

To the creditors of
Brothers AB, 556513-6826
Box 16142
103 23 Stockholm



REORGANISER'S REPORT AND COMPOSITION PROPOSAL

By decision of the Stockholm District Court on March 23, 2020, Brothers AB (*the Company*) has initiated corporate reorganisation. As reorganisers appointed by the district court, we hereby submit a reorganiser's report and convey the following composition proposal.

1 BACKGROUND

- 1.1 The Company has on March 23, 2020 submitted an application for reorganisation in accordance with the Company Reorganisation Act (Swedish: lagen om företagsrekonstruktion). The Stockholm District Court granted the application the same day and consequently the Company entered into company reorganisation. The lawyers Ola Sellert and Mats Emthén have been appointed as reorganisers. The court's case number is Ä 4432-20.
- 1.2 A circular letter in accordance to Chapter 2, Section 13 of the Company Reorganisation Act with information concerning the reorganisation has been sent to all known creditors. A preliminary reorganisation plan has been submitted and presented at a creditor's meeting before the district court on April 29, 2020. The Company has on June 22, 2020 requested that the district court extend the reorganisation by a further three months. The district court has not yet decided on the extension, since the request is to be supplemented by this reorganisation report and composition proposal. However, there is no reason to believe that the Company would not be granted the requested extension.
- 1.3 The preliminary reorganisation plan describes how the Company conducts its operations during the reorganisation, regarding among other this the prohibition on paying debts that arose before the reorganisation and how to handle advance payments to suppliers for

continued deliveries. In addition, there is a description of the group in which the Company is included, the RNB Group (*the Group*), with general information about the Company's, Polarn O. Pyret AB's and Departments & Stores Europe AB's operations, stores, employees, etc. These sections have continued validity, but are left out here for presentational reasons, and the reorganisers may therefore in these sections refer to the preliminary reorganisation plan.

2 COMPOSITION PROPOSAL

- 2.1 **Under the conditions set out below, the Company is offering its non-priority creditors a composition with the payment of a basic amount of SEK 10,000 and 25 percent on any excess claim amount. The composition covers capital sums and interest calculated up until the date of the reorganisation application, March 23, 2020. The composition payment shall be made no later than June 18, 2021, or at a later date when the district court's decision to approve the composition has entered into legal force.**
- 2.2 It can be noted that the creditors in Polarn O. Pyret AB's and Departments & Stores Europe AB's reorganisations are offered a corresponding composition this day, although with an earlier payment date.
- 2.3 The composition proposal offers several advantages for the Company's creditors compared to the bankruptcy option. Foremost, the composition is considered to provide better distribution compared to a bankruptcy. In addition, due to the size of the business, it will take a long time before the bankruptcy can be finalized, which means that distribution is likely to take at least 2-3 years. The composition also means that the creditors know in advance what distribution they can expect, which is not the case in bankruptcy. In these pandemic times, the forecasts of what a bankruptcy would mean for, among other things, the possibility of liquidating inventory stocks quickly, are highly uncertain. The outcome of a bankruptcy may well be worse than what is presumed in this report. The composition proposal thus implies a certainty that is lacking in bankruptcy.
- 2.4 For a large proportion of creditors, the basic amount of SEK 10,000 means that they will receive significantly more than more than 25 percent distribution on the claim in the composition. In addition, the composition offer means that creditors get paid much faster than in a bankruptcy.
- 2.5 The composition proposal is considered by the reorganisers as being in the creditors' favour when compared to the estimated outcome in a bankruptcy. The reorganisers therefore support the composition proposal.
- 2.6 In order to strengthen the composition offer, Konsumentföreningen Stockholm has provided a composition guarantee intended to cover a possible liquidity deficit in the Company of a maximum of SEK 10m per the day for the composition payment, under condition that the district court's decision to approve the composition has entered into

legal force and that the deficit does not exceed SEK 10m. If the Company declares bankruptcy, the guarantee is void.

- 2.7 The liquidity budgets made by the Company show, however, that the Company will be able to make the composition payment no later than 18 June 2021. The intended composition payment has been scheduled at a time when the Company is expected to be strong in terms of liquidity.
- 2.8 If it turns out that the Company's business is developing better than the forecasts, which is primarily assumed to be linked to the easing up of the effects of the Corona pandemic, the Company will make the composition payment sooner. The Company's ambition is thus to make the composition payment as soon as possible. This also has the advantage that one can expect that the Company will to a greater extent be able to obtain customary supplier credits at an earlier stage.
- 2.9 Intra-group receivables are covered by, and vote in, the composition, but the Group companies are waiving the composition payment for now in order to strengthen the Company's liquidity. The intra-group (accrued) receivables will thus remain on the Company's balance sheet.
- 2.10 The reasons for why the composition offer is constructed as it is, and the background to the assessments presented above, are presented below.

