RNB

RNB RETAIL AND BRANDS

ANNUAL REPORT
2009/2010

POLARN O. PYRET

NORDISKA KOMPANIET

BROTHERS

SISTERS

KOSTA OUTLET

JC

RNB RETAIL AND BRANDS owns, operates and develops fashion, clothing, accessories, jewelry and cosmetics stores that focus on providing excellent service and a world-class shopping experience. The total number of RNB stores is 402, of which 184 are operated by franchisees. The RNB RETAIL AND BRANDS share has been listed on the Nasdaq OMX Nordic Exchange since 2001.

RNB RETAIL AND BRANDS' ambition for its store concepts is to offer attractive and target-group-oriented ranges of fashion and accessories in large cities, smaller towns and shopping centers. Brothers & Sisters and JC offer a mix of strong proprietary and external brands, with a distinct profile in the volume segment. Polarn O. Pyret is the leading brand and store concept for baby, children's and maternity wear in the quality segment in the Swedish market, with a growing international presence.

In the department store sector, 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, underwear, accessories, jewelry and cosmetics for customers who demand high quality and excellent service. RNB RETAIL AND BRANDS conducts sales in the NK department stores in Stockholm and Gothenburg, Illum in Copenhagen and the Kosta Outlet.

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RNB overview

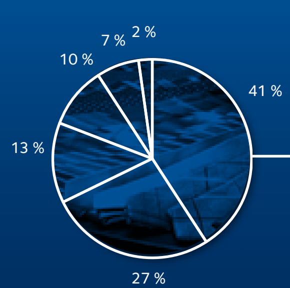
Business concept
RNB RETAIL AND BRANDS develops and distributes its brands through clear-cut concepts and stores offering an attractive range of fashion wear with the aim of providing excellent service and a world-class shopping experience to customers.

Vision
“The ultimate shopping trip.”

Goals
Operational goals
RNB RETAIL AND BRANDS aims to provide excellent service and a world-class shopping experience to customers with the help of well-trained and highly motivated employees. The goal is to achieve a conversion rate (proportion of paying customers to the number of store visitors) of 20%.

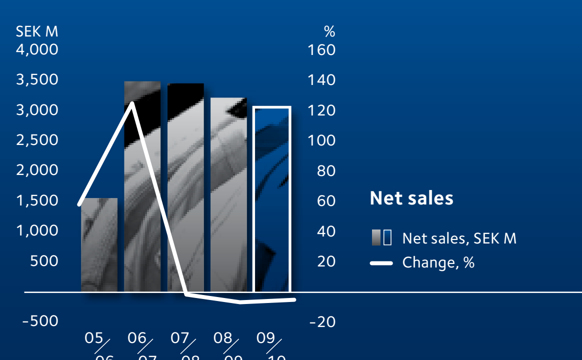
Financial objectives
- A long-term operating margin of 15 %
- A long-term sales growth of 10–20 %
- An equity/assets ratio in excess of 30 %

Fiscal year 2009/2010 in figures
- Net sales amounted to SEK 3,054 M (3,207), a decline of 4.8%, of which the divestment of the Steen & Ström operation accounted for a decline of 1.6 percentage points, and currency effects an increase of 0.1%. Sales in comparable proprietary stores fell 1.0%.
- The operating loss improved by SEK 184 M, amounting to SEK 48 M. (loss: 136 M excluding impairment charge of SEK 500 M). Profit after net financial items amounted to SEK 22 M (loss: 689).
- Profit after tax was SEK 29 M (loss: 663), corresponding to SEK 0.18 per share (loss: 6.12).
- Cash flow from operating activities was SEK 120 M (loss: 104).
- The Board of Directors proposes that no dividend be paid for the 2009/2010 fiscal year.



Sales per product category, %

Men	41 %
Ladies	27 %
Children	13 %
Underwear & accessories	10 %
Cosmetics	7 %
Jewelry	2 %



Important events 2009/2010

Department Stores business area
The Board of Directors decided to retain the Group's operations at NK in Stockholm and NK in Gothenburg due to the protracted process involved in the Swedish Competition Authority's approval of the sale to Åhléns AB. However, the operations at Steen & Ström in Oslo were sold to Airport Retail Group AS. The decision to divest the operations at Illum in Denmark stands firm.

Polarn O. Pyret business area
Polarn O. Pyret's master franchisee in the UK extended its collaboration with the House of Fraser to include the distribution of selected parts of Polarn O. Pyret's range to 19 new department stores. The master franchisee in the Baltic States also opened a store in Riga's most popular shopping center.

Secured long-term financing
RNB implemented a private placement to Konsumentföreningen Stockholm and a rights issue to existing shareholders amounting to approximately SEK 315 M before issue costs. The Group has also secured long-term financing through new credit agreements.

Mikael Solberg is stepping down from his position as President of RNB.
After 14 years with Polarn O. Pyret, and more than seven years as President and CEO of RNB, Mikael Solberg decided, in consultation with the Board of Directors, to leave his position in the company.

After the end of the report period

The JC business area
During the fiscal year, JC strengthened collaboration with its franchisees in order to create a more competitive mode of operations. During autumn 2010, these efforts led to an addendum to the current agreement, which comprises all individual franchisees.

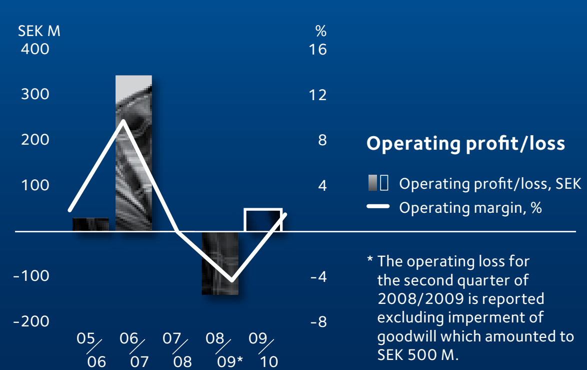
The Polarn O. Pyret business area
Polarn O. Pyret continued its international expansion by entering into collaboration with Nordstrom, a leading fashion specialty retailer in the US. In the first stage, Polarn O. Pyret clothing will be sold in seven selected Nordstrom department stores and the objective is to continue expanding the collaboration. Polarn O. Pyret's master franchisee in the US also opened its first store in Greenwich, Connecticut.

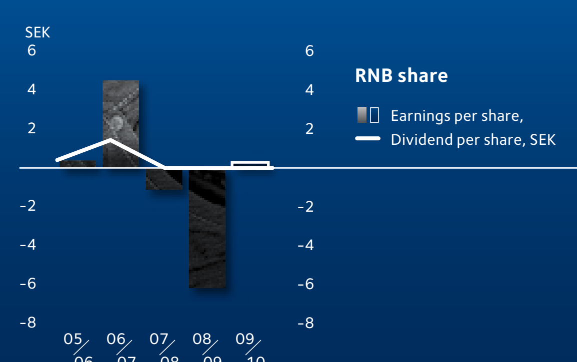
Net sales per quarter and business area **2009/2010**

SEK M	Q1	Q2	Q3	Q4	Total
Polarn O. Pyret	120.4	110.4	99.5	105.4	**435.7**
Department Stores	280.7	319.8	245.0	269.2	**1 114.7**
JC	207.4	248.9	227.0	236.9	**920.2**
Brothers & Sisters	134.7	145.3	161.9	150.4	**592.3**
Other	–	–2.4	–2.8	–3.2	**–8.4**
Total	**743.2**	**822.0**	**730.6**	**758.7**	**3 054.5**

Operating profit/loss per quarter and business area **2009/2010**

SEK M	Q1	Q2	Q3	Q4	Total
Polarn O. Pyret	22.8	20.2	9.3	19.1	**71.4**
Department Stores	11.9	11.4	6.9	10.1	**40.3**
JC	–8.2	–21.2	–9.7	–12.5	**–51.6**
Brothers & Sisters	14.4	6.5	11.0	2.1	**34.0**
Other	–7.4	–14.1	–11.3	–13.3	**–46.1**
Total	**33.5**	**2.8**	**6.2**	**5.5**	**48.0**





CEO's comments

The past year has been characterized by a clear focus on increased profitability in each business area. This has taken the shape of continued expansion for Polarn O. Pyret, a competitive range and new partnership agreement with our JC franchisees, a more clear-cut concept for Sisters and improved earnings in Department Stores. It is gratifying to see that our hard work has borne fruit. RNB now reports improved operating results, positive cash flow and a strong financial position. As we enter the new fiscal year, our goal is clear: to increase profitability.

JC has been our greatest challenge for a number of years. We have worked intensively to reverse its weak trend, and it is gratifying to see that our efforts are now succeeding, in terms of both collections and mix of ranges. The greatest proof is, of course, that our customers are returning. We have also signed a new partnership agreement with our JC franchisees, entailing that the flow of products to all JC stores will now be controlled centrally. Greater optimism and confidence from franchisees also means that we can now act as a wholly integrated chain, which will increase the efficiency of our purchasing and logistics. This is a milestone in JC's continued development, and something we have endeavored to achieve for a long time.

Polarn O. Pyret's continued international expansion has also been satisfying; the most recent developments have been stepping into the US market through a first store in Greenwich, Connecticut, and primarily our collaboration with Nordstrom, the prestigious department store chain with Swedish roots. In autumn 2010, Polarn O. Pyret's clothing will be available in seven selected Nordstrom department stores. It is difficult to assess the full potential of our collaboration with Nordstrom at present, but a successful launch in more department stores could have a major impact on Polarn O. Pyret's future development.

The Brothers & Sisters business area continues to perform well with improved operating profit. Brothers has been successful for many years, with an established concept and clear range, but Sisters still faces a number of obvious challenges. After a detailed analysis, however, we believe that we have found a brand and range mix with a higher fashion content that will appeal to Sisters' customers. The focus is "attractively priced quality and fit" for a slightly younger target group than previously. We may not have reached our goal but we are making good progress, and these efforts will continue in the new fiscal year.

In the Department Stores business area, we decided during the year to retain and continue operating our stores at NK in

"We have laid the foundation for a positive trend in all business areas"

Stockholm and NK in Gothenburg. However, we sold our operations at Steen & Ström in Oslo, and continued phasing out our operations at Illum in Copenhagen. Our operations at Kosta Outlet developed favorably, and the potential for continued growth there is positive. Sales in comparable units increased more than 4 % while unprofitable units were simultaneously closed down, which led to higher operating profit despite a slight decline in net sales. It is gratifying to note that Department Stores is now providing a strong and profitable base, and we can once again focus our full attention on developing our stores at NK in Stockholm and NK in Gothenburg.

Two new share issues were implemented during the year, which in combination generated more than SEK 300 M after issue costs. We thereby strengthened our financial position. Overall, we have improved operating profit, a positive cash flow and a strong financial position. We have also laid the foundation for a positive trend in all business areas.

To summarize, I have many eventful years with RNB RETAIL AND BRANDS behind me since the formation of Polarn O. Pyret in 1996. Over the past two years, I have focused on safeguarding the Group's operations, and ensuring that the company receives secure, long-term financing. With that in place, it is now time for a new force to lead the company through the next phase. I intend to remain as CEO and President until a replacement is found. But at this stage, I would still like to thank everybody for all my fantastic years with the company. I hope that all of you as shareholders will now receive a favorable return on the trust you have vested in me, and your investment in RNB RETAIL AND BRANDS.

Mikael Solberg
President and CEO

”It is gratifying to see that our hard work has borne fruit”

RNB RETAIL AND BRANDS world

Polarn O. Pyret

Polarn O. Pyret is a fully integrated brand for baby, children's and maternity wear, with products that are designed, produced and distributed through proprietary stores and franchise stores in Sweden and abroad. Since its inception in 1976, Polarn O. Pyret has established a position as the leading brand and store concept for children's clothing in the quality segment of the Swedish market and its clothing is famous for its high quality, functionality and design. Polarn O. Pyret is currently established in 11 markets.

Department Stores

RNB RETAIL AND BRANDS offers a unique distribution platform for national and international brands in strong marketplaces. The Group has extensive operations in leading department stores in several Nordic countries – NK in Stockholm, NK in Gothenburg and a smaller operation in Illum in Copenhagen. We also have an outlet operation with leading brands in one of Sweden's largest outlet areas – Kosta Outlet outside Växjö.

A shared feature at our department stores is a focus on the customer interface, combined with a high-quality product range and store environment.

The operations span from children's clothing to jewelry, and all of our customers impose high demands on service, knowledge and quality.

JC

JC Jeans & Clothes is a store concept that represents a young lifestyle based on jeans and clothing worn with jeans. The range is based largely on proprietary products and supplemented with external brands of jeans. JC has a long history and the first JC store was established in 1963. JC operates proprietary and franchise stores. In Sweden and Norway, stores are operated on either a proprietary basis by JC, or on a franchise basis. In Finland, all stores are operated centrally by JC.

The aim is that JC's design and internal brands, in combination with the world's leading jeans brands, will create a broad and complete offering of jeans in order to increase availability and product knowledge, and thus offer "one-stop-shopping" for our customers.

Brothers & Sisters

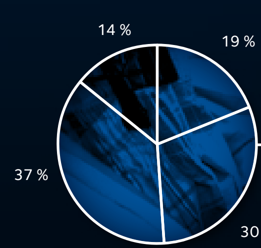
Brothers & Sisters are two volume-oriented holistic concepts for men and women between the ages of 25 and 45. The concept offers well-tailored garments and casual fashion in an inspiring store environment characterized by excellent service. The range consists mainly of proprietary brands, which are supplemented with external brands in the upper mid-price segment.

The first Brothers store in Sweden opened in 1992, while Sisters was launched in Sweden in 2000. The first international establishment took place in Finland in 2006. The stores in Sweden are operated by RNB and independent franchisees. In Finland, RNB owns all stores.

Business Area	Stores	
JC	**157**	of which 76 are franchises
Sweden	111	of which 73 are franchises
Norway	29	of which 3 are franchises
Finland	17	of which 0 are franchises
Brothers & Sisters	**81**	of which 42 are franchises
Brothers single-purpose stores		
Sweden	20	of which 16 are franchises
Finland	3	of which 0 are franchises
Sisters single-purpose stores		
Sweden	1	of which 0 are franchises
Finland	0	of which 0 are franchises
Brothers & Sisters dual-purpose stores		
Sweden	53	of which 26 are franchises
Finland	4	of which 0 are franchises

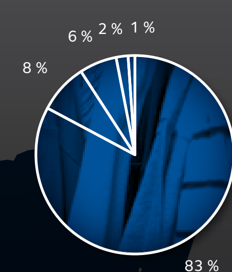
Business Area	Stores	
Department stores	**53**	18 782 sqm
NK Stockholm	31	
NK Gothenburg	19	
Illum	2	
Kosta Outlet	1	
Polarn O. Pyret	**111**	of which 66 are franchises
Sweden	59	14
Norway	20	20
Finland	10	10
UK	11	11
Scotland	2	2
Ireland	2	2
Iceland	2	2
Estonia	2	2
US	2	2
Latvia	1	1
Denmark (Part of Illum above)	0	0

As per August 31, 2010



Sales 2009/2010 per business area, %

Brothers & Sisters	19 %
JC	30 %
Department stores	37 %
Polarn O. Pyret	14 %



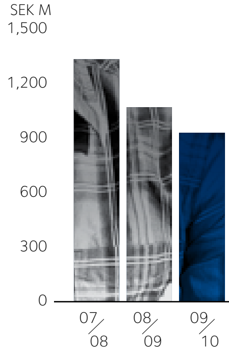
Sales 2009/2010 per geographic market, %

Sweden	83 %
Norway	8 %
Finland	6 %
Denmark	2 %
Other	1 %

JC

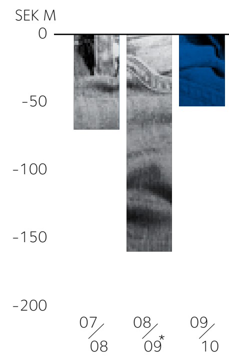
Some things are timeless. We opened our first JC store in Helsingborg in 1963 because we loved jeans and everything that goes with jeans. Our absolute passion is helping customers find the perfect pair of jeans. Or the perfect sweater for a pair of jeans. Or why not both?

JC



Net sales, SEK M

Operating profit/loss, SEK M



* Excluding goodwill impairment of SEK 500 M

Key figures JC

SEK M	**09/10**	08/09
Net sales, SEK M	920	1,067
Share of RNB's sales, %	30	33
Operating loss, SEK M	–52	–159*
Number of employees	417	425
Number of stores	157	175
Of which franchises	76	84
Of which outside Sweden	46	54

* Excluding goodwill impairment.

Business concept
Best in jeans and clothing suitable to jeans.

Target group
Girls and guys whose style is based on jeans and jeans-related fashion wear.

Markets
Sweden, Norway and Finland

Development in 2009/2010
During the year, we saw the first results of the action program that JC launched in spring 2008 to reverse the weak trend of the store network. JC sales declined in autumn 2007, due to unsuccessful collections and price-setting, and the need to update the store concept and communications. The reasons included a demanding relocation of the operations from Gothenburg to Stockholm, in conjunction with a strategic and organizational change.

During spring 2008, new guidelines were established for collections, store designs and market communications.

A cornerstone in the repositioning was a return to JC's roots, with a focus on jeans and jeans-related fashion wear. Consumers started to see the results in stores in September 2008, and we experienced a gradual recovery during the 2009/2010 fiscal year.

Sales fell compared with the preceding year and amounted to SEK 920 M, compared with SEK 1,067 M in 2008/2009. Total sales, excluding VAT, to consumers in all markets and in all channels during the year amounted to SEK 1,138 M (1,372). The operating result improved by SEK 107 M and resulted in a loss of SEK 52 M, compared with a loss of SEK 159 M (excluding goodwill impairment) in the preceding year. The improvement was primarily due to development of the internal range in terms of collections, fashion level and price, which reduced the need for discount sales and strengthened gross margins.

The new store concept has also contributed to increased sales in the stores where it has been introduced. The positive trend is also due to the organization's focus on the market, sales and collaboration with the franchisees.

The comparable sales trend in proprietary stores declined 12.8%, with JC Sweden and JC Finland showing a significantly better trend than JC Norway, where divestments and closures of unprofitable units are ongoing. A key component in the action program has been a fundamental overview of the store structure, aimed at divesting or closing unprofitable stores in order to strengthen earnings capacity, while remaining open toward the establishment of new stores in attractive and strategic locations.

Lea Rytz Goldman, President of JC

"We are gradually beginning to find our way in the restructuring of the JC concept. We are also seeing clear signs that JC's negative trend has reversed."

Business model

JC's goal is to be the best in jeans, and clothing worn with jeans. The proprietary design, combined with the world's leading jeans brands, attractive pricing and broad knowledge of jeans fashion, is intended to create a unique shopping experience and make JC the leading store concept for jeans and jeans-related clothing and accessories.

The operations are operated through a combination of proprietary stores, especially in larger cities, and franchise-operated stores in small and medium-sized locations. The franchise system has a long tradition in JC. Retailers with a strong local presence have historically played a key role in JC's development.

In spring 2010, JC strengthened its collaboration with the franchisees in order to create a more competitive mode of operations at JC. These efforts led to an addendum to the franchise agreement, which was supported by all individual franchisees.

Range

JC markets a wide range of jeans and jeans-related fashion wear. In addition to the proprietary brands, such as JC, Crocker and Marwin, several of the world's leading jeans brands are offered.

The proprietary brand, Crocker, accounted for one third of JC's total sales of jeans during 2009/2010, amounting to well over 1.6 million pairs. The ambition is to increase the proportion of internal brands and thus boost profitability. In the pants segment, fashion has been dominated for some time by leggings, jeggins and chinos but jeans became popular again in 2010. The new "Crocker Pep!" jeans concept was launched in December 2009, within the framework of the Crocker brand. With attractively priced design, colorful details and a simple and classic fit, Crocker Pep! suits current demand and developed favorably throughout the year.

In both proprietary production and collaboration with external suppliers, JC works actively to reduce its environmental impact and promote good labor conditions in garment production.

Stores

At year-end, JC had 157 stores in Sweden, Norway and Finland, of which 76 were franchise stores and the remainder were owned by RNB. After the decision was made to close unprofitable stores in Norway and Sweden, the total store network was reduced by 18 stores.

JC's store network is focused on medium-size cities where brand stores and department stores are not established, and where JC – with its range of both proprietary and external brands – is the target group's natural choice for fashion. JC must also be present in large cities in attractive locations, and JC primarily sees opportunities for enhancing its long-term presence in metropolitan regions.

The new store design that was launched in autumn 2008 has received a positive response, and has been introduced in 27 proprietary stores and five franchise stores to date. The concept is based on exciting but timeless black and white store fittings, which improves the visibility of garments and clarifies JC's position in denim. During the year, the J-Store range was integrated in JC through a broader offering in the smaller sizes. The goal is to create a clearer concept under one name – JC.

At the 2010 fashion gala, JC won the "Interior Concept of the Year" category with the citation "In meetings with the customer, store fittings are one of the store's main image bearers. The winner of this year's interior concept has travelled back to its roots, and denim is woven through the concept like a golden thread; as a base for the range, but also as a dominating ingredient in the new interior concept."

Lea Rytz Goldman

"Our new marketing platform is blue – like jeans. It represents JC's blue soul and our origins. And the response is very positive."

Market communications

Work continued throughout the year on JC's new marketing platform, which was launched in autumn 2009. The starting point is that JC must be present where customers are, meaning to a large extent in digital and social media. The new platform focuses on JC's core offering: jeans, with a clear visual identity, recurring models and a new blue signature color that symbolizes JC's jeans soul.

The media strategy comprises store communication, outdoor advertizing, store windows and the internet. JC's website was rebuilt and enhanced during the year to become more interactive, and JC continued to sponsor the Way Out West music festival in an effort to stay close to the target group. In spring 2010, a collaboration began with young, established Swedish designers who design garments for JC, as well as sponsoring their shows during Stockholm Fashion Week. In autumn 2010, JC became the official jeans partner for TV4's music program, Idol.

JC's customer club remains a very important channel for communication with the target group. During the year, JC's initiative to recruit new members generated positive results.

Outlook

JC intends to strengthen its position in the jeans market by clarifying the concept's strong position in jeans and jeans-related fashion wear. Efforts to create an attractive range, with the right mix of proprietary and external brands at the right price and fashion content, remain vital this year.

Particular focus also lies on building the proprietary range, primarily based on the Crocker and Marwin brands, in an effort to increase sales in the existing store network and improve profitability. Continuing to strengthen the personal and excellent in-store service, as well as the website, is another key factor. The remodeling of stores is prioritized, and will continue throughout the year. Analysis of the store network as a whole will also continue to secure an optimized store structure long term.

Lea Rytz Goldman

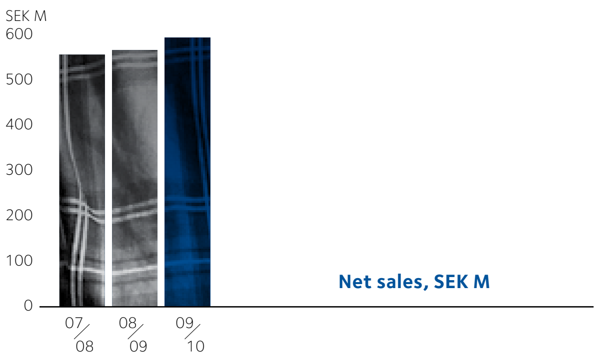
"Our customers are buying more. The challenge lies in attracting even more customers to our stores so that they can see the difference."

BROTHERS

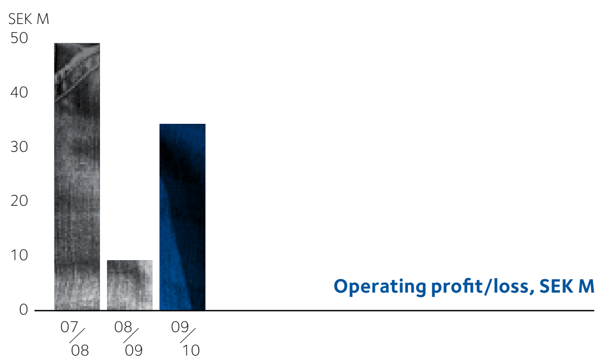
You should feel great when you look in the mirror, but comfortable and authentic too. Brothers has all the garments and accessories that style-conscious men need, in one place. From great-looking underpants to well-fitting suits and cool jeans. The fragrances you love, and everything else you want and need. The knowledge and assistance that we can offer in the store will enhance your shopping experience, and make it just a little bit easier.


SISTERS
Sisters aims to be a one-stop shop for the fashion-conscious woman's shopping experience. Our stores offer carefully selected fashion for all occasions. Jackets, dresses, sweaters, tops and jeans. Sisters finds the inspiration for its garments in a variety of places, époques and cultures. Fashion should be fun, new, exciting and challenging, but always functional and high-quality.

Brothers & Sisters



Net sales, SEK M



Operating profit/loss, SEK M

Key figures Brothers & Sisters

SEK M	**09/10**	08/09
Net sales	592	563
Share of RNB's sales, %	19	18
Operating profit	34	9
Number of employees	225	207
Number of stores	81	82
Of which franchises	42	42
Of which outside Sweden	7	8

Business concept
Through a clear-cut concept and an attractive range of fashion wear, to create strong customer relationships that result in top-class profitability.

Target group
Brothers
Fashion-interested, socially active and ambitious men in their 30s who wish to dress stylishly.

Sisters
Inspiring, fashion-conscious women in their 30s – modern, zestful and committed women who know what they want and wish to dress stylishly.

Markets
Sweden and Finland

Anders Wiberg, President of Brothers & Sisters
"The business has recovered well from the recession, and we have a positive outlook for the coming year. Sisters is our greatest challenge and offers our greatest potential."

Development in 2009/2010
Brothers & Sisters continued to perform favorably during the year. Sales by the business area amounted to SEK 592 M (563). Total sales of goods to consumers in all markets and all sales channels during the year, excluding VAT, amounted to SEK 716 M (686). Operating profit rose to SEK 34 M, compared with SEK 9 M in 2008/2009. The increase in full-year sales was attributable primarily to new establishments and conversions of some franchise stores to proprietary operations. During the final quarter of the fiscal year, however, sales in comparable proprietary stores increased 5.0%. Both concepts continued to upgrade concepts and product ranges, and have reached new, somewhat younger target groups. Efforts were also made during the year to strengthen cooperation with the franchisees.

Brothers showed comparable sales growth of 5.0% during the year and continued to take market share. Favorable business trends were noted in both Sweden and Finland. Efforts to re-profile Sisters continued during the year, focused on strengthening the range and increasing traffic to the stores. The goal is to offer a greater proportion of proprietary fashion and trendy garments, in line with the demand the concept attracts.

In early 2010, Anders Wiberg was appointed President of Brothers and Sisters. Anders Wiberg has extensive experience from retailing and fashion and comes most recently from Filippa K, where he worked for eight years in various positions, including product manager, COO and President.

Business model
The business model for Brothers & Sisters is based on a combination of proprietary stores, primarily in major cities, and franchise-operated stores, mainly in small and medium-size communities. Local merchants with deep roots in their communities are extremely important for business development at Brothers & Sisters.

Operations
Both Brothers and Sisters offer a unique and lasting shopping experience through an attractive product range and extraordinary personal service. With a broad offering of fashion, accessories and men's skin care, ranging from proprietary and external brands, the stores resemble small department stores, which represents a strength, particularly in smaller communities with a limited selection of brand stores and fashion department stores.

Brothers is a volume-oriented fashion chain that offers well-tailored garments and casual fashion, as well as complementary accessories and cosmetic products for men. The complete-coverage store concept is attractive to many men who want to buy everything in a single store. Men of today show a greater interest in shopping more frequently and buying clothes and accessories characterized by a higher fashion content, which has contributed to the growth of new brands and a broader assortment. Knowledge of ready-made clothing among store personnel is a strong competitive advantage in the Brothers' segment.

Sisters offers young women trendy clothing and accessories in the mid-price range, with a slightly higher fashion content than Brothers. For women, who like to shop in several different stores, Sisters must always strive to provide an exciting alternative to more expensive brands or other chains in the same segment. During the year, a re-profiling was implemented to focus on a somewhat younger target group and, in parallel, the product range and store expression was changed to become more distinct and make it more attractive to the target group.

