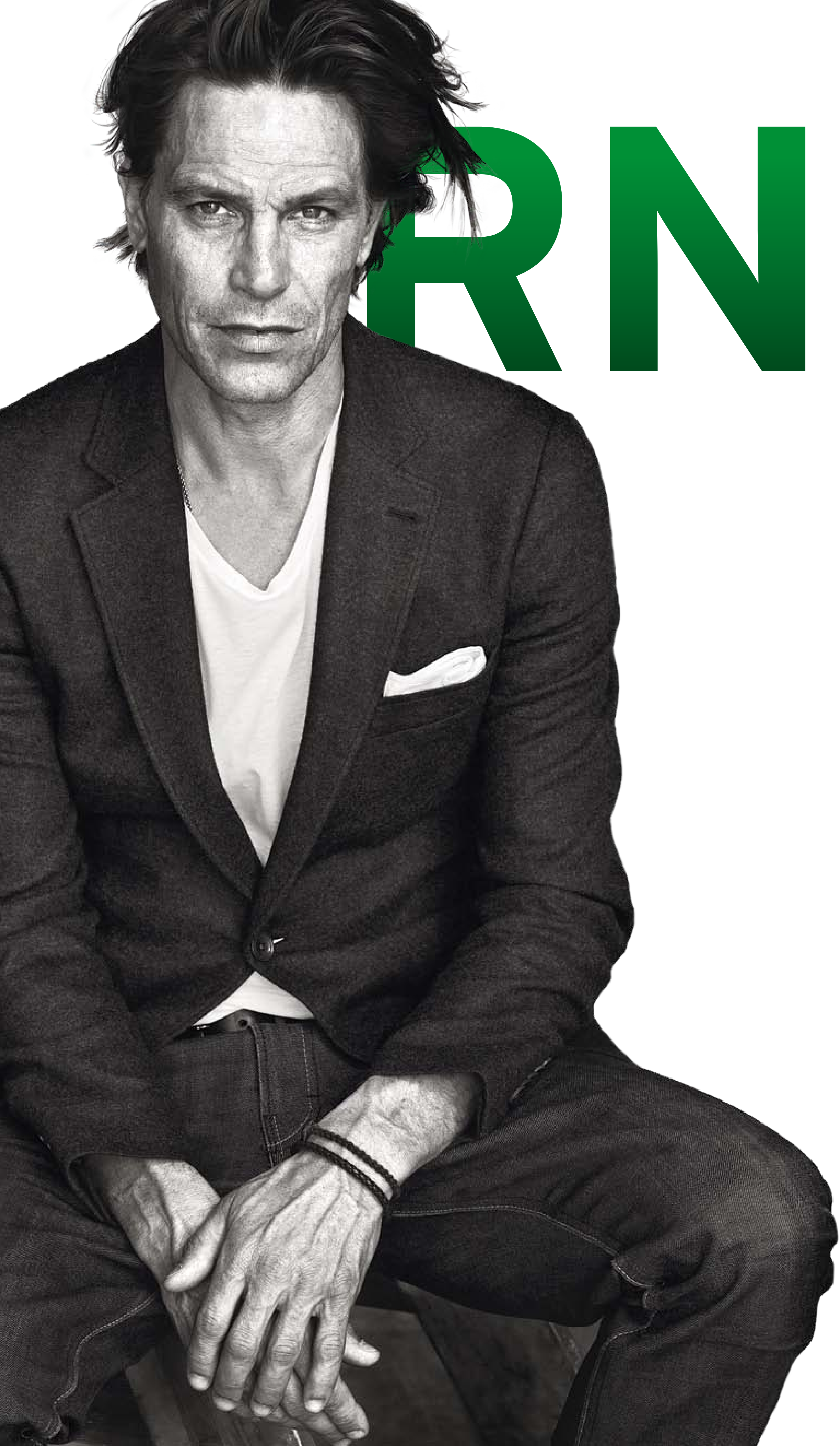


RNB

RNB RETAIL AND BRANDS

ANNUAL REPORT
2010/2011

POLARN O. PYRET

DEPARTMENTS & STORES

KOSTA OUTLET

BROTHERS

SISTERS

JC

POLARN O. PYRET

DEPARTMENTS & STORES

NORDISKA KOMPANIET

KOSTA OUTLET

BROTHERS

SISTERS

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. RNB has a total of 392 stores, of which 177 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 of 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 Kosta Outlet.

The year in brief

2010/2011 fiscal year in figures

- Net sales amounted to SEK 2,966 M (3,054), down 2.9%, of which the divestment of the Steen & Ström operations accounted for a decline of 2.2%. Sales in comparable proprietary stores fell 0.7%.

- Goodwill and trademarks in JC were charged with impairment losses of SEK 431 M, gross, corresponding to SEK 368 M, net, after deferred tax.

- The operating result declined SEK 126 M, excluding impairment losses of SEK 431 M on goodwill and trademarks, to a loss of SEK 78 M (profit: 48).

- The loss after tax was SEK 445 M (profit: 29), corresponding to a loss per share of SEK 2.69 (profit: 0.18). The loss includes impairment losses of SEK 368 M on goodwill and trademarks in JC.

- Cash flow from operating activities amounted to a negative SEK 18 M (pos: 120).

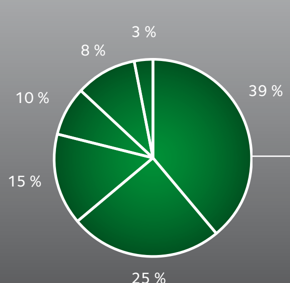
Important events 2010/2011

New President and CEO
Magnus Håkansson, 48, was appointed as the new President and CEO of the company. Magnus Håkansson succeeded Mikael Solberg, who was re-elected as a Board member at the Annual General Meeting.

