractual terms.

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

Net sales in the Departments & Stores business area amounted to SEK 724 M (661), an increase of 9.6 percent. Sales continued to rise in both Stockholm and Gothenburg.

Gross profit in the NK department stores increased due to the strong sales trend, despite some weakening in the gross margin. The weaker gross margin was primarily explained by a larger than expected obsolescence write-down of inventories during the third quarter but also by the trend in exchange rates, which together resulted in more expensive cost prices.

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. In addition, certain non-recurring costs arose during the period.

Operating income amounted to SEK 49 M (41), with an operating margin of 6.7 percent (6.1).

The business area's inventories increased during the period, due to additional purchasing, new premium brands and altered contractual terms where Departments & Stores has changed to holding inventories for certain brands as well as higher value of goods due to changes in exchange rates. The level of inventory also increased somewhat due to changes in currency exchange rates.



# POLARN O. PYRET

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 11 countries.

## THIRD QUARTER, MARCH 1, 2015 – MAY 31, 2015

Net sales in the period amounted to SEK 133 M (125), including a continued increase in sales in proprietary stores and in the e-commerce business. Sales in comparable proprietary stores increased by 5.4 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 803 M (766), measured on a rolling 12-month basis.

Gross margin in the quarter decreased compared to the year-earlier period, mainly due to currency effects but also higher level of sales activities during the quarter, both in stores and in e-commerce and store conversions.

Overhead costs for proprietary stores increased slightly compared to the year-earlier period, mainly due to higher rent for premises and marketing costs.

Operating income totaled SEK -9 M (-7), equivalent to an operating margin of -7.0 percent (-5.5). Earnings in Sweden weakened compared to the previous year. However, earnings in the acquired Norwegian operations also improved 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 increased during the quarter, in accordance with expected patterns but also to some extent due to currency effects and additional purchasing as a consequence of expected deliveries of goods for the next season. 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 89 (91). In addition, there were 55 (52) franchise stores, including 7 (7) in Sweden and 48 (45) abroad.

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

Net sales during the period amounted to SEK 483 M (404), 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 prices due to changes in exchange rates. The decrease in margins was also partly due to the fact that the Norwegian sales shifted from franchise to proprietary stores. Despite the gross margin trend, gross profit rose on account of increased sales.

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

Operating income amounted to MSEK 10 (3), equivalent to an operating margin of 2.1 percent (0.7). Earnings in Sweden weakened compared to the previous year.

Earnings improved 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, continued to have an adverse effect on the business area's results, but to a lesser extent than before.

Inventory levels increased during the period, due to higher value of goods due to changes in exchange rates and increased 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 1,082 M compared to SEK 1,030 M at the end of the previous fiscal year. Shareholders' equity amounted to SEK 300 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 27.8 percent (25.8).

At May 31, 2015, inventories totaled SEK 368 M (313), where all three business areas increased their inventory levels compared to the year-earlier period.

Cash flow from operating activities amounted to SEK 87 M (1) 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 48 M during the period. Cash flow after investments amounted to SEK 48 M (-36), which is equivalent to an improvement of SEK 84 M compared to the year-earlier period. Investments largely referred to the disbursed contingent consideration relating to Polarn O. Pyret's Norwegian operations. This contingent consideration was recognised during the second quarter under operating activities and has now been adjusted.

Net debt amounted to SEK 313 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 189 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 26 M (28). Depreciation/amortization and impairment losses amounted to SEK -36 M (-34), 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 987 (994), including employees in acquired operations and excluding employees in divested operations (JC) 987 (1,093).

## 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 and 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 64 M (88). The result after net financial items amounted to SEK -25 M (-175). Investments totaled SEK 4 M (3).

## 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.

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, June 23, 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 May 31, 2015

	<b>Number of shares</b>	<b>Share capital/ Voting rights, %</b>
Konsumentföreningen Stockholm	11,246,598	33.16
Catella fondförvaltning	4,180,514	12.33
Avanza pension	2,279,588	6.72
Provobis Property & Leisure AB	1,348,274	3.98
Client long	953,025	2.81
Skandinaviska Enskilda Banken	653,392	1.93
Michael Löfman	575,000	1.70
Nordnet pensionsförsäkring	538,076	1.59
Case Asset Management AB	500,000	1.47
SEB Life International Assurance	476,512	1.41
<b>Total 10 largest shareholders</b>	<b>22,750,979</b>	<b>67.10</b>
Other	11,161,197	32.90
<b>Total</b>	<b>33,912,176</b>	<b>100.00</b>

Source: Euroclear Sweden AB

# Review report

## **RNB RETAIL AND BRANDS AB (PUBL), CORPORATE IDENTITY NUMBER 556495-4682**

### **INTRODUCTION**

We have reviewed the summary interim financial information (Interim Report) of RNB RETAIL AND BRANDS AB (publ) as of May 31, 2015 and for the nine-month period that ended on this date. The Board of Directors and the President are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### **THE FOCUS AND SCOPE OF THE REVIEW**

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of the interim report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially smaller in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and other generally accepted auditing practices.