Product development operations are the same for both chains, while concept development, design and purchasing activities are managed separately in the respective chains. Brothers & Sisters have shortened the lead time in proprietary production during recent years, while purchasing products with increasingly short delivery times in order to remain as up-to-date as possible in terms of both fashion and inventory levels. The chains apply a system of demand-controlled goods restocking to provide better customer service and generate higher sales. Increased quality and environmental awareness in the target group strengthens Brothers & Sisters' position, and determined efforts are being made by both chains to improve continuously within these focal areas.

Anders Wiberg
"During the spring, Sisters was re-profiled to attract a younger target group. We are now starting to find our place in the market – and we are starting to see the results."

Product range
Brothers & Sisters offer well-tailored fashion garments and casual clothing and both stores are perceived as value-for-money alternatives to brands in the middle and higher price segments. The product range consists of an average of 70% proprietary brands, such as Riley, East West, and Blue Ridge. For Sisters, products are marketed under the chain's name, Sisters. These brands are supplemented by attractive external brands in the upper-middle price segment, such as G-Star, Lyle & Scott, Replay and J Lindeberg.

Brothers offers attractive style, service and quality for men. Suits have been a strong product area for many years, but the casual element of the product range has also grown stronger in recent years, thus also attracting a somewhat younger target group. With its Brothers Depot department, the Brothers chain is responding to growing demand for men's cosmetics, skin and hair care products. Brothers is virtually alone in offering these products in a completely masculine environment.

Sisters has the same focus for women, but with a stronger emphasis on fashion. During the spring, work was started to re-profile the product range toward a somewhat younger target group by reducing the number of suits and dresses and focusing more sharply on fashion, fit and quality in the mid-price segment, which has attracted new customers to the stores. In parallel, the proportion of external brands is being reduced to emphasize more attractively priced alternatives from Sisters' proprietary range, supplemented by more accessories. Efforts to develop the product range are continuing during the current fiscal year.

Stores
The Brothers & Sisters network of stores focuses on midsize communities, but is also established in major cities in attractive locations in the city centers and shopping malls. For all new establishments today, Brothers and Sisters stores are always located next to each other, a strategy that has proven to result in increased customer visits and sales for both concepts. The design of network stores was analyzed and adapted during the year to check how customers move around the stores and to provide optimal exposure of the products. A new store concept is now being formulated for launch during 2011.

At the end of the fiscal year, Brothers & Sisters had a total of 81 stores, with seven in Finland and the remainder in Sweden. Of the total number of stores, 24 were single-purpose units, all but one of which were Brothers stores, while 57 stores were dual-purpose units, with Brothers and Sisters side by side on a shared store surface. Of the 81 stores, about half were franchise operated, which was virtually unchanged compared with the preceding year. There is scope for more establishments of Brothers stores in Finland in the future, while the potential for Sisters is greater in the Swedish market.

Anders Wiberg
"We see that our campaigns during the past year had a strong impact, resulting in greater knowledge and awareness of our concept"

Market communications
Marketing campaigns for both concepts were continued during the year through outdoor advertising that generated a tangible effect on sales and increased brand awareness in the target groups. The Brothers campaign, with well-known sports personalities such as the professional ice-hockey players Henrik Lundqvist and Mats Sundin, was particularly successful. The main challenge for Sisters, which is to attract new customers to the stores, is being met primarily through outdoor advertising campaigns and social media.

The customer club remains a very important channel for communication with customers and a tool for driving sales to the concept and creating added value for the customer. The number of members in Brothers & Sisters customer clubs increased during the year. More competitions and offers led to increased activity among club members.

Outlook
Work will continue during the current fiscal year to further strengthen the design and purchasing functions within both concepts to increase sales per square meter and profitability per store. Sustainability issues will be important during the year, and efforts will continue to raise our ambitions in this area.

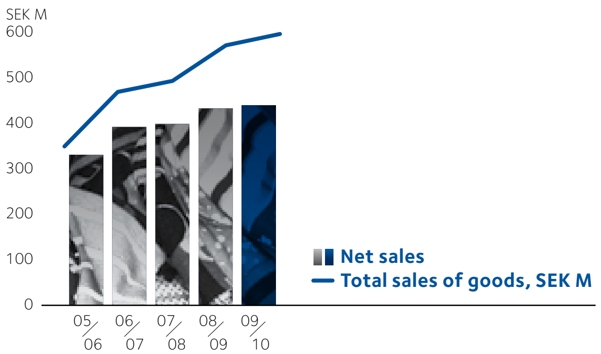
Brothers & Sisters will also continue to grow through the establishment of new stores. For 2010/2011, plans have been formulated to open a number of new dual/purpose stores, and opportunities are being evaluated to open more Sisters stores adjacent to Brothers stores. Although the greatest challenge during the year is the continued re-profiling of Sisters, this is also viewed as the area that offers the greatest growth potential.

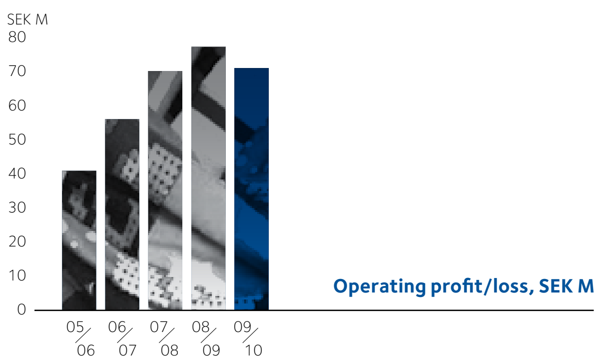

POLARN

Ever since we designed our very first striped sweater, we have worked according to the same concept: children need clothes they can play in. Garments that let children be children. For Polarn O. Pyret, this means clothing that makes everyday life easier but is equally suitable as party wear. The garments can withstand rough play and are robust enough to pass down from big brother to little sister. Contemporary classics, beloved favorites and the world's finest stripe. We always use what is best for children as our starting point. That's both our philosophy and our way of working, and it characterizes all parts of Polarn O. Pyret and the decisions we make.

O. PYRET

Polarn O. Pyret





Key figures Polarn O. Pyret

SEK M	**09/10**	08/09
Net sales	436	431
Share of RNB's sales, %	14	13
Operating profit, SEK M	71	77
Number of employees	237	229
Number of stores	111	106
Of which franchises	66	62
Of which outside Sweden	52	48

Business concept

- We sell smart children's wear for all types of weather.
- We sell to parents and gift buyers.
- We sell through Polarn O. Pyret stores, whose employees are well trained in how children should be clothed.
- We differ from competitors through the combination of design, function and quality.

Target group

Polarn O. Pyret's primary target group comprises parents with children aged between 0 and 11 years.

Markets

At fiscal year-end, Polarn O. Pyret was established with stores and comerce operations in Sweden and the US, as well as stores in Denmark, England, Estonia, Finland, Iceland, Ireland, Latvia, Norway and Scotland.

Development in 2009/2010

Polarn O. Pyret reported net sales of SEK 436 M (431) during the year. Sales in comparable proprietary stores rose 3.3%. Total sales of goods to consumers in all markets and all sales channels during the year, excluding VAT, rose to SEK 599 M (573). Operating profit amounted to SEK 71 M, compared with SEK 77 M in the preceding year, corresponding to an operating margin of 16.3%.

During the year, eight new stores were established, including one proprietary store, and at fiscal year-end Polarn O. Pyret had 111 stores in 11 countries, of which 45 are proprietary stores and the remainder franchise stores.

Polarn O. Pyret showed strong growth during the year in Sweden, its largest market, despite a generally sluggish retail sector. The company also noted positive trends in Finland and Norway. The two stores in Iceland showed relatively favorable business trends considering the market situation. Polarn O. Pyret has expanded strongly in the UK in recent years, and the product range is now available in 15 stores, comprising six proprietary stores and nine House of Fraser department stores with shop-in-shop departments. Business growth has been sluggish due to the country's weak economy, but an upswing was noted during 2010.

Polarn O. Pyret was launched in the US in March 2009 through the establishment of comerce operations, and the first store was opened during the year in Greenwich, Connecticut. The company's establishment in the US continued during the autumn of 2010 through a partnership program with one of the leading department store chains in the US, the well-known Nordstrom, which has 196 department stores in 28 states. In the initial phase, Polarn O. Pyret's clothes are being sold in seven selected department stores in major US cities. The goal is to establish the brand in more of the Nordstrom chain's department stores.

Cooperation with the company's former master franchisee in Russia was terminated during the year and, as a result, Polarn

O. Pyret has withdrawn from the Russian market. However, the company believes it should be possible to return with a different partner. Operations in Denmark, which comprise one department in the Illum department store, will be terminated in January 2011. Operations in Latvia were re-established during the autumn when the master franchisee in the Baltic region opened a new store in Riga's most popular shopping center. Volumes in Estonia are low, but growing.

Maria Öqvist, President of Polarn O. Pyret
"We are attracting interest from different countries, but we are focusing now primarily on growth in markets where we are already established."

Business model

Polarn O. Pyret is a leading, completely integrated brand for babies and children, as well as pregnant women, with products that are designed, produced and distributed via proprietary and franchise stores in Sweden and other countries. The company's philosophy is to contribute to happy, dry and warm children in all types of weather.

The international expansion of Polarn O. Pyret that began in 2003 was based on the same business model that is still used today, which enables rapid establishment of the brand in new markets with limited risk. The model entails partnering with a master franchisee that receives exclusive rights to the concept in a geographic market and is responsible for inventory, stores, personnel and marketing initiatives. Polarn O. Pyret builds the brand, ensures production and design and develops the store and marketing concept, while the master franchisee pays a royalty for each item sold. In Sweden, Polarn O. Pyret is operated through a combination of proprietary and franchise stores. Internationally, Polarn O. Pyret operates solely via master franchisees.

Operations

Since the start in 1976, Polarn O. Pyret has established itself as the leading brand and store concept for children's clothing in the quality segment of the Swedish market. The chain's unique concept, playful design and the brand's high credibility with respect to quality, functionality and environmental awareness are significant factors in maintaining today's strong market position in the future

In the stores, a clear product exposure is directed toward the customer and, at the same time, customers receive help from personnel who are experts in children's clothing. A high priority has been assigned to the establishment of new stores and continuous development of the store concept. Polarn O. Pyret's master franchisees are committed by contract to open stores at a pre-defined rate and to invest in marketing.

Maria Öqvist, President of Polarn O. Pyret
"There is a clear trend towards more customers visiting our website to initiate their purchase process."During 2009, Polarn O. Pyret's launched comerce operations in Sweden and the US.

E-comerce is a means of increasing total sales by supplementing the existing network of stores with an additional channel that is available for purchases around the clock, even in areas without any stores. There is a clear trend towards more customers visiting our website to initiate their purchase process, review the product range and make decisions about their purchases. As a result, higher demands are placed on making sure the products that customers want to buy are available when they visit the stores. A review of processes, logistics and distribution is now in progress to support e-comerce services in other markets. The work entails developing web store in terms of improved navigation, greater functionality and a stronger focus on sales.

In parallel with business development in the Swedish market, continuous efforts are being made to establish more stores in markets outside Sweden. A basic prerequisite for success in a new market is strong demand for the basic assortment and a good external business partner. Key factors in the selection of business partners include in-depth knowledge of both retailing and the local market, sufficient capital to ensure long-term market cultivation and, not least, a passion for the Polarn O. Pyret brand. Local business contacts are also important. The more widespread Polarn O. Pyret becomes internationally, the more important it becomes to develop and establish effective forms of partnership, a special area of work that was conducted during the past year.

Product range

Polarn O. Pyret is known for its design, functionality and high quality, factors that many customers are demanding in their choices of clothing for their children, and they are willing to pay a little extra for these features. The product range is based on a range of unisex garments that distinguish Polarn O. Pyret's assortment from that of other players.

Durability is also increasingly important, and the basic principle is that it must be possible to pass on clothes for many years. Polarn O. Pyret has a broad product range, with particular emphasis on basic garments that are ecological and Swan-labeled, and efforts are made continuously to increase this emphasis. An initiative in the durability spirit is the "Pass it on" project that was launched in autumn 2009 and continued in 2010, whereby the customer is offered a discount when old Polarn O. Pyret clothes are returned. These clothes are then sold in the stores and the proceeds are donated to Plan, a charity organization for children.

Market communications

A sharp increase in the group of loyal customers is reflected clearly in the strong growth in membership in Polarn O. Pyret's customer club. The customer club is regarded as Polarn O. Pyret's most important channel by far for market communications with its target group. During 2009, TV advertising was used as a marketing channel and, during the autumn of 2010, advertising campaigns were expanded to include outdoor advertising and ads in daily newspapers. Investments in creative market communications will remain a key focal area in the future as part of efforts to drive sales.

Outlook

Despite growing competition, the assessment is that Polarn O. Pyret has the potential to develop favorably during the current fiscal year. The focus will remain on continued growth, primarily in existing markets, and continued new store establishments by master franchisees. Through increased investments in better market communications, more customers will be attracted to Polarn O. Pyret stores. Another ambition is to generate increased growth through expanded e-comerce. Intensifying relationships with master franchisees is another important mission, with the aim of enhancing the efficiency of every process in the flow of goods to growing markets outside Sweden. Polarn O. Pyret will also continue to focus on sustainability issues, including efforts to increase the percentage of garments in the product range that are made using ecological and recycled materials.

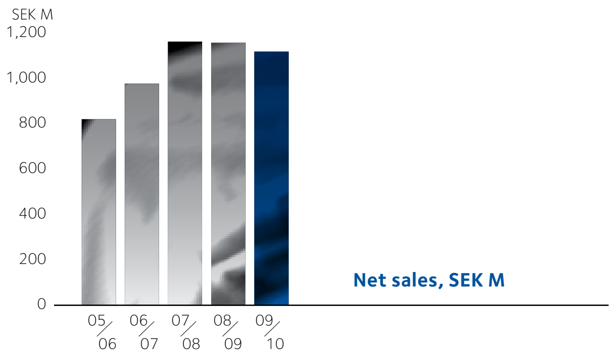
DEPARTMENT STORES

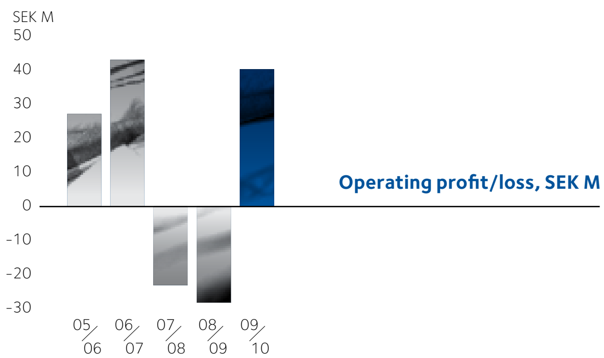
NORDISKA KOMPANIET

Based on a well-established partner model, RNB has large-scale operations at the NK department stores in Stockholm and Gothenburg and Illum in Copenhagen extending from women's and men's fashion to cosmetics and jewelry. Our areas in the department stores are characterized by a focus on the customer meeting combined with high-quality product ranges and store environments, featuring both national and international brands. We also have operations in one of Sweden's largest outlet areas, Kosta Outlet, situated near Växjö.

KOSTA OUTLET

Department Stores





Key figures Department Stores

SEK M	**09/10**	08/09
Net sales	1,115	1,153
Share of RNB's sales, %	37	36
Operating profit/loss, SEK M	40	–28
Number of employees	499	534
-Of whom, Kosta Outlet	30	15
Number of stores	53	72

Operations

The Department Stores business area comprises Departments & Stores with operations in NK in Stockholm and NK in Gothenburg department stores and Illum in Copenhagen, as well as a brand outlet store in Kosta, in the Province of Småland. In total, the Department Stores business area comprises about 18,782 square meters (22,236) of retail space divided into 53 departments (72).

Development in 2009/2010

Sales in the Department Stores business area developed favorably as economic conditions improved. Profitability also rose as a result of in-depth business analyses conducted during the preceding year. Net sales for Department Stores totaled SEK 1,115 M, compared with SEK 1,153 M in the preceding fiscal year. Sales in comparable units rose 4.1%. Operating profit improved by SEK 68 M, amounting to SEK 40 M, compared with a loss of SEK 28 M in the preceding year.

RNB announced in March 2009 that an agreement had been reached to sell the Group's operations at the NK in Stockholm and NK in Gothenburg department stores to Åhléns AB. However, due to a prolonged and time-consuming process by the Swedish Competition Authority, Åhléns withdrew from the agreement and, as a result, RNB decided in March 2010 to retain and continue to operate its departments at NK in Stockholm and Gothenburg. The decision to retain the operations at NK was justified by the company's situation and its financial position. Despite a turbulent period, RNB's business operations at NK developed strongly during 2010. The comprehensive review of processes, optimization of the workforce and inventory reductions conducted during the preceding year in preparation for the planned divestment resulted in a new business plan and a reformulated business concept. A new IT system was also implemented. In addition, a new sports department was opened at NK in Gothenburg during the year.

Effective from the end of March 2010, all remaining operations at the Steen & Ström department store in Oslo were sold to Airport Report Group AS. Men's and women's apparel had been sold in a surface area covering 2,300 square meters in the department store up to the close of the second quarter. Sales for the year, prior to the divestment, amounted to SEK 68 M, generating an operating loss of SEK 9 M.

RNB's operations at the Illum department store in Copenhagen now consist only of the Cosmetics and Kids departments. In September 2010, an agreement was reached to divest the Kids department in January 2011. The phase-out of operations at Illum is part of efforts to reduce risk exposure in the Group and a measure implemented due to the continued weak Danish market. The business operations at Illum had a negative impact of SEK 13 M on operating earnings.

The outlet operations in Kosta developed strongly during the year, with increased sales and profitability.

Amelie Söderberg, President of Departments & Stores
"Due to the uncertainty concerning the future, we have been focusing on here and now. We have turned every stone and, overall, we have emerged stronger from what has happened."

Departments & Stores

Business concept

To develop concepts for department stores with world-class brands and service.

Target group

Customers that impose high demands on service, expertise and quality.

Business model

The business model is based on RNB's partner model, which in simplified terms means that RNB and the brand supplier share the responsibility, risk and margins.

RNB offers retail space in leading department stores, with responsibility for the product mix, store concept, service and sales and IT and checkout systems. The supplier is responsible for design, production and inventories. The two parties jointly decide on the products that will be available in stores. The partner model results in a living product range and increased seasonal variation in which continuous insight into sales trends enables optimization of the product range and thus higher sales per square meter.

Operations

Departments & Stores include operations and sales of fashion wear, beauty products and jewelry in the Nordic region's leading department stores – NK in Stockholm and NK in Gothenburg, and to a lesser extent, the Illum department store in Copenhagen.

Departments & Stores business area has two primary driving forces for its operations. One is customer demands for a high level of service, a wide variety of brands and continuous changes in the store offering. The other is the brand provider's need for effective distribution and marketing of its products in the right environment. Growing demands on the shopping experience among both women and men impose high requirements on the department store's ability to retain and attract customers by continuously offering innovations and change. It also requires knowledge of every market and what customers perceive as high levels of service.

The protracted process conducted by the Competition Authority over the sale to Åhléns of RNB's business operations at the NK department stores in Stockholm and Gothenburg led to a long period of uncertainty for the operations at NK, both financially and in terms of organizational considerations. Even after Åhléns withdrew from the agreement in December 2009, it was not clear until March 2010 that RNB was to retain its operations at NK. However, because of the uncertain situation, the corporate culture at Departments & Stores was strengthened and the efficiency of its internal processes was enhanced. When the decision was finally announced, efforts were initiated immediately to establish a new business plan that took effect on September 1, 2010 and extends over three years. The new plan will create a solid foundation for increased profitability through better IT systems and more efficient logistics. When the foundation for profitability is established, the next stage will begin – a program to upgrade the business model, develop concepts and generate stronger growth.

Outlook

The implementation of a completely new IT system was finalized in the autumn. The system features a uniform checkout system that provides more detailed monitoring and analyses, more effective logistics, reduced costs and opportunities for closer relationships with suppliers. In addition, opportunities for developing the concept are being analyzed, while a review of the concepts applied at NK in Stockholm is planned during the current fiscal year. Moreover, efforts to further enhance organizational efficiency will continue. The belief in continued future growth and profitability is strong.

Amelie Söderberg, President of Departments & Stores
"We are now creating a solid foundation for increased profitability."

Kosta Outlet Fashion

The largest outlet center in Sweden, with a surface area of approximately 20,000 square meters, was opened in June 2006 near the glassworks in Kosta. RNB's sales in the center focus on attractive brands for women, men and children in a store covering about 5,500 square meters. With its location close to the old glassworks, and a new design hotel, Kosta Outlet has become an attractive destination for tourists and conference guests and is expected to attract two million visitors annually. And because of its location, Kosta Outlet does not compete with sales in the other concepts operated by RNB. In fact, the operations at Kosta Outlet enable more rapid changes in the stores' product ranges to satisfy customer preferences. During the initial stage, the outlet operations took some pressure off other Group stores, and the product range consisted almost exclusively of unsold inventory goods from the other business concepts. RNB's operations in Kosta Outlet are currently a separate profit center, and only a small part of the operations serve as sales channels for unsold inventories of the RNB Group's other concepts. Most of the product range is purchased in season directly from suppliers and consists of the latest fashions from the leading brands. RNB's established relations with most premium brands provide valuable opportunities for Kosta Outlet to create an attractive product range.

Jan Eriksson, President of Kosta Outlet Fashion
"Kosta Outlet has progressed from being an internal Group sales channel to becoming a separate source of profitability and we see very significant growth potential for our operations in Kosta."

As more players establish sales operations at Kosta Outlet, the number of visitors attracted to the small community in the Province of Småland is increasing. Due to its remote location, most sales are invoiced at weekends, and visitors consist primarily of families with children and elderly people who drive or take the bus to Kosta. In the future, the sales center hopes to increase sales at weekdays through a larger reception area and better marketing.

Market

RNB RETAIL AND BRANDS conducts operations in fashion, ready-to-wear clothing, accessories, jewelry and cosmetics.

Driving forces

The ready-to-wear clothing sector is driven by several different external factors, including changes in GDP, interest rates and consumer views of their private financial status in respective markets. Consumer expectations of economic trends, in turn, are strongly linked to economic fluctuations. The demographic structure of the population is another factor that affects demand. Because of a shift toward older age groups, the 30–60 age category will account for a larger percentage of the population in the next few years. The propensity to spend, changes in private income and taxes are other factors that affect sales in the retail clothing sector.

Market trend

The total clothing market in Sweden was worth approximately SEK 51.3 billion in 2009, according to data from the Swedish Retail and Wholesale Trade Research Institute (HUI). Growth since the mid-1990s has been favorable, averaging nearly 5% annually during the period 1995–2008 (current prices). In 2006 and 2007, the market grew at an annual rate of 8.0 and 5.4%, respectively, gauged in current prices. However, due to turbulence in financial markets and a deepening recession, the Swedish clothing market weakened in 2008, with a growth rate of 0.4%. In autumn 2008, growth was impacted strongly by the financial decline in the market. A more stable level was reached in 2009. During the period September 2009 – August 2010, the Swedish clothing market grew by 7.2% and 1.6% in comparable units, according to data from HUI. Comparable sales in RNB's proprietary stores during the same period rose 1.1%. Total comparable sales in proprietary stores in all countries declined 1.0%.

A changing market

The clothing trade in Sweden has undergone, and continues to undergo, consolidation whereby larger stores and store chains are taking market shares. There are fewer and larger players in the marketplace. Tangible economies of scale in the market are reflected in better gross margins for companies with at least 20 employees, compared with the category of companies with fewer than 20 employees. Although the number of companies has declined since the mid-1990s, the number of sales outlets and employees has increased in parallel with the retail sector in general. This trend has been particularly noticeable since the early 2000s.

The sales channels in RNB's primary market – Sweden – are store chains, independent specialist retailers and department stores. For a protracted period, store chains have increased their share of the total market at the expense of specialist retailers. In RNB's view, structural transformation of the ready-to-wear clothing market will continue in the years ahead. A greater need for flexibility and the efficient flow of goods will favor companies that can utilize purchasing, logistics and IT synergies. Domestic and international store chains will seek a stronger presence in the Swedish market. Mergers and acquisitions of local store chains or store premises are becoming more commonplace. Although the ready-to-wear clothing market is relatively mature, the sector offers healthy growth potential for companies willing to play an active role in its restructuring.

Attractive business locations have progressively become a significant competitive factor as the sector gradually increases its concentration to city centers or suburban shopping malls. This trend will continue to favor major players at the expense of specialist retailers.

The ready-to-wear clothing sector is competing increasingly with other forms of "experience" consumption such as travel and entertainment. Today's consumers place considerable emphasis on consumption experiences, making it more difficult to compete solely on the basis of goods specific to the ready-to-wear clothing sector. Every store visit must offer an experience in the form of knowledgeable and service-minded personnel, an inspirational and functional store environment and comfort.

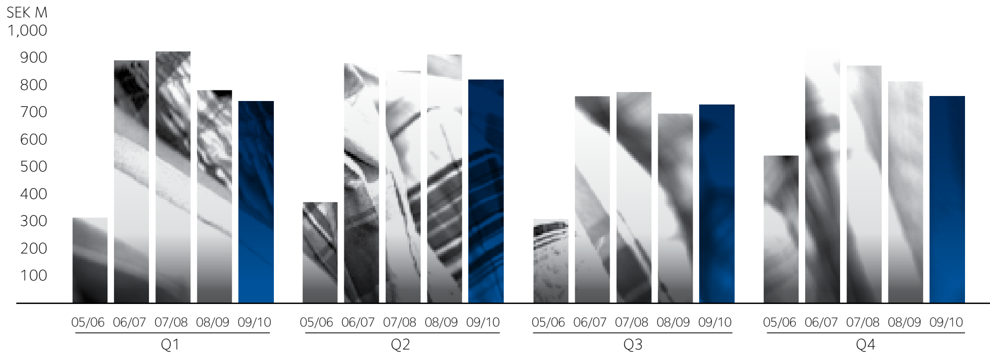
Generally higher interest in design and quality – not only in the fashion world – has made today's consumers more aware and more discerning. Purchasing patterns are molded by such key concepts as quality, fashion-consciousness and value for money. Consumers want variation, added value, attitude, individuality and a relationship with the store and the brand. They seek a brand and product mix that expresses a certain lifestyle in their store preference. Brands – in the form of store chains and suppliers – that make an emotional impression on a distinct target group will be the winners in the ever-denser market haze. If the ready-to-wear clothing sector is to create value, it must focus on customer values and behavior. Customers must be viewed and treated as a resource whose knowledge can be utilized through a continuous dialog. Extensive loyalty programs and close customer dialog must be priorities in coping with future competition.

Weather and seasonal variations

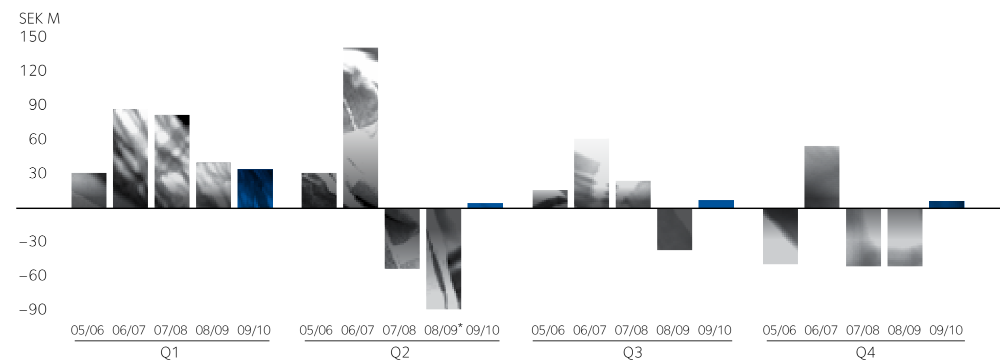
Sales of clothing are affected by the weather. A mild autumn and winter adversely affect sales, while a cold, wet summer boosts figures. Sales of ready-to-wear clothing also vary seasonally. Sales usually peak during autumn and winter, when December is traditionally the best month. The start of the school term triggers a sharp increase in sales of children's clothing. Prices are generally higher for autumn and winter collections, which has a positive impact on sales volumes from September to December. The major discount sales months are January, February and July, with a negative impact on gross margins and profit margins.

Competitors

Most of the competition for RNB's various concepts derives from store chains and individual, privately owned specialist retailers. However, all players in the clothing sector – irrespective of price and quality segment – compete for consumer spending to some degree.