New President of JC
During the year, Marthyn Inghamn was appointed as the new President of JC. Marthyn is one of Sweden's most experienced executives when it comes to jeans and most recently served as Vice President of Levi's Mens Europe.

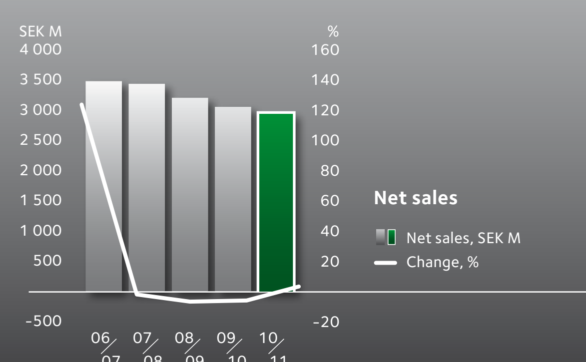
New financial objectives for RNB
The Board of Directors decided to adopt new financial objectives for RNB starting in the 2011/2012 fiscal year.

The new financial objectives are:
- A long-term operating margin of 10%
- Long-term sales growth of 5-10%
- A debt/equity ratio of 0.5-1.0



Sales per product category, %

Men	39 %
Ladies	25 %
Children	15 %
Underwear and accessories	10 %
Cosmetics	8 %
Jewelry	3 %



Net sales
Net sales, SEK M
Change, %

After the end of the fiscal year

Logistics and purchasing

RNB continued implementing its Group-wide program of change and opened a production office in Hong Kong on November 1, 2011. The office will coordinate production for the subsidiaries Polarn O. Pyret, Brothers & Sisters and JC with the support of satellite offices to be opened in Shanghai, China, and Dhaka, Bangladesh. This coordinated approach will have a positive impact of 1 to 2 percentage points on the gross margin.

Brothers & Sisters business area

The Sisters concept is undergoing an extensive strategic change, including the conversion of certain dual-purpose stores into single-purpose Brothers stores. Other stores are reducing the retail space devoted to Sisters and expanding the Brothers area. The Sisters range will also shift from carrying both internal and external brands to carrying only external brands.

JC business area

The Board decided to significantly reduce JC's Norwegian operations. The number of stores is initially being cut from 21 to a total of five.

During autumn 2011, Group management was strengthened by the appointment of new senior executives:

- Marthyn Inghamn, President of JC
- Yongan Kim, President of Brothers & Sisters
- Anders Wiberg, Global Supply Chain Director
- Madeléne Granath, HR Manager
- Sarah König, Real Estate Manager
- Henrik Welander, (interim) CIO

Net sales per quarter and business area **2010/2011**

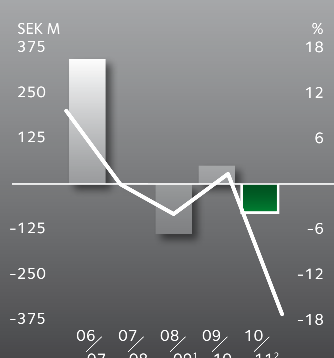
SEK M	Q1	Q2	Q3	Q4	Total
Polarn O. Pyret	142.7	127.5	102.4	108.1	**480.7**
Department Stores[1]	269.8	279.3	223.3	255.5	**1.027.9**
Brothers & Sisters	152.2	142.8	146.8	144.2	**586.0**
JC	224.2	223.7	203.1	227.9	**878.9**
Other	–1.7	–0.9	–0.7	–4.5	**–7.8**
Total	**787.2**	**772.4**	**674.9**	**731.2**	**2.965.7**

1 Department Stores comprise Department & Stores and Kosta Outlet Mode.

Operating profit/loss per quarter and business area **2010/2011**

SEK M	Q1	Q2	Q3	Q4	Total
Polarn O. Pyret	32.1	17.6	8.5	11.2	**69.4**
Department Stores[1]	20.2	30.6	5.1	17.8	**73.7**
Brothers & Sisters	7.9	2.7	0.2	–4.9	**5.9**
JC	–2.9	–12.5	–525.5	–45.9	**–586.8**
Other	–10.6	–27.1	–21.3	–12.7	**–71.7**
Total	**46.7**	**11.3**	**–533.0**	**–34.5**	**–509.5**

1 Department Stores comprise Department & Stores and Kosta Outlet Mode.



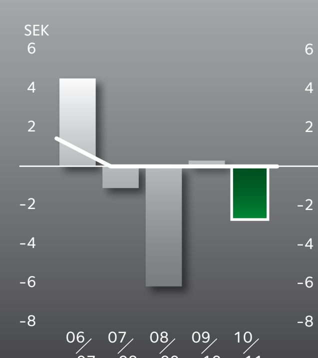
Operating profit/loss

Operating profit/loss, SEK M

Operating margin, %

1 The operating result for the second quarter of 2008/2009 is reported excluding the impairment loss on goodwill, which amounted to SEK 500 M.

2 The operating result for the third quarter of 2010/2011 is reported excluding the impairment loss on goodwill and trademarks, which amounted to SEK 431 M.



RNB share

Earnings per share, SEK

Dividend per share, SEK

Magnus Håkansson, President and CEO

My top fashion tips:

The combination of a great-looking pair of jeans, high-quality shirt and well-tailored jacket works in almost all situations.

I am wearing:

Suit, **The Tailoring Club, Brothers**
Shirt**, Brooks, Brothers**
Pocket square, **A. Christiansen**
Shoes, **Bally**

CEO's comments

Since spring 2011, the retail industry has been adversely impacted by declining household consumption and major concerns about the effects of the European debt crisis. Competition from international players is also intensifying, a trend that continued throughout 2010/2011. Nonetheless, establishing a clear market position will provide us with the prerequisites to continue producing fashionable and sustainable clothing at a reasonable price and allow us to boost profitability when the market recovers. The changes we have introduced will provide RNB with a solid platform from which to strengthen our position while improving profitability.