3 THE FINANCES OF THE COMPANY AND THE REASONS FOR ITS PAYMENT DIFFICULTIES

- 3.1 During the financial year 2018-09-01--2019-08-31, the Company had sales of approximately SEK 502m.
- 3.2 According to the most recently published quarterly report, the Company's sales during the financial period 190901--200229 amounted to SEK 235m compared with SEK 258m for the corresponding period last year, and the Company reported an operating loss of SEK 32m and SEK 14m respectively during the same period.
- 3.3 The reasons for the Company's liquidity problems are severalfold. In terms of sales, the Company's revenues have increased for several years, in addition to increasing margins. However, the last year and a bit have been characterised by more discounts and thus higher price reduction. This in combination with higher fixed costs, such as costs for premises and staff, which together meant a lower operating margin for the Company. The weak Swedish krona has had a negative currency effects and resulted in higher purchasing costs, which has also weakened margins and earnings.
- 3.4 However, the situation for the Company has drastically deteriorated as a direct and inevitable result of the global pandemic COVID-19, which has led to significantly fewer visitors to the store and a drastically lower activity in the retail trade. The effects of the

pandemic on visits and sales have not been foreseeable, and the effects cannot be emphasised enough as a cause of the Company's acute problems.

- 3.5 During the quarter of March-May 2020, the Company's sale in stores amounted to approximately 46 percent in relation to the same quarter last year (i.e. a 54 percent decline in sales).
- 3.6 The declining turnover has not been fully compensated for by lower costs given the drastically changed situation, but the Company believes it has a good position to return to after the situation has normalised with regard to COVID19.
- 3.7 A preliminary balance report as of 2020-05-31 is attached, see [Appendix 1](#) (in Swedish).

4 ESTATE INVENTORY FOR THE COMPOSITION

General

- 4.1 An estate inventory for the composition as of 2020-05-31, including a balance sheet with assets and liabilities arranged by order of priority, is appended, [see Appendix 2](#) (in Swedish).
- 4.2 This estate inventory also provides a forecast for how the outcome of a bankruptcy could impact the Company's unsecured creditors. The bankruptcy outcome is highly dependent on the assumptions made regarding the valuation of assets and liabilities in a bankruptcy scenario. It goes without saying that this is not an easy task, but the reorganisers' considerations in this regard are presented below.

Assets

- 4.3 The Company's fixed assets consist mainly of equipment in the form of shop fittings and investments in rental rights that have a book value of approximately SEK 19m. It can be assumed that such assets have virtually no value in a bankruptcy situation and the assets have therefore been valued at a standard rate of 10 per cent of book value.
- 4.4 The Company's current assets mainly consist of stock (mainly clothing) with a book value of approximately SEK 69m. Stocks are always difficult to value in bankruptcy scenarios, especially given the prevailing circumstances of the COVID-19 pandemic. Nor can it be ruled out that other bankruptcies in the retail trade or governmental orders can affect the possibility of selling out the Company's stock in a bankruptcy. In a projected bankruptcy scenario, the Company's stock has been assigned a value corresponding to half of the book value. It should be noted that there are at present major problems associated with selling out a very large stock quickly. It is likely that a bankruptcy trustee must liquidate the stock for a significantly longer period of time than is normally the case, and at high costs since staff must be hired, rent paid etc. Stock valuation is also in line with similar reorganisation and bankruptcy cases (see, among others, MQ and Intersport). Moreover, large parts of the stock at warehouses are handled by the external warehousekeeper Nowaste Logistics and a bankruptcy raises a number of issues regarding the warehouse and stock management, and it cannot be ruled out that this will make it difficult for a

bankruptcy manager to liquidate stock kept at the external warehouse quickly and cost-effectively.