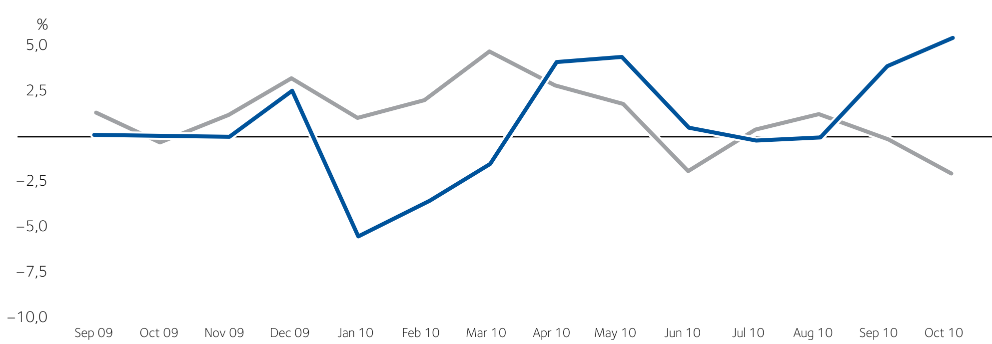


Net sales, RNB
quarterly and annually, SEK M



Operating profit/loss, RNB
quarterly and annually, SEK M

* The operating loss for Q2 2009 is shown excluding impairment losses of SEK 500 million.



Sales trend
RNB compared with HUI's Blixt Index, rolling three months, %

RNB, comparable units
HUI Blixt Index

Logistics and Purchasing

RNB RETAIL AND BRANDS aims to offer its customers the ultimate shopping experience. To satisfy meticulous customer demands in terms of customer interaction and service, RNB must be able to offer the right products – at the right time, and in the right place. Efficient logistics are a prerequisite for achieving this goal and raising profitability.

More efficient flow throughout entire chain

A program to procure uniform transports and inventory management for all concepts was conducted throughout the Group during the year. Based on this Group-wide logistics solution, a more detailed analysis of the Group's entire flow process was conducted – from the design phase and purchasing to the replenishment of goods in stores. The aim to improve efficiency in all parts of the value chain through coordinated Group activities and better processes, thereby achieving cost synergies and stronger gross margins over the long-term, in addition to more rational and functional flows of goods.

Efforts to implement the new Group-wide processes will be started in 2011.

> **Per-Åke Arvidsson, Global Supply Chain**
> **"We see significant opportunities for creating more efficient flows of goods in the Group through greater coordination between the various concepts."**

Transport and warehouses

The manufacturing of proprietary brands for Brothers & Sisters, JC, and Polarn O. Pyret occurs in Asia and Europe. The goods from Asia are shipped by sea to Gothenburg, from where most of them are forwarded to the company's central warehouse in Vinsta, outside Stockholm, and to the company's external logistics partner in Borås, outside Gothenburg. Clothing produced in Turkey and Italy is transported by road. Airfreight is deployed to a limited extent and only when rapid transport is required.

Environmental issues are a key aspect of RNB's logistics programs. Measures include efforts to minimize the company's airfreight, which is important from an environmental perspective, and from an economic perspective since airfreight incurs high costs. RNB and other industry companies also work together with the Swedish Road Authority to impose joint standards on distributors aimed at promoting traffic safety and the environment. A company-wide specification of standards serves as the basis for forthcoming procurements.

RNB is utilizing its central warehouses to a growing extent. When a new collection arrives in Sweden, most of the garments are conveyed to the two central warehouses, with only a start-up collection forwarded to stores. This approach reduces capital tied-up in store inventories and reduces stockroom space requirements. Subsequently, the inventories are restocked from the central warehouses in pace with clothing sales. Today, Polarn O. Pyret's goods are sent to stores in the various countries from the Swedish central warehouse. The ultimate aim is to pack the volume for each market directly at supplier sites in order to reduce overall transports and thus the environmental impact from emissions.

Goods management

As a result of efficient logistics, more time is made available for employees to provide a high level of service to customers. The aim is to shift all activities not related to service and sales upstream to the central warehouses, and in certain cases to the supplier, for example joint packing from different suppliers. The goal is to enhance the efficiency of goods reception and unpacking in stores, in order to minimize the number of individual deliveries to stores. This enables sales personnel to focus on their most important task – customer care and generating additional sales.

At Brothers & Sisters, JC, and Polarn O. Pyret, which engage in the design and production of proprietary brands, RNB controls all processes from production to delivery and, as a result, these business areas have made the greatest progress in terms of efficient logistics.

Polarn O. Pyret's inventories are replenished six times a week in Stockholm and five times a week in the rest of Sweden. At Brothers & Sisters and JC, goods distribution to stores takes place five days a week. The frequent inventory replenishment means that customers always find well-stocked stores, and never have to wait more than one day if a certain size or color is out of stock.

E-comerce

The launch of Polarn O. Pyret's e-comerce platform gave rise to additional logistics and distribution investments to ensure the handling of supplies and returns. Distribution is working well, but work is now under way to further fine-tune the system before e-comerce is expanded to more markets.

Sustainable fashion

Vision

To create a company that surpasses customer expectations for high-quality and environmental and ethical excellence in all phases of operations.

Mission

To live up to our customers' and employees' expectations concerning the Group's proprietary brands and the operations conducted from a CSR perspective.

Sustainable fashion

Attractive, proper and sustainable fashion 2009/2010

This year, RNB presents its third sustainability report, "Sustainable Fashion 2009/2010." It is also three years now since RNB started addressing sustainability issues as a key concept. The company now has a uniform policy document, a vision and a detailed business plan for sustainability issues.

Within the subsidiaries, the customer is the primary and most important business interest. For department stores, RNB represents its suppliers' brands and, within JC, Polarn O. Pyret and Brothers & Sisters, RNB has in-house production and sales of its proprietary brands. In view of this structure, a document level has been established that applies to all parts of the Group, while also allowing individual segments of the Group to establish more ambitious target levels.

A great deal is already done today to protect the environment, animals and people who are impacted by RNB's business activities. For the next few years, however, RNB aspires to raise the target levels in all areas of Group operations and, accordingly, an action plan has been formulated for the Group as a whole and its various subsidiaries. This year, the Sustainability Report begins with a presentation of Group-wide issues, which is followed by more detailed reports of each subsidiary.

The Sustainability Report covers the period from September 1, 2009 to August 31, 2010 and is available in its entirety under "Our Responsibility" at RNB's website, www.rnb.se. The report includes presentations of effects on the external environment from operations and goods, work conditions in production operations, animal ethics issues, internal HR work and social commitment.

Strategy

Sustainability issues are integrated in the operative work activities, whereby all employees assume responsibility for the impact of their job assignments. A number of rules and policy documents that apply to all part of Group operations are approved and implemented at the corporate level. The central CSR and environment function is responsible for Group-wide policy documents and ensures that all business operations comply with the business and action plans established by Group management.

In addition to the Group-wide rules and regulations, each subsidiary formulates its company-specific requirements to meet its own goals, brand and customer expectations. In subsidiaries with proprietary production (JC, Brothers & Sisters and Polarn O. Pyret), specialists work in areas that include the environment, quality and codes of conduct for their proprietary production activities and their suppliers. As part of efforts to achieve continuous improvements within CSR, long-term goals have been established for short-term business activities and ongoing operations. The goals extend over a three-year period and are reviewed annually.

Social responsibility

As a retailer of external brands, RNB has a responsibility to only sell goods that meet prevailing norms, regulations and expectations. Polarn O. Pyret, JC and Brothers & Sisters do not have any proprietary production plants. The range of proprietary brands is designed in Sweden and produced by outside suppliers. The strategy is to maintain long-term relationships with suppliers for proprietary production and keep the number of suppliers at a manageable level. Key elements in the selection of suppliers for proprietary production are issues such as quality, price, delivery reliability and compliance with codes of conduct, as well as chemical requirements. Work is now in progress to clarify RNB's code of conduct for suppliers of external brands in order to clearly explain expectations that they also work actively with these issues in their own production.

Code of Conduct requirements

Many countries lack adequate legislation governing human rights and collective labor laws. Even if legislation has been enacted, control over legislative compliance may be lacking. In order to pursue effective efforts based on codes of conduct and controls, Polarn O. Pyret, JC and Brothers & Sisters are members of BSCI, Business Social Compliance Initiative (www.bsci-eu.org), a European organization that promotes improved working conditions in so-called risk countries. A uniform Code of Conduct for all BSCI members defines acceptable working conditions based on UN and ILO conventions.

The objective of the Code of Conduct is to ensure compliance with laws and directives, and to ensure due consideration for health, environmental and safety issues at the workplace. Among other features, the Code prohibits discrimination, child labor and forced labor, and ensures due consideration for employee rights to union affiliation and collective bargaining. It also encompasses the requirement whereby wages and other remuneration must comply with pertinent regulations and that overtime does not exceed applicable regulations and is compensated accordingly. Code of Conduct training courses are led by specialists and conducted in the local language.

Before initiating a program of cooperation with a new supplier for proprietary production, the supplier is required to endorse the Code of Conduct. After the business contact has been established, a system is introduced to monitor compliance with the Code of Conduct in the production plant. Audits are subsequently conducted by third-party auditors who review the physical work environment, documentation, payroll lists, time reports and conduct interviews with management personnel and factory workers. The result of a BSCI audit may be Non Compliant, Improvements Needed or Good.

A plant that is cited for non-compliance on any item is required to prepare a rectification plan that must be implemented within a certain period of time. A re-audit of the plant is then conducted. A supplier that receives a favorable audit review during the inspection is granted approval for three years, after which a new inspection is conducted. This system means that BSCI is not a certification, but rather a means of working toward continuous improvements.

BSCI imposes requirements on members whereby at least two-thirds of the purchased volume must come from BSCI-audited suppliers, a requirement that is fulfilled by Polarn O. Pyret, JC and Brothers & Sisters. Three of Polarn O. Pyret's suppliers and 15 suppliers of JC and Brothers & Sisters underwent Code of Conduct training programs during 2009/2010.

Animal welfare issues

RNB has an animal welfare policy it shares with companies in the RNB Group. The policy stipulates that animals used for the production of goods must be treated humanely and protected from unnecessary suffering and disease. Polarn O. Pyret, JC and Brothers & Sisters do not otherwise allow genuine fur or fur components in their product ranges.

Environmental responsibility

Production – use of chemicals and water

Chemicals are needed to produce clothing. They include dyes and processing chemicals that must be used to convert cotton fibers to yarn and textiles, for example. Polarn O. Pyret, JC and Brothers & Sisters have a stop list for chemicals that are not allowed in proprietary production. These chemical requirements are part of the business agreements that are signed with suppliers.

Polarn O. Pyret, JC and Brothers & Sisters are members of the IVF Swereas Chemicals Group, an association that provides information and expertise in the field of chemicals, as well as The Textile Importers, an industrial trade organization that monitors environmental issues in the textile industry and has formulated its own chemicals guide.

Proprietary production is quality-tested for every new order and, on occasion, test results are retrieved from suppliers. Proprietary product ranges are subject to random sample tests of chemicals and their physical properties. If excessively high contents of prohibited materials are discovered in a garment, an evaluation is conducted first to determine whether the person who wears the garment is exposed to any risk. The garment must be recalled immediately if the slightest risk is discovered. Meticulous studies are then conducted to find the source of the problem.

Water consumption is a major environmental issue in textile production operations. Large quantities of water are used throughout the entire production chain, thus creating wastewater. In order to seriously address the issue of water consumption, Polarn O. Pyret, JC and Brothers & Sisters have joined the Sweden Textile Water Initiative (STWI), an industrial initiative that relies on the learning process to formulate guidelines for more sustainable water consumption in textile production operations. STWI was established in 2010, and 23 textile companies and the Stockholm International Water Institute have joined the initiative and are now working together on the critical issue of water consumption.

Transports – emissions during deliveries of goods and business travel

RNB's clothing is produced both in Europe and in Asia, and the products are transported over various distances before they reach the stores. Trucks are used for transports from warehouses to stores. From suppliers to warehouses, the clothing is transported by trucks from Europe (and Turkey) and by boat from Asia. Airfreight is normally not used.

Planning and logistics efficiency are important elements in efforts to avoid unnecessary or poorly loaded truck transports. It may be a matter of avoiding traffic queues and heavy traffic, placing demands on contracted transport companies or driving in an eco-friendly manner. In 2010, a project was conducted that resulted in a Group-wide logistics procurement policy encompassing clearly defined environmental and traffic-safety demands.

In accordance with RNB's travel policy, the environmental aspect must always be taken into consideration during business travel. For business trips within Sweden, the train should always be the first choice, and domestic air travel must be strongly justified. The head office in Stockholm is situated centrally, which enables personnel to rely on public transports to a very large extent.

Logistics – waste in stores and warehouses

The environmental impact created by stores and warehouse facilities consists mainly of energy consumption and waste. RNB has a long-term ambition of improving its methods of metering and reducing energy consumption throughout the Group. Opportunities to monitor energy consumption and impact sorting at source vary somewhat in the Group, depending on the properties in which the operations are situated.

Waste arising in stores and warehouses consists largely of transport packaging materials such as plastic, cardboard and corrugated board. Efforts to recycle as much waste as possible on-site at the warehouses help to reduce waste volumes in stores. In the Stockholm area, Polarn O. Pyret has introduced a return container, in which clothes are packed at the warehouse for distribution to stores. The empty return containers are then sent back to the warehouse and used again.

Quality demands, stakeholder issues and social awareness

JC, Polarn O. Pyret and Brothers & Sisters impose quality demands on proprietary production operations and their contracted suppliers. The demands cover durability, such as making sure the textiles can withstand a certain amount of wear, demands concerning waterproofing, making sure the goods hold their color and do not fade and preventing shrinking when they are washed. Compliance with these demands is tested for every new order at approved external laboratories and RNB's own internal laboratory. For new product development and situations in which quality shortcomings are discovered, tests are conducted internally. If products with quality shortcomings nevertheless reach stores and customers, there are established procedures to recall the products.

The customer is the strongest stakeholder with expectations concerning the product range and operations in general. RNB's various Group companies conduct several different customer surveys every year to garner current information on customer preferences and expectations. Stores and customer service units are the primary points of contact for customers, where they can ask questions and express their opinions. Other key stakeholders include franchisees, which comprise an important part of the sales organization.

Various trade organizations, public authorities and the media also continuously monitor the operations.

- During the spring of 2010, the Swedish Consumer Agency conducted a study to analyze the offering of eco-labeled and ecological clothing in Sweden. Results of the study, which included several players in the market, were published in the "Green Threads" report. The report showed a weak offering of eco-labeled clothing, with Polarn O. Pyret as the only player that offers a product range with a complete range of eco-labeled garments.

- The Swedish company conducted a survey in 2009 to determine how Swedish consumers perceive different brands from an environmental perspective, and their propensity to make green decisions in their purchases. In the "Ready-to-Wear" category, Polarn O. Pyret received the highest grade on the question of which brand consumers perceived as the greenest.

- The Fair Trade Center organization conducted a study in 2010 to examine the work conducted by Brothers & Sisters and JC on their codes of conduct, environmental issues and the sandblasting of jeans (proprietary production does not include sandblasted jeans).

- During 2009, the Swedish Chemicals Agency (KEMI) conducted a survey focused on the use of Dimethylfumarate (DMF) in clothing. DMF is a substance that can be used as a mold prevention agent, but it is prohibited by law. During the survey, KEMI purchased jeans at Polarn O. Pyret and some underwear at Brothers & Sisters and analyzed them. The results showed none of the products contained DMF. Accessories purchased at JC were also analyzed for lead content. These products also met all requirements.

- During autumn 2009, the SVT (Swedish Radio & Television) consumer program Plus conducted comprehensive testing of jeans to determine the content of several different chemicals. The tests included some of the major jeans brands, including JC's proprietary Crocker brand. The results showed that two external brands had excessively high content of the banned substance DMF, and the products were recalled by the stores. JC's proprietary Crocker-brand jeans complied with all requirements and were given approved test results. After the Plus analysis, JC has clarified the chemical-content requirements imposed on its product range and has communicated them to all external suppliers.

- For the second year in a row, JC won the "Best in Jeans" category when modette.se asked women to vote for their favorite store chains during 2009. In another survey conducted by SeeYou.se and the magazine Market, JC received the highest rating for "Best Service" in the ready-to-wear sector.

Social commitment and sponsorship

Through its sponsorship and charitable work, Polarn O. Pyret strives to contribute to positive development in the community, with a special focus on children. During 2009, Polarn O. Pyret initiated a commitment to Plan, Sweden, which works with a variety of projects intended to support the rights of children in all parts of the world. For the past several years, Polarn O. Pyret and RNB have also supported the development and operation of a home for girls and a school in Garissa, Kenya. Polarn O. Pyret also sponsors Kidzone at Stockholm's Kulturhus (House of Culture), which offers various environments in which children of different ages can read books, develop and learn about new things.

Employees

Employees

RNB RETAIL AND BRANDS strives to offer its customers "the ultimate shopping trip" and the overall goal is to increase the number of visitors to the store who shop. Totally critical for the achievement of this goal is RNB's ability to create enthusiasm and attract the right employees as well as contributions by the employees in their meetings with customers and their ability to make the customer feel noticed, appreciated and inspired to shop. Accordingly, finding employees with the right approach to service, combined with creating conditions to provide a high level of service, comprise the foundation stones of RNB's HR efforts.

Effective recruiting

A meticulous and clearly defined recruitment process is important for ensuring the appropriate skills and a highly functional organization. The right person in the right place is an important parameter for RNB's development and the achievement of its goals. To create the prerequisites for a successful recruitment process, the Group must also develop effective methods for reaching potential employees. A completely new recruitment tool launched in autumn 2009 was evaluated and developed during 2010. The new system is used throughout the Group and ensures that all applications are processed and followed up in a uniform manner by one and the same unit.

To optimize knowledge transfer and have the ability to offer interesting and competitive career opportunities to employees, internal recruitment is an important parameter. Efforts to take advantage of skills and nurture talented new candidates therefore have a high priority.

RNB's values and skills development

Historically, RNB has grown strongly and rapidly. The company also consists of several different activities with their own visions and goals. To create a common impression of what RNB stands for, and the goals we are striving to achieve, regardless of concept or business area, a great degree of clarity is required as well as the ability to create commitment and enthusiasm among the employees.

At RNB, skills development is based mainly on a Group-wide training program; the RNB University. Managed in-house with internal exchanges of knowledge as the foundation, the program manifests professional roles and RNB's values. All new employees in the Group attend compulsory introduction training courses to learn about the company, its areas of business activity, goals and visions. Other forms of training and education are also offered in the area of sales and service, safety related issues and specific product training courses. The aim is to promote career opportunities within the Group. The rewards of these efforts were illustrated clearly during the recession, when one solution was to transfer employees between different concepts, instead of laying them off.

Active work-environment effort

During 2009, RNB provided training in systematic work-environment activities (SAM) for store managers and department managers in which material for safety reviews was produced. The aim was to ensure active efforts to optimally improve the employees' work environment. In autumn 2009, management personnel were trained in work environment issues, and efforts are now under way to formulate an interactive work environment training program that will improve the systematic work environment effort.

Sickness absence in the Group is generally relatively low, amounting to 3.7% during 2009/2010. Long-term sickness absence is monitored and analyzed continually in a bid to assist those on sick leave and help them return to work as soon as possible. An effective program is also conducted to reduce short-term sickness absence.

In February 2008, a healthy-presence project was initiated in the Department Stores business area to reduce sickness absence by providing employees with better opportunities to receive proper care and treatment quickly. During the past year, a reporting service was tested by the occupational health services. With this "Sick and Recovery Reporting" service, employees are able to access advisory healthcare services over the telephone. Advisory services are also offered free of charge to employees who are at home looking after sick children, as well as a service that provides management personnel with support and advice regarding rehabilitation matters. The system received a positive response from the employees, with sickness absence in Department Stores declining during the year from 5.0% to 3.6%. As of November 2010, the service is available throughout the entire Group.

In April 2010, an employee survey was conducted for the first time throughout the Group. The results were highly favorable. Upon completion of the survey, all management personnel now formulate concrete and measurable action plans in cooperation their employees.

The organization in figures

The average number of employees during the 2009/2010 fiscal year was 1,423. Among the employees, 1,199 were employed in Sweden and the remainder in RNB's other markets. Of the total workforce, 1,188 were employed in stores/department stores and 235 in central functions.

Gender distribution in the management team and on the Board

There is a management team at the Group level and a management team for each subsidiary. Women are represented on RNB's Board and in the Group's five management teams. Overall, more than eight of ten Group employees are women and, accordingly, RNB is striving to create greater parity in gender distribution at all levels within all concepts.

August 31, 210	Women	Men
RNB Board	1	7
RNB management team	5	3
JC management team	6	5
Brothers & Sisters management team	3	2
Polarn O. Pyret management team	7	3
Department Stores management team	6	0

From left:

Klara Svensson Content Manager, JC Digital – Pants and shirt, Crocker
Jens Isberg Jeans Manager, JC Drottninggatan – Pants, Levi's, vest and T-shirt, Crocker
Johan Holte Retail Manager Sweden – Pants, shirt and bracelet, Crocker
Eleonore Säll CRM Manager, JC – Pants and sweater, Crocker

From left:
Jens Isberg Jeans Manager, JC Drottninggatan – Pants Levi's, vest and T-shirt Crocker
Johan Holte Retail Manager Sweden – Pants, shirt and bracelet, Crocker
Martin Leander Purchasing Assistant, External Brands – Pants, Nudie, shirt, Wrangler

From left:
Eleonore Säll CRM Manager, JC – Pants and sweater, Crocker
Jens Isberg Jeans Manager, JC Drottninggatan – Pants, Levi's, vest and T-shirt, Crocker

From left:
Klara Svensson Content Manager, JC Digital – Pants and shirt, Crocker
Amanda Ahlström Cash Accounting, JC Sweden – Pants and shirt, Crocker
Eleonore Säll CRM Manager JC – Pants and sweater, Crocker

From left:

Ulrika Oneheim Area Manager, NK ground floor – Jacket, accessories and footwear by Malene Birger (NK Nordiska Designers) Pants and tops, Whyred (NK Nordiska Designers)

Sarah Nordlander Visual Merchandiser NK, second floor – Dress, Stylein, footwear, Whyred (NK Nordiska Designers), stockings, Oroblu (NK pantyhose and stockings), bracelet and rings, Rebecca (NK jewelry)

Michael Norell Department Manager NK, Male Depot – Jacket, shirt, jeans and scarf, J.Lindeberg, pocket handkerchief, Hermès

Simone Lazzarin Sales Manager NK, Tiger – Jacket, shirt and footwear, Tiger of Sweden, jeans, J.Lindeberg, watch, Calvin Klein (NK jewelry)

Mathilda Lunki Sales Manager, NK Nordiska Designers – Pants, tops and Jackets, Whyred (NK Nordiska Designers), footwear Filippa K, accessories, Rebecca, watch, Tissot (NK jewelry)

Oscar Wetterström Controller Departments & Stores – Cashmere jacket, Canali, pants, Morris (NK Man), shirt, J.Lindeberg, pocket handkerchief and tie, Hermès, watch, Jaeger-LeCoultre (NK jewelry)

From left:
Johan Lassén Salesperson, Brothers & Sisters Fältöversten – Shirt and cardigan, East Wes
Martina Wernemar Business Operations – Pants and sweater, Sisters
Agnes Tengelin Purchasing Assistant, Sisters – Blouse, Sisters
Mikael Söderberg Purchasing, Brothers – Jacket and shirt, East West
Elisabet Hackman Pattern Designer, Sisters – Skirt and sweater, Sisters

From left:

Victoria	2½ years
Linda	9 years
Linn Lloyd	Quality Technician, Polarn O. Pyret – Together with her son Eddie.
Eddie	14 months
Karolina Höijd	Controller, Polarn O. Pyret – Together with her children, Ludde and Moa
Ludde	4 years and
Moa	1½ years
Anna Broström	Regional Manager, Polarn O. Pyret – Together with her daughter, Elin.
Elin	3½ years

Amanda Ahlström Cash Accounting, JC Sweden – Pants and shirt, Crocker

Accounts

Board of Directors' Report 2009/2010

The Board of Directors of RNB RETAIL AND BRANDS AB (publ), Corp. Reg. No. 556495-4682, hereby submits its annual report and consolidated financial statements for the fiscal year, September 1, 2009 – August 31, 2010.

Operations

RNB RETAIL AND BRANDS owns, operates and develops fashion, clothing, accessories, jewelry and cosmetics stores that focus on providing excellent service and an extraordinary shopping experience. Sales are mainly conducted in Scandinavia through the three store concepts Brothers & Sisters, JC and Polarn O. Pyret, as well as through shops in the department stores NK in Stockholm and Gothenburg and Illum in Copenhagen. As per August 31, 2010, RNB had a total of 402 stores, of which 184 were operated by franchisees.

Significant events during the year

NK in Stockholm and NK in Gothenburg

The Board of Directors of RNB RETAIL AND BRANDS resolved to retain and to continue to manage the operations at NK in Stockholm and NK in Gothenburg. The company announced in March 2009 that agreement had been reached to sell the operations at NK in Stockholm and NK in Gothenburg to Åhléns AB. Åhléns elected on December 1, 2009 to discontinue the process due to the protracted proceedings required by the Swedish Competition Authority to approve the deal. The Board of Directors of RNB RETAIL AND BRANDS has thereafter resolved to retain and to continue to manage the operations at NK in Stockholm and NK in Gothenburg.

Divestment of operations at Illum and Steen & Ström

During the fiscal year 2008/2009, the Board of Directors of RNB resolved to divest certain operations at Illum in Copenhagen. Operations continue in two departments, Kids and Cosmetics.

Operations at Steen & Ström in Oslo were sold on March 31, 2010 to Airport Retail Group AS. Earnings from these operations had a negative effect on consolidated earnings of SEK 11 M, including divestment costs that amounted to SEK –2 M.

Costs and tied-up capital

The ongoing work to cut costs and optimize the company's structure will continue until improved profitability has been achieved. Inventory levels are now deemed satisfactory.

Completed new issues

To secure the financing required for completion of the ongoing action program being undertaken at JC and to create the financial capacity to take advantage of opportunities arising in the market, two new share issues were implemented in autumn 2009. A private placement to Konsumentföreningen Stockholm (KfS) and a fully subscribed, rights issue to existing shareholders. The two share issues raised funds for RNB amounting to approximately SEK 315 M, SEK 303 M after deductions for issue expenses, and increased the number of RNB shares by 51,267,587 to a total of 165,425,251 shares outstanding.

New credit agreement

During the year, the company secured long-term financing through a new credit agreement. A three-year loan of SEK 400 M was arranged with KfS at market rates and conditions. A more detailed description of the loan covenants is provided in Note 31.

Market and demand

The turbulence that followed in the wake of the financial crisis that started in autumn 2008 abated during the fiscal year. The clothing industry returned to relatively normal conditions during the fiscal year. According to the Swedish Retail Institute (HUI), the Swedish clothing market reported a 7.2% increase in sales for the period September 1, 2009 – August 31, 2010 and retail figures for comparable stores increased 1.6%. RNB's comparable sales in proprietary stores in Sweden increased 1.1%. The total comparable sales trend in proprietary stores in all countries was 1.0% lower.

President and CEO Mikael Solberg to leave RNB

The President and CEO of RNB RETAIL AND BRANDS, Mikael Solberg, has decided in consultation with the Board of Directors to step down from his post in the company.

Significant events after the end of the fiscal year

Divestment of Illum Kids

RNB entered into an agreement in September 2010 concerning the divestment of its operations at the Kids department as of January 2011.

The concepts

Polarn O. Pyret business area

Net sales during the period totaled SEK 436 M (431), up 1.1%. Sales in comparable proprietary stores declined by 3.3%.

Operating profit amounted to SEK 71 M (77), corresponding to an operating margin of 16.3% (17.9).

The number of proprietary stores at the end of the fiscal year was 45 (44). In addition, there were 66 (62) franchise stores, including 14 (14) in Sweden and 52 (48) abroad.

Department Stores business area

Net sales within Department Stores totaled SEK 1,115 M (1,153). During the period, sales in comparable stores increased 4.1%. An operating profit of SEK 40 M was reported (loss: 28). The improvement was due to a combination of higher sales by remaining operations, improved gross margins and the divestment and discontinuation of unprofitable operations.

RNB's operations at the department store Illum in Copenhagen had an adverse impact of SEK 13 M (negative: 30) on operating profit.