The 2010/2011 fiscal year started off strong for RNB, with substantial growth that later declined during the winter and ultimately culminated in a weak sales trend in the spring and summer. During the first six months of the year (September to February), our four concepts significantly outperformed the market as a whole in terms of sales growth in comparable stores. During the second half of the year (March to August), market growth declined and sales for our four concepts weakened. Polarn O. Pyret and Departments & Stores, including the NK stores, provided us with two strong operations that continued to perform well despite the harsh market climate. Brothers also has a fundamentally solid position.

In May, I assumed the role of President and CEO from Mikael Solberg, who left the company after seven years in the position. In my previous role as Chairman of the Board, I had the opportunity to gain insight into the strategic agenda that Group management and I were to ultimately follow.

Significant potential for improvement

During the spring, I visited some 60 of our stores throughout Sweden and, together with Group management, carried out extensive analysis and prioritization work.

Departments & Stores is performing well, offers a world-class retail experience and is profitable. Polarn O. Pyret has a distinct position and an exceptionally strong brand and is profitable, but could establish a presence in more locations in Sweden. Polarn O. Pyret also offers considerable international potential. Brothers has a clear offering, a solid market position and is profitable, but could establish a presence in more locations in Sweden. Our biggest challenge is JC, which accounts for 30% of RNB's total sales. Earlier attempts to rejuvenate JC have mainly focused on increasing sales. Our recent analysis shows that the concept and range need to be drastically changed to create the conditions required to boost sales. Like all retail operations, JC's success naturally also depends on its cost efficiency.

We have the potential to create additional synergies between the companies in the Group. It is vital that these synergies be realized. The greatest potential comes in the form of increased production coordination and changes in the distribution of work between the head office in Stockholm and the production operations, particularly in Asia. This work is strategically important for JC, Brothers & Sisters and Polarn O. Pyret. It will allow us to limit our use of human resources and reduce the cost of materials, which will have a positive impact on the gross margin, while simultaneously enabling us to ensure that our production operations are sustainable.

In brief, our strategic agenda will entail:

- Establishing more Polarn O. Pyret stores in Sweden
- Increasing the rate of Polarn O. Pyret's international expansion
- Establishing more Brothers stores in Sweden
- Improving cost efficiency in all areas
- Selective coordination, primarily of the production process, but also of new store establishment and marketing
- Rejuvenating the concept for JC

Building on our strong market position

Polarn O. Pyret has a strong concept, with high-quality materials and production operations. The brand, which has existed for 35 years, is associated with striped garments and the consistent image projected through its stores and customer service. This position gives Polarn O. Pyret a high level of credibility and forms the basis for a successful secondhand market for its products. Maintaining a high and consistent level of deliveries is crucial and the business plan features investing in and refurbishing existing stores, as well as opening a number of new stores. Polarn O. Pyret's brand promise can be summarized as follows – sustainability, cutting-edge technology and allowing children to be children. Based on the strength of its brand, Polarn O. Pyret will be able to continue expanding both in Sweden and internationally.

Although the Brothers & Sisters concept is fundamentally strong, Sisters' vulnerable market position deteriorated further during the year. A decision was made to convert a number of dual-purpose stores into Brothers stores and to increase the retail space devoted to Brothers (and reduce the scope of the Sisters concept) in a number of other dual-purpose stores. In the remaining Sisters stores, we plan to offer only external brands. We will initially reduce the number of combined Brothers & Sisters stores from 57 to 49. In the next stage of our plan, the number of dual-purpose stores will be limited to about 40. Focusing exclusively on external brands will clarify Sisters' offering and reduce its operational risk, while enabling Brothers to benefit from having more floor space, marketing resources and a more distinct profile. The focus on Brothers will be further strengthened by the establishment of a number of new stores in Sweden and Finland in coming fiscal years.

In many ways, Departments & Stores is truly an asset to RNB. It generates a positive cash flow at a low risk and provides us with best practice for sales and operations from the NK stores. Departments & Stores boosts RNB's industry presence through its relationships with a number of high-profile brand suppliers. With its distinctly high-end profile, Departments & Stores' operations at NK are well positioned to weather the recession with more than satisfactory profitability.

Through our new production strategy and the establishment of a shared working method and production office, we are ensuring that our production operations remain cost efficient. We are also ensuring better control processes and that the implementation of our sustainability goals improves in several respects:

- Control and monitoring of chemical and water consumption in manufacturing processes
- Compliance with quality and product-safety requirements
- Active promotion of acceptable working conditions and a safe working environment at production plants

Although we are already working on these issues, our commitment will be strengthened through an increased presence in our production countries. Improving the implementation of our sustainability goals will also further bolster our market position.

JC

JC's performance has placed the Group under financial strain in recent years and the 2010/2011 fiscal year was no exception. We are taking forceful action to reverse this trend, starting with the following measures, which already generated results in 2011/12 and are expected to achieve full effect in 2012/13:

- Increased cost efficiency through the rationalization of central functions
- More efficient production processes, with JC included in the Group's production strategy
- Restructuring and major reduction of the Norwegian operations
- More efficient operations – development of product range, marketing and store operations
- Implementation of a conceptual shift

New Group management

During the autumn, RNB added a number of new members to Group management. In August, JC welcomed its new President, Marthyn Inghamn, who has extensive experience in the world of jeans and fashion. Sarah König was appointed as Real Estate Manager and Madeléne Granath as the company's new HR Manager. Anders Wiberg left his position as President of Brothers & Sisters to assume global responsibility for the distribution chain and the development of our production operations in East Asia. To ensure continuity, Yongan Kim was promoted from Product Range Manager at Brothers & Sisters to President.

It is gratifying to see how cooperation among Group management has progressed and strengthened across the Group's company and function borders. The work of Group management is characterized by open and highly transparent teamwork and coordination. This creates a solid platform for executing the extensive changes we are currently implementing.