- 4.5 Accounts receivable from external parties of approximately SEK 4m have been valued at a standard rate of 75 percent of the nominal value. The claim of SEK 3m that the Company has on its Finnish subsidiary in all likelihood lacks value as the subsidiary has been put into bankruptcy.
- 4.6 Advances and deposits to suppliers relate, among other things, to goods paid in advance. The value of these in a bankruptcy has been estimated to 40 percent of book value. Among the Company's current assets are prepaid costs. Such items lack value in a bankruptcy. Credit card receivables have been assessed to be able to fully accrue to the Company even in bankruptcy.
- 4.7 There are also blocked funds of approximately SEK 4m set aside for the benefit of the Swedish Customs Service and Postnord, among others. In principle, these funds are expected to unhinderedly accrue to the Company in a bankruptcy, since deliveries or liabilities to these are also paid on an ongoing basis without, or with shorter, credit times, i.e. without any major debts accumulated.
- 4.8 The Company also has a not insignificant cash balance which, at the balance sheet date, amounted to approximately SEK 36m (however, the cash balance fluctuates daily, as does the stock balance, since the operations are ongoing). This is largely due to the fact that the reorganisation was initiated just before salaries were paid out in March, such that these salaries, instead of being paid by the Company, were covered by the state wage guarantee. However, it can be noted that salary guarantees for the period after reorganisation must now be re-paid in full, and not, as was previously the case, be subject to a composition settlement with creditors (consequently this period's salary guarantee is under priority, and not under non-priority, liabilities). Thus, the wage guarantee to some extent only provides a liquidity relief. It should also be noted that under current circumstances, a liquidity reserve is needed, partly because it cannot be ruled out that a second wave of the Corona pandemic could occur in the fall and winter.

Liabilities

- 4.9 An estimated bankruptcy trustee fee of approximately SEK 9m has been included as a priority debt (however, it is actually a bankruptcy expense, which has been included as a debt here to illustrate the effect of a bankruptcy). Vacation debt owed to employees has also been included as a "priority" in the reorganisation scenario, since the Company, in order to retain and motivate staff, does not intend to make any composition on owed vacation time that is not covered by the salary guarantee. However, this vacation time debt is not prioritised in the event of bankruptcy.
- 4.10 In order to make purchases from suppliers in Asia, the Company must exhibit so-called "LC / Letter of Credit", i.e. bank guarantees, to the suppliers for these to deliver. This is how deliveries were handled and paid even before the reorganisation. Thus, there is nothing that deviates from normal routines. During the reorganisation, Danske Bank issues LCs but the Company must place 40 percent of the secured sum in a special

escrow account at the bank, in addition to the reorganisers granting the bank super-privilege right for any residual debt that the bank cannot get covered by the escrow account, as well as the bank, through the LC, owning the actual shipment of goods. The preferential right is limited to SEK 10m. For precautionary reasons, 60 percent of the amount outstanding in LC on the balance sheet date is included in the estate inventory as debt with a super-preferential right. This is reported in gross figures, by reporting the entire outstanding LC debt on the liabilities side, while at the same time entering the escrow account funds on the asset side.

- 4.11 Among the non-priority liabilities are, among other things, the Company's accounts payable, which at the date of the reorganisation amounted to approximately SEK 37m, distributed among approximately 330 creditors. The Swedish state has through the Swedish Tax Agency approximately SEK 39m in claims for wage guarantees as well as taxes and fees.
- 4.12 Creditors who are related to the Company (i.e. intra-group receivables) have a total of approximately SEK 30m to claim. The intra-group receivables participate in the composition and have voting rights, but waive the composition payment.
- 4.13 In the event of bankruptcy, the Company will be notified of significant additional liabilities that are not included on the balance sheet, in part because leases will be cancelled prematurely and claims will be brought against the Company as a result. In order to make the bankruptcy scenario feasible, damages have been calculated based on 24 months' rent, which in the current market climate must be considered reasonable (landlords have an obligation to limit the damage and try to rent out the premises as quickly as possible). The damages to the landlords have in the estate inventory been divided between such leases that have already been agreed to be cancelled prematurely, approximately SEK 13 m, and such contracts where the intention, at least if the leasing negotiations are successful, is to remain in the premises, approx. SEK 8 m.
- 4.14 In the event of bankruptcy, a new salary guarantee will also be granted to the employees. This will burden the Company with approximately SEK 19m. There are also outstanding balances with customers of approximately SEK 4m, which the Company continues to redeem during the restructuring. However, the debt is non-priority in the event of bankruptcy.

Guarantee commitment to Danske Bank and bondholders

- 4.15 The Group is mainly financed by Danske Bank and by a corporate bond listed on Nasdaq OMX (ISIN: SE0010625830) for a total of approximately SEK 490m, of which the bank accounts for approximately SEK 90m (current debt, the credit limit is, however, slightly higher) and the corporate bond SEK 400m. The bond is owned, in more than half, by Konsumentföreningen Stockholm and Spiltan Fonder. The credits are entered in the Parent Company. According to an exceedingly comprehensive financing agreement, which is not easily accessible to an outsider, the Parent Company has pledged the shares in its subsidiaries, including the shares in the Company, as collateral for current loans. The operating subsidiaries of the Group, including the Company, have in addition

guaranteed the Parent Company's debts. According to the financing agreement, Danske Bank and the bondholders can therefore make direct claims against the Company and other subsidiaries under the guarantee commitment.