Operations at Steen & Ström department store in Oslo have been sold to Airport Retail Group AS. The transfer took place on March 31, 2010.

The number of proprietary stores at the end of the fiscal year was 53 (72), with a total of 18,782 (22,236) square meters of retail floor space.

JC business area

Net sales for the period at JC amounted to SEK 920 M (1,067). The decline in sales was primarily due to lower sales to franchises and a high proportion of discount-driven sales in the preceding year. During the period, sales in comparable stores declined 12.8%.

Despite the decline in sales, JC improved its operating result by SEK 107 M compared with the year-earlier period and reported an operating loss of SEK 52 M (loss: SEK 159 M excluding goodwill impairment). The improvement in operating result was achieved primarily through improved gross margins, a better range and a consequential reduction in the need for discount sales and cost savings.

The number of proprietary stores at the end of the fiscal year was 81 (91). In addition, there were 76 (84) franchise stores.

Brothers & Sisters business area

Net sales for the period at Brothers & Sisters totaled SEK 592 M (563). The increase in sales was attributable to the establishment of new stores and conversion of a number of franchise stores to proprietary stores. During the period, sales in comparable stores declined 1.0%. Operating profit improved by SEK 25 M and totaled SEK 34 M (9). The primary reason for the improvement in performance was improved gross margins.

The number of proprietary stores at the end of the fiscal year was 39 (40). In addition, there were 42 (42) franchise stores.

Parent Company

The Parent Company provides Group-wide services.

Net sales in the Parent Company amounted to SEK 99 M (104). After net financial items, a loss of SEK 79 M (loss: 653 including impairment of shares in subsidiaries of SEK 586 M) was reported. Investments during the fiscal year totaled SEK 16 M (21).

Net sales and earnings

RNB's net sales amounted to SEK 3,054 M (3,207), down 4.8%. Divestment of the company's operations at Steen & Ström in Oslo negatively impacted net sales by 1.6%. Lower invoicing to franchisees, compared with the preceding year, had a negative impact of SEK 100 M on sales. The trend in invoicing to franchisees stabilized during the second half of the year.

Currency effects on the translation of sales by foreign subsidiaries had a positive impact of about 0.1% on sales. Comparable sales in proprietary stores in all countries declined 1.0%.

The gross margin was 48.4% (43.0). The gross margin was positively affected by a lower proportion of discount sales compared with the year-earlier period.

The operating result improved SEK 184 M and amounted to SEK 48 M (loss: 636 including SEK 500 M in goodwill impairment). The improvement was primarily due to improved gross margins. Profit after tax amounted to SEK 29 M (loss: 663) and was positively affected by a tax dispute that fell in the company's favor of about SEK 15 M.

RNB's operations at the Illum department store, which are in the process of being discontinued, resulted in a loss of SEK 13 M (loss: 30). The divested operations at Steen & Ström in Oslo, reported a loss of SEK 9 M (loss: 5) for the period, excluding divestment costs amounting to SEK –2 M.

Financial position and liquidity

The Group had total assets of SEK 2,518 M compared with SEK 2,601 M at the end of the preceding fiscal year. Shareholders' equity at fiscal year-end amounted to SEK 1,404 M (1,071), resulting in an equity/assets ratio of 55.8% (41.2).

At August 31, 2010, inventories totaled SEK 563 M compared with SEK 591 M a year earlier.

For the period September 2009 through August 2010, cash flow from operating activities was SEK 120 M (negative: 104).

Cash flow after investments was SEK 73 M (negative: 143). Net debt amounted to SEK 429 M compared with SEK 827 M on August 31, 2009.

Consolidated cash and cash equivalents at fiscal year-end, including unutilized overdraft facilities, amounted to SEK 240 M compared with SEK 111 M at the end of the preceding fiscal year.

In September 2009, a private placement to Konsumentföreningen Stockholm, (KfS) was carried out. The private placement generated approximately SEK 215 M before issue expenses. Parallel to the private placement, a new share rights issue for the company's shareholders was carried out and fully subscribed. The rights issue generated approximately SEK 100 M before issue expenses. After a deduction for issue expenses, about SEK 303 M net was contributed to the company.

During the year, the company secured long-term financing through a new credit agreement; more detailed descriptions of the loans and the associated covenants are presented in Note 31. The company's Board and Group management believe that long-term financing is now secured, based on current forecasts and plans.

Investments and depreciation/amortization

Investments during the year totaled SEK 41 M (43). Depreciation/amortization during the year amounted to SEK 92 M (100). In the preceding year, goodwill was charged with an impairment loss of SEK 500 M.

Personnel

The average number of employees during the fiscal year was 1,423.

Risk factors

RNB is exposed to a number of risk factors that are fully or partly beyond the company's control, but which could adversely impact on consolidated profit. The risks are described in detail in Note 34.

Corporate Governance

RNB is governed through the Annual General Meeting, the Board of Directors and the President in accordance with the Swedish Companies Act, the Articles of Association and the Swedish Code of Corporate Governance. The company's Corporate Governance report is presented on pages 80–85.

Board of Directors' work

At the beginning of the fiscal year, RNB's Board of Directors consisted of seven members elected by the Annual General Meeting. During the year, the number of Board Members was increased to eight. The President is a Board Member.

RNB's Board of Directors has a formal work plan that complies with the Swedish Companies Act with respect to work distribution and reporting. The formal work plan governs Board meetings, issues to be addressed at Board meetings, the Chairman's assignments, the President's assignments and certain other matters. Within the Board, there is a Remuneration Committee and an Audit Committee. The Remuneration Committee addresses salaries, bonuses and other remuneration for the President and senior executives that report directly to the President.

In addition to the statutory meeting, the Board held six scheduled Board meetings and one extraordinary meeting during the fiscal year. The scheduled meetings focused primarily on monitoring earnings follow-ups, investment matters, external reporting, budget and strategy issues. The extraordinary meeting dealt with the long-term financing of the company.

Nomination Committee

At the 2010 Annual General Meeting, it was decided that a Nomination Committee should be elected among the major shareholders for the purpose of nominating Board Members ahead of the 2011 Annual General Meeting. Prior to the Annual General Meeting on January 20, 2011, members of the Nomination Committee have been appointed pursuant to a resolution at the 2010 Annual General Meeting. These comprise Sune Dahlqvist, Chairman of KfS, Fredrik Persson, President of Axel Johnson AB, Jan Carlzon, shareholder via Irish Life and Swiss Life and lawyer Jan Litbörn, representing Douglas Invest AS.

Guidelines governing remuneration of senior executives

The Annual General Meeting on January 28, 2010 resolved on guidelines governing remuneration and other terms of employment for company management. These are described in Note 4.

The Board of Directors proposes that the guidelines below apply for the fiscal year ahead.

The Company shall offer market-aligned total remuneration, making it possible to recruit and retain senior executives. The remuneration structure for company management shall comprise fixed and variable salary, a pension and other remuneration. Combined, these parts shall comprise the individual's total remuneration. Fixed and variable salary represents the employee's salary.

The fixed, monthly salary paid in SEK shall take into account the employee's areas of responsibility and experience. The variable salary shall be related to the outcome of the subsidiaries' operating profit and/or consolidated profit after financial items compared with established targets. Furthermore, it should be possible to link the variable salary to targets to be achieved over both a one-year and a two-year period and for these to be partly conditional upon the employee remaining with the company and that part of the bonus be invested in company shares.

In respect of the currently applicable one-year bonus, it is proposed that the maximum outcome in terms of the company's costs for the variable salary, which implies fulfillment of all bonus-based targets and that the bonus to be paid is fully financed by the surplus generated, may not exceed SEK 4,050,000 (excluding social security contributions), of which SEK 750,000 to the President. This corresponds to an increase in the amount accruing to the President compared with the current figure of SEK 500,000. For other senior executives, the motion gives rise to no change. The calculation is based on the nine people who currently comprise company management. The bonus will be evaluated annually and the bonus structure will be re-established each year based on budgeted earnings as the target. The bonus does not qualify for vacation or pension.

The variable salary in the one-year program may not exceed 40% of the fixed salary.

In addition, it is proposed that a two-year program be established comprising the fiscal years 2010/11 and 2011/12. The bonus in this program is also cash based, but must be invested in company shares. The bonus will be payable after two years based on accumulated profit after financial items compared with the target. The calculated cost, at maximum outcome, which implies fulfillment of all bonus-based targets and that the bonus to be paid is fully financed by the surplus generated, may not exceed SEK 4,050,000 (excluding social security contributions), of which SEK 750,000 to the President. The calculation is based on the nine people who currently form company management. The bonus does not qualify for vacation or pension.

For the two-year program, the variable salary may not exceed 20% of the total fixed salary for the two-year period. At the 2013 Annual General Meeting, the Board intends to readdress the issue of renewing the two-year program.

As in the past, the President is entitled to pension corresponding to a maximum premium of 35% of his/her current annual salary. Other members of company management are entitled to pension according to the ITP plan or similar. The retirement age is 65.

Other remuneration and benefits shall be market-based and contribute to facilitating the employee's possibilities to fulfill his/her assignments.

Terms of employment for company management include regulations governing notice of employment termination. According to these agreements, employment may normally be terminated by the employee subject to a period of notice of three to six months and by the company subject to a period of notice of six to 12 months. Unchanged salary is paid during the notice period. For the President, a notice period of up to 12 months applies if termination is initiated by the company.

The Board is entitled to deviate from the above guidelines if the Board deems that it has specific reasons to justify such a deviation in an individual case.

Ownership conditions

The number of RNB shareholders on August 31, 2010 was 12,158, of whom 11,765 were registered in Sweden. The three largest owners were KfS, Axbrands AB and Mikael Solberg through companies.

The number of shares in the company on August 31, 2010 totaled 165,425,251, which were all common shares. More information is available under the section called "The Share" on pages 86-87.

Outlook

In the opinion of the Board of Directors, the actions taken and those ongoing will create the conditions necessary for the Group to continue to improve its operating profit in future fiscal years.

Dividend

The Board proposes that no dividend be paid for the 2009/2010 fiscal year.

Proposed distribution of unappropriated earnings

The following funds are available for allocation by the Annual General Meeting (SEK 000s):

Retained earnings	1,103,693
Loss for the year	–61,418
	1,042,275
The Board of Director proposes:	
That the following amount be carried forward	1,042,275

For further information regarding the company's earnings and financial position, refer to the following income statement and balance sheet with accompanying notes.

Consolidated statement of comprehensive income

SEK 000s	Note	**Sep 09–Aug 10**	Sep 08–Aug 09
Net sales	3	3,054,511	3,207,329
Other operating revenues		17,772	4,710
		3,072,283	**3,212,039**
Operating expenses			
Goods for resale	6,18	–1,575,564	–1,827,051
Other external costs	5	–726,773	–777,159
Personnel costs	4	–628,407	–644,237
Depreciation and amortization of tangible and intangible fixed assets	13,14,16	–91,550	–99,650
Impairment of goodwill	15	–	–500,000
Capital loss on sale of subsidiaries		–2,000	–
Operating profit/loss		**47,989**	**–636,058**
Results from financial investments			
Interest income and similar profit/loss items	7	17,643	6,529
Interest expense and similar profit/loss items	8	–43,957	–59,134
Profit/loss after financial items		**21,675**	**–688,663**
Tax on net profit for the year	9	7,221	25,848
Net profit/loss for the year		**28,896**	**–662,815**
Other comprehensive income			
Translation differences		–1,717	–4,191
Comprehensive income for the year		**27,179**	**–667,006**
Net profit/loss for the year pertaining to:			
Parent Company's shareholders		28,896	–662,815
Minority shareholders		–	–
Comprehensive income for the year pertaining to:			
Parent Company's shareholders		27,179	–667,006
Minority shareholders		–	–
Resultat per aktie (kr) *	10	0,18	–6,12
Genomsnittligt antal aktier (tusental) *	10	161,052	108,371

* RNB has no outstanding equity instruments of its own that imply any dilution effects. With this in mind, the figures for earnings per share and average number of shares are the same before and after dilution.

Consolidated balance sheet

SEK 000s	Note	**Aug 31, 2010**	Aug 31, 2009
ASSETS			
Fixed assets			
Intangible fixed assets	11		
Trademarks	12	500,000	500,000
Software	13	66,221	67,519
Rental rights	14	16,039	20,525
Goodwill	15	876,013	876,013
		1,458,273	**1,464,057**
Tangible fixed assets			
Equipment and store fittings	16	139,896	196,851
		139,896	**196,851**
Financial fixed assets			
Other long-term receivables	31	7,634	–
		7,634	**0**
Total fixed assets		**1,605,803**	**1,660,908**
Current assets			
Inventories			
Goods for resale	18	563,246	590,604
		563,246	**590,604**
Current receivables			
Accounts receivable	31	201,779	222,157
Current tax assets		10,336	5,754
Other receivables		9,534	18,740
Prepaid expenses and accrued income	19	77,689	87,459
		299,338	**334,110**
Cash and bank balances		49,470	15,281
Total current assets		**912,054**	**939,995**
TOTAL ASSETS		**2,517,857**	**2,600,903**

SEK 000s	Note	**Aug 31, 2010**	Aug 31, 2009
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		165,425	114,158
Other contributed capital		1,848,929	1,594,149
Other reserves		–5,617	–3,900
Profit/loss brought forward		–633,130	29,685
Net loss for the year		28,896	–662,815
Total equity		**1,404,503**	**1,071,277**
Long-term liabilities			
Liabilities to credit institutions	21	28,982	447,418
Provisions for pensions	20	21,270	26,904
Deferred tax liabilities	9	120,889	116,222
Other long-term liabilities	22	400,000	–
Total long-term liabilities		**571,141**	**590,544**
Current liabilities			
Liabilities to credit institutions	21	18,274	157,956
Overdraft facilities	23	9,559	209,688
Accounts payable		315,814	337,399
Other liabilities		51,494	72,909
Accrued expenses and prepaid income	24	147,072	161,130
Total current liabilities		**542,213**	**939,082**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,517,857**	**2,600,903**
Assets pledged	25	523,325	1,998,946
Contingent liabilities	26	3,899	8,978

Consolidated cash-flow statement

SEK 000s	Note	**Sep 09–Aug 10**	Sep 08–Aug 09
Operating activities			
Operating profit/loss		47,989	–636,058
Interest received		17,643	6,529
Interest paid		–41,020	–61,393
Tax paid		2,417	9,950
Adjustment for non-cash items	28	68,351	581,162
Cash flow from operating activities before changes in working capital		**95,380**	**–99,810**
Cash flow from changes in working capital			
Decrease (+)/increase (–) in inventories		6,697	86,187
Decrease (+)/increase (–) in current receivables		43,205	97,795
Decrease (–)/increase (+) in current liabilities		–25,687	–188,094
Cash flow from operating activities		**119,595**	**–103,922**
Investing activities			
Acquisition of subsidiaries	29	–	0
Acquisition of other fixed assets		–41,553	–43,477
Change in long-term receivables		–7,634	3,227
Divestment of subsidiaries	29	–4,920	–
Sale of other fixed assets		7,381	1,000
Cash flow from investing activities		**–46,726**	**–39,250**
Financing activities			
Decrease (+)/increase (–) in overdraft facility		–200,129	–137,406
Change in pension provisions		–5,634	–3,795
Borrowings		400,000	–
New share issue after issue expenses		302,814	330,985
Amortization of liabilities to credit institutions		–535,731	–62,950
Cash flow from financing activities		**–38,680**	**126,834**
Cash flow during the year		**34,189**	**–16,338**
Cash and cash equivalents at the beginning of the year		**15,281**	**31,619**
Cash and cash equivalents at year-end	28	**49,470**	**15,281**

Changes in Group shareholders' equity

SEK 000s	Share capital	Other contributed capital	Other reserves	Profit/loss brought forward	Net profit/loss for the year	**Total shareholders' equity**
Shareholders' equity, August 31, 2008	**57,079**	**1,317,027**	**291**	**92,907**	**−63,222**	**1,404,082**
Transfer of previous year's profit/loss				−63,222	63,222	0
Other comprehensive income			−4,191			−4,191
Net loss for the year					−662,815	−662,815
Total	**57,079**	**1,317,027**	**−3,900**	**29,685**	**−662,815**	**737,076**
New share issue	57,079	285,393				342,472
Issue expenses		−11,487				−11,487
Tax effect attributable to issue expenses		3,216				3,216
Shareholders' equity, August 31, 2009	**114,158**	**1,594,149**	**−3,900**	**29,685**	**−662,815**	**1,071,277**
Transfer of preceding year's profit/loss				−662,815	662,815	0
Other comprehensive income			−1,717			−1,717
Net profit for the year					28,896	28,896
Total	**114,158**	**1,594,149**	**−5,617**	**−633,130**	**28,896**	**1,098,456**
New share issue	51,267	264,029				315,296
Issue expenses		−12,482				−12,482
Tax effect attributable to issue expenses		3,233				3,233
Shareholders' equity, August 31, 2010	**165,425**	**1,848,929**	**−5,617**	**−633,130**	**28,896**	**1,404,503**

Presentation of shareholders' equity for the Group

Pursuant to IAS 1, shareholders' equity must be broken down into its constituent components. RNB has chosen to specify shareholders' equity as follows: Share capital, Other contributed capital, Other reserves, Profit brought forward and Net profit/loss for the year.

The item "Share capital" encompasses the registered share capital of the Parent Company. "Other contributed capital" consists essentially of all funds contributed by shareholders in excess of shareholders' equity. "Other reserves" consists of those items that are recognized directly in Other comprehensive income. In RNB's case, this item comprises translation differences attributable to translation of foreign subsidiaries pursuant to IAS 21.

"Profit brought forward" corresponds to the total accumulated profits and losses of the Group less dividends paid.

"Share capital" comprised 165,425,251 shares on August 31, 2010. All of the shares are common shares.

No dividend is proposed for the September 1, 2009 – August 31, 2010 fiscal year.

Parent Company income statement

SEK 000s	Note	**Sep 09–Aug 10**	Sep 08–Aug 09
Net sales	33	98,868	104,248
Other operating revenues		4,930	211
		103,798	**104,459**
Operating expenses			
Other external costs	5,33	–96,901	–87,179
Personnel costs	4,33	–32,590	–35,436
Depreciation and amortization of tangible and intangible fixed assets	13,14,16	–19,738	–19,178
Operating loss		**–45,431**	**–37,334**
Results from financial investments			
Results from participation in Group companies	30	–13,000	–586,000
Interest income and similar profit/loss items	7	3,511	85
Interest expense and similar profit/loss items	8	–24,194	–29,663
Loss after financial items		**–79,114**	**–652,912**
Appropriations			
Changes in depreciation in excess of plan		550	–1,850
Dissolution of tax allocation reserve		–	6,254
Loss before tax		**–78,564**	**–648,508**
Tax on net profit/loss for the year	9	17,146	15,462
Net loss for the year		**–61,418**	**–633,046**

Parent Company cash-flow statement

SEK 000s	Note	**Sep 09–Aug 10**	Sep 08–Aug 09
Operating activities			
Operating loss		–45,431	–37,334
Interest received		3,511	–
Interest paid		–22,995	–32,462
Tax paid		–11,975	6,598
Adjustment for non-cash items	28	19,738	19,178
Cash flow from operating activities before changes in working capital		**–57,152**	**–44,020**
Cash flow from changes in working capital			
Decrease (+)/increase (-) in current receivables		–54,377	–36,319
Decrease (-)/increase (+) in current liabilities		–100,476	–103,892
Cash flow from operating activities		**–212,005**	**–184,231**
Investing activities			
Acquisition of subsidiaries	29	–	–100
Acquisition of other fixed assets		–15,715	–21,479
Divestment of subsidiaries	29	100	–
Sale of other fixed assets		152	–
Cash flow from investing activities		**–15,463**	**–21,579**
Financing activities			
Decrease (+)/increase (-) in overdraft facility		–110,217	–140,958
Group contribution received		96,500	73,281
Dividends paid		69,100	–
New share issue after issue expenses		302,814	330,985
Borrowings		400,000	–
Changes in liabilities to credit institutions		–530,731	–57,499
Cash flow from financing activities		**227,466**	**205,809**
Cash flow during the year		**–2**	**–1**
Cash and cash equivalents at the beginning of the year		**34**	**35**
Cash and cash equivalents at year-end	28	**32**	**34**

Parent Company balance sheet

SEK 000s	Note	**Aug 31, 2010**	Aug 31, 2009
ASSETS			
Fixed assets			
Intangible fixed assets			
Software	13	43,579	37,133
		43,579	**37,133**
Tangible fixed assets			
Equipment and store fittings	16	14,557	25,177
		14,557	**25,177**
Financial fixed assets			
Shares in subsidiaries	17	1,517,258	1,586,458
Deferred tax assets	9	23,622	28,622
		1,540,880	**1,615,080**
Total fixed assets		**1,599,016**	**1,677,390**
Current assets			
Current receivables			
Accounts receivable		252	45
Receivables from Group companies	32	262,691	211,522
Current tax assets		6,114	–
Other receivables		1,009	923
Prepaid expenses and accrued income	19	5,790	15,875
		275,856	**228,365**
Cash and bank balances		32	34
Total current assets		**275,888**	**228,399**
TOTAL ASSETS		**1,874,904**	**1,905,789**

SEK 000s	Note	**Aug 31, 2010**	Aug 31, 2009
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital		165,425	114,158
Statutory reserve		183,647	183,647
Total restricted shareholders' equity		**349,072**	**297,805**
Non-restricted shareholders' equity			
Profit/loss brought forward		1,103,693	1,410,837
Net loss for the year		−61,418	−633,046
Total non-restricted shareholders' equity		**1,042,275**	**777,791**
Total equity		**1,391,347**	**1,075,596**
Untaxed reserves			
Accumulated depreciation in excess of plan		12,500	13,050
Total untaxed reserves		**12,500**	**13,050**
Long-term liabilities			
Liabilities to credit institutions	21	–	394,231
Other long-term liabilities	22	400,000	–
Total long-term liabilities		**400,000**	**394,231**
Current liabilities			
Liabilities to credit institutions	21	–	136,500
Overdraft facilities	23	9,559	119,776
Accounts payable		11,806	12,064
Liabilities to Group companies	32	37,284	135,275
Current tax liabilities		–	7,032
Other liabilities		712	1,136
Accrued expenses and prepaid income	24	11,696	11,129
Total current liabilities		**71,057**	**422,912**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,874,904**	**1,905,789**
Assets pledged	25	254,593	1,586,358
Contingent liabilities	26	69,054	184,951

Parent Company, changes in shareholders' equity

	Restricted shareholders' equity		Non-restricted shareholders' equity		
SEK 000s	Share capital	Statutory reserve	Profit/loss brought forward	Net loss for the year	**Total share-holders equity**
Shareholders' equity, August 31, 2008	**57,079**	**183,647**	**1,196,816**	**–115,863**	**1,321,679**
Preceding year's loss brought forward			–115,863	115,863	0
Group contribution received			73,281		73,281
Less tax on Group contribution			–20,519		–20,519
Net loss for the year				–633,046	–633,046
Total	**57,079**	**183,647**	**1,133,715**	**–633,046**	**741,395**
New share issue	57,079		285,393		342,472
Issue expenses			–11,487		–11,487
Tax effect attributable to issue expenses			3,216		3,216
Shareholders' equity, August 31, 2009	**114,158**	**183,647**	**1,410,837**	**–633,046**	**1,075,596**
Preceding year's loss brought forward			–633,046	633,046	0
Group contribution received			96,500		96,500
Less tax on Group contribution			–25,378		–25,378
Net loss for the year				–61,418	–61,418
Total	**114,158**	**183,647**	**848,913**	**–61,418**	**1,085,300**
New share issue	51,267		264,029		315,296
Issue expenses			–12,482		–12,482
Tax effect attributable to issue expenses			3,233		3,233
Shareholders' equity, August 31, 2010	**165,425**	**183,647**	**1,103,693**	**–61,418**	**1,391,347**

"Share capital" comprised 165,425,251 shares on August 31, 2010. All of the shares are common shares.

"Profit brought forward" corresponds to the total accumulated profits and losses of the Group less dividends paid including Group contributions paid and received. The "Share premium account" sum attributable to non-restricted shareholders' equity that arose in conjunction with the new share issues is reported under "Profit/loss brought forward".

No dividend is proposed for the September 1, 2009 – August 31, 2010 fiscal year.

Notes to the financial statements

Amounts in SEK 000s, unless stated otherwise

Note 1 Accounting policies, etc

Information about the company and the annual report
RNB RETAIL AND BRANDS AB, Corp. Reg. No. 556495-4682, is a Swedish public limited liability company with its registered office in the Municipality of Stockholm, Stockholm County. The company's shares are listed on Nasdaq OMX Nordic, Stockholm, Small Cap segment. RNB RETAIL AND BRANDS AB is the Parent Company of the Group. The Group owns, operates and develops stores that sell fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics. The company's fiscal year extends from September 1 to August 31.

The annual report for the Group and the Parent Company for the 2009/2010 fiscal year was signed by the Board of Directors and the President on December 3, 2010. The income statements and balance sheets for the Parent Company and the Group included in the annual report will be adopted at the Annual General Meeting to be held on January 20, 2011.

Conformity with standards and regulations
The annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that have been approved by the European Commission for application within the EU. In addition, the Swedish Financial Reporting Board's (RFR) recommendation RFR 1.3 Supplementary Accounting Rules for Groups has been applied.

The Parent Company applies the same accounting policies as the Group except in the cases listed below under the section "Parent Company's accounting policies." Instances in which the Parent Company's accounting policies deviate from those of the Group are caused by limits on the possibilities of fully applying IFRS in the Parent Company as a consequence of the Swedish Annual Accounts Act and, in certain cases, due to tax purposes. The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and RFR 2.3 Accounting for Legal Entities issued by the Swedish Financial Reporting Board.

Conditions for preparing the financial statements for the Parent Company and the Group
The Parent Company's functional currency is SEK, which is also the reporting currency for the Parent Company and the Group. This means that the financial statements are presented in SEK. All figures, unless otherwise stated, are rounded off to the nearest thousand. Recognition of assets and liabilities is based on the historical acquisition value (cost), with the exception of certain financial assets and liabilities that are measured at fair value. Financial assets and liabilities, which are measured at fair value, comprise derivatives (currency forward contracts).

Preparing the financial statements in accordance with IFRS requires that company management make assessments and estimates as well as assumptions that affect the application of accounting policies and the reported figures for assets, liabilities, revenues and expenses. Estimates and assumptions are based on historical experience and a number of other factors that, under prevailing circumstances, are considered reasonable. The results of these estimates and assumptions are then used in determining the carrying amounts of assets and liabilities, which are not otherwise evident from other sources. The actual outcome may differ from these estimates and assumptions.

In the application of IFRS, assessments made by management that have a significant impact on the financial statements and the estimates made and that can cause substantial adjustments in the following years' financial statements are described in detail in Note 2.

Events after the balance-sheet date refer to both favorable and unfavorable events that occur after the balance-sheet date but before the date in the following year in which the financial statements are authorized for issue by the Board of Directors. Information is disclosed in the annual accounts concerning significant events after the balance-sheet date that were not taken into account when preparing the balance sheets and the income statements. Only such events that provide evidence of conditions that existed at the balance-sheet date have been considered when establishing the financial statements.

The material accounting policies applied when these consolidated financial statements were prepared are presented below. These policies have been applied consistently for all of the years presented unless otherwise stated.

New and amended accounting policies
The Group has applied the following new or amended IFRS in accordance with the transitional rules that apply for each particular policy. Only the amendments that have had or may be expected to have an impact on the Group are covered by the statement below.

IAS 1 (Amendment) Presentation of financial statements
In this standard, changes in shareholders' equity following transactions with owners and other changes are separated. The statement of changes in shareholders' equity contains only details regarding transactions with owners. In addition, the standard introduces the term "statement of comprehensive income," which presents items pertaining to revenues and expenses that were previously recognized in the statement of shareholders' equity, either in a separate statement or in two connected statements. RNB has decided to use one statement of comprehensive income.

IFRS 3 (Amendment) Business combinations and IAS 27 consolidated financial statements
The change entails an amendment to the rules for dealing with business combinations (acquisitions). For example, transaction expenses are to be recognized in profit and loss when they occur and may not be capitalized as part of the acquisition. The change also enables measurement and recognition of minority interests at fair value, a method that entails that what is known as "full goodwill" is recognized. In future, changes in the value of supplementary purchase considerations are to be recognized in profit and loss, and adjustments in relation to goodwill will no longer be possible. Since RNB did not complete any significant business combinations during 2009/2010, the revised standard had no material effect.