Outlook and financing

I expect the market to remain weak for most of the 2011/2012 fiscal year. To ensure a stable long-term financial position, we are focusing on a number of liquidity-boosting activities, in parallel with various measures to strengthen earnings. With the actions already taken, I believe we will have the necessary leverage when the market turns. In the 2012/2013 fiscal year, we will see the positive full-year effects of the measures we have implemented and our cost level will be reduced by at least SEK 65 M compared with the end of the 2010/2011 fiscal year. Our focus on the Group's strategic agenda, particularly the change efforts under way at JC, will influence our work in the coming year. We have a solid foundation from which to deepen and advance our strong market position and will do so with great care and focus. In this work, it is crucial that JC's niche position is fully clarified.

Magnus Håkansson

Goals and strategy

Business concept

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

Vision

"The ultimate shopping trip."

Goals

RNB RETAIL AND BRANDS aims to create value for its shareholders and other stakeholders through profitable growth. This overriding goal of profitable growth is to be achieved by pursuing the operational and financial objectives established by the Group.

Operational objectives

RNB RETAIL AND BRANDS aims to provide customers with excellent service and a world-class shopping experience 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

As a result of the program of change initiated by the RNB Group and the operational changes implemented to date, the Board of RNB decided to review the company's financial objectives. The new financial objectives will apply from the 2011/2012 fiscal year. According to the new objectives, RNB aims to achieve:

- A long-term operating margin of 10%
- A long-term sales growth of 5-10%
- A debt/equity ratio of 0.5-1.0

Strategic focus

RNB RETAIL AND BRANDS' strategic focus for the current year is based on the program of change initiated in the 2010/2011 fiscal year. The aim of the strategy is to enhance cost efficiency, generate increased synergies and thus create the conditions for profitable growth.

In brief, the Group's strategic agenda entails:

- Establishing more Polarn O. Pyret stores in Sweden
- Increasing the rate of Polarn O. Pyret's international expansion
- Establishing more Brothers stores in Sweden
- Improving cost efficiency in all areas of the Group
- Selective coordination, primarily of the production process, but also of new store establishment and marketing
- Rejuvenating the concept for JC

RNB RETAIL AND BRANDS worldwide

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 ten markets.

Department Stores

Departments & Stores offers a unique distribution platform for national and international brands in strong marketplaces. The company has extensive operations in leading department stores in several Nordic countries – NK in Stockholm, NK in Gothenburg and a minor operation in Illum in Copenhagen.

RNB also has an outlet operation, Kosta Outlet Mode, with leading brands in one of Sweden's largest outlet areas – Kosta Outlet.

A shared feature at RNB's 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 rigorous demands on service, knowledge and quality.

JC

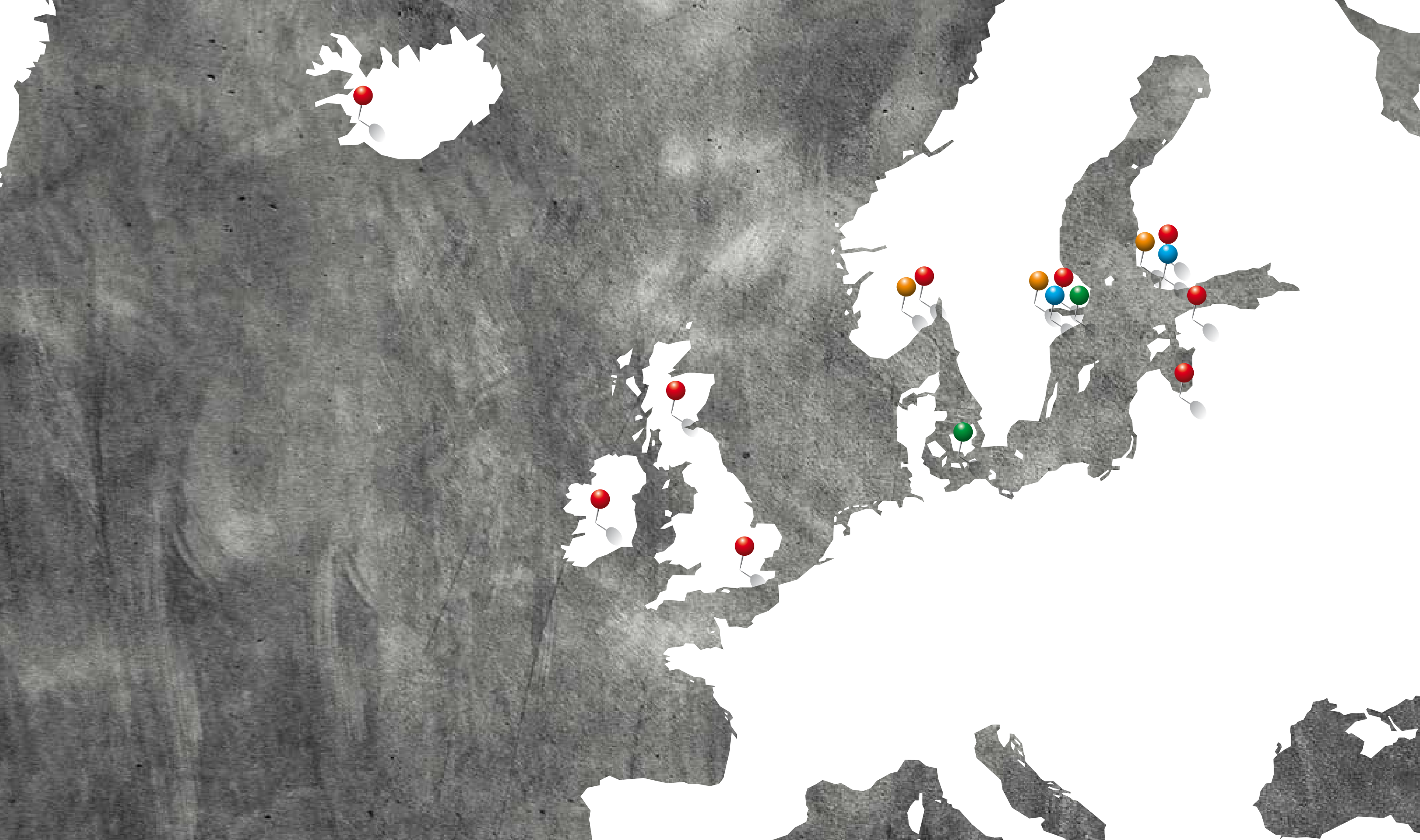
JC Jeans & Clothes is a store concept that represents a young lifestyle based on jeans and clothing worn with jeans. The range is based largely on proprietary products and supplemented with external jeans brands. JC has a long history and the first JC store was established in 1963. JC operates proprietary 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 comprehensive offering of jeans in order to increase availability and product knowledge, and thus offer "one-stop shopping" for customers.