The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, the conclusion expressed based on a review does not constitute the same level of assurance as a conclusion based on an audit.

### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the Interim Report, in all material respects, is not prepared for the Group in compliance with IAS 34 and the Swedish Annual Accounts Act and for the Parent Company in compliance with the Swedish Annual Accounts Act.

Stockholm, June 23, 2015  
Ernst & Young AB

Johan Eklund  
Authorised Public Accountant

# Consolidated Income Statement

SEK M	3 months		9 months		12 months		
	Note	Mar 2015 –May 2015	Mar 2014 –May 2014	Sep 2014 –May 2015	Sep 2013 –May 2014	Latest 12 months	Sep 2013 –Aug 2014
Net sales		485.3	441.5	1,572.6	1,427.0	2,062.6	1,917.0
Goods for resale		-237.1	-207.7	-771.7	-690.8	-1,020.3	-939.4
<b>Gross income</b>		<b>248.2</b>	<b>233.8</b>	<b>800.9</b>	<b>736.2</b>	<b>1,042.3</b>	<b>977.6</b>
Other operating income		4.8	3.7	14.2	6.4	18.2	10.4
Other external expenses		-118.5	-119.4	-356.7	-333.0	-456.3	-432.6
Personnel expenses		-126.4	-122.1	-385.9	-371.3	-517.5	-502.9
Depreciation and impairment of non-current assets		-11.9	-10.6	-36.4	-33.6	-46.8	-44.0
Impairment of goodwill		-	-150.9	-	-150.9	-	-150.9
Profit/loss on sale of subsidiary		-	-	-	-2.6	-	-2.6
<b>Operating income</b>		<b>-3.8</b>	<b>-165.5</b>	<b>36.1</b>	<b>-148.8</b>	<b>39.9</b>	<b>-145.0</b>
Financial income		0.3	-	3.5	0.7	4.5	1.7
Financial expenses		-2.2	-4.6	-9.2	-10.1	-12.2	-13.1
Unrealized profit/loss on futures contracts		-2.7	1.0	6.0	0.2	7.2	1.4
<b>Net financial items</b>		<b>-4.6</b>	<b>-3.6</b>	<b>0.3</b>	<b>-9.2</b>	<b>-0.5</b>	<b>-10.0</b>
<b>Profit before tax from continuing operations</b>		<b>-8.4</b>	<b>-169.1</b>	<b>36.4</b>	<b>-158.0</b>	<b>39.4</b>	<b>-155.0</b>
Tax on net income for the period		-	-	-	-0.8	0.7	-0.1
<b>Net income for the period from continuing operations</b>		<b>-8.4</b>	<b>-169.1</b>	<b>36.4</b>	<b>-158.8</b>	<b>40.1</b>	<b>-155.1</b>
<b>Discontinued operations</b>							
Profit after tax for the fiscal year relating to discontinued operations	1	-	-	-	-5.9	-	-5.9
<b>Net income for the period</b>		<b>-8.4</b>	<b>-169.1</b>	<b>36.4</b>	<b>-164.7</b>	<b>40.1</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		-0.4	1.5	-1.6	0.7	-3.0	-0.7
<b>Comprehensive income for the period</b>		<b>-8.8</b>	<b>-167.6</b>	<b>34.8</b>	<b>-164.0</b>	<b>37.1</b>	<b>-161.7</b>
<b>Net income for the period attributable to:</b>							
Parent Company's shareholders		-8.4	-169.1	36.4	-164.7	40.1	-161.0
<b>Comprehensive income attributable to:</b>							
Parent Company's shareholders		-8.8	-167.6	34.8	-164.0	37.1	-161.7
<b>Net income from continuing operations per share before and after dilution (SEK)</b>		<b>-0.25</b>	<b>-4.99</b>	<b>1.07</b>	<b>-4.68</b>	<b>1.18</b>	<b>-4.57</b>
<b>Earnings per share before and after dilution (SEK)</b>		<b>-0.25</b>	<b>-4.99</b>	<b>1.07</b>	<b>-4.86</b>	<b>1.18</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>