- 4.16 As far as could be deduced, the relevant credits in the Parent Company are older and must have originally been raised to finance the acquisition of the JC group about 15 years ago. When parts of the JC group were subsequently sold by the Parent Company, the acquisition credit was not resolved, but prolonged in the Parent Company. The credits can thus not be derived directly from the financing of the Company's or other subsidiary's operations (although the Parent Company is a major creditor in the subsidiary's reorganisations). Therefore, the reorganisers have continued on the assumption that the guarantee undertaking did not have a purely commercial character for the Company, and that the undertaking is thus covered by the Companies Act's (Swedish: aktiebolagslagen) rules on transfer of value in Chapter 17 of the Companies Act.
- 4.17 The undertaking would thus, as a result of these rules, be valid only within the framework of non-restricted equity at the time when the Parent Company's credit was last rescheduled and the guarantee commitment was made on 30 January 2018 (see the Swedish Supreme Court's decision NJA 1995 s. 418). In so far as can be deduced, the Company's capital amounted to approximately SEK 131m at this time. However, it should be emphasised that the aforementioned is an estimate that does not lack elements of uncertainty; thus, it cannot be ruled out that the guarantee commitment has been purely commercial in nature for the Company, and thus that the entire guarantee commitment of approximately SEK 490 m would be valid.
- 4.18 It should also be noted that the assessment is also based on the fact that the credits were refinanced as of 30 January 2018 with brand new creditors and terms. This would thus be a *new* guarantee, which may be regarded as being entered as of the aforementioned date. However, the guarantee commitments from the Company and Departments & Stores Europe AB (but not the Polarn O. Pyret AB) have been included in previous credit packages, and it can therefore not be ruled out that the guarantee commitments, as far as these companies are concerned, may be considered entered into at an earlier date and only *confirmed* in the new financing package in January 2018. It can thus be an earlier date, when equity is likely to have been larger, that is relevant to determine the size of a guarantee commitment that had cover in equity. What the relevant time is can also have a bearing on the question of whether the guarantee commitment was entered out of a commercial nature or not.
- 4.19 It should also be noted that the Parent Company entered into a so-called "standstill agreement" with Danske Bank concerning the bank's credits, which in any case is valid until September 30, 2020. The principal owners of the bond, Konsumentföreningen Stockholm and Spiltan, who represent a majority of the bond, have not announced that they require any active measures to be taken under the financing agreement with the Parent Company or the reorganisation companies under the aforementioned guarantee commitments. The reorganisers perceive that Konsumentföreningen Stockholm and Spiltan contribute to a constructive dialogue concerning the reorganisations in the Group.

- 4.20 However, these positions and perceptions that suggest that one, for the time being, does best by “not rocking the boat” will reasonably be altered in the event of bankruptcy in the Company or in other companies in the Group - since such an event would have a significant effect on the creditor's security pool and position. For the sake of prudence, therefore, the requirement of SEK 131m, as per the assessment above, which can be raised against the Company under the financing agreement's guarantee commitment, has been included in the estate inventory's bankruptcy scenario. It is possible that the effect of the claim can be mitigated to some extent by the fact that any distribution in the Company's bankruptcy could be reclaimed as a right of recourse by the other guarantors in the Group. However, the effects in this regard are highly uncertain and could not be accounted for in the framework of the estate inventory, especially as a bankruptcy scenario could also include other guarantors.
- 4.21 Based on the estate inventory for the composition, the reorganisers estimate that in the event of bankruptcy the distribution to unsecured creditors would be lower, especially taking into account the uncertain financial situation. Thus, the composition proposal described above will mean better distribution than the projected outcome in a bankruptcy. As previously mentioned, however, it cannot be ruled out that the entire guarantee commitment of approximately SEK 490m (SEK 510m if the credit limit is fully utilized) against Danske Bank, and the bond, could be valid - which could have very a significant impact on the outcome of a bankruptcy.

5 PURPOSE OF REORGANISATION AND OPERATIONAL MEASURES

Purpose of reorganisation

- 5.1 The purpose of the company reorganisation is to carry out a financial and operational reorganisation of the Company's (and the Group's) financial position and operations.
- 5.2 Through the financial and operational measures that the Company intends to implement during the reorganisation, the Company expects to be able to overcome the liquidity crisis that the Company is currently experiencing, and to achieve long-term profitability and stability.