Brothers & Sisters

Brothers & Sisters are two volume-oriented, comprehensive concepts for men and women. 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.

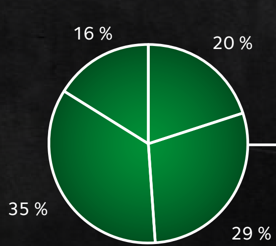
The first Brothers store in Sweden opened in 1992, while Sisters was launched in Sweden in 2000. The first international establishment took place in Finland in 2006. The stores in Sweden are operated either by RNB or independent franchisees. In Finland, RNB owns all stores.



Business area	Stores	
JC	**146**	of which 67 franchises
Sweden	108	of which 66 franchises
Norway	23	of which 1 franchise
Finland	15	of which 0 franchises
Brothers & Sisters	**80**	of which 40 franchises
Sweden	73	of which 40 franchises
Finland	7	of which 0 franchises
Sisters single-purpose stores	1	of which 0 franchises
Sweden	1	of which 0 franchises
Finland	0	of which 0 franchises
Brothers & Sisters dual-purpose stores	53	of which 25 franchises
Sweden	53	of which 25 franchises
Finland	0	of which 0 franchises

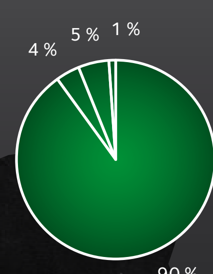
Business area	Stores	
Department Stores	**49**	17,995 sqm
NK Stockholm	30	
NK Göteborg	17	
Illum	1	
Kosta Outlet	1	
Polarn O. Pyret	**117**	of which 70 franchises
Sweden	61	of which 14 franchises
Norway	21	of which 21 franchises
Finland	12	of which 12 franchises
England	12	of which 12 franchises
Scotland	2	of which 2 franchises
Ireland	2	of which 2 franchises
Island	2	of which 2 franchises
Estonia	2	of which 2 franchises
US	2	of which 2 franchises
Latvia	1	of which 1 franchise

As per August 31, 2011



Sales 2010/2011 per business area, %

Brothers & Sisters	20 %
JC	29 %
Department Stores	35 %
Polarn O. Pyret	16 %



Sales 2010/2011 per geographical market, %

Sweden	90 %
Norway	4 %
Finland	5 %
Denmark	1 %

Our market

RNB RETAIL AND BRANDS conducts operations in fashion, ready-to-wear clothing, accessories, jewelry and cosmetics through its subsidiaries Departments & Stores, Polarn O. Pyret, Brothers & Sisters and JC. The Group is active in 11 markets, the largest of which is Sweden.

The market in 2010/2011

The clothing market in Sweden, which was worth SEK 55 billion in 2010, has displayed stable growth for several consecutive years. However, this growth trend was broken in autumn 2010 and conditions remained weak in 2011. During the period from September 2010 to August 2011, the Swedish retail market declined 3.7% in comparable units, according to data from HUI. Comparable sales in RNB's proprietary stores in Sweden during the same period fell 0.3%. Total comparable sales in RNB's proprietary stores in all countries declined 0.7%.

Due to the weak trend during the year, HUI predicts that the sales growth figures for the retail market in 2011 will be the weakest since 1996. Households are choosing to focus on savings rather than consumption, a trend that is probably the result of people waiting for positive news regarding the European debt crisis and the possible effects on the Swedish economy and household finances. Should the global financial crisis worsen, sales will probably continue to decline, while a solution to the debt crisis would instead have the opposite effect.

Driving forces

The retail market is driven by several different external factors, the most important being economic factors such as changes in GDP, trends with respect to disposable income, tax and interest rates, consumer views of their private financial status and general economic trends. Demographics are another factor that affects demand. Due to a gradual, long-term shift toward older age groups, people between the ages of 30 and 60 are accounting for a progressively larger percentage of the population, which means that older age groups are also becoming more significant to all retail operations.

Seasonal variations

Retails sales trends vary according to the season. Sales are strongest during the autumn and winter and peak in December, when Christmas shopping is a powerful driving force. Historically speaking, August is also a strong sales month, since the start of the school year tends to trigger an increase in sales of children's clothing. Prices are generally higher for autumn and winter collections, which has a positive impact on gross profit during the first quarter of the split fiscal year (September to November). The major discount months are January, February and July, with a negative effect on gross margins and profit margins.

Weather is another factor that impacts sales. A mild autumn and winter tends to adversely affect sales, while cold, wet summers have historically boosted sales.

Competition intensifying in several areas

RNB competes specifically with international retail chains, local chains, independent stores, clothing departments at department stores, shopping centers and sports stores. Generally speaking, all players in the clothing and accessory market, irrespective of price and quality segment, compete for customer consumption to some degree.