IAS 27R requires that changes in share ownership in a subsidiary in which the majority shareholder does not lose a controlling influence be recorded as equity transactions. This means that these transactions no longer give rise to goodwill or lead to any profits or losses. IAS 27R also changes the recording of losses that arise in subsidiaries and the recording of when the controlling influence in a subsidiary ceases.

IFRS 7, Financial instruments: Disclosures. Amendment
Additional information has to be disclosed concerning financial instruments recognized at fair value in the balance sheet. In addition, the requirements governing disclosures of liquidity risk have been expanded. The amendment of IFRS 7 also entailed that additional disclosures be made concerning financial instruments and required expanded comments concerning the liquidity risk.

IFRS 8 Operating segments
This standard contains disclosure requirements concerning the Group's operating segments and replaced the requirement to define primary and secondary segments of the Group based on lines of business and geographical areas. Against the background of how the operations' business areas are monitored by management, RNB has decided to develop reporting by segment. As of the current year, four different operating segments

Note 1 **Cont'd.**

are reported, namely Polarn O. Pyret, Varuhus, JC and Brothers & Sisters. Formerly, JC and Brothers & Sisters were reported as a joint segment.

In addition to the above, the following new standards, interpretations or revisions have become effective but are not relevant to the Group. IFRS 2 (amendment), IAS 23 (revision), IAS 32 (amendment), IFRIC 9 (amendment), IFRIC 17 Distributions of Non-cash Assets to Owners and IFRIC 18 Transfers of Assets from Customers.

New IFRS standards, IFRIC interpretations and revisions that have been issued but not yet applied

The following is a brief description of the standards and interpretations that have yet to be applied by RNB but that are expected to have a future impact.

IFRS 9 Financial instruments

The intention is that this standard will replace IAS 39 Financial instruments; recognition and measurement no later than from the beginning of 2013. The company currently has no financial instruments that are expected to be affected by the new rules.

Apart from the above, it is not expected that the revised IFRS 2 (amendment), IAS 24 (revision), IAS 32 (amendment), IAS 39 (amendment), IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 16 Hedges of a Net Investment in a Foreign Operation, IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments or other improvements of IFRSs will have a material impact on RNB's balance sheets or income statements.

Classification

Fixed assets and long-term liabilities consist essentially of amounts that are expected to be recovered or paid after more than twelve months from the balance-sheet date. Current assets and current liabilities consist essentially of amounts that are expected to be recovered or paid within twelve months from the balance-sheet date.

Consolidation principles

The consolidated financial statements comrpise the Parent Company and subsidiaries in which the Parent Company has a controlling influence, which implies having the right, directly or indirectly, to formulate the company's financial and operative strategies for the purpose of obtaining financial benefits.

Subsidiaries are reported in accordance with the purchase method, which entails that the acquisition of a subsidiary is regarded as a transaction in which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. With regard to the Group, the acquisition value is established through an acquisition analysis performed in conjunction with the acquisition. In the analysis, the acquisition value of shares or operations is established, as is the fair value of acquired identifiable assets, assumed liabilities and contingent liabilities. All transactions connected with acquisitions are expensed. The difference between the acquisition value of the subsidiaries' shares and the fair value of acquired assets, assumed liabilities and contingent liabilities is recognized as goodwill. If the acquisition value (cost) is less than the fair value of the acquired subsidiary's assets, liabilities and contingent liabilities, the difference is recognized directly in profit and loss. The subsidiaries' financial statements are included in the consolidated financial statements from the date of acquisition until the date the controlling influence ceases.

Intra-Group transactions and unrealized gains and losses have been eliminated when preparing the consolidated financial statements.

Conversion of foregn currencies

Functional currency and reporting currency

Items included in the financial statements of the various units in the Group are measured in the currency used in the economic environment in which the particular companies are mainly active (functional currency). In the consolidated financial statements, the Swedish krona (SEK) is the Parent Company's functional currency and the Group's reporting currency.

Transactions and balance-sheet items

Transactions in foreign currency are translated using the exchange rate applying on the transaction day to the unit's functional currency. Receivables and liabilities in foreign currencies are measured at the exchange rate prevailing on the balance-sheet date.

When hedging future cash flows, the hedging instruments are restated at fair value. No hedge accounting is applied.

Exchange-rate gains and losses attributable to loans and cash and cash equivalents are recognized in profit and loss as financial income or costs. Other exchange-rate gains and losses are recognized in Goods for resale.

Group companies

For all Group companies whose earnings and financial position are in a functional currency other than the reporting currency, amounts are translated to the Group's reporting currency, namely SEK, in the following manner:

(a) assets and liabilities for each and every balance sheet are translated at the exchange rate prevailing on the balance-sheet date;

(b) revenues and costs for each and every income statement are translated at the average exchange rate and

(c) the exchange-rate differences that arise are recognized separately in other comprehensive income.

Goodwill and fair value adjustments of assets and liabilities that arise in connection with the acquisition of a foreign operation are treated as assets and liabilities in the particular operation and are translated at the exchange rate prevailing on the balance-sheet date.

Revenue

Group revenues result from sales to consumers in proprietary stores and from wholesale sales to franchisees. Franchisees also pay a franchise fee based on their sales. The franchise fee is recognized in profit and loss in the item "Net sales" for the same period as when the sale to the consumer occurred.

Sales of goods are recognized on delivery of the product to the customer, in accordance with the terms and conditions for sale. All store sales are conducted on a 10–30 days sale-or-return basis. Sales are recognized following deductions for discounts and excluding VAT.

Customer loyalty programs are recognized as a special component of the sales transaction in which they are awarded by reducing sales revenues with this component. The reduction of sales revenues is based on the value for the customer and not the cost for RNB. The reduction is recognized as deferred income and included in profit and loss over the periods during which the commitment is fulfilled.

Financial income and expenses

Financial income and expenses primarily comprise interest income on cash and bank balances, interest expenses on loans and other financial items.

Financial instruments

All financial assets and liabilities are classified in accordance with IAS 39 in the following categories:

- *Financial assets measured at fair value in profit and loss* comprise available-for-sale financial assets, which from RNB's viewpoint comprise currency forward contracts with positive fair values. The Group does not apply hedge accounting.

- *Investments held to maturity* comprise non-derivative financial assets with fixed or fixable payments and fixed maturities that the Group intends to retain until maturity. RNB has no financial assets classified in this category.

- *Loan receivables and Accounts receivable* comprise non-derivative financial assets involving fixed or fixable payments. For RNB, this category comprises cash and cash equivalents, accounts receivable, accrued income and loan receivables. Accounts receivable are initially recognized at fair value and thereafter at accrued cost less doubtful receivables, which are assessed individually. Since the estimated maturity of accounts receivable is generally short, their value is recognized in the nominal amount without discounting. Impairment losses on accounts receivable are recognized in operating expenses.

- *Available-for-sale financial assets* comprise non-derivative financial assets that are either classified as available-for-sale or are not classified in any of the other categories. RNB has no financial assets classified in this category.

- *Financial liabilities measured at fair value in profit and loss* comprise financial liabilities held for trading purposes, which from RNB's viewpoint comprise forward contracts with negative fair values. The Group does not apply hedge accounting.

- *Other financial liabilities* comprise financial liabilities that are not held for trading purposes. From RNB's viewpoint, this category consists of accounts payable, accrued costs and loan liabilities. Loan liabilities are valued at accrued acquisition value. Accrued acquisition value is determined on the basis of the effective interest rate that was calculated when the liability was raised. This means that surplus and deficit values, as well as direct issue expenses, are accrued over the maturity of the liability. Long-term liabilities have an anticipated maturity that exceeds one year, while current liabilities have a maturity of less than one year. Since the estimated maturity of an account payable is short, its value is recognized in the nominal amount without discounting.

Financial assets are recognized initially at fair value plus transaction costs. Financial liabilities are recognized at accrued cost. Financial liabilities and assets measured at fair value via profit and loss, meaning RNB's currency forward contracts, are recognized at fair value, while attributable transaction costs recognized in profit and loss.

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party to the contractual terms and conditions of the instrument. Accounts receivable are recognized in the balance sheet when the invoice has been sent. A liability is recognized when the counterparty has performed a service and a contractual payment obligation prevails, even if the invoice has not yet been received.

A financial asset is derecognized from the balance sheet when the contractual rights to the asset are realized, extinguished or the company loses control over them. The same applies to a portion of a financial asset. A financial liability is derecognized from the balance sheet when the contractual obligation has been fulfilled or in some other manner extinguished. The same applies to a portion of a financial liability.

At each reporting occasion, the company assesses if there are objective indications that a financial asset, or group of financial assets, requires impairment.

The indications used primarily by the Group to determine whether there is objective evidence that an impairment requirement exists include:

- significant financial difficulties displayed by the issuer or the debtor,

- breach of contract, such as lack of or delayed payment of interest or capital amount,

- probability that the borrower will enter bankruptcy or some other form of financial reconstruction,

- an active market for the particular asset seizes to operate due to financial difficulties.

Financial assets and liabilities are offset against each other and recognized in a net amount in the balance sheet only when there is a legal right to offset the recognized amounts and there is an intention to settle them in a net amount.

Intangible fixed assets

Goodwill: Goodwill is the amount by which the acquisition value exceeds the fair value of the Group's participation in the net assets of acquired subsidiaries at the date of acquisition. Goodwill is measured at acquisition value less any accumulated impairment. Goodwill is divided into cash-generating units that comprise the Group's operating segments and is not amortized; instead, it is tested for impairment annually or as soon as indications arise suggesting that the asset in question has decreased in value. Any impairment is not reversed. Most of the Group's goodwill is attributable to the operating segments JC, Brothers & Sisters and Department Stores.

Trademarks: In addition to goodwill, the Group has trademarks that are deemed to have an indefinite useful life. The Group intends to retain and further develop the JC trademark, which is well established within its market. Trademarks are not amortized; instead, they are tested for any impairment annually or as soon as any indications arise that suggest that the asset in question has decreased in value.

Rental rights: Rental rights are recognized at acquisition value less amortization. Rental rights are amortized at a rate of 10% annually, which is warranted by the fact that these stores have central locations with a value that normally lasts ten years.

Software: Software is recognized at acquisition value less amortization. Software is amortized at a rate of 20% annually.

Tangible fixed assets

Tangible fixed assets, which pertain to fittings and fixtures and store interiors, are recognized at acquisition value (cost) less depreciation and any impairment.

Additional expenditure is added to the asset's carrying amount or is recognized as a separate asset, depending on what is most suitable, only if it is probable that the future economic benefits associated with the asset will be credited to the Group and that the cost of the asset can be measured in a reliable manner. Repair and maintenance expenditure is expensed during the period that such expenditure arises. Tangible fixed assets are depreciated systematically over the estimated useful life of the assets concerned. The straight-line depreciation method is used for all types of tangible fixed assets. For fittings and fixtures and store interiors, a depreciation period of five years is used.

The assets' residual values and useful lives are impairment tested at the close of each report period and are adjusted if required. The carrying amount of an asset is impaired immediately to the asset's recoverable value should the carrying amount of the asset exceed its estimated recoverable value.

Leasing agreements

When leasing agreements entail that the Group, as the lessee, essentially enjoys the financial benefits and bears the financial risks associated with the leased object, the leasing agreements are classified as financial and the object is recognized as a fixed asset in the consolidated balance sheet and is impaired to the shorter of the leasing period or the useful life. The corresponding obligation to pay leasing fees in the future is recognized as long-term and current liabilities. Each leasing payment is allocated among amortization of the recognized debt and financial expenses.

Other leasing agreements, mainly rental agreements for premises, are recognized as operational agreements.

Operational leasing entails that the leasing fee is expensed over the agreement period.

Rental fees

In a certain number of the Group's rental contracts, the rent is divided into basic rent and revenue-based rent, whereby the rental amount depends on the store's sales during the fiscal year. In such cases, only the basic rent is expensed straight line. The revenue-based rent is expensed during the period for which the revenue pertains.

Note 1 Cont'd.

Inventories
Inventories are measured at the lower of the acquisition value and net realizable value.

When calculating the acquisition value of inventories, the first-in, first-out principle is applied, including expenses arising after the acquisition of inventory assets and the transportation of them up to their current location and condition.

Cash and cash equivalents
Cash and cash equivalents comprise cash funds and immediately available balances with banks and similar institutions.

Impairment
On each balance-sheet date, an impairment test is performed to determine whether there is any indication that the carrying amounts of Group assets have been impaired. If such indications exist, the recoverable value of the asset concerned is calculated.

For goodwill and trademarks with indefinite useful lives, the recoverable value is calculated once a year. If it is not possible to assign essentially independent cash flows to a single asset, the assets are grouped at the lowest level where it is possible to identify essentially independent cash flows when the impairment test is performed. An impairment loss is recognized when the carrying amount of the asset or cash-generating unit exceeds its recoverable value. Impairment is charged against profit and loss. Impairment tests of goodwill have been based on the Group's operating segments that are deemed to be the lowest cash-generating units.

Pensions
The Group has both defined-contribution and defined-benefit pension plans.

Employees in Sweden are covered by both the defined-benefit and defined-contribution plans, while employees in Norway, Denmark and Finland are covered by only defined-contribution plans.

Defined-contribution plans
For employees covered by defined-contribution plans, contributions are paid to a separate legal entity and there is no obligation to pay additional contributions. Commitments pertaining to defined-contribution plans are recognized as a personnel cost in profit and loss when they arise.

Defined-benefit plans
For employees covered by defined-benefit plans, remuneration is paid to employees and former employees based on such factors as salary levels when they retire and the number of years of service. The Group bears the risk of paying the promised remuneration. For RNB, one defined-benefit pension plan is unfunded; in this plan, no new vesting occurs. New vesting is secured through the payment of insurance premiums to Alecta. The calculated present value of the obligations is recognized in the balance sheet as a liability.

Pension costs and pension commitments for defined-benefit pension plans are calculated according to the Projected Unit Credit Method. This method divides the costs for pensions in line with the employee performing services for the Group, which increases their right to future remuneration. The Group's commitment is calculated annually by independent actuaries. The commitment comprises the present value of the expected future payments. Prior to finalizing the annual accounts for 2009/2010, RNB considered the choice of discount interest rate to be used for calculating the pension liability. In RNB's assessment, there is reason to believe that the market for corporate bonds, primarily housing bonds, has the breadth and the depth that would warrant seeking support for the discount interest rate in this market. Accordingly, RNB has used housing bonds with comparable terms as a basis for its interest-rate assumption and has applied a discount interest rate of 4%. The most important actuarial assumptions are described in Note 20.

Actuarial gains and losses may arise when the present value of the commitments is determined. These gains and losses arise either when the actual outcome deviates from previous assumptions or when assumptions are changed. For actuarial gains and losses that arise in the calculation of the Group's commitments, the so-called corridor rule is applied. The corridor rule means that the portion of the accumulated actuarial gains and losses that exceeds 10% of the larger of the commitment's present value and the fair value of the planned assets is recognized in profit and loss over the anticipated average remaining period of service of the employees covered by the plan. Otherwise, actuarial gains and losses are not taken into account.

The accounting policy described above is applied only to the consolidated financial statements. Each legal entity in the Group recognizes defined-benefit pension plans in accordance with local rules and regulations.

Alecta
Certain commitments for salaried employees in Sweden are also insured on the basis of insurance with Alecta. According to statement UFR 3 from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, the insurance with Alecta comprises a multi-employer defined-benefit plan. Similar to previous years, Alecta has not had access to such information that would make it possible to recognize this plan as a defined-benefit plan. Accordingly, the ITP pension plan secured on the basis of insurance with Alecta is recognized as a defined-contribution plan. At September 30, 2010, Alecta's surplus in the form of the collective consolidation level amounted to 134%. The collective consolidation rate comprises the market value of Alecta's assets as a percentage of insurance commitments calculated according to Alecta's actuarial calculation assumptions, which do not correspond to IAS 19.

Severance pay
A provision is recognized in conjunction with the termination of employment only if the company is unquestionably obligated to terminate employment prior to the scheduled time or when remuneration is paid as an offer to encourage voluntary resignation. In cases where the company terminates employment, a detailed plan is prepared that includes workplace, positions held, the approximate number of employees involved, the remuneration for each personnel category or position and the time of the implementation of the plan.

Taxes
Income taxes recognized in profit and loss include tax that is to be paid or received and pertains to the current year, adjustments of current tax in prior years and changes in deferred tax. These taxes have been calculated in accordance with the applicable tax regulations in each country.

Tax liabilities/assets are measured at nominal amounts in accordance with the taxation rules and tax rates that have been decided or announced and that with considerable certainty will be implemented. In the balance sheet, the current tax receivable and the current tax liability are recognized as current items.

For items recognized in profit and loss, the associated tax effects are also recognized in profit and loss. Tax effects of items recognized directly in shareholders' equity are recognized in shareholders' equity and for items recognized directly in other comprehensive income, the tax effect is also recognized in other comprehensive income.

Deferred tax is calculated and recognized on all temporary differences between the tax-assessment value and the carrying amount of assets and liabilities and for loss carryforwards. Deferred tax assets are recognized as long-term receivables and deferred tax liabilities are recognized as long-term liabilities.
The value of deferred tax assets is assessed every time the annual accounts are prepared and is reduced to the extent that it is no longer probable that sufficiently large taxable profits will be available to offset all or portions of the deferred tax assets.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets against tax liabilities against each other and when the deferred tax assets and tax liabilities pertain to taxes charged by the same tax authority and that pertain either to the same taxpayer or to different taxpayer subject to the intention to settle the balances by means of net payment.

Note 1 Cont'd.

Cash-flow statement
The cash-flow statement was prepared in accordance with the indirect method. The reported cash flow only includes transactions that involve receipts or disbursements.

Reporting by operating segment
RNB has defined Group Management as its chief operating decision maker and, against the background of how management monitors the operations' business areas, has decided to develop segment reporting. As of the current year, four different operating segments are reported, namely Polarn O. Pyret, Department Stores, JC and Brothers & Sisters. The operating segments' earnings, assets and liabilities include directly attributable items that can be allocated to the operating segments in a reasonable and reliable manner. Group Management assesses the earnings of the operating segments on the basis of operating profit. This measurement does not vary from the measurement of operating profit recognized in the consolidated income statement.

Contingent liabilities
A contingent liability is recognized when a possible obligation arises from past events whose existence will only be confirmed by one or more uncertain future events or when an obligation exists that is not reported as a liability or provision, since it is not probable that an outflow of resources will be required.

Parent Company's accounting policies
The Parent Company prepares its annual accounts in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2.3 Accounting for Legal Entities. According to RFR 2.3, the Parent Company, in the annual accounts for legal entities, must apply all EU-approved IFRS and statements, to the greatest possible extent, within the framework of the Annual Accounts Act and taking into consideration the relationship between accounting and taxation. The recommendation specifies the exceptions and supplements that are permissible in relation to IFRS. The principal differences between the Group's and the Parent Company's accounting policies are presented below.

Leasing agreements
All leasing agreements in the Parent Company are recognized as rental agreements, irrespective of whether they are financial or operational.

Taxes
In the Parent Company, as a result of the relationship between reporting and taxation, the deferred tax liability on untaxed reserves is recognized as part of untaxed reserves. However, in the consolidated financial statements, untaxed reserves are divided into deferred tax liabilities and equity.

Group contributions
The Parent Company reports Group contributions in accordance with the statement by the Swedish Financial Reporting Board, UFR 2. Group contributions are recognized in accordance with their financial impact. This means that Group contributions paid or received to reduce the total tax of the Group are recognized directly against profit brought forward less deductions for the tax effect.

Note 2 Critical estimates and assessments

When preparing the financial statements, certain accounting methods and accounting policies are used whose application could be based on difficult, complex and subjective assessments on the part of company management. Company management makes its assessments on the basis of previous experience and assumptions that, taking the present circumstances into account, are considered reasonable and realistic. The use of such estimates and assumptions influences carrying amounts. Using other assumptions and under different circumstances, the actual outcome could differ from these estimates. According to company management, critical assessments have been made pertaining to applied accounting policies and sources of uncertainty pertain to estimates, related primarily to the valuation of goodwill, brands, taxes, doubtful accounts receivable and the recognition of inventories.

Goodwill and brands
In accordance with what is stated in Note 11, RNB conducts impairment tests, each year or more often in the event of an impairment indication, to determine the value of goodwill and brands. Goodwill is attributable to the following operating segments: Department Stores, SEK 233,445,000; Polarn O. Pyret, SEK 1,660,000; Brothers & Sisters, SEK 450 000,000; and JC, SEK 190,908,000. The value of brands is attributable entirely to the operating segment JC. In order to calculate recoverable value, value in use is used. For these calculations, certain estimates must be made. The principal assumptions pertain to the discount interest rate, the cash flow forecast for the coming five years and assumptions concerning growth following the budget period. See Note 11, for an overview of the sensitivity analysis performed of the assumptions made and how they affect assessments.

Taxes
When preparing the financial statements, RNB conducts a calculation of the income tax applicable in each tax jurisdiction in which RNB is active, as well as of deferred taxes attributable to temporary differences. Deferred tax assets are recognized insofar as it is probable that future taxable surpluses will be available against which the temporary differences can be offset. Changes in assumptions concerning forecast future taxable income, as well as changes in tax rates and actual future outcomes, could result in significant differences in the measurement of deferred taxes. RNB has unrecognized deferred tax assets attributable to tax-loss carryforwards in foreign units. An additional description of the Group's deferred tax assets is provided in Note 9.

Accounts receivable
Accounts receivable are recognized net after provisions for bad debts. The provision pertaining to accounts receivable is based mainly on receivables from franchisees. In-store sales take the form of payment in cash or by credit card, whereby the bank accounts for the risk. The net value corresponds to the value expected to be received. In RNB's assessment, the current provision is sufficient. At year-end, the total provision for bad debts amounted to SEK 21,087,000 and accounts receivable, net after the reserve, amounted to SEK 209,413,000 (current and long-term portions of the balance sheet).

Inventories
Inventories have been measured at the lower of acquisition value (cost) and net realizable value. The magnitude of net realizable value reflects calculations of such factors as future selling prices, in which anticipated discounts are taken into account. The actual outcome of future selling prices could deviate from the assessments made.

Note 3 Segment and revenue reporting by country

Sep 09–Aug 10	Polarn O. Pyret	Department Stores	JC	Brothers & Sisters	Other	Elimination of intra-segment revenues	Total
Revenues							
External sales	429,537	1,114,686	919,646	590,642	–	–	3,054,511
Internal sales	6,203	–	512	1,707	98,868	–107,290	0
Other revenues	6,671	744	5,427	–	4,930	–	17,772
Total revenues	**442,411**	**1,115,430**	**925,585**	**592,349**	**103,798**	**–107,290**	**3,072,283**
Earnings							
Profit/loss per business segment	71,398	40,312	–51,562	34,019	–46,178	–	47,989
Operating profit/loss	**71,398**	**40,312**	**–51,562**	**34,019**	**–46,178**	**0**	**47,989**
Other disclosures							
Assets	117,982	474,147	1,177,611	670,588	374,951	–297,422	2,517,857
Liabilities and provisions	71,288	216,024	344,126	117,559	661,779	–297,422	1,113,354
Investments	2,257	2,514	16,231	4,836	15,715	–	41,553
Depreciation/amortization	1,109	20,661	19,194	11,254	39,332	–	91,550
Fixed assets by country							
Sweden	9,977	268,056	719,556	476,451	100,782	–	1,574,822
Norway	–	–	14,577	–	–	–	14,577
Finland	–	–	5,687	2,839	–	–	8,526
Denmark	–	244	–	–	–	–	244

Sep 08–aug 09	Polarn O. Pyret	Department Stores	JC	Brothers & Sisters	Other	Elimination of intra-segment revenues	Total
Revenues							
External sales	426,276	1,153,019	1,065,732	562,302	–	–	3,207,329
Internal sales	4,893	0	1,063	891	104,248	–111,095	0
Other revenues	2,147	2,250	32	–	281	0	4,710
Total revenues	**433,316**	**1,155,269**	**1,066,827**	**563,193**	**104,529**	**–111,095**	**3,212,039**
Earnings							
Profit/loss per business segment	77,357	–27,911	–658,686	8,873	–35,691	–	–636,058
Operating profit/loss	**77,357**	**–27,911**	**–658,686**	**8,873**	**–35,691**	**0**	**–636,058**
Other disclosures							
Assets	146,188	598,252	1,219,078	656,426	309,526	–328,567	2,600,903
Liabilities and provisions	115,117	261,538	331,121	122,470	1,027,947	–328,567	1,529,626
Investments	4,008	2,914	9,683	3,827	23,045	–	43,477
Depreciation/amortization	7,016	22,819	23,962	8,188	37,665	–	99,650
Fixed assets by country							
Sweden	8,528	281 283	704 874	498,582	130,233	–	1,623,500
Norway	–	6,391	11,703	–	–	–	18,094
Finland	–	–	11,341	6,267	–	–	17,608
Denmark	–	1,706	–	–	–	–	1,706

Net sales per country

Group	Sep 09–Aug 10	Sep 08–Aug 09
Net sales in Sweden	2,544,793	2,544,094
Net sales in Norway	239,252	358,853
Net sales in Denmark	68,777	94,160
Net sales in Finland	174,022	182,788
Net sales in other countries	27,667	27,434
Total	**3,054,511**	**3,207,329**

Note 4 Personnel and personnel costs

Average number of employees distributed among women and men

Group	Sep 09–Aug 10 Total	Sep 09–Aug 10 Of whom, men	Sep 08–Aug 09 Total	Sep 08–Aug 09 Of whom, men
Sweden	1,199	236	1,162	233
Norway	98	13	139	18
Finland	86	14	91	15
Denmark	40	4	59	6
	1,423	**267**	**1,451**	**272**

Parent Company	Sep 09–Aug 10 Total	Sep 09–Aug 10 Of whom, men	Sep 08–Aug 09 Total	Sep 08–Aug 09 Of whom, men
Sweden	45	26	56	26
	45	**26**	**56**	**26**

Distribution between women and men in the Board of Directors and Management Group at August 31, 2010

Group	Sep 09–Aug 10 Total	Sep 09–Aug 10 Of whom, men	Sep 08–Aug 09 Total	Sep 08–Aug 09 Of whom, men
Board of Directors	8	7	7	6
Management Group excl. President	7	2	9	4

Wages, salaries, other remuneration and social security costs

Group total	Sep 09–Aug 10 Board members and President	Sep 09–Aug 10 Other employees	Sep 09–Aug 10 Total	Sep 08–Aug 09 Board members and President	Sep 08–Aug 09 Other employees	Sep 08–Aug 09 Total
Wages, salaries and other remuneration	11,368	492,315	503,683	8,615	500,119	508,734
Social security costs	4,131	123,013	127,144	3,117	124,326	127,443
Pension costs	2,517	27,370	29,887	2,323	28,285	30,608
	18,016	**642,698**	**660,714**	**14,055**	**652,730**	**666,785**

Group Sweden	Sep 09–Aug 10 Board members and President	Sep 09–Aug 10 Other employees	Sep 09–Aug 10 Total	Sep 08–Aug 09 Board members and President	Sep 08–Aug 09 Other employees	Sep 08–Aug 09 Total
Wages, salaries and other remuneration	11,368	393,826	405,194	8,615	378,518	387,133
Social security costs	4,131	110,400	114,531	3,117	112,434	115,551
Pension costs	2,517	21,924	24,441	2,323	18,468	20,791
	18,016	**526,150**	**544,166**	**14,055**	**509,420**	**523,475**

Group Norway	Sep 09–Aug 10 Board members and President	Sep 09–Aug 10 Other employees	Sep 09–Aug 10 Total	Sep 08–Aug 09 Board members and President	Sep 08–Aug 09 Other employees	Sep 08–Aug 09 Total
Wages, salaries and other remuneration	–	46,134	46,134	–	60,896	60,896
Social security costs	–	7,026	7,026	–	9,010	9,010
Pension costs	–	1,248	1,248	–	860	860
	–	**54,408**	**54,408**	**–**	**70,766**	**70,766**

Group Finland	Sep 09–Aug 10 Board members and President	Sep 09–Aug 10 Other employees	Sep 09–Aug 10 Total	Sep 08–Aug 09 Board members and President	Sep 08–Aug 09 Other employees	Sep 08–Aug 09 Total
Wages, salaries and other remuneration	–	30,592	30,592	–	33,362	33,362
Social security costs	–	5,332	5,332	–	2,476	2,476
Pension costs	–	1,635	1,635	–	5,839	5,839
	–	**37,559**	**37,559**	**–**	**41,677**	**41,677**

Group Denmark	Sep 09–Aug 10 Board members and President	Sep 09–Aug 10 Other employees	Sep 09–Aug 10 Total	Sep 08–Aug 09 Board members and President	Sep 08–Aug 09 Other employees	Sep 08–Aug 09 Total
Wages, salaries and other remuneration	–	21,763	21,763	–	27,344	27,344
Social security costs	–	255	255	–	406	406
Pension costs	–	2,563	2,563	–	3,118	3,118
	–	**24,581**	**24,581**	**–**	**30,868**	**30,868**

Note 4 Cont'd.