Operational measures

- 5.3 As of the reorganisation day, the Company had 45 stores distributed between just under 20 property owners. The Company has decided to close its stores in Bergvik Karlstad, Kongahälla Kungälv, Nordby Strömstad, Västermalmsgallerian Stockholm and Hansa Malmö, thus 5 stores. These stores have been assessed not to be able to reach profitability, not even in the long term. The vast majority of the stores have already been closed and only a few are in the process of being closed down. As soon as the winding-up is completed, the premises will be made available to the landlords. Negotiations will take place with the impacted landlords on what remaining sums of rent will be allowed to be monitored in the reorganisation. It is not considered economically feasible, if the reorganisation should be carried out, that the impacted landlords should be able to

monitor rent for the entire remaining lease period as well as damages in the reorganisation.

- 5.4 As concerns the landlords for the remaining stores, the Company has called for negotiations with all of them. Significant concessions are required from the landlords in order for the Company to cope with the reorganisation in the short term and in the longer term to achieve sustainable profitability. During the reorganisation, the Company has entered into agreements with the absolute majority of the landlords regarding significant rent reductions for the current calendar year 2020. In most cases, the landlords have been accommodating and have shown understanding for that the rents were unsustainable, given the prevailing circumstances. Only in a few cases do agreements still need to be reached.
- 5.5 In early autumn, the Company will call for rental negotiations for the coming calendar year 2021. There is no indication that the Corona effects will subside in the near future and the Company considers it necessary to extend the rent reductions for at least the coming year.
- 5.6 In the event that the rental negotiations do not yield the desired outcome, further store closures may be actualised. The situation is so serious that no rental contracts are sacred or protected from this scrutiny. Landlords continuing to be accommodating and accepting rent reductions in the future is the basis for the Company's continued operations and future profitability. In other cases, the purpose of the reorganisation can be put at risk.
- 5.7 One thing that has complicated the negotiations with the landlords is the fact that considerable uncertainty surrounded the support package announced by the Swedish government; several landlords have declared themselves unable to grant any rent reductions until the support packages have been specified - which is very unfortunate.
- 5.8 As has been previously communicated, the Company has decided to close down the Finnish operations with 12 stores in the bankruptcy. Given the Finnish government's powerful restrictions in connection with the COVID-19 pandemic, the Finnish stores basically lost their entire sales volume, and large capital contributions would be required to support the Finnish operations. Bankruptcy has been the only option in the current situation. As stated above, the bankruptcy will result in a loss in accounts receivables against the subsidiary for the Company, but this is deemed to be manageable.
- 5.9 A number of franchise stores in Sweden, at least 6, will be closed during the summer of 2020.
- 5.10 With regard to other stores, the ambition is that the operations should continue. However, this requires that significant measures are taken in terms of staffing and that substantial concessions are made by the landlords concerned.
- 5.11 The Company has terminated all store employees and re-hired them at lower employment rates, and also regulated the staffing requirement by not taking in hourly employees. Comprehensive trade union negotiations, which have been held in a

constructive spirit, have recently ended. With these measures, the Company deems the personnel force to have been adequately adapted to the prevailing circumstances.

- 5.12 This has meant that labour costs are estimated to be reduced by approximately 40 percent in stores and by approximately 25 percent at the headquarter.
- 5.13 Negotiations are underway with the Company's suppliers on discounts on goods purchased, but not yet received, by the Company. The purchasing budget for the autumn / winter season 20 has been revised and adjusted according to future sales assumptions. In total, purchasing needs are estimated to decrease by approximately 40 percent compared to previous assumptions. Inventory management will be streamlined by better purchasing routines and increased use of "outlets".
- 5.14 The Company will sharpen its marketing efforts. Focus will in the future be on digital channels. Investments will be made in developing the local entrepreneurship in the organisation and clarifying its importance for sales and profits.
- 5.15 Other costs, such as cleaning, IT services, etc., shall be reviewed and reduced.
- 5.16 Investments will be made in e-commerce, as a result both of changed retail patterns of consumers and the ongoing pandemic. Free shipping and free returns are offered in e-commerce. Sales-driven services on the e-commerce platform will be developed, for example subscriptions and personal measurements.
- 5.17 The Company will continue to develop its range, which means a higher degree of fashion and more attractive pricing. More external brands, which can complement the internal range, will be incorporated. During the season, the range of products will not be static - instead launching new releases continuously during the season. Before the pandemic, sales of the new range increased as a reaction to the changes that were made.