The retail clothing market in Sweden has undergone structural transformation, whereby large stores and store chains are gaining market shares. The retail industry is relatively mature and its growth essentially tracks GDP, yet offers healthy growth potential for companies that are well positioned and willing to play an active role in its restructuring. The trend toward a market dominated by larger players continues and economies of scale provide a decisive competitive edge, as reflected in improved gross margins for larger companies. The number of sales outlets and employees has increased since the early 2000s. One effect of this trend is that acquisitions of local store chains and store premises are becoming more commonplace. Prime business locations are becoming a progressively important competitive factor as the retail sector is gradually being concentrated to attractive locations in major cities or shopping centers. This trend will continue to favor large fashion chains at the expense of independent local stores.

Many major players in the industry are fully integrated chains, which control the entire process from concept and design to in-store operations. Having a relatively high level of control allows for healthy flexibility when it comes to responding to new trends and customer purchasing patterns. Flexibility is a strong competitive advantage and will favor companies that can utilize purchasing, logistics and IT synergies.

More conscious and discerning consumers

Increased globalization is also affecting the fashion industry. Styles are becoming more homogeneous, with trends increasing in number, spreading faster and shifting more often. Consumers tend more often to combine styles, fashion levels, quality and price and their interest in design and quality is increasing. The spread of e-commerce has made price comparisons more readily available. As a result of these changes, consumers are becoming more aware and discerning and this has created a challenge for companies in the industry.

Today's consumers also place considerable emphasis on the shopping experience and every store visit needs to offer a complete experience in the form of knowledgeable and service-minded personnel, an inspirational and functional store environment and comfort. Tomorrow's winners will be the brands that know their customer groups best and are able to meet the increasing demand of consumers, establish and maintain a close dialog with their customers and successfully focus on customer values and behavior.

Business area	Markets	Number of stores	Number of employees	Sales	Competitors
POLARN O. PYRET	Sweden, Norway, Finland, England, Scotland, Ireland, Island, Estonia, US, Latvia	117	249	SEK 480.7 M	In Sweden: H&M, Lindex, KappAhl, Stadium. Other markets: different competitors in each market.
DEPARTMENTS & STORES	Sweden, Denmark	49	467	SEK 1,027.9 M	Åhléns City Department Store, Biblioteksstan in Stockholm, Kicks, independent stores.
BROTHERS SISTERS	Sweden, Finland	80	245	SEK 586.0 M	Brothers: MQ, Jack & Jones, Dressmann. Sisters: MQ, H&M, Vero Moda, Gina Tricot, Zara, Lindex.
JC	Sweden, Norway, Finland	146	426	SEK 878.9 M	Carlings, Solo, MQ, Local independent stores.

Anders Wiberg, Global Supply Chain Director

My to fashion tips:

A high-quality, well-cut suit in a neutral color, such as black, navy or gray. You can wear the jacket alone or the full suit. Try a sweater underneath in the in-between months instead of a coat or wear the suit as it is in the summer or inside in the winter. You can pair it with jeans, chinos or other pants. My favorite is charcoal gray, which works well with beige and brown tones.

I am wearing:

Shirt, **The Tailoring Club, Brothers**
Jacket, **The Tailoring Club, Brothers**
Cashmere sweater, **The Tailoring Club, Brothers**
Chinos, **East West, Brothers**

Logistics and purchasing

Asia, particularly China, has been the principal market for clothing production for many years. In the past 20 or 30 years, China has gone from mainly producing large volumes of clothes at a low cost to also producing top-quality, highly specialized clothing. The large-scale, volume-based production facilities have moved further inland, where it is still possible to find attractively priced labor.

Major changes have occurred in the areas near Hong Kong and Shanghai, which are now homes to businesses in a wide range of sectors, such as the ready-to-wear industry, which did not exist ten years ago. These players have taken over much of the more quality-conscious ready-to-wear clothing market previously located in Europe.

Increased economies of scale

Historically, the companies in RNB have not fully utilized the economies of scale created by belonging to the same group in such areas as production and logistics. At the end of the fiscal year, a decision was made to establish a production office in Hong Kong, which opened on November 1, 2011. With support from RNB's satellite offices in Shanghai, China, and Dhaka, the capital of Bangladesh, this office will coordinate production for Polarn O. Pyret, Brothers & Sisters and JC.

This new office will make it easier to identify suppliers, coordinate production processes and implement quality control. Having larger order volumes will enable RNB to become a more prominent player and allow the Group to receive more favorable purchase prices. By moving its decision-making channels closer to its suppliers, RNB will eliminate the agency level and establish faster decision-making processes. Shorter lead times will also give the Group greater flexibility.

During the fiscal year, RNB's mix of suppliers was streamlined. While the Group also has production operations in the Baltic countries and Turkey, the proportion of total production conducted in Europe is ultimately expected to decline following the introduction of the new production office in Hong Kong.

In parallel with the introduction of the new production office, RNB has worked to improve its economies of scale from transportation. Efficient production planning is crucial if the Group, wherever possible, is to avoid transporting goods to Sweden by air at short notice. Polarn O. Pyret's inventories were also coordinated with JC and Brothers & Sisters' inventories during the fiscal year.

Distribution chain

Before each season, the various departments in the Group develop new collections comprising both basic and new products. The collections are submitted to the sales and marketing departments so that the Group's sales activities and communications can be synchronized. In parallel with the development of new collections, the purchasing and production department seeks out and identifies any new materials and requirements for new production units. The production process can be assigned to one or more facilities that provide regular deliveries during the season, for example, of basic products.

The development of new collections is based on the sales budget for the season. The companies in the Group do not purchase goods for an entire season before it starts, but rather maintain a buffer in case they wish to reduce their purchase volumes. This buffer also enables the companies to make quick supplementary purchases during the season. A large part of the range is seasonless, meaning that certain products, such as shirts and other basic garments, can be held in inventory and distributed to stores on demand.