Parent Company	Sep 09–Aug 10 Board members and President	Other employees	Total	Sep 08–Aug 09 Board members and President	Other employees	Total
Wages, salaries and other remuneration	3,174	22,549	25,723	3,024	25,845	28,869
Social security costs	1,244	7,104	8,348	1,087	9,383	10,470
Pension costs	787	3,046	3,833	895	3,307	4,202
	5,205	**32,699**	**37,904**	**5,006**	**38,535**	**43,541**

Remuneration of Board members and senior executives

Principles

The Chairman and Members of the Board receive director fees in accordance with resolutions by the Annual General Meeting. No special fee is paid for committee work. Remuneration of the President and other senior executives consists of basic salary, variable compensation and a provision for pensions. Other senior executives are defined as those persons who together with the President are the members of Group Management.

Guidelines for remuneration of senior executives

On January 28, 2010, the Annual General Meeting resolved on the guidelines below for remuneration and other terms of employment for company management.

The company offers total remuneration at market rates to encourage the recruitment and retention of senior executives. Remuneration of company management consists of fixed salary, variable salary, pension and other remuneration. These parts jointly represent the individual's total remuneration. Fixed salary and variable salary jointly represent the employee's salary.

The basic salary, which currently totals SEK 170,000 per month for the President, is based on the individual's areas of responsibility and experience. The variable salary is related in part to the outcome of the Group's operating profit and/or profit after financial items compared with budget, and in part to the individual's fulfillment of qualitative goals. The variable salary represents a maximum of 40% of the fixed salary.

The President is entitled to an occupational pension corresponding to a premium amounting to 35% of his current annual salary. Other members of company management are entitled to pensions in accordance with the ITP plan or the equivalent. The retirement age is 65.

Other remuneration and benefits must be at market rates and contribute to the ability of executives to fulfill their work assignments.

Company management's terms of employment include regulations governing termination notice. According to these agreements, employment may normally be terminated by the employee subject to a notice period of three to six months and, if termination is initiated by the company, a notice period of six to 12 months.

Unchanged salary is paid during the notice period. The notice period for the President is 12 months if termination is initiated by the company.

The Board is entitled to deviate from the aforementioned guidelines if the Board deems that particular grounds exist that motivate doing so in an individual case.

Preparation and decision-making process

The Board of Directors has appointed a Remuneration Committee that addresses the matter of remuneration paid to the President and other executives who report directly to the President.

Board of Directors

During the 2009/2010 fiscal year, Board Members received total director fees of SEK 1,014,500, of which SEK 275,000 was paid to the Chairman of the Board, and SEK 114,500 to the new Board Member and SEK 125,000 to each of the other non-executive Board Members (refer to the table below). The Chairman of the Board and the other non-executive Board Members received no other remuneration or benefits during the year and no pension costs were charged against consolidated earnings.

President

The President and CEO, Mikael Solberg, received a salary and other remuneration totaling SEK 2,159,500 during the 2009/2010 fiscal year. The President is entitled to a maximum bonus of SEK 500,000 based mainly on the Group's pretax earnings. The President did not receive any bonus for the 2009/2010 fiscal year.

RNB's pension costs for the President and CEO amounted to SEK 787,000 during the fiscal year. The President is covered by an occupational pension plan corresponding to a premium of 35% of his current annual salary. No restrictions apply to the President's choice of pension solution. The parties agree that the pension provision selected must, under all circumstances, be tax deductible for the company. The ordinary age of retirement is 65 years.

President and CEO Mikael Solberg to leave RNB

The President and CEO of RNB RETAIL AND BRANDS, Mikael Solberg, decided in consultation with the Board of Directors to step down from his post in the company. In accordance with the agreement, Mikael Solberg will remain President and CEO until February 25, 2011, though the Board of Directors retains the right to extend the period until May 25, 2011. Until February 25, 2012, Mikael Solberg will place himself at the Board's and Company's disposal for advice and to facilitate the handover to his successor. Unchanged compensation and benefits are payable for the duration of this period. As regards the aforementioned possible extension of the period as President and CEO, a supplementary compensation of five-eighths of the President's normal remuneration is payable for this period.

Other senior executives

Other senior executives are defined as those persons who, apart from the President, are members of the Management Group. During the 2009/2010 fiscal year, the following individuals were members of the Management Group in addition to the President: Gunnar Bergquist, Roger Kylberg, Maria Öqvist, Ann-Christin Edling Jönsson, Lea Rytz Goldman, Agnes Öhlund, Tina Zetterström, Cecilia Lannebo, David Thörewik and Anders Wiberg.

Remuneration of other senior executives comprises fixed salary, variable salary, pension and other remuneration. Fixed salary and variable salary jointly represent the employee's salary. The variable

salary is related in part to the outcome of the Group's operating profit and/or profit after financial items compared with budget, and in part to the individual's fulfillment of qualitative goals. The variable salary represents a maximum of 40% of the fixed salary.

Salary and other payments totaling SEK 10,274,000 were paid to senior executives in the 2009/2010 fiscal year.

Other senior executives are subject to six to 12 months' employment termination notice if their employment is terminated by the company and three to six months if it is terminated by the executive. Unchanged salary will be paid during periods of notice.

The age of retirement for other senior executives is 65. Pension fees are payable either in accordance with the ITP plan or in amounts corresponding to 20–25% of the gross salary of the senior executives. RNB's pension costs for the other senior executives amounted to SEK 2,140,000 for the 2009/2010 fiscal year.

Related-party transactions

During the 2009/2010 fiscal year, the RNB Group procured printed materials in an amount of SEK 3,684,000 from a company related to Mikael

Note 4 Cont'd.

Solberg. Pricing of the products was based on normal commercial terms. At August 31, 2010, RNB owed this affiliated company SEK 103,000.

In January 2005, Polarn O. Pyret signed an agreement pertaining to a purchasing joint venture with the New Wave Group for the Chinese market. Since then, the joint venture has developed through RNB establishing an outlet store in Kosta. RNB's Board member Torsten Jansson is the Managing Director of New Wave Group AB. The joint venture commenced before Torsten Jansson was elected to RNB's Board of Directors. Total procurement from affiliated companies to Torsten Jansson amounted to SEK 720,000. At August 31, 2010, the RNB Group had no outstanding liability to these affiliated companies.

During the year, the Department Stores, JC and Brothers & Sisters business areas procured and sold goods to and from companies in which Nils Vinberg is a Board member. Pricing of the products was based on normal commercial terms. Total procurement from affiliated companies to Nils Vinberg amounted to SEK 3,899,,000 and sales amounted to SEK 362,000. At August 31, 2010, the RNB Group net debt to these affiliated companies amounted to SEK 171,000.

During the fiscal year, the RNB Group signed a three-year loan agreement with KfS at market rates. Further information is provided in Note 31. During the year interest charges amounted to SEK 6,933,000, equivalent to an interest rate of 3.9%. At August 31, 2010, the outstanding debt amounted to SEK 400 M and accrued interest of SEK 2,728,000.

During the year, the JC and Brothers & Sisters concepts rented premises and procured market-related services from companies for which Lazlo Kriss is a board member. Pricing was based on normal commercial terms. Total procurement from affiliated companies to Lazlo Kriss amounted to SEK 5,142,000. At August 31, 2010, the RNB Group's outstanding liability to these affiliated companies amounted to SEK 745,000.

Remuneration of the Board of Directors and President

	Sep 09–Aug 10			Sep 08–Aug 09		
	Salaries and director fees	Of which bonus	Pension cost	Salaries and director fees	Of which bonus	Pension cost
Chairman of the Board, Claes Hansson	125.0			250.0		
Chairman of the Board, Magnus Håkansson	150.0					
Board member, Jan Carlzon	125.0			125.0		
Board member, Torsten Jansson	125.0			125.0		
Board member, Lilian Fossum Biner	125.0			62.5		
Board member, John Wallmark	125.0			62.5		
Board member, Nils Vinberg	125.0			62.5		
Board member, Laszlo Kriss	114.5					
Board member, Eva Kempe Forsberg				62.5		
Board member, Hans Risberg				62.5		
Board member, Pelle Törnberg				62.5		
President and CEO, Mikael Solberg	2,159.5	0	787.0	2,149.0	0	895.0
	3,174.0	**0**	**787.0**	**3,024.0**	**0**	**895.0**

Reporting of sickness absence, Sweden

	Group			**Parent Company**		
Sep 09–Aug 10	Women	Men	Total	Women	Men	Total
Ordinary working hours (thousands of hours)	1,995	450	2,445	42	52	94
Sickness absence (thousands of hours)	80	9	89	1	1	2
-Employees, up to 29 years of age, %	3.3	2.2	3.0	–	–	–
-Employees 30-49 years of age, %	4.2	1.8	3.8	3.3	1.8	2.4
-Employees, 50 years of age or above, %	6.0	5.3	5.9	–	–	–
Total, %	**4.0**	**2.1**	**3.7**	**2.6**	**2.3**	**2.4**
Of which, long-term sickness absence (more than 60 days), %	27	24	27	0	0	0

Note 4 Cont'd.

Sep 08–Aug 09	Group			Parent Company		
	Women	Men	Total	Women	Men	Total
Ordinary working hours (thousands of hours)	1,894	322	2 216	56	46	103
Sickness absence (thousands of hours)	69	7	76	1	1	2
-Employees, up to 29 years of age, %	2.8	3.7	3.0	–	–	0.7
-Employees 30-49 years of age, %	3.7	1.3	3.3	2.9	2.0	2.4
-Employees, 50 years of age or above, %	7.2	–	6.9	–	–	1.4
Total, %	**3.6**	**2.4**	**3.4**	**2.4**	**1.9**	**2.1**
Of which, long-term sickness absence (more than 60 days), %	31.9	2.2	29.0	0	0	0

Total sickness absence pertains to Swedish units and is stated as a percentage of the employees' total ordinary working hours. Long-term sickness absence is the percentage of sickness absence pertaining to a consecutive period of absence of 60 days or more. Ordinary working hours are defined as working hours specified in collective agreements or other agreements with employees. Vacation leave is included in ordinary working hours. Sickness absence is not reported for groups of more than ten employees.

Note 5 Remuneration to auditors

	Group		Parent Company	
	Sep 09–Aug 10	Sep 08–Aug 09	**Sep 09–Aug 10**	Sep 08–Aug 09
Ernst & Young AB				
Audit assignments	2,554	4,041	590	757
Audit activities beyond audit assignments	817	542	570	472
Tax consultancy services	467	660	384	660
Other services	784	1,285	438	962
	4,622	**6,528**	**1,982**	**2,851**

Audit assignments comprise the examination of the annual report and the financial accounts, as well as the management by the Board of Directors and President, and advisory services or other assistance resulting from observations made during such examinations or the implementation of such duties. Audit activities beyond audit assignments comprise various forms of quality assurance services that result in reports or certificates etcetera and include review of the interim report. Tax consultancy services include advice relating to tax, VAT and private taxation. Everything else is regarded as other assignments.

Note 6 Exchange-rate differences

Exchange-rate gains of SEK 15,540,000 (gain: 4,133,000) had an impact on the Group's operating profit during the fiscal year. The exchange-rate differences were attributable to the Group's purchases of goods and recognized in profit and loss under "Goods for resale."

Note 7 Interest income and similar profit/loss items

Group
Interest income for 2009/2010 included SEK 760,000 (0) for the recalculation of currency forward contracts at fair value.

Parent Company
Interest income for 2009/2010 included interest income from Group companies amounting to SEK 3,511,000 (0).

Note 8 Interest expenses and similar profit/loss items

Group
Interest expense for 2009/2010 included SEK 0 (13,131,000) for the recalculation of currency forward contracts at fair value.

Parent Company
Interest expense for 2009/2010 included SEK 0 (3,062,000) comprising interest expense to Group companies.

Note 9 Taxes

Tax on net profit/loss for the year

	Group		Parent Company	
	Sep 09– Aug 10	Sep 08– Aug 09	**Sep 09– Aug 10**	Sep 08– Aug 09
Current tax	–307	–	25,379	20,519
Current tax attributable to prior years	15,154	–6,055	–	–7,113
Deferred tax	–7,626	31,903	–8,233	2,056
	7,221	**25,848**	**17,146**	**15,462**

Deferred tax for the year

	Group		Parent Company	
	Sep 09– Aug 10	Sep 08– Aug 09	**Sep 09– Aug 10**	Sep 08– Aug 09
Deferred tax pertaining to change in untaxed reserves	1,553	20,437	–	–
Deferred tax pertaining to loss carry-forwards	–8,975	–2,953	–8,233	2,056
Deferred tax costs pertaining to other temporary differences	–1,008	–228	–	–
Deferred tax revenue pertaining to other temporary differences	804	14,647	–	–
	–7,626	**31,903**	**–8,233**	**2,056**

Tax pertaining to items reported directly against shareholders' equity

	Group		Parent Company	
	Sep 09– Aug 10	Sep 08– Aug 09	**Sep 09– Aug 10**	Sep 08– Aug 09
Tax effect of Group contribution	–	–	–25,379	–20,519
Other tax effects*	3,233	3,216	3,233	3,216
	3,233	**3,216**	**–22,146**	**–17,303**

* Other tax effects comprise taxes tied to the costs attributable to the new share issues conducted and reported directly in equity. The year's tax effect of SEK 3,233,000 is equivalent to 26.3% of the year's new share issue costs of SEK 12,292,000.

Difference between the Group's tax costs and tax costs based on the current tax rate

	Group		Parent Company	
	Sep 09– Aug 10	Sep 08– Aug 09	**Sep 09– Aug 10**	Sep 08– Aug 09
Reported pretax loss	21,675	–688,663	–78,564	–648,508
Tax according to current tax rate, 26.3% (28%)	–5,700	192,826	20,662	181,582
Tax effect of nondeductible items				
–Impairment of participations in subsidiaries	–	–	–21,592	–164,080
–Impairment of goodwill	–	–140,000	–	–
–Loss on sale of subsidiaries	–526	–	–	–
–Other, non-deductible	–569	–1,310	–97	–139
Tax effect of nontaxable items				
–Dividends received	–	–	18,173	–
Effect of tax change attributable to prior years	15,154	–6,055	–	–7,113
Effect of changed tax rates*	–	7,580	–	–1,850
Effect of other tax rates in foreign subsidiaries	248	–1,294	–	–
Unutilized and reassessed items**	–1,386	–25,899	–	7,062
	7,221	**25,848**	**17,146**	**15,462**

* The corporate income tax rate in Sweden was changed from 28% to 26.3% from fiscal years beginning January 1, 2009. Deferred tax in Sweden has been calculated according to the new rate of 26.3% since fiscal year 2008/2009.

**The tax effect of unutilized and reassessed loss carry-forwards.

Temporary differences pertaining to the following items resulted in deferred tax liabilities and deferred tax assets:

	Group		Parent Company	
	Aug 31, 10	Aug 31, 09	**Aug 31, 10**	Aug 31, 09
Deferred tax liabilities				
Untaxed reserves	–18,433	–19,986	–	–
Fixed assets				
-Rental rights	–376	–707	–	–
-Trademarks	–131,500	–131,500	–	–
-Equipment	–	–368	–	–
Deferred tax assets				
Fixed assets				
-Rental rights	1,027	1,683	–	–
-Equipment	1,491	1,917	–	–
Provisions for pensions	2,066	1,961	–	–
Derivative liabilities	1,214	1,414	–	–
Loss carry-forwards in Sweden	23,622	29,364	23,622	28,622
Loss carry-forwards in foreign subsidiaries	–	–	–	–
	–120,889	**–116,222**	**23,622**	**28,622**

Note 9 Cont'd.

The fact that the company reported positive taxable earnings in 2009/2010 and thus partially utilized existing recognized loss carry-forwards, combined with the anticipated future taxable surpluses during the years ahead, results in the expectation that RNB will be able to benefit from certain recognized loss carry-forwards. For these reasons, the related deferred tax assets have been recognized. This assessment sees the possibility, in the right circumstances, of the Group internally utilizing and offsetting deferred tax liabilities attributable to untaxed reserves against deferred tax assets attributable to the loss carry-forwards. All deferred tax assets attributable to loss carry-forwards pertain in their entirety to loss carry-forwards that have arisen in Sweden. Unutilized, unrecognized loss carry-forwards are found in the Group's foreign units.

Deferred tax assets and tax liabilities are offset against each other if there is a legal right to offset the particular tax assets and tax liabilities and if the deferred taxes pertain to the same tax authority. After such offsetting, the following amounts arose and were recognized in the balance sheet:

	Group		Parent Company	
	Sep 09– Aug 10	Sep 08– Aug 09	**Sep 09– Aug 10**	Sep 08– Aug 09
Deferred tax assets	–	–	23,622	28,622
Deferred tax liabilities	–120,889	–116,222	–	–
	–120,889	**–116,222**	**23,622**	**28,622**

Note 10 Earnings per share

RNB has no outstanding equity instruments that imply a dilutive effect. With this in mind, earnings per share and the average number of shares refers to before and after dilution. Calculation of the average number of shares was based on the following reconciling items.

Period	**Number of shares at the end of the period**
September 1–September 23	114,157,664
September 24–October 18	149,117,014
October 19–November 2	164,790,651
November 3–August 31	165,425,251

The average number of shares for the year amounted to 161,051,609.

Earnings per share is obtained by dividing the net profit for the year by the average number of shares.

Note 11 Intangible fixed assets

The goodwill that resulted from the implemented acquisition of subsidiaries during the year pertained in its entirety to synergies that became available as a result of the acquisitions. The anticipated synergies pertain to more effective logistics, mergers and more favorable purchasing terms from external suppliers.

In addition to goodwill, the Group has trademarks that are estimated to have an indefinite useful life. On August 31, 2010, the value of these acquired trademarks was SEK 500 M, which was attributable entirely to the JC trademark. The useful life of the strategic trademark JC, which is well established in its market and which the Group intends to retain and enhance, is estimated to be indefinite.

Goodwill and the trademarks associated with the Group's segments that are deemed to be cash-generating units are impairment tested every year. The Group has considerable values in the form of goodwill and trademarks and the recoverable amount of both of these items is based on the same major assumptions. Impairment testing is based on calculations of future values in use. The calculations are based on forecasts of cash flows over a period of five years, linked to the Group's strategic plans, and, thereafter, on a perpetual flow, since it is not possible to establish a limited useful life for these assets. The cash flows forecast after the first five years are based on an annual growth rate of 3%, which corresponds to the long-term growth rate in the market. The forecast cash flows have been calculated at present value based on a discount interest rate of 12% before tax.

A general analysis of the sensitivity of the variables utilized was performed. Assuming a decline in the annual growth rate from 3% to 2%, in combination with an assumption of an increase in the discount rate from 12% to 13% before tax shows no need for impairment.

Note 12 Trademarks

Group	**Aug 31, 2010**	Aug 31, 2009
Opening acquisition value	500,000	500,000
Closing accumulated acquisition value	**500,000**	**500,000**

Note 13 Software

Group	**Aug 31, 2010**	Aug 31, 2009
Opening acquisition value	93,629	72,182
Acquisitions for the year	17,703	21,447
Closing accumulated acquisition value	**111,332**	**93,629**
Opening amortization	–26,110	–9,456
Amortization for the year	–19,001	–16,654
Closing accumulated amortization	**–45,111**	**–26,110**
Closing planned residual value	**66,221**	**67,519**

Note 13 Cont'd .

Parent Company	Aug 31, 2010	Aug 31, 2009
Opening acquisition value	45,791	26,665
Acquisitions for the year	15,692	19,126
Closing accumulated acquisition value	**61,483**	**45,791**
Opening amortization	–8,658	–1,554
Amortization for the year	–9,246	–7,104
Closing accumulated amortization	**–17,904**	**–8,658**
Closing planned residual value	**43,579**	**37,133**

The Group's fixed assets include lease items pertaining to IT platforms held on the basis of financial leasing contracts with an acquisition value of SEK 45,912,000 (45, 912,000) and accumulated amortization amounting to SEK 26,248,000 (17,066,000). Book value is 19,644,000 (28,846,000).

Note 14 Rental rights

Group	Aug 31, 2010	Aug 31, 2009
Opening acquisition value	188,123	188,946
Acquisitions for the year	785	4,251
Sales during the year	–1,300	–5,074
Translation differences	–212	–
Closing accumulated acquisition value	**187,396**	**188,123**
Opening amortization	–148,867	–142,525
Sales during the year	1,235	3,875
Amortization for the year	–5,207	–10,217
Translation differences	174	–
Closing accumulated amortization	**–152,665**	**–148,867**
Opening impairment losses	–18,731	–18,731
Translation differences	39	–
Closing accumulated impairment losses	**–18,692**	**–18,731**
Closing planned residual value	**16,039**	**20,525**

Note 15 Goodwill

Group	Aug 31, 2010	Aug 31, 2009
Opening acquisition value	876,013	1,376,432
Translation differences	–	–419
Impairment for the year	–	–500,000
Closing accumulated acquisition value	**876,013**	**876,013**

Goodwill item distributed by segment:

	Aug 31, 2010	Aug 31, 2009
Polarn O. Pyret	1,660	1,660
Department Stores	233,445	233,445
JC	190,908	190,908
Brothers & Sisters	450,000	450,000
Closing accumulated acquisition value	**876,013**	**876,013**

Note 16 Equipment and store furnishings

Group	Aug 31, 2010	Aug 31, 2009
Opening acquisition value	648,451	611,674
Acquisitions during the year	25,758	52,080
Accumulated acquisition value, acquired companies	–	1,724
Sales and disposals for the year	–129,725	–22,348
Translation differences	–5,051	5,321
Closing accumulated acquisition value	**539,433**	**648,451**
Opening depreciation	–451,600	–396,429
Sales and disposals for the year	114,754	22,518
Accumulated depreciation, acquired companies	–	–1,123
Depreciation for the year	–67,342	–72,778
Translation differences	4,651	–3,788
Closing accumulated depreciation	**–399,537**	**–451,600**
Closing planned residual value	**139,896**	**196,851**

The Group's fixed assets include leased items pertaining to store computer systems held on the basis of financial leasing contracts with an acquisition value of SEK 39,836,000 (111,514,000) and accumulated depreciation amounting to SEK 16,853,000 (73,837,000). Book value is 22,983,000 (37,677,000).

Parent Company	Aug 31, 2010	Aug 31, 2009
Opening acquisition value	66,539	64,186
Acquisitions for the year	23	2,353
Divestments for the year	–5,942	–
Closing accumulated acquisition value	**60,620**	**66,539**
Opening depreciation	–41,362	–29,288
Divestments for the year	5,790	–
Depreciation for the year	–10,491	–12,074
Closing accumulated depreciation	**–46,063**	**–41,362**
Closing planned residual value	**14,557**	**25,177**

Note 17 Shares in subsidiaries

Company	Corporate Registration Number	Head Office	Number	Share of equity (%)	Carrying amount
Ängsviol Blomstern AB	556539–1926	Stockholm	1,000	100	–
Polarn O. Pyret AB	556235–7383	Stockholm	10,000	100	21,000
C/o Department & Stores Nordic AB	556403–1325	Stockholm	15,000	100	300
Portwear AB	556188–7513	Stockholm	1,911,680	100	233,593
Departments & Stores Europe AB	556541–8778	Stockholm	810,000	100	–
Departments & Stores Denmark AS	30 27 43 18	Köpenhamn	10,000,000	100	–
Kosta Outlet Mode AB	556448–7980	Stockholm	1,000	100	–
Skandinaviskt Dammode AB	556542–9627	Stockholm	5,000	100	600
Skandinaviskt Herrmode AB	556445–9039	Stockholm	8,000	100	1,700
JC AB	556468–8991	Stockholm	37,147,880	100	1,260,065
JC Sverige AB	556308–6734	Stockholm	1,000	100	–
Brothers & Sisters Sverige AB	556513–6826	Stockholm	1,000	100	–
Meijer & Meijer AB	556345–1748	Stockholm	1,000	100	–
JC Jeans & Clothes AS	961 313 880	Oslo	500	100	–
JC Retail AS	875 337 122	Oslo	100	100	–
JC Jessheim AS	985 548 307	Oslo	91	91	–
Nordic Textile Grosshandels GmbH	HR B 52245	Köln	1	100	–
JC Jeans & Clothes Oy	760.404	Helsingfors	4,000	100	–
Carrying amount					**1,517,258**

The shareholding and proportion of voting rights are the same in all companies.

Parent Company	Aug 31, 2010	Aug 31, 2009
Opening carrying amount	1,586,458	2,086,358
Acquisitions during the year	–	100
Divestments during the year	–100	–
Shareholders' contribution paid	13,000	86,000
Impairment losses for the year	–82,100	–586,000
Closing carrying amount	**1,517,258**	**1,586,458**

Note 18 Inventories

SEK 78,308,000 has been recorded at fair value less retail costs of the total amount recorded under inventories of SEK 563,246,000; the remainder is recorded at historical cost.

Note 19 Prepaid expenses and accrued income

Group	Aug 31, 2010	Aug 31, 2009
Prepaid rent	29,561	31,565
Prepaid other costs	44,287	52,674
Derivative asset	–	–
Accrued income	3,841	3,220
	77,689	**87,459**

Parent Company	Aug 31, 2010	Aug 31, 2009
Prepaid rent	1,706	1,665
Prepaid other costs	4,084	14,210
	5,790	**15,875**

In accordance with IAS 39, derivative assets are classified in the financial assets measured at fair value in profit and loss and accrued income is classified in the loan receivables category.

Note 20 Provisions for pensions

The Group's net obligation pertaining to defined-benefit plans is calculated by means of an estimation of the future payments vested to employees through their employment during both the current and prior periods. This amount is discounted to present value and the fair value of any plan assets is deducted.

For actuarial gains and losses that arise in the calculation of the Group's commitments for various plans, the so-called corridor rule is applied. The corridor rule means that the portion of the accumulated actuarial gains and losses that exceeds 10% of the larger of the commitment's present value and the fair value of the planned assets is recognized in profit and loss during the anticipated average remaining period of service of the employees covered by the plan. Otherwise, actuarial gains and losses are not taken into account.

The defined-benefit pension plans are unfunded, which is why no planned assets are recognized. All defined-benefit plans refer to Sweden. As shown in Note 1 Accounting policies, the pension plans are treated in Alecta as defined-contribution plans.

Pensions and other remuneration, post-employment Defined-benefit plans

Group	Aug 31, 2010	Aug 31, 2009
Present value of unfunded obligations	24,050	27,131
Unrecognized actuarial gains (+) and losses (-)	–2,780	–227
	21,270	**26,904**

Historical development of current value of unfunded obligations

Group	
August 31, 2008	29,423
August 31, 2007	29,302
August 31, 2006	25,568

Change in net obligation for defined-benefit plans reported in the balance sheet

Group	Aug 31, 2010	Aug 31, 2009
Net obligation for defined-benefit plans, September 1	26,904	30,699
Paid remuneration	–45	–238
Costs recognized in profit and loss	1,323	1,323
Redemption of obligation	–6,912	–4,880
Net obligation for defined-benefit plans, August 31	**21,270**	**26,904**

Assumptions underlying defined-benefit obligations Principal actuarial assumptions on the balance-sheet date

Group	Aug 31, 2010	Aug 31, 2009
Discount rate on August 31, %	4.0	4.3
Future pay rises, %	0.0	3.0
Future increase in pensions, %	2.0	2.0

Costs recognized in profit and loss

Group	Sep 09–Aug 10	Sep 08–Aug 09
Benefits vested during the period	0	98
Adjustments to unrecognized actuarial gains/losses due to redemption	58	–211
Interest	1,265	1,436
	1,323	**1,323**

Costs recognized under the following items in profit and loss

Group	Sep 09–Aug 10	Sep 08–Aug 09
Personnel expenses	58	–113
Interest expense and similar profit/loss items	1,265	1,436
	1,323	**1,323**

For the 2009/2010 fiscal year, the Group's expenses for defined-contribution pension plans amounted to SEK 29.8 M (29.9).