# Consolidated Cash Flow Statement, in summary

SEK M	3 months		9 months		12 months
	Mar 2015 –May 2015	Mar 2014 –May 2014	Sep 2014 –May 2015	Sep 2013 –May 2014	Sep 2013 –Aug 2014
<b>Operating activities</b>					
Operating income from continuing operations	-3.8	-165.5	36.1	-148.8	-145.1
Operating income from discontinued operations	-	-	-	-5.6	-5.6
Adjustment for non-cash items	0.3	0.0	3.5	0.8	1.8
Interest received and other financial income	-4.4	-3.9	-12.5	-10.0	-10.7
Interest paid	9.1	159.4	32.8	181.9	195.8
<b>Cash flow before change in working capital</b>	<b>1.2</b>	<b>-10.0</b>	<b>59.9</b>	<b>18.3</b>	<b>36.2</b>
<b>Cash flow from changes in working capital</b>					
Change in inventories	-0.1	0.5	-20.3	24.1	-9.8
Decrease (+)/increase (-) in current receivables	2.0	36.5	6.3	24.1	7.0
Decrease (-)/increase (+) in current liabilities	36.7	-48.8	41.5	-66.0	-39.3
<b>Change in working capital</b>	<b>38.6</b>	<b>-11.8</b>	<b>27.5</b>	<b>-17.8</b>	<b>-42.1</b>
<b>Cash flow from operating activities</b>	<b>39.8</b>	<b>-21.8</b>	<b>87.4</b>	<b>0.5</b>	<b>-5.9</b>
<b>Cash flow from investing activities</b>	<b>-8.8</b>	<b>6.5</b>	<b>-38.9</b>	<b>-36.4</b>	<b>-50.0</b>
<b>Cash flow after investments</b>	<b>31.0</b>	<b>-15.3</b>	<b>48.5</b>	<b>-35.9</b>	<b>-55.9</b>
<b>Financing activities</b>					
Repayment of loans	-	-	-	51.0	51.0
Other	-	-	-	-1.6	-1.6
<b>Cash flow from financing activities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>49.4</b>	<b>49.4</b>
<b>Cash flow during the period</b>	<b>31.0</b>	<b>-15.3</b>	<b>48.5</b>	<b>13.5</b>	<b>-6.5</b>

## Consolidated Balance Sheet, in summary

SEK M	May 31, 2015	May 31, 2014	Aug 31, 2014
<b>Assets</b>			
Intangible assets	407.6	412.7	411.2
Tangible assets	84.4	96.2	92.1
Financial assets	4.5	3.8	8.8
<b>Total non-current assets</b>	<b>496.5</b>	<b>512.7</b>	<b>512.1</b>
Inventories	367.7	313.3	347.4
Current receivables	129.5	118.1	130.6
Cash	88.7	60.3	40.2
<b>Total current assets</b>	<b>585.9</b>	<b>491.7</b>	<b>518.2</b>
<b>Total assets</b>	<b>1,082.4</b>	<b>1,004.4</b>	<b>1,030.3</b>
<b>Shareholders' equity and liabilities</b>			
Equity attributable to the Parent Company's shareholders	300.9	263.8	266.1
Non-current liabilities	400.0	401.9	402.7
Current liabilities	381.5	338.7	361.5
<b>Total equity and liabilities</b>	<b>1,082.4</b>	<b>1,004.4</b>	<b>1,030.3</b>

## Changes in shareholders' equity, in summary

SEK M	Sep 2014 –May 2015	Sep 2013 –May 2014	Sep 2013 –Aug 2014
Opening balance	266,1	427,8	427,8
Net income for the period	36,4	-164,7	-161,0
Other comprehensive income	-1,6	0,7	-0,7
<b>Balance at end of period</b>	<b>300,9</b>	<b>263,8</b>	<b>266,1</b>