Assumptions about the future and forecasts

- 5.18 The adverse effects of the COVID-19 pandemic are expected to gradually diminish after an initial acute phase. However, it should be emphasised that the forecast, in the same way that applies to business in general, is uncertain. Based on the assessments that the Company has obtained from representatives of the industry, the Company expects that the effects will continue to be extremely noticeable compared to normal operations for a significant time to come.
- 5.19 The Company's forecasts for the current fiscal year 19/20 are therefore based on the assumption of sales remaining at the current levels, which are low in relation to a normal situation. Only during later parts of the autumn will the Company expect to be able to return to a more normal turnover. Part of the sales loss seen in stores has been compensated by increased sales in e-commerce. However, the Company's e-commerce accounts for a relatively modest portion of total revenue.
- 5.20 The Company expects to reach sales of approximately SEK 320m for the current financial year. Gross margins are expected to deteriorate, because in order to drive sales in the

prevailing market climate, campaigns and offers, which entail lower prices to customers, must be deployed.

5.21 The Company expects the aforementioned operational reorganisation measures for the period April - August 2020 to result in a cost savings of approximately 30 percent. However, this is not enough to fully compensate for a sharp decrease in sales and in gross profit margin. Operating profit (i.e. profit before extraordinary items) is forecasted to amount to a loss of approximately SEK 70m. However, a future composition settlement with creditors, and the gains that result from that composition, are deemed to be able to largely compensate for this operating loss in terms of profit.

5.22 As regards the forecast for the coming financial year 20/21, this looks significantly better. The forecasts are however based on an assumption of a gradual return to normal sales in stores. Only after the end of the year 20/21 are sales expected to return to a normal situation, but even then, the Company expects a more long-term sales reduction of approximately 5 percent. Sales for the financial year are estimated to amount to approximately SEK 370 m, given that a number of stores have closed. However, the remaining stores should be profitable as the staff and rental level are adjusted to long-term sustainable levels. The savings and profitability improvements that result from the operational reorganisation measures will mean that the Company is able to show a profit for the financial year of approximately SEK 10 m.

Financial measures

5.23 Based on what is said above, it is considered necessary that the Company enters into a composition settlement with the creditors regarding a write-down of the Company's liabilities through the composition which is being offered. Without a write-down of old liabilities and a corresponding improvement in the balance sheet, the Company will not have long-term ability to manage the business.

6 AUDIT REVIEW, RECOVERABLE TRANSACTIONS, ETC.

6.1 There have been no reasons for remarks on accounting, financial reporting or internal financial control. As the Parent Company is listed on the stock market, the Company faces a reporting and auditing requirements that far exceeds what is required by law. The accounting risks should thus be low.

6.2 The reorganisers have been assisted by the Authorized Public Accountant David Olow at KPMG during the review at hand. Olow has also assisted in the investigation of the guarantee commitments entered into by the Company, and other operating companies, as part of the financing package with Danske Bank and the bondholders of approximately SEK 490m (and which are reported above).

6.3 No recoverable transactions have been found. There is also no reason to believe that crimes under Chapter 11 of the Penal Code (Swedish: brottsbalken) has been committed.

7 FINAL COMMENTS FROM THE REORGANISERS

- 7.1 According to the present liquidity forecasts, the Company is able to finance its operations during the reorganisation. The Company has implemented a large number of operational measures to ensure continued operations, in particular closing stores and terminating redundant staff. The budgets for the future in the longer term that have been developed show that the Company will be able to continue to operate in the future. The greatest element of uncertainty and future risk concerns the effects of the Corona pandemic on society and the economy.
- 7.2 According to the current liquidity budgets, the Company will also be able to finance the composition payment. The composition payment has been scheduled at a time when the Company should have good liquidity. In addition, Konsumentföreningen Stockholm has guaranteed to cover a potential liquidity shortage of a maximum of SEK 10m. As far as we can assess, the composition proposal is to the clear advantage of the creditors, especially when the bankruptcy option involves a number of uncertainties about outcome and processing time. We therefore support the composition proposal at hand from the Company.
- 7.3 The reorganisers have updated the timeline for the reorganisation, see [Appendix 3](#). As can be seen from this, the reorganisers intend that composition negotiations can be held in court in mid-October, that a composition enters into legal force three weeks thereafter, and that the composition payment, which follows from the composition proposal, is to be paid as soon as possible but no later than June 18, 2021.

8 QUESTIONS, INFORMATION, ETC.

- 8.1 The reorganisers and the Company will continuously inform about the reorganisations and publish relevant reorganisation documents on the following website:
- www.rnb.se/en/Reorganisation/
- 8.2 The website also contains questions and answers on how the reorganisation can affect you as a supplier and creditor, among other things, regarding continued deliveries to the Company during the reorganisation and how invoicing and payment is done. The website also contains contact information for the Company and the reorganisers.

Malmö / Stockholm, July 1, 2020

Ola Sellert

Mats Emthén

The above composition proposal (see paragraph 2.1) is hereby confirmed.

Stockholm, July 1, 2020

BROTHERS AB

A handwritten signature in blue ink, appearing to read "Kristian Lustin".