For the 2009/2010 fiscal year, redemption of pension liabilities is estimated to match the amount redeemed in fiscal year 2009/2010.

Note 21 Liabilities to credit institutions

During the year, the Group amortized liabilities to credit institutions in conjunction with having raised a loan with KfS (see notes 22 and 31).

Remaining liabilities to credit institutions pertain to financial leasing agreements. The present value of future repayment obligations resulting from these financial leasing agreements is recognized as "liabilities to credit institutions" in the amount of SEK 47,256,000 (69,643,000), including a short-term portion of SEK 18,274,000 (18,256,000). The entire liability is due for repayment within five years.

Note 22 Other long-term liabilities

The Parent Company has raised a loan with KfS. The loan is free of amortization until March 2013 in accordance with the current agreement. Note 31 describes the covenants of the loan.

Note 23 Overdraft facilities

Group
On August 31, 2010, overdraft facilities granted amounted to SEK 200 M (granted on August 31, 2009: SEK 305.1 M).

Parent Company
On August 31, 2010, overdraft facilities granted amounted to SEK 200 M (granted on August 31, 2009: SEK 235 M).

Note 24 Accrued expenses and prepaid income

Group	Aug 31, 2010	Aug 31, 2009
Accrued vacation and payroll liabilities	63,225	64,925
Accrued social security contributions	37,268	47,233
Derivative liabilities	4,615	5,375
Other accrued expenses	36,450	36,504
Prepaid income	5,514	7,093
	147,072	**161,130**

Parent Company	Aug 31, 2010	Aug 31, 2009
Accrued vacation and payroll liabilities	1,715	1,801
Accrued social security contributions	3,039	4,797
Other accrued expenses	6,942	4,531
	11,696	**11,129**

In accordance with IAS 39, derivative liabilities are classified in the "financial liabilities measured at fair value in profit and loss" category and accrued expenses are classified in the "other financial liabilities category."

Note 25 Pledged assets

For liabilities to credit institutions and overdraft facilities

Group	Aug 31, 2010	Aug 31, 2009
Chattel mortgages	182,790	353,550
Leased fixed assets	42,647	66,523
Shares in subsidiaries	297,888	1,578,873
	523,325	**1,998,946**

Parent Company	Aug 31, 2010	Aug 31, 2009
Shares in subsidiaries	254,593	1,586,358
	254,593	**1,586,358**

Note 26 Contingent liabilities

Group	Aug 31, 2010	Aug 31, 2009
Other guarantees	3,899	8,978
	3,899	**8,978**

Parent Company	Aug 31, 2010	Aug 31, 2009
Guarantees for subsidiaries	69,054	184,951
	69,054	**184,951**

Note 27 Rental and leasing agreements

Group and Parent Company

The Group and the Parent Company have entered into operational lease agreements regarding stores and offices subject to the following non-cancellable rental commitments.

Payments during the fiscal year	Group	Parent Company
September 2009–August 2010	428,369	36,261

The Group's future commitments for leasing and rental agreements amount to the following:

Payments due	Group	Parent Company
September 2010–August 2011	417,068	40,830
September 2011–August 2012	299,213	35,231
September 2012–August 2013	174,552	11,748
After August 2013	131,723	3,104

Note 28 Cash-flow statement

Adjustment for items not included in the cash flow

Group	Aug 31, 2010	Aug 31, 2009
Depreciation/amortization	91,550	99,650
Capital gain/loss on the sale of fixed assets	–3,527	465
Impairment losses on fixed assets	–	500,000
Other adjustments	–19,672	–18,953
	68,351	**581,162**

Parent Company	Aug 31, 2010	Aug 31, 2009
Depreciation/amortization	19,738	19,178
	19,738	**19,178**

Cash and cash equivalents in the cash-flow statement comprise cash and bank balances amounting to SEK 49,470,000 (15,281,000) for the Group and SEK 32,000 (34,000) for the Parent Company at August 31, 2010.

Note 29 Acquisition and divestment of subsidiaries

During the fiscal year, the Group company, Departments and Stores Norway A/S was divested. The company ran operations at the Sten & Ström department store and was part of the Department Store business area.

In addition, the dormant company Brothers & Sisters AB was sold. No acquisitions were made during the 2009/2010 fiscal year.

No divestments were made during the 2008/2009 fiscal year.

Note 29 Cont'd.

The fair value of assets and liabilities divested during the 2009/2010 fiscal year was as follows:

Item	Departments & Stores Norway A/S	Brothers & Sisters AB	Total
Rental rights	–	–	–
Equipment	2,392	–	2,392
Inventories	20,668	–	20,668
Current receivables	2,205	–	2,205
Cash and cash equivalents	920	100	1,020
Current liabilities	–30,185	–	–30,185
Purchase consideration paid	**–4,000**	**100**	**–3,900**
Cash and cash equivalents in companies sold	–920	–100	–1,020
Impact on the Group's cash and cash equivalents	**–4,920**	**0**	**–4,920**

The fair value of assets and liabilities acquired during the 2008/2009 fiscal year was as follows:

Item	Meijer & Meijer AB	Brothers & Sisters AB	Total
Rental rights	1,521	–	1,521
Equipment	601	–	601
Deferred tax assets	342	–	342
Inventories	4,751	–	4,751
Current receivables	1,000	–	1,000
Cash and cash equivalents	–	100	100
Current liabilities	–8,215	–	–8,215
Purchase consideration paid	**0**	**100**	**100**
Cash and cash equivalents in acquired companies	0	–100	–100
Impact on the Group's cash and cash equivalents	**0**	**0**	**0**

Information regarding the impact of the acquired companies on the Group's operating profit and financial position, presented as if the acquisitions had been completed at the beginning of the year, is deemed impossible to provide in a reliable manner.

Note 30 Results from participation in Group companies

Parent Company	Aug 31, 2010	Aug 31, 2009
Sale of shares in subsidiaries	0	–
Dividends from subsidiaries	69,100	–
Impairment of shares in subsidiaries	–82,100	–586,000
	–13,000	**–586,000**

Note 31 Finansiella instrument

Financial assets

The financial assets that are available for utilization by the Group comprise cash and cash equivalents, accounts receivable, loan receivables, accrued income and financial assets measured at fair value in net profit for the year. All amounts stated below under cash and cash equivalents, loan receivables, accounts receivables, accrued income and currency forward contracts correspond to the carrying amounts in the Group. The carrying amounts correspond to the fair values of each particular asset.

Cash and cash equivalents

Cash and cash equivalents are deposited in bank accounts at standard rates of interest. On August 31, 2010, cash and cash equivalents amounted to SEK 49,470,000 for the Group and SEK 32,000 for the Parent Company.

Loan receivables and accounts receivables

The terms and conditions for payment for accounts receivables normally allow 10–30 days of credit. Certain customers benefitted from extended repayment plans. The portion of these plans that falls due after one year amounted to SEK 7,634,000 at August 31, 2010, and is recorded in the balance sheets under Other long-term receivables in Financial fixed assets. On August 31, 2010, accounts receivable amounted to SEK 201,779,000 for the Group and SEK 252,000 for the Parent Company.

Age analysis accounts receivable	Aug 31, 2010	Aug 31, 2009
Not due	162,350	168,760
< 60 days	12,642	17,213
60 – 90 days	5,582	5,807
90 – 180 days	11,185	19,958
> 180 days	31,107	42,368
Total accounts receivable	**222,866**	**254,106**
Provision for depreciation/amortization	–21,087	–31,949
Total	**201,779**	**222,157**

Age analysis other long-term receivables	Aug 31, 2010	Aug 31, 2009
Not due	7,634	0
Total other long-term receivables	**7,634**	**0**
Provision for depreciation/amortization	0	0
Total	**7,634**	**0**

Receivables from customers benefitting from extended repayment plans are not recorded as due in the above age analysis as long as the repayment plans are followed.

Accrued income

Accrued income amounted to SEK 3,841,000 (3,220,000).

Financial liabilities

The financial liabilities that are available for utilization by the Group comprise accounts payable, overdraft facilities, loans from credit institutions, other loan liabilities, accrued costs and financial liabilities measured at fair value in net profit for the year. All amounts stated below under financial liabilities correspond to the carrying amounts in the Group. The carrying amounts match the fair values of each particular asset.

Accounts payable

The Group's accounts payable consist mainly of liabilities in SEK, EUR and USD. The terms and conditions for payment for accounts payable allow 10-90 days of credit.

Note 31 Cont'd.

Financial liabilities measured at fair value in profit and loss

Outstanding transaction hedges and value on August 31, 2010:

Currency	Hedged volume	Fair value	Number of hedged months
USD	19 000	–4 615	0–6 months
Total		**–4 615**	

Changes in fair value regarding forward contracts are recognized in profit and loss. The item is recognized in the balance sheets under "Prepaid expenses and accrued income."

Overdraft facilities

The Group's overdraft facilities on August 31, 2010 totaled SEK 200 M. Utilized amounts on August 31, 2010 amounted to SEK 9.6 M. The overdraft facility is subject to variable interest rates and the rate at August 31, 2010 was 2.25%. The overdraft facility is raised with SEB and the credit agreement contains covenants, of which the key financial covenant is that the Group's net debt with SEB must be unused for three days in the first quarter and for three days in the third quarter. The company currently complies with all covenants contained in the agreement.

Other loan liabilities and loans from credit institutions

During the year, the Group amortized its loans from credit institutions in conjunction with raising a loan with KfS, which is also the main owner of the company. Loans are raised on market terms.

The loans raised with KfS amount to SEK 400 M. The credit agreement contains covenants, of which the key financial covenants comprise a quarterly reconciliation of the company's debt ratio (defined as net debt/ EBITDA) and the company fulfilling the requirements tied to the overdraft facility as stipulated by SEB. The loan agreement with KfS provides scope, under certain conditions, to borrow a further SEK 100 M. The company currently complies with all covenants contained in the loan agreement.

The loan amounting to SEK 400 M is subject to a grace period regarding repayments until March 2013, when the loan falls due in its entirety. The interest rate at August 31, 2010 was 3.96% which applies through to December 31, 2010. The interest rate after this point is Stibor + 3 percentage points provided that the debt ratio is maintained below specific levels. If the debt ratio exceeds specific levels during the term of the loan a supplementary margin of between 0.5 of a percentage point and 1 percentage point will be charged.

Remaining liabilities to credit institutions after the amortizations comprise a liability pertaining to a financial lease agreement. The present value of future repayment obligations resulting from these financial lease contracts is recognized as liabilities to credit institutions in the amount of SEK 47,256,000 (69,643,000), including a short-term portion of SEK 18,274,000 (18,256,000). The entire liability is due for repayment within five years.

Accrued expenses

Accrued expenses primarily comprise employee-related items; see Note 24.

Note 32 Receivables/liabilities from Group companies

Parent Company

The subsidiaries' share of liabilities/receivables in the Group's central account system with banks is reported among current liabilities/receivables from Group companies. The Parent Company's receivables from Group companies amounting in total to SEK 262,691,000 is attributable to JC AB, SEK 68,986,000, JC Sverige AB, SEK 94,017,000, JC AS, SEK 9,790,000, JC Retail AS, SEK 9,279,000 and Portwear AB, SEK 80,619,000.

The Parent Company's liabilities to Group companies totaling SEK 37,284,000 are attributable to Polarn O. Pyret AB, SEK 4,497,000, Departments & Stores Europe AB, SEK 7,113,000, Kosta Outlet Mode AB, SEK 2,404,000, Brothers & Sisters Sverige AB, SEK 20,270,000, Ängsviol Blomstern AB, SEK 219,000, Skandinaviskt Herrmode AB, SEK 1,755,000, Skandinaviskt Dammode AB SEK 675,000 and C/O Departments & Stores Nordic AB, SEK 351,000.

Note 33 Intra-Group purchases and sales

The Parent Company's net sales of SEK 98,868,000 (104,248,000) are entirely attributable to internally debited services provided to subsidiaries. The Parent Company has purchased services from subsidiaries amounting to SEK 1,290,000 (0).

Note 34 Risks and risk management

Exchange-rate risks

The RNB Group's exchange-rate exposure consists of the approximately 30% of the Group's purchases of products that are implemented in foreign currency. The Board of Directors has established a Group policy in the form of a framework for managing exchange-rate risks. The main focus is that 70–80% of the anticipated net flows in foreign currency for each season must be hedged using forward contracts. The two principal foreign currencies in which products are purchased are EUR and USD. A sensitivity analysis shows that a change in the exchange rate has the following impact on earnings:

Currency	Change	Impact, SEK M
EUR	+/– 10 %	–/+ 10
USD	+/– 10 %	–/+ 25

Credit and liquidity risks

RNB's credits consist of loans and overdraft facilities. Available cash and cash equivalents are used to reduce the utilization of overdraft facilities, thereby reducing interest expense. RNB limits its interest-rate risks by endeavoring to have short periods of fixed interest.

Liquidity risks refer to the risk that financing cannot be obtained or can be obtained only at significantly increased costs. The Group's goal is to maintain a balance between continuity and flexibility regarding its financing through loans and overdraft facilities. Credit to customers, the degree of past due receivables, credit from suppliers and capital tied-up in inventories affect the need for cash and cash equivalents. In conjunction with the raising of the long-term loan liability, the company signed special covenants. The conditions of the signed loan agreement are described in Note 31.

Note 34 Cont'd.

Cyclicity
Demand for RNB's products, like general demand in the retail sector, is affected by changes in the overall economy. A positive economic trend normally has a favorable effect on RNB's sales and earnings trend. An economic downturn could have an adverse effect on RNB's sales and earnings trends, if disposable household income declines simultaneously.

Weather and seasonal variations
The weather affects sales of clothing products. A mild autumn and winter normally has an adverse effect on sales, while a cold and rainy summer normally boosts sales figures.

Sales of clothing products also vary according to the time of year. Generally, sales are highest during the autumn and winter, with December traditionally being the best month of the year. Price levels are generally higher for autumn and winter clothes, which affects sales revenues.

Fashion risks
RNB is dependent on consumer preferences in terms of the design, quality and price of clothing, accessories, cosmetics, jewelry and clocks and watches. RNB's own brands, combined with the distribution of other national and international brands, provide an extensive decision-making base in respect of discerning fashion trends and adapting products to demand. In line with efforts to limit dependence on fashion trends, RNB's proprietarily developed collections include a basic range of classic designs. However, since the fashion industry is subject to rapid changes, the possibility of temporary declines in sales of certain collections cannot be excluded.

Distribution centers
Most of the goods sold in RNB's stores pass through one of the company's distribution centers in Vinsta or Borås. If one of the distribution centers or its equipment is damaged or needs to be shut down, the company may experience problems with deliveries to stores. If these conditions are not rectified rapidly and cost effectively, it could impact the operations. Insurance policies cover property and production interruptions, but there are no guarantees that the amounts are sufficient or that this damage can be completely recovered.

Information systems
RNB depends on information systems to monitor the flow of goods from purchasing to sales in stores, and to coordinate operational and statistical information. The risks comprise both the suitability of existing systems and the assurance of operations-sensitive information. Each long-term interruption, or inadequate functionality in information systems, may result in the loss of important information or in actions being delayed, particularly if the problems occur during a peak season, for example, during the Christmas season.

Franchise agreements
RNB's operations are conducted in part through franchise agreements. Despite extensive and well-functioning cooperation with franchisees, agreements can be terminated with negative consequences for the company's operations.

Competitive situation
The market for RNB's products is exposed to strong competition in terms of products and markets. RNB's market position is dependent on the company's own and its competitors' resources for marketing, investments and product development, and the ability to adapt to the changing preferences of consumers. Increased competition could exacerbate pressure on prices and reduce market shares.

Supplier risks
RNB is highly dependent on suppliers for delivery of their products. Approximately 50% of purchases are from suppliers in China. Companies in Turkey, Bangladesh, Pakistan and the Baltic region represent a major portion of other deliveries. Consequently, disruptions in the suppliers' operations could have an impact on RNB's sales and earnings. Any trade restrictions on national or international levels, such as EU restrictions on textile imports from China, could result in the company changing its purchasing procedures, which could in turn have a negative impact on operations. Similar measures, or other restrictions in the suppliers' ability to deliver goods, could have negative consequences on the company's earnings. RNB works actively to ensure that the suppliers with which it cooperates comply with specific ethical guidelines, including bans on child labor.

Brands
RNB's policy is to register and protect its brands and names. No guarantees exist that these measures will prove sufficient to protect the brands and other intellectual property. In addition, unpermitted use of the brand on pirate copies or the copying of RNB's stores could damage the company's image and reputation.

Risk of bad-debt losses
The risk of bad-debt losses pertains to the risk of franchisees not being able to pay for delivered products due to their financial situation.

Translation exposure
RNB reports items in income statements and balance sheets in SEK. Parts of the Group report in currencies other than SEK, which result in RNB's consolidated earnings and shareholders' equity being exposed to exchange-rate fluctuations. This currency risk is known as translation exposure and is not hedged.

Note 35 Interest income and similar profit/loss items

Group
Interest income for 2009/2010 includes SEK 760,000 (0) for the recalculation of forward contracts at fair value.

Parent Company
Interest income for 2009/2010 includes SEK 3,511,000 (0) from Group companies.

Note 36 Interest expenses and similar profit/loss items

Group
Interest expense for 2009/2010 includes SEK 0 (13,131,000) for the recalculation of forward contracts at fair value.

Parent Company
Interest expense for 2009/2010 includes SEK 0 (3,062,000) comprising interest expense to Group companies.

The Board of Directors and President affirm that the Annual Report has been prepared in accordance with generally accepted accounting principles, provides a true and fair view of the Parent Company's financial position and results and that the Board of Directors' report provides a true and fair overview of the Parent Company's operations, financial position and results and also describes material risks and uncertainties faced by the Parent Company. The Board of Directors and President also affirm that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and provide a true and fair view of the Group's financial position and results and that the Board of Directors' report for the Group provides a true and fair overview of the Group's operations, financial position and results and also describes material risks and uncertainties faced by the Group.

Stockholm, December 3, 2010

Magnus Håkansson
Chairman of the Board

Jan Carlzon
Board Member

Lilian Fossum Biner
Board Member

John Wallmark
Board Member

Torsten Jansson
Board Member

Nils Vinberg
Board Member

Laszlo Kriss
Board Member

Mikael Solberg
President and CEO

Our audit report was submitted on December 3, 2010.
Ernst & Young AB

Bertel Enlund
Authorized Public Accountant

Audit Report

To the Annual General Meeting of the shareholders of **RNB RETAIL AND BRANDS AB** (publ)
Corporate Registration Number 556495-4682

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of RNB RETAIL AND BRANDS AB (publ) for the September 1, 2009 to August 31, 2010 fiscal year. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 46 – 78. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting policies used and their application by the Board of Directors and the President and significant estimates made by the board of directors and the president when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting policies in Sweden. The consolidated accounts have been prepared in accordance with the international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group´s financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual Meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, December 3, 2010

Ernst & Young AB

Bertel Enlund
Authorized Public Accountant

Corporate governance report

RNB RETAIL AND BRANDS AB (publ), RNB, is a Swedish public limited liability company listed on the Nasdaq OMX Stockholm.

RNB RETAIL AND BRANDS AB is controlled via the Annual General Meeting, the Board of Directors and President in accordance with the Swedish Companies Act, the Articles of Association and the Swedish Code of Corporate Governance.

Swedish Code of Corporate Governance

This Corporate Governance Report was prepared in accordance with the provisions in the Swedish Code of Corporate Governance as well as chapter 6, sections 6 – 9 of the Annual Accounts Act and chapter 9, section 31 of the Companies Act, and pertains to fiscal year 2009/2010. RNB's Articles of Association and other corporate-governance information about the company are available at www.rnb.se.

Shares and shareholders

At August 31, 2010, the share capital of RNB was SEK 165,425,251 represented by 165,425,251 shares. All of the shares are common shares.

At August 31, 2010, the number of registered shareholders was 12,158, of whom 11,765 were registered in Sweden. At August 31, 2010, the three major shareholders were KfS, Axbrands AB and Douglas Invest AS. Further information is available on page 86, in the section the Share.

Annual General Meeting

The Annual General Meeting is RNB's highest decision-making body. The Meeting appoints the Board of Directors. The Meeting is also responsible for adopting the company's balance sheets and income statements, making decisions on the disposal of profits from operations and discharging members of the Board and the President from personal liability. The Annual General Meeting also elects RNB's auditors.

At RNB's Annual General Meeting on January 28, 2010, 39 shareholders participated, representing 64% of the number of shares and voting rights in the company. Present at the meeting were the entire Board of Directors, the President and those nominated to the Board.

The Annual General Meeting must be held no later than six months after the end of the fiscal year. Notification of the Annual General Meeting must take place no earlier than six weeks before and no later than four weeks before the Annual General Meeting. All shareholders registered in the share register and who have notified their attendance in time are entitled to attend and vote at the Annual General Meeting. Those shareholders who are unable to attend in person may be represented by a proxy.

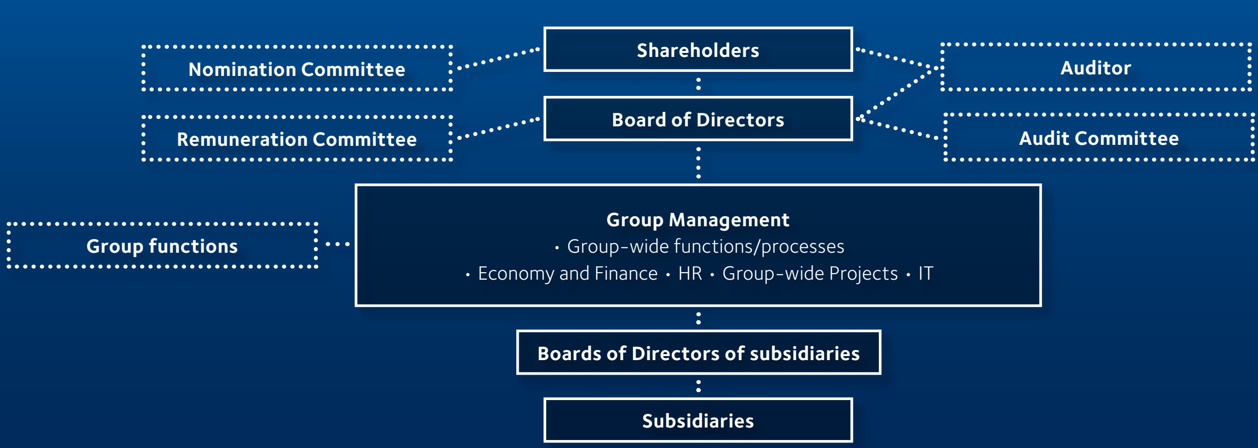
Nomination Committee

The task of the Nomination Committee is to prepare and submit proposals to shareholders in the company pertaining to the nomination of Board members and, if applicable, auditors.

The Chairman of the Board shall annually, in adequate time prior to the Annual General Meeting, contact the four largest shareholders in the company requesting that they jointly elect a Nomination Committee. The Chairman of the Board can be elected as a member of the Nomination Committee. The Chairman of the Board shall also ensure that information on the composition of the Nomination Committee along with contact information is publicized in adequate time prior to the Annual General Meeting. The Chairman of the Board shall also report to the Nomination Committee the current status of the Board's work, requirements for specialist expertise and other matters that may be significant to the Committee's work. It shall be possible for shareholders to submit proposals to the Nomination Committee for further evaluation within the parameters of its work. The Nomination Committee holds meetings as necessary, however, at least once annually.

The 2010 Annual General Meeting resolved that a Nomination Committee should be appointed from among the largest shareholders with the task of proposing Board members for presentation at the 2011 Annual General Meeting. Prior to the Annual General Meeting to be held on January 20, 2011, the

Management Structure



Nomination Committee comprises the following members who were appointed in accordance with a resolution by the 2010 Annual General Meeting:

Sune Dahlqvist, Chairman of Konsumentföreningen Stockholm

Fredrik Persson, President of Axel Johnson AB

Jan Carlzon, shareholder through Irish Life and Swiss Life and

Jan Litborn representing Douglas Invest AS.

Board of Directors

RNB's Board of Directors makes decisions on issues pertaining to RNB's strategic focus, investments, financing, organizational issues, acquisitions and divestments. The Board's work is governed by the Swedish Companies Act, the Articles of Association and the formal work plan established by the Board for its work.

In accordance with the Articles of Association, the Board shall consist of no fewer than five and no more than eight members with an equal number of deputies. Members and deputies are elected at the Annual General Meeting for the period up to the end of the following Annual General Meeting.

During 2009/2010, RNB's Board of Directors comprised eight members elected by the Annual General Meeting. At the Annual General Meeting on January 28, 2010, the following Board members were re-elected; Mikael Solberg, Torsten Jansson, Jan Carlzon, Nils Vinberg, Lilian Fossum, John Wallmark and Laszlo Kriss. Magnus Håkansson was elected as a Board member and replaced Claes Hansson who declined re-election at the Annual General Meeting. See page 84 for further information regarding the Board of Directors.

Articles of Association

Amendments to the Articles of Association are only possible if enacted at the Annual General Meeting or alternatively at an Extraordinary General Meeting.

Remuneration of the Board of Directors

The director fees paid to the members of the Board, which were adopted by the 2010 Annual General Meeting, totaled SEK 1,050,000, of which SEK 300,000 was paid to the Chairman of the Board and SEK 125,000 to each other non-executive Board member.

Board of Directors' formal work plan

RNB's Board of Directors has a formal work plan that complies with the Swedish Companies Act for work distribution and reporting. The formal work plan governs the Board's meetings, issues to be addressed at Board meetings, the Chairman's assignments, the President's assignments and certain other matters.

In addition to the statutory meeting, the Board held six scheduled Board meetings and one extraordinary meeting during the 2009/2010 fiscal year. The scheduled meetings focused primarily on earnings follow-ups, investment matters, external reporting, budgets and strategy issues. The extraordinary meeting dealt with the long-term financing of the Company.

Lilian Fossum Biner did not participate in the Board meeting items that addressed the points dealing with the divestment process regarding the operations at NK. Laszlo Kriss did not participate in the extraordinary meeting that dealt with the long-term financing of the company. The Board contains a Remuneration Committee and an Audit Committee.

Participation in Board meetings during the fiscal year was as follows:

	Present at scheduled meetings		Present at extraordinary meetings	
Board member	Ordinary	Extra-ordinary	Remuneration Committee	Audit Committee
Magnus Håkansson	4	1	1	
Jan Carlzon	6	1	2	
Lilian Fossum Biner	5	1		4
Torsten Jansson	6	1		
Laszlo Kriss	6	1		3
John Wallmark	6	1	1	1
Nils Vinberg	6	1	1	3
Mikael Solberg	6	1		
Claes Hansson	2		1	1

RNB RETAIL AND BRANDS AB (publ) has determined that the Board fulfills the listing agreement of the Nasdaq OMX Nordic Stock Exchange and the Swedish Code of Corporate Governance pertaining to requirements concerning independent Board members.

Remuneration Committee

The company's Remuneration Committee shall review and provide the Board with recommendations pertaining to the principles for remuneration of senior executives, including performance-based remuneration and pension benefits. Issues pertaining to the President's terms of employment, remuneration and benefits are prepared by the Remuneration Committee and resolved by the Board of Directors.

Since the Annual General Meeting on January 28, 2010, the company's Remuneration Committee comprised Magnus Håkansson, Jan Carlzon and John Wallmark. During the preceding period, the Remuneration Committee comprised Claes Hansson, Jan Carlzon and Nils Vinberg.

Audit Committee

The task of the Audit Committee is to support the Board in fulfilling its responsibilities with respect to quality assuring the company's financial reporting. The Committee is responsible for continuous contact with the company's auditors to keep itself informed of the focus and scope of the audit and to discuss views of the company's risks. The Audit Committee shall also establish guidelines for the procurement of services other than audit-related activities from the company's auditors. The Committee is also responsible for examining the accounting records and providing this information to the Nomination Committee, and for assisting the Nomination Committee in the preparation of proposals for auditors and audit fees.

As of the Annual General Meeting on January 28, 2010, the company's Audit Committee has comprised Lilian Fossum Biner, Laszlo Kriss and Nils Vinberg. During the preceding period, the Audit Committee comprised Claes Hansson, Lilian Fossum Biner and John Wallmark.