RNB's inventory planning is designed to ensure that the right goods are delivered to the right store at the right time. Having the right goods available in the stores where there is a demand for them and removing items that are not being sold provides greater opportunities to generate a healthy profit. Inventory planning also helps to minimize the capital tied up in stores. The introduction of the new production office will give RNB better control over its flow planning, also farther back in the chain with respect to purchases of material.

Sustainability

Having a local production office will simplify RNB's environmental and sustainability work. RNB conducts ongoing laboratory tests of its products to ensure that they do not contain chemicals that are not approved under the EU's REACH regulation.

In addition to ensuring that its suppliers follow RNB's quality and pricing requirements, RNB monitors their compliance with all applicable environmental legislation to ensure, for example, that they do not release contaminated water and that they have acceptable working conditions. RNB is a member of the Business Social Compliance Initiative (BSCI), which works to create better conditions for the individuals working in the facilities where RNB produces its clothes.

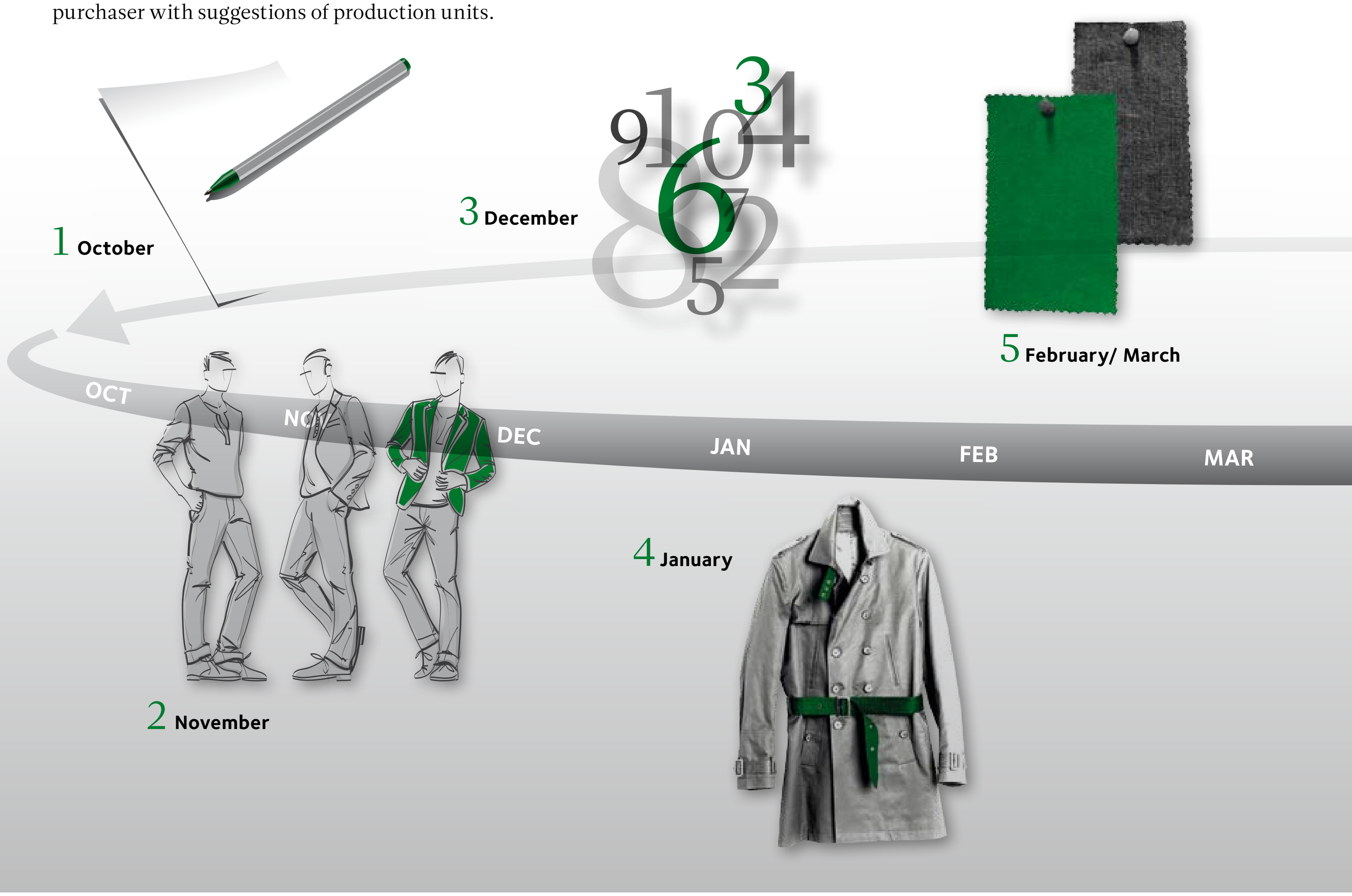
RNB's value chain

1 October The product range manager leads an evaluation of the past season, including everything from supplier performance to sales of various items and product groups. Adjustments are made prior to the coming season based on potential for improvement in terms of both concept and fashion trends. The product range manager begins work on a product range development plan, which will be used as a steering tool for the Group's design and purchasing work, as well as a sourcing tool for the production office.

2 November The purchasers compile an order containing designs, sketches, material selections, estimated delivery dates and prices, which will be sent out to the Group's suppliers for quotes. The purchasers at the production office select various suppliers, who provide such quotes, conduct price negotiations and come back to the purchaser with suggestions of production units.

3 December Suppliers complete an initial sample, which is inspected by the production office. Once the sample is tested, it is sent to the purchasing office in Stockholm. During this time, final price negotiations are also carried out depending on the quantity ordered and materials selected. Any necessary adjustments are made to the samples to improve their sales potential or adjust the prices.