## Key ratios, excluding the divested operation

		9 months		12 months	
		Sep 2014 –May 2015	Sep 2013 –May 2014	Latest 12 months	Sep 2013 –Aug 2014
Sales development in comparable stores, RNB total	%	9.7	7.1	8.0	1.1
Gross margin	%	50.9	51.6	50.5	51.0
Operating margin	%	2.3	-10.4	1.9	-7.6
Profit margin	%	2.3	-11.1	1.9	-8.1
Equity/assets ratio	%	27.8	26.3	27.8	25.8
Interest coverage ratio	ggr	5.0	-14.6	4.2	-10.8
Net debt	Mkr	312.6	343.7	312.6	364.7
Net debt/equity ratio	%	103.9	130.3	103.9	137.1
Average number of employees, full time		987	994	1,033	1,040
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	Kr	1.07	-4.68	1.18	-4.57
Equity per share at end of period	Kr	8.87	7.78	8.87	7.85

## Net Sales and Operating Income per Business Area

	3 months		9 months		12 months	
	Mar 2015 –May 2015	Mar 2014 –May 2014	Sep 2014 –May 2015	Sep 2013 –May 2014	Latest 12 months	Sep 2013 –Aug 2014
<b>Net sales, SEK M</b>						
Brothers	130.0	115.3	365.0	362.8	481.4	479.2
Departments & Stores	222.8	201.4	724.4	660.9	948.1	884.6
Polarn O. Pyret	132.5	124.9	483.2	403.7	633.2	553.7
Other	0.0	-0.1	0.0	-0.4	-0.1	-0.5
<b>Total continuing operations</b>	<b>485.3</b>	<b>441.5</b>	<b>1,572.6</b>	<b>1,427.0</b>	<b>2,062.6</b>	<b>1,917.0</b>
Divested operations	-	-	-	110.8	-	110.8
<b>Total</b>	<b>485.3</b>	<b>441.5</b>	<b>1,572.6</b>	<b>1,537.8</b>	<b>2,062.6</b>	<b>2,027.8</b>
<b>Operating income, SEK M</b>						
Brothers	1.0	-155.5	-5.8	-175.8	-9.9	-179.9
Departments & Stores	9.8	3.8	48.7	40.6	62.7	54.6
Polarn O. Pyret	-9.3	-6.9	10.3	2.9	13.0	5.6
Other	-5.3	-6.9	-17.1	-16.5	-25.9	-25.3
<b>Total continuing operations</b>	<b>-3.8</b>	<b>-165.5</b>	<b>36.1</b>	<b>-148.8</b>	<b>39.9</b>	<b>-145.0</b>
Divested operations	-	-	-	-5.6	-	-5.6
<b>Total</b>	<b>-3.8</b>	<b>-165.5</b>	<b>36.1</b>	<b>-154.4</b>	<b>39.9</b>	<b>-150.6</b>

# Income Statement per quarter, Group

SEK M	Note	2015	2014/2015	2014	2014	2014	2013/2014
		Mar-May	Dec-Feb	Sep-Nov	Jun-Aug	Mar-May	Dec-Feb
Net sales		485.3	578.2	509.1	490.0	441.5	501.7
Goods for resale		-237.1	-302.8	-231.8	-248.6	-207.7	-252.2
<b>Gross profit</b>		<b>248.2</b>	<b>275.4</b>	<b>277.3</b>	<b>241.4</b>	<b>233.8</b>	<b>249.5</b>
<b>Gross profit margin</b>		<b>51.1%</b>	<b>47.6%</b>	<b>54.5%</b>	<b>49.3%</b>	<b>53.0%</b>	<b>49.7%</b>
Other operating income		4.8	3.1	6.3	4.0	3.7	3.9
Other external expenses		-118.5	-117.0	-121.2	-99.2	-119.4	-113.6
Personnel expenses		-126.4	-132.5	-127.0	-131.6	-122.1	-128.1
Depreciation and impairment of non-current assets		-11.9	-11.9	-12.6	-10.8	-10.6	-9.9
Impairment of goodwill		-	-	-	-	-150.9	-
<b>Operating income</b>		<b>-3.8</b>	<b>17.1</b>	<b>22.8</b>	<b>3.8</b>	<b>-165.5</b>	<b>1.8</b>
Financial income		0.3	1.0	2.2	1.0	-	0.4
Financial expenses		-2.2	-3.2	-3.8	-3.0	-4.6	-3.1
Unrealized profit/loss on futures contracts		-2.7	7.8	0.9	1.2	1.0	-0.8
<b>Result after net financial items</b>		<b>-8.4</b>	<b>22.7</b>	<b>22.1</b>	<b>3.0</b>	<b>-169.1</b>	<b>-1.7</b>
Tax		-	-	-	0.7	-	-0.2
<b>Net income for the period</b>		<b>-8.4</b>	<b>22.7</b>	<b>22.1</b>	<b>3.7</b>	<b>-169.1</b>	<b>-1.9</b>
<b>Other comprehensive income</b>							
Translation differences		-0.4	-1.0	-0.2	-1.4	1.5	0.4
<b>Comprehensive income for the period</b>		<b>-8.8</b>	<b>21.7</b>	<b>21.9</b>	<b>2.3</b>	<b>-167.6</b>	<b>-1.5</b>