External auditors

RNB's auditors are elected by the Annual General Meeting for a period of four years. The current period commenced in January 2008 and, consequently, there will be a new election of auditors in conjunction with the 2012 Annual General Meeting. RNB's auditors are Ernst & Young AB, with Bertel Enlund as the Auditor in Charge. Ernst & Young AB has been RNB's auditor since 2004.

The auditors examine the Board's and President's management of the company and the quality of the company's accounting documents. The auditors report the results of their examination to shareholders through the Audit Report, which is presented at the Annual General Meeting. In addition, the auditors submit detailed reports to the Audit Committee at scheduled Audit Committee meetings and to the Board once annually.

In addition to the audit, Ernst & Young performs certain other services for RNB. RNB believes that the execution of these services does not compromise the independence of Ernst & Young. During the fiscal year, the services provided primarily comprised tax and accounting consultancy services.

Internal audit
To date, RNB has not found any reason to establish a specific internal audit function. The company conducts ongoing work with internal control and a number of control activities have been implemented. The issue of a specific internal audit function will be assessed annually.

President and Group Management
The President manages operations in accordance with the approved formal work plan for the President and the Board as well as the Board's instructions. The President is responsible for keeping the Board informed and ensuring that the Board has the necessary information and as complete decision-making documentation as possible. The President also keeps the Chairman of the Board informed of the company's and Group's development and financial position.

The President and other members of Group Management hold formal meetings once per month to review budget follow-ups and plans and to discuss strategic issues. RNB's Group Management consists of nine members, of whom five are women.

The Board is responsible for the existence of an efficient system for internal control and risk management. The President has been delegated the responsibility of creating a solid basis for working on these issues. Both Group Management and managers at different levels in the company have this responsibility within their specific areas. Authority and responsibility are defined in guidelines, responsibility descriptions and authorization instructions.

Control of the business areas is conducted via intra-Group Boards in subsidiaries comprising the CEO, CFO and a President of one of the subsidiaries as Board members. The boards have formal work plans that comply with the Companies Act regarding the division of duties and reporting. The work plans regulate the meetings of the boards, the issues to be addressed at the board meetings, the assignments of the chairmen, the assignments of the presidents and certain other matters. The boards have ordinary meetings every quarter that include dealing with earnings follow-ups, action plans, investment matters and other matters.

Remuneration of the President and senior executives
Salaries for persons in company management comprise a fixed part in the form of basic salary, and a variable part, bonus. The bonus is dependent upon the achievement of goals set for the company and the individual. For members of company management, the bonus may amount to a maximum of SEK 500,000 for each person.

Board of Directors

Magnus Håkansson
Chairman of the Board, Member of the RNB Board since 2010 ➔ Born 1963 ➔ Degree in business administration and MBA ➔ Executive Director Expert Sverige AB ➔ Other Board assignments: Only subsidiaries and associated companies of Expert. ➔ Shareholding in RNB October 31, 2010: 80,000 shares.

Jan Carlzon
Member of the RNB Board since 2006 ➔ Born 1941 ➔ Degree in business administration ➔ Other Board assignments: Chairman of the Board of FUAB (Flygplatsutveckling AB), Perfect Guide AB, EKF Kapitalförvaltning AB, Företagarna and Mentor Sverige. Member of the Board of Unlimited Travel AB, Utveckling i Noresund AB, Farmagon AS and Aviation Capacity Resource. ➔ Deemed independent in relation to the company, the company management and major shareholders in the company. ➔ Shareholding in RNB October 31, 2010: 7,774,259 shares together with related parties.

Lilian Fossum Biner
Member of the RNB Board since 2009 ➔ Born 1962 ➔ Degree in business administration ➔ Other Board assignments: Member of the Board of Oriflame Cosmetics S.A. ➔ Deemed independent in relation to the company, the company management and major shareholders in the company. ➔ Shareholding in RNB October 31, 2010: 0 shares.

Torsten Jansson
Member of the RNB Board since 2007 ➔ Born 1962 ➔ President and CEO of New Wave Group AB ➔ Other Board assignments: Chairman of the Board of Porthouse Interior AB. Member of the Board of a number of New Wave Group AB's subsidiaries, and Barnleken AB, Forcera AB and HIJ Fastighetsinvest AB. ➔ Deemed independent in relation to the company, the company management and major shareholders in the company. ➔ Shareholding in RNB October 31, 2010: 2,140,436 shares together with related parties.

Laszlo Kriss
Member of the RNB Board since 2009 ➔ Born 1946 ➔ Engineer ➔ President of Konsumentföreningen Stockholm ➔ Other Board assignments: Chairman of the Board of Atrium Ljungberg AB and Member of the Board of MedMera Bank AB and Blomsterfonden i Stockholm. ➔ Deemed independent in relation to the company and the company management but not the major shareholders in the company (KfS). ➔ Shareholding in RNB October 31, 2010: 0 shares.

Mikael Solberg
Member of the RNB Board since 1996 ➔ Born 1962 ➔ Degree in economics ➔ President and CEO of RNB RETAIL AND BRANDS since July 1, 2003 ➔ Other Board assignments: Chairman of the Board of Douglas Invest AS, Angelstar AB, Solberg Holding BV and Cellcomb AB. Member of the Board of Tryckeri AB Knappen. ➔ As President and CEO not deemed independent in relation to the company and its management, but independent in relation to the major shareholders in the company. ➔ Shareholding in RNB October 31, 2010: 9,245,876 shares together with related parties.

Nils Vinberg
Member of the RNB Board since 2009 ➔ Born 1957 ➔ Degree in business administration ➔ Other Board assignments: Chairman of the Board of Charge Holding AB. Vice Chairman of Björn Borg AB and Odd Molly International AB. Member of the Board of Elevenate AB and Vinberg Management AB. ➔ Deemed independent in relation to the company, the company management and major shareholders in the company. ➔ Shareholding in RNB October 31, 2010: 85,714 shares.

John Wallmark
Member of the RNB Board since 2009 ➔ Born 1950 ➔ Degree in business administration President of Spartoi AB ➔ Other Board assignments: Chairman of the Board of Spartoi AB and its subsidiaries Spartoi Invest AB, Spartoi Förvaltning AB, Pars Pro Ed AB and Retail Invest in Scandinavia AB. Member of the Board of Eatwell Solutions AB, SMA Maskin AB, SMA Nordic AB and Utveckling i Noresund AB. ➔ Deemed independent in relation to the company, the company management and major shareholders in the company. ➔ Shareholding in RNB August 31, 2010: 3,279,396 shares together with related parties.

Internal control

The Board is responsible for the company's internal control. The internal control aims to create an efficient decision-making process in which demands, goals and frameworks are distinctly defined. The control is ultimately aimed at protecting the company's assets and thereby the shareholders' investments.

Control environment

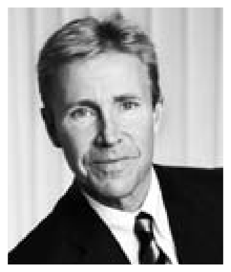
The control environment constitutes the foundation for the internal control. The control environment consists primarily of ethical values, integrity, expertise, management philosophy, organizational structure, responsibility and authority. RNB's internal work plans, instructions, policies, guidelines and manuals in this connection are important since they are used as guidelines for employees. A distinct distribution of roles and responsibilities and the provision of instructions for the President ensure the efficient management of operational risks at RNB. The President reports to the Board on a regular basis. In respect of operating activities, the President is responsible for the system of internal controls that is required to create a control environment for significant risks.

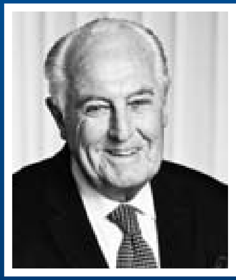
Risk assessment and control activities

RNB also has guidelines and policies pertaining to financial control and monitoring, communication issues and business ethics. Frameworks for credit and currency management, financial control and follow-ups are established through financial and accounting policies. The company takes out insurance policies tied to property values and loss of earnings based on analysis of need and risk. In addition, RNB has a Code of Conduct that applies to the entire Group. The Code of Conduct, which is based on a series of internationally accepted conventions, is an expression of the values and guidelines that apply within the Group in terms of business ethics, freedom and rights.

The Board's opinion is that there is sufficient understanding among employees of the need for adequate control of financial reporting. In brief, RNB's internal control structure is based on work distribution between the executive and shareholder functions of the company, reporting to the Board, established policies and guidelines, and the fact that employees comply with the policies and guidelines, thus ensuring adequate control of financial reporting.

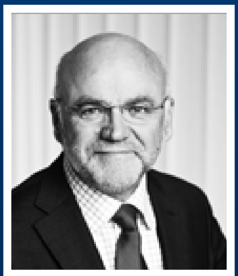
RNB analyses risk on an ongoing basis to identify potential sources of error within its financial reporting. The company has identified the processes in which the risks for significant errors in the financial reporting may be supposed to be relatively higher than in other processes, due to complexity in the business process, or due to high amounts or large transaction volumes. RNB has also documented vulnerability in certain IT systems and identified the risk of erroneous valuations and stickiness of inventories, including assessments of obsolescence. The documentation and subsequent risk assessment have resulted in a number of countermeasures and control activities. Normal control activities comprise account reconciliations and support controls. The aim of all countermeasures and control activities is to prevent, discover

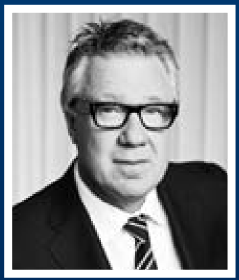

Magnus Håkansson


Jan Carlzon

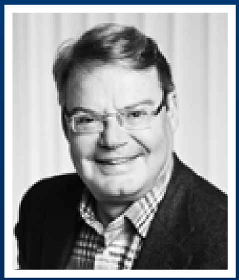

Lilian Fossum Biner


Torsten Jansson


Laszlo Kriss


Mikael Solberg


Nils Vinberg


John Wallmark

and correct any mistakes or deviations in the financial reporting. The objective is to continue monitoring control activities during the coming fiscal year.

Risks are deemed to exist regarding the valuation of goodwill and brand as well as for nonperforming receivables and deferred tax assets. On every balance-sheet date or if indications point to a decline in value, impairment tests of goodwill and brands are performed to calculate the fair value of the underlying assets. The counterparties' ability to meet their obligations for accounts receivables is assessed continually. Deferred tax assets tied to loss carry-forwards are recognized to the extent that future surpluses can be utilized against the deferred tax assets.

Information and communication

Correct internal and external information requires that all parts of the operations exchange and report relevant significant information on operations in an efficient manner. To achieve this, RNB has issued policies and guidelines pertaining to the handling of information in the financial process, which have been communicated from Group Management to employees.

During the fiscal year or in the following period, no infractions have occurred that have led to disciplinary measures from Nasdaq OMX or to a statement from the Swedish Securities Council.

Follow-ups

The Board continuously evaluates the information submitted by company management. The Board also monitors the efficiency of the work of company management. The Board's work includes ensuring that measures are implemented pertaining to the inadequacies and suggestions for corrective measures that may have arisen from the external audit.

Stockholm, December 3

Magnus Håkansson
Chairman of the Board

Jan Carlzon
Board member

Lilian Fossum Biner
Board member

Torsten Jansson
Board member

Laszlo Kriss
Board member

Mikael Solberg
Board member

Nils Viberg
Board member

John Wallmark
Board member

Management

Mikael Solberg
President and CEO → Born 1962 → Degree in economics → Employed by RNB since 2002 → Other Board assignments: Chairman of the Board of Douglas Invest AS, Angelstar AB, Solberg Holding BV and Cellcomb AB. Member of the Board of Tryckeri AB Knappen. → Shareholding in RNB 9,245,876 shares together with related parties.

Gunnar Bergquist
Chief Financial Officer → Born 1955 → Degree in business administration → Employed by RNB since 2009 → Shareholding in RNB 57,142 shares.

Amelie Söderberg
President of Departments & Stores Europe AB (since September 1, 2010) → Born 1969 → Degree in business administration → Employed by RNB since 2000 → Shareholding in RNB 0 shares.

Lea Rytz Goldman
President of JC → Born 1963 → Secondary education → Employed by RNB since 2002 → Other Board assignments: Member of the Board of Brio AB. → Shareholding in RNB 52,788 shares.

Maria Öqvist
President of Polarn O. Pyret → Born 1968 → Degree in business administration → Employed by RNB since 2010 → Shareholding in RNB 35,000 shares.

Anders Wiberg
President of Brothers & Sisters → Born 1961 Secondary education → Employed by RNB since 2009 → Shareholding in RNB 0 shares.

Agnes Öhlund
IT Manager → Born 1966 → Graduate engineer Employed by RNB since 2007 → Shareholding in RNB 3,200 shares.

Tina Zetterström
Human Resources Manager → Born 1972 → Degree in Human Resources → Employed by RNB since 2008 → Shareholding in RNB 0 shares.

Per-Åke Arvidsson
Global Supply Chain Manager → Born 1961 → Master of forestry degree → Employed by RNB since 2010 → Other Board assignments: Member of the Board of Procurement Power → Shareholding in RNB 0 shares.

Ann-Christin Edling Jönsson → President of Departments & Stores Europe AB → Born 1963 Employed by RNB since 1997 (ended employment on August 31, 2010) → Other Board assignments: Member of the Board of Ballingslöv International AB. → Shareholding in RNB 4,000 shares.

Audit opinion concerning the corporate governance report in accordance with Chapter 6, Section 9 of the Annual Accounts Act (1995:1554)

To the Annual General Meeting of Shareholders of RNB RETAIL AND BRANDS AB (publ), Corporate identity number 556495-4682

Uppdrag och ansvarsfördelning
Assignment and division of responsibility

We have reviewed the corporate governance report for the fiscal year September 1, 2009 to August 31, 2010 (pages 80–84). The Board of Directors and the Chief Executive Officer are responsible for the corporate governance report and for its preparation in accordance with the Annual Accounts Act. Our responsibility is to review the corporate governance report so that we can make a written opinion in accordance with Chapter 6, Section 9 of the Annual Accounts Act.

The focus and scope of the audit

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the corporate governance report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the disclosures in the corporate governance report. We believe that our audit provides a reasonable basis for our opinion set out below.

Opinion

We consider that the corporate governance report has been prepared in accordance with the Annual Accounts Act and that it is consistent with the rest of the annual report and consolidated accounts.

Stockholm, December 3, 2010

Ernst & Young AB

Bertel Enlund
Authorized Public Accountant

Mikael Solberg

Gunnar Bergquist

Amelie Söderberg

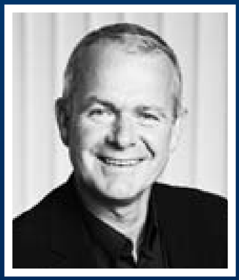
Lea Rytz Goldman

Maria Öqvist

Anders Wiberg

Agnes Öhlund

Tina Zetterström



Per-Åke Arvidsson

The RNB share

Share capital

The RNB RETAIL AND BRANDS share has been listed on the Nasdaq OMX Nordic, Stockholm, Small Cap list since June 2001 under the ticker RNBS. The registered share capital in RNB on August 31, 2010 amounted to SEK 165,425,251, divided between 165,425,251 shares each with a par value of SEK 1. All of the shares are common shares.

According to Euroclear, the number of RNB shareholders on August 31, 2010 was 12,158, of whom 90.7% were registered in Sweden. RNB's ten largest owners held shares corresponding to 49.68% of both the share capital and voting rights in the company. On the same date, the shares registered outside Sweden represented 23.60% of the total number of shares in the company.

Share-price trend

The closing share price on August 31, 2010 was SEK 6.70, equal to market capitalization of SEK 1,108,349,181 for RNB RETAIL AND BRANDS. A total of 222,148,408 shares were traded in 2009/2010. The average number of shares traded per trading day was 881,541. The highest price quoted during the year was SEK 11.80 on December 7, 2009 and the lowest price was SEK 5.90 on September 4, 2009.

Combined rights issue and private placement, October 2009

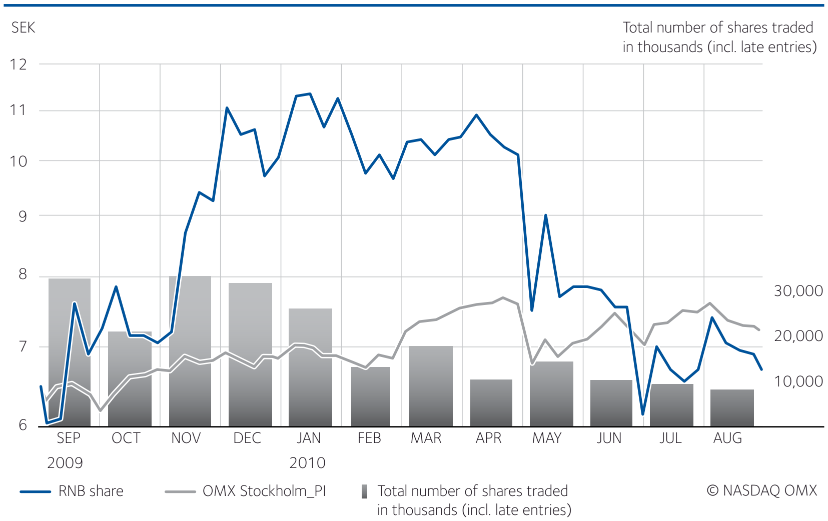
On August 26, 2009, the Board of Directors of RNB decided, based on the approval of the Extraordinary General Meeting held on September 10, to implement a combined rights issue and private placement. The combined share issue comprised a private placement of 34,959,350 new shares to Konsumentföreningen Stockholm at a subscription price of SEK 6.15 per share, whereby RNB received proceeds of SEK 215 M, and an issue of preferential rights for RNB's shareholders whereby existing shareholders were entitled to subscribe for one new share for seven old shares for a price of SEK 6.15, for which RNB received additional proceeds of approximately SEK 100 M. A total of 15,673,637 shares, corresponding to about 96.1% of the shares offered, were subscribed for based on subscription rights. In addition, 36,691,247 shares, corresponding to about 225% of the shares offered, were subscribed without support of subscription rights in accordance with the principles described in the prospectus.

Following the combined share issue, the number of shares in RNB rose to 51,267,587 and the share capital by SEK 51,267,587. After the final shares were registered on November 3, 2009, the total number of shares in the combined share issue amounts to 165,425,251 and share capital to SEK 165,425,251.

Dividend policy

The Board of Directors' long-term objective is to distribute half of profit after taxes to shareholders. The Board proposes that no dividend be paid for the 2009/2010 fiscal year.

RNB share diagram



Analysts who monitor RNB

Handelsbanken	Erik Sandstedt ersa07@handelsbanken.se
Öhman Fondkommission	Rolf Karp rolf.karp@ohman.se
SEB Enskilda	Nicklas Fhärm nicklas.fharm@enskilda.se

Ownership structure at August 31, 2010

Major shareholders	No. of shares	Share capital/ Voting rights, %
Konsumentföreningen Stockholm	34,959,350	21,1
Axbrands AB	11,600,000	7,0
Douglas Invest AS (Mikael Solberg)	9,231,776	5,6
Avanza Pension	6,818,845	4,1
Irish Life International Ltd[1]	4,501,654	2,7
UBS AG	3,932,245	2,4
Retail Invest AB (John Wallmark)	3,279,396	2,0
Fourth Swedish National Pension Fund	2,883,764	1,7
Nordnet Pensionsförsäkring AB	2,799,030	1,7
Irish Life International Ltd PB[1]	2,169,000	1,3
Total, major shareholders	**82,175,060**	**49,7**
Others	83,236,091	50,3
Total	**165,411,151**	**100,0**

1 Kontrolleras dessutom av Jan Carlzon med 980 000 aktier i Swiss Life.

Shareholder structure at August 31, 2010

Size of shareholding by category	No. of shares	Share capital/ Voting rights, %
1–500	3,705	0.5
501–1,000	1,963	1.0
1,001–5,000	4,445	6.3
5,001–10,000	936	4.3
10,001–15,000	344	2.6
15,001–20,000	187	2.1
20,001–	578	83.2
Total	**12,158**	**100.0**

Key data per share

SEK per share	2006/ 2007	2007/ 2008	2008/ 2009	**2009/ 2010**
Earnings per share	4.49	–1.11	–6.12	0.18
Dividend per share	1.50	0	0	0
Bid price for share on OMX Nordic Exchange at year-end	72.50	12.95	6.54	6.7
Shareholders' equity per share	27.42	24.60	9.38	8.49
Dividend yield, %	2.1	0	0	0
P/E ratio, (share price/ earnings per share)	16.1	neg.	neg.	37.2

Trend of share capital

Year, Transaction	Increase in no. of shares	Accumulated no. of shares	Increase in share capital	Accumulated share capital	Par value per share, SEK
1997, Opening balance		90,000		9,000,000	100
1998, New share issue	11,250	101,250	1,125,000	10,125,000	100
2000, New share issue	106,125	207,375	10,612,500	20,737,500	100
2001, Split 25-for-1	4,977,000	5,184,375		20,737,500	4
2001, New share issue	150,000	5,334,375	600,000	21,337,500	4
2001, New share issue	253,740	5,588,115	1,014,960	22,352,460	4
2001, New share issue	2	5,588,117	8	22,352,468	4
2001, New share issue	1,916,320	7,504,437	7,665,280	30,017,748	4
2005, New share issue	800,000	8,304,437	3,200,000	33,217,748	4
2005, Split 2-for-1	8,304,437	16,608,874		33,217,748	2
2006, Split 2-for-1	16,608,874	33,217,748		33,217,748	1
2006, New share issue	20,871,016	54,088,764	20,871,016	54,088,764	1
2006, New share issue	1,083,562	55,172,326	1,083,562	55,172,326	1
2006, New share issue	755,286	55,927,612	755,286	55,927,612	1
2006, New share issue	151,220	56,078,832	151,220	56,078,832	1
2006, Conversion of debentures	1,000,000	57,078,832	1,000,000	57,078,832	1
2008, New share issue	57,078,832	114,157,664	57,078,832	114,157,664	1
2009, New share issue	34,959,350	149,117,014	34,959,350	149,117,014	1
2009, New share issue	16,308,237	165,425,251	16,308,237	165,425,251	1

Five-year summary

Income statement items

SEK M	Sep 05–Aug 06	Sep 06–Aug 07	Sep 07–Aug 08	Sep 08–Aug 09	**Sep 09–Aug 10**
Revenues	1,543.2	3,475.5	3,439.7	3,212.0	3,072.3
Operating profit/loss	29.9	342.2	1.8	–636.0	48.0
Net financial items	–9.0	–36.4	–53.5	–52.6	–26.3
Profit/loss after financial items	20.9	305.8	–51.7	–688.6	21.7
Net profit/loss for the year	**10.6**	**255.8**	**–63.2**	**–662.8**	**28.9**

Balance-sheet items

SEK M	Sep 05–Aug 06	Sep 06–Aug 07	Sep 07–Aug 08	Sep 08–Aug 09	**Sep 09–Aug 10**
Fixed assets	2,039.5	2,124.2	2,193.5	1,660.9	1,605.8
Inventories	508.1	549.8	672.0	590.6	563.2
Accounts receivable	172.2	188.5	291.0	222.1	201.8
Other current assets	111.9	88.1	140.1	112.0	97.5
Cash and cash equivalents	30.9	42.4	31.6	15.3	49.5
Total assets	**2,862.6**	**2,993.0**	**3,328.2**	**2,600.9**	**2,517.8**
Shareholders' equity	1,273.0	1,565.2	1,404.1	1,071.3	1,404.5
Long-term liabilities	815.7	758.7	717.4	590.5	571.1
Current liabilities	773.9	669.1	1,206.7	939.1	542.2
Total shareholders' equity and liabilities	**2,862.6**	**2,993.0**	**3,328.2**	**2,600.9**	**2,517.8**

Key data

	Sep 05–Aug 06	Sep 06–Aug 07	Sep 07–Aug 08	Sep 08–Aug 09	**Sep 09–Aug 10**
Gross profit margin, %	48.0	45.4	43.3	43.0	48.4
Operating margin, %	1.9	9.9	0.1	neg	1.6
Profit margin, %	0.7	7.3	neg	neg	0.9
Risk-bearing equity, SEK M	1,402.8	1,715.6	1,563.5	1,187.5	1,525.4
Share of risk-bearing equity, %	49.0	57.3	47.0	45.7	60.6
Equity/assets ratio, %	44.5	52.3	42.2	41.2	55.8
Capital employed, SEK M	2,194.1	2,335.7	2,427.1	1,913.2	1,882.5
Return on capital employed, %	2.4	15.3	0.6	neg	3.5
Return on equity, %	1.5	18.3	neg	neg	2.3
Number of annual employees	721	1,356	1,430	1,451	1,423
Number of proprietary stores at year-end	215	224	242	243	218
Number of franchise stores at year-end	188	190	187	192	184

Data per share[1]

	Sep 05–Aug 06	Sep 06–Aug 07	Sep 07–Aug 08	Sep 08–Aug 09	**Sep 09–Aug 10**
Profit/loss after tax, SEK	0.31	4.49	–1.11	–6.12	0.18
Shareholders' equity, SEK	23.07	27.42	24.60	9.38	8.49
Share price, August 31, SEK	48.50	72.50	12.95	6.54	6.70
Average number of shares (thousands)	36,181	56,724	57,079	108,371	161,052
Number of shares at year-end, thousands	55,172	57,079	57,079	114,158	165,425

1 Data per share pertains to the situation prior to the rights issue in September 2009.

Definition of key data

Share of risk-bearing equity
Risk-bearing shareholder's equity in relation to total assets.

Number of annual employees
Total number of hours of attendance during the past 12-month period divided by the normal hours worked per year in each country.

Return on equity
Profit after tax as a percentage of average shareholders' equity. Average shareholders' equity is calculated as shareholders' equity at the beginning of the year plus shareholders' equity at year-end divided by two.

Return on capital employed
Profit after financial items plus financial expenses as a percentage of average capital employed. Average capital employed is calculated as capital employed at the beginning of the year plus capital employed at year-end divided by two.

Gross profit margin
Net sales minus cost of goods sold in relation to net sales.

Direct yield
Dividend as a percentage of the share price on the balance-sheet date.

Comparable sales trends
Sales trend for comparable months in proprietary stores that have been open for more than 12 months.

Cash flow per share
Cash flow after investments divided by number of shares.

Operating capital
Total assets less cash and cash equivalents, other interest-bearing assets and non-interest-bearing liabilities

Earnings per share
Profit after full tax divided by the weighted average number of shares.

Earnings per share after dilution
Profit after full tax divided by the weighted average number of shares after conversion of the convertible debenture loan.

Risk-bearing equity
Total of reported shareholders' equity, minority interest and deferred tax liabilities.

Operating margin
Operating profit in relation to net sales.

Equity/assets ratio
Shareholders' equity in relation to total assets.

Capital employed
Total assets less non-interest-bearing liabilities.

Pay-out ratio
Dividend as a percentage of earnings per share

Profit margin
Net profit in relation to net sales.

Financial calendar

January 19, 2011	First quarter interim report, 2010/2011, 7:00 a.m.
January 20, 2011	Annual General Meeting, 5:00 p.m.
April 6, 2011	Second quarter interim report, 2010/2011, 7:00 a.m.
June 30, 2011	Third quarter interim report, 2010/2011, 7:00 a.m.
October 27, 2011	Fourth quarter, Year-end report, 2010/2011, 7:00 a.m.

Annual General Meeting

The Annual General Meeting will be held on January 20, 2011 at 5:00 p.m. at the company's premises at Regeringsgatan 29, Stockholm, Sweden.

Participation
Shareholders wishing to participate in the business of the Meeting must be recorded in the Securities Register maintained by Euroclear Sweden AB no later than Friday, January 14, 2011, and notify the company of their intention to participate no later than Monday, January 17, 2011 a t the address RNB RETAIL AND BRANDS AB, PO Box 161 42, SE-103 23 Stockholm, Sweden by telephone to +46 8 410 520 60 or by e-mail to ann-charlotte.bjorkman@rnb.se.

Trustee-registered shares
To be entitled to vote at the Meeting, shareholders whose shares are registered in a nominee's name must temporarily register their shares in their own names with Euroclear Sweden AB. Shareholders requiring such registration must inform their trustee of this no later than January 14, 2011.

Dividend
The Board proposes that no dividend be paid for the 2009/2010 fiscal year.

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