Kristian Lustin

A handwritten signature in blue ink, appearing to read "Carolina Söderqvist".

Carolina Söderqvist

Bolag: Brothers AB

Belopp: TKR

Balansräkning**2020-05-31**

Programvaror	
Hysesrätter	2 279
Goodwill	0
Inventarier	13 468
Andra långfristiga fordringar	3 913
Summa anläggningstillgångar	19 660
Färdigvarulager	89 141
Kundfordringar	1 923
Fordringar hos koncernföretag	3 138
Skattefordran	
Övriga fordringar	83
Förutbetalda kostnader och upplupna intäkter	39 531
Kontokortsfordringar	11
Butikskassor på väg	5 691
Danske Bank (som tillhör koncernkrediten)	1 334
Övrig kassa & bank (Likvida medel)	29 643
Summa omsättningstillgångar	170 493
Summa tillgångar	190 153
Aktiekapital	100
Överkursfond	
Fond för utvecklingsutgifter	
Reservfond	10
Balanserat resultat	69 211
Årets resultat	-56 122
Summa eget kapital	13 199
Leverantörsskulder	89 777
Skulder till koncernföretag	30 157
Övriga skulder	47 164
Upplupna kostnader och förutbetalda intäkter	9 856
Summa kortfristiga skulder	176 954
Summa eget kapital och skulder	190 153

Ackordsbouppteckning

Brothers AB

Bokförda värden tillgångar enligt prel balansräkning 2020-05-31 i tkr

Kompletterande aktuella uppgifter har inhämtats från leverantörsreskontra och skattekonto

Tillgångar	Bokfört värde	Konkursvärde
Anläggningstillgångar		
Hysesrätter	2 279	228
Butiksinredning, etableringskostnad	13 467	1 347
Omsättningstillgångar		
Lager butiker	40 981	20 491
Lager på extern logistikcentral	28 418	14 209
Förskott (varor på väg) och depositioner leverantörer	1 272	509
Kundfordringar, externa	3 713	2 785
Kundfordringar Brothers OY i kk	3 137	0
Klarna, kortinlösen mfl	17	17
Spärrmedel	3 913	3 913
Klientmedel, kassa, bank mm	36 668	36 668
Summa tillgångar	133 865	80 166
Skulder		
Förmånsberättigade skulder		
10 § 4 st FRL (superförmånsrätt)		
Reservering för konkursförvaltararvode mm.	0	9 000
Danske Bank - Limit remburs (saknades öppna remburs per 31/5)		0
12 § FRL, lön etc		
Tjänstepensioner: Collectum, FORA	802	802
Semesterlöner inkl soc avgifter	2 636	
Beräknad lönegaranti 1 mån bruttolön samt lönefordringar utöver taket men inom LAS	8 048	1 718
Summa förmånsberättigade skulder	11 486	11 520
Ej förmånsberättigade skulder		
18 § FRL		
Leverantörer (ca 331st)	37 186	37 186
Danske Bank avseende bankgarantier för hyrda lokaler i Finland		6 000
Skatteverket inklusive beräknad lönegaranti	39 268	39 268
RNB Retail And Brands AB	5 134	5 134
Brothers & Sisters AB	24 890	9 811
Skulder anställda utanför LAS		1 238

Borgensåtagande för RNB Retail and Brands AB avseende SENIOR SECURED FLOATING RATE NOTES (400 Mkr) och SUPER SENIOR OVERDRAFT AND GUARANTEE (120 Mkr). Utnyttjad kredit 490 mkr		131 225
Beräknat skadestånd 2 år uppsagda hyresavtal under företagsrekonstruktionen		13 305
Beräknat tillkommande skadestånd 2 år samtliga hyreskontrakt vid konkurs		86 195
Lönegarantiskuld avseende tid efter beslut vid konkurs		6 330
Semesterlöner etc vid konkurs		2 636
Ny beräknad lönegaranti 3 månader vid konkurs		18 990
Tillgodokvitton från kunder	4 351	4 351
Upplupna kostnader mm	6 000	6 000
Inom linjen		
Danske Bank	Garantier mot hyresvärdar i Sverige om totalt 4 457 tkr Garantier mot Tullverket om 3 663 tkr	

Summa oprioriterade skulder	116 829	367 669
Summa skulder	128 315	379 189
SAMMANFATTNING		
TILLGÅNGAR	133 865	80 166
SKULDER	128 315	379 189
varav förmånsberättigade	11 486	11 520
varav ej förmånsberättigade	116 829	367 669
UNDERSKOTT/ÖVERSKOTT	5 550	-299 023