## Number of Stores at end of period

	May 31, 2015	Feb 28, 2015	Nov 30, 2014	Aug 31, 2014	May 31, 2014	Feb 28, 2014
Own stores Sweden	141	142	142	147	147	149
Own stores Norway	28	28	28	25	25	25
Own stores Finland	12	12	12	12	12	12
Own stores Netherlands	4	4	4	4	4	4
Franchise stores Sweden	32	33	34	34	34	34
Franchise stores outside Sweden	48	48	47	45	45	43
<b>Total</b>	<b>265</b>	<b>267</b>	<b>267</b>	<b>267</b>	<b>267</b>	<b>267</b>

Brothers	May 31, 2015			May 31, 2014		
	Own	Franchise	Total	Own	Franchise	Total
Brothers, Sweden (single)	40	25	65	35	27	62
Brothers, Finland (single)	12	-	12	12	-	12
Bro & Sisters Sweden (duo)	-	-	0	4	-	4
Outlet (duo)	-	-	0	1	-	1
<b>Total</b>	<b>52</b>	<b>25</b>	<b>77</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	57	7	64	62	7	69
Norway	28	-	28	25	-	25
Finland	-	17	17	-	16	16
England	-	15	15	-	13	13
Scotland	-	2	2	-	2	2
Ireland	-	3	3	-	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>89</b>	<b>55</b>	<b>144</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 -May 2015	Sep 2013 -May 2014	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	-	-	-
<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 -May 2015	Sep 2013 -May 2014	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		9 months		12 months	
	Mar 2015 –May 2015	Mar 2014 –May 2014	Sep 2014 –May 2015	Sep 2013 –May 2014	Latest 12 months	Sep 2013 –Aug 2014
Net sales	21.5	21.3	63.9	87.6	84.0	107.7
Other operating income	2.7	2.0	6.9	6.5	5.3	4.9
	<b>24.2</b>	<b>23.3</b>	<b>70.8</b>	<b>94.1</b>	<b>89.3</b>	<b>112.6</b>
Other external expenses	-15.3	-18.2	-46.3	-61.4	-64.0	-79.1
Personnel expenses	-12.4	-11.2	-36.3	-44.3	-43.5	-51.5
Depreciation and impairment of non-current assets	-2.1	-1.7	-6.1	-5.0	-7.8	-6.7
<b>Operating income</b>	<b>-5.6</b>	<b>-7.8</b>	<b>-17.9</b>	<b>-16.6</b>	<b>-26.0</b>	<b>-24.7</b>
Result from participations in group companies	0.0	-150.0	0.0	-150.0	26.8	-123.2
Financial income	0.4	0.0	1.0	0.0	1.9	0.9
Financial expenses	-2.4	-3.5	-7.7	-8.4	-11.0	-11.7
<b>Result after financial items</b>	<b>-7.6</b>	<b>-161.3</b>	<b>-24.6</b>	<b>-175.0</b>	<b>-8.3</b>	<b>-158.7</b>
Taxes	-	-	-	-	-	-
<b>Net income for the period</b>	<b>-7.6</b>	<b>-161.3</b>	<b>-24.6</b>	<b>-175.0</b>	<b>-8.3</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	May 31, 2015	May 31, 2014	Aug 31, 2014
<b>Assets</b>			
Intangible assets	17.1	20.8	20.0
Property, plant and equipment	2.6	1.2	1.4
Financial assets	501.7	501.7	501.7
Deferred tax assets	54.1	60.1	90.8
Other current assets	79.1	36.6	28.9
<b>Total assets</b>	<b>654.6</b>	<b>620.4</b>	<b>642.8</b>
<b>Shareholders' equity and liabilities</b>			
Equity	178.0	186.4	202.6
Non-current liabilities	400.0	400.0	400.0
Current liabilities	76.6	34.0	40.2
<b>Total equity and liabilities</b>	<b>654.6</b>	<b>620.4</b>	<b>642.8</b>

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