Steg och tidslinje i företagsrekonstruktionerna i Departments & Stores Europe AB, Brothers AB and Polarn O. Pyret AB

The steps and timeline of the company reorganisation for Departments & Stores Europe AB, Brothers AB and Polarn O. Pyret AB

23 mars/March 23

Ansökan om företagsrekonstruktion gavs in till Stockholms tingsrätt

The application was filed for company reorganisation to the District Court of Stockholm

23 mars/March 23

Tingsrätten beslutade att:

A – bevilja ansökan om företagsrekonstruktion

B – förordna rekonstruktörer (advokaterna Ola Sellert och Mats Emthén)

C – bestämma tid för borgenärssammanträde, den 29 april

the District Court decided to:

A – grant the application for company reorganisation

B – appoint reorganisers (Ola Sellert and Mats Emthén, lawyers)

C – schedule a meeting of the creditors on April the 29th

Legala konsekvenser med anledning av beslutet från tingsrätten:

A – skydd mot exekutiva åtgärder från borgenärer

B – skydd mot att avtal hävs av borgenärer

C – skulder som uppkommit före rekonstruktionen får inte betalas

D – leveranser som görs under rekonstruktionen ska betalas i förskott eller kontant eftersom rekonstruktionsbolaget inte får dra på sig nya skulder

E – skulder som uppkommit efter rekonstruktionen och som har skriftligen godkänts av rekonstruktörerna har i händelse av konkurs s.k. superförmänsrätt.

Legal consequences of the decisions made by the District Court:

A – protection from executive measures made by the creditors

B – protection from terminations of contracts by the creditors

C – debts arisen before the reorganization are not allowed to be paid

D – deliveries made during the reorganisation must be paid in advance or cash as the reorganisation company is not allowed to accrue new debts

E – debts arisen after the reorganisation and approved in writing by the reorganisers have a so called “super priority” in the event of bankruptcy

25 mars/March 25

Alla borgenärer har underrättats med:

A – den senaste balansräkningen

B – anledningen till och syftet med företagsrekonstruktionen

C – tiden för borgenärssammanträdet den 29 april

All creditors are notified with:

A – the latest balance sheet

B – the reason for and purpose of the company reorganisation

C – the scheduled meeting of the creditors on April the 29th

29 april/April 29

En preliminär rekonstruktionsplan, innefattande en preliminär ackordsbouppteckning och en beskrivning av vilka operativa och finansiella åtgärder som ska vidtas, publiceras på hemsidan: www.rnb.se/rekonstruktion.

A preliminary reorganisation plan, including a preliminary composition estate inventory and what operative and financial actions are to be taken, is published on the website: www.rnb.se/reorganisation.

29 april/April 29

Borgenärssammanträdet hålls i tingsrätten. Den preliminära rekonstruktionsplanen presenteras för tingsrätten och närvarande borgenärer.

The creditor's meeting at the District Court is held. The preliminary reorganisation plan is presented to the District Court and the attending creditors. The Court decided that the reorganisation will continue for a first period of 3 months, until June the 23rd.

23 juni/June 23

Ansökan om förlängning av rekonstruktionen med ytterligare tre månader.

Application for extension of the reorganisation period for another three months.

1 juli/July 1

Rekonstruktörsberättelse och ett ackordsförslag riktat till samtliga borgenärer med oprioriterade krav har skickats ut till berörda borgenärer.

A reorganisation report and a composition proposal for all creditors with non-priority claims has been sent to the concerned creditors.

oktober 2020/October 2020

(PROGNOS/ESTIMATED) De oprioriterade borgenärerna kommer att få rösta om ackordsförslaget vid ett borgenärssammanträde i tingsrätten. Givet att ackordet antas och inte överklagas vinner det laga kraft 3 veckor därefter.

Efter att ackordet vunnit laga kraft kommer tingsrätten besluta om att företagsrekonstruktionen ska upphöra. Detta innebär att bolaget kan gå tillbaka till normala betalningsrutiner och åta sig skulder på sedvanligt sätt gentemot leverantörer och andra.

The unprivileged creditors will take a vote on the composition proposal at a meeting of the creditors at the District Court. Given that the composition is accepted and not appealed, the composition enters into legal force after three weeks.

After the composition has entered into legal force, the District Court will decide to end the reorganization. This implies that the company can revert to normal payment routines and also undertake customary debts towards suppliers and others.

18 juni 2021/

June 18, 2021

Ackordslikviden kommer betalas så snart som möjligt efter att ackordet vunnit laga kraft dock senast den 18 juni 2021.

The composition settlement will be paid as soon as possible after the composition has entered into legal force, but no later than June 18, 2021.