4 Januari The purchasers conduct their first production trips in Asia to go through the samples and speak with the suppliers. At this stage, the first orders are also placed for the coming autumn. Often, the first items ordered are outdoor garments, which have the longest lead times. Orders are placed on a continuous basis during the early part of the year depending on product group and delivery date for the coming autumn.



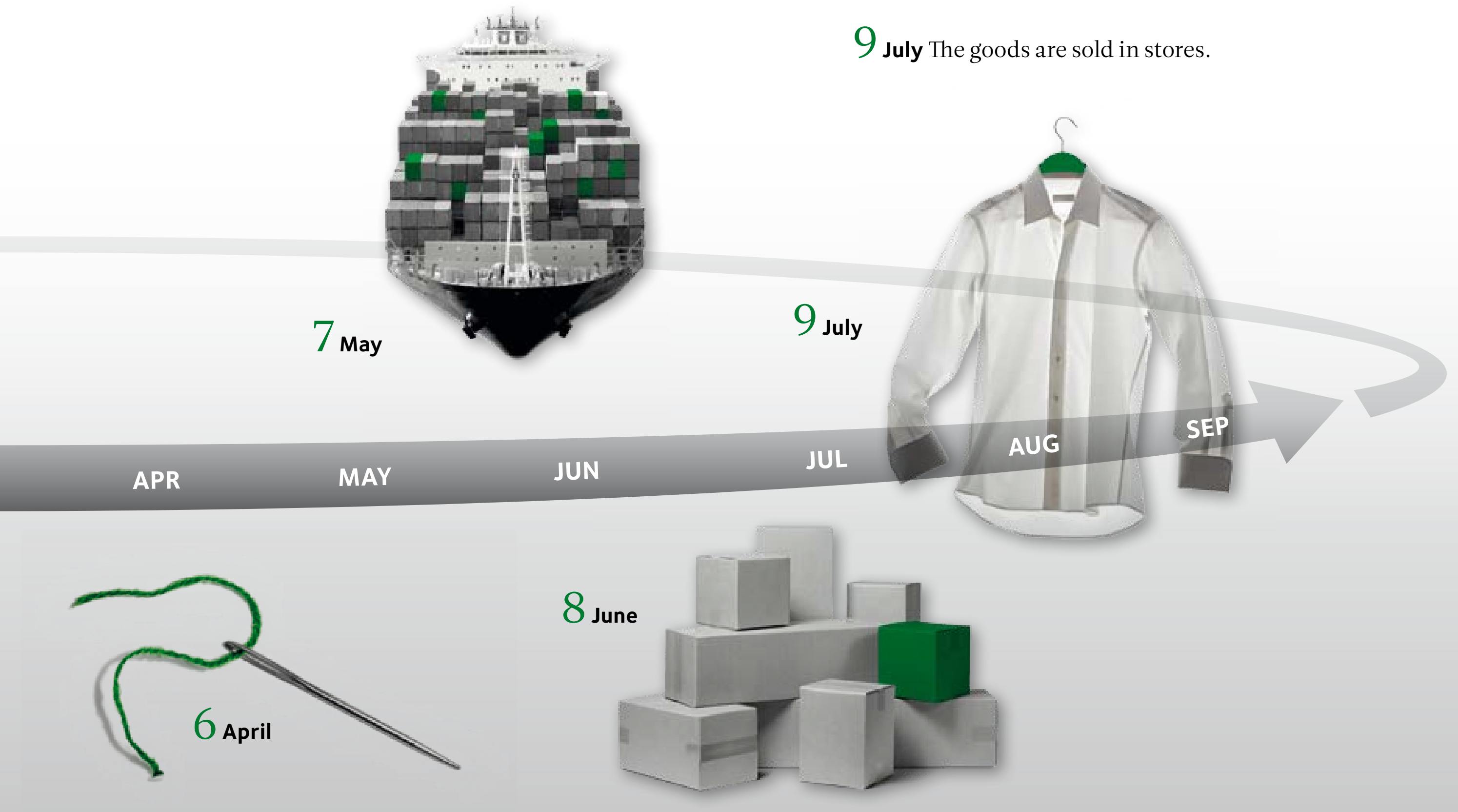
5 **February/ March** RNB's materials suppliers are busy weaving fabrics, delivering yarn and producing knitted materials. Production facilities order linings, buttons and other details. Before production commences, a counter sample is produced and approved by the production office.

6 **April** Once the production office has approved a counter sample in the right material and color, the supplier begins producing the garment. At this stage, the production process is monitored by quality controllers from the production office or independent, third-party controllers. The quality controllers not only inspect the garment itself, but also check all labels, packaging, packing slips and other work performed after production is complete.

7 **May** Once the production process has been approved, the supplier books a spot on a boat via a shipping agent. Prior to shipping, packing notes, shipping documents, customs documents and other items are arranged and submitted to the logistics department in Sweden, which prepares for the arrival of the goods at RNB's central warehouse.

8 **June** The goods arrive at the harbor in Gothenburg, where they pass through customs and are shipped to the central warehouse. Once at the warehouse, the various garments, which are packaged according to product range, are cross-docked using a scanner to identify the store to which they are to be shipped. The goods then leave the warehouse via a distributor and arrive at the store the next day. Certain goods are placed in inventory to enable automatic replenishment based on the sales of the individual store.

9 **July** The goods are sold in stores.



JC

The JC concept is based on jeans and clothing worn with jeans. JC's internal brands are supplemented with a number of the world's leading jeans brands to create a broad and comprehensive offering of jeans. JC's goal is to remain the best in jeans and, by doing so, defend its leading market position.

Marthyn Inghamn, President of JC

My top fashion tips:

For the spring, a pair of comfortable, worn tapered jeans (relaxed around the hips with a narrow fit in the legs), with a slightly oversized black t-shirt and leather jacket (works year round). A pair of sneakers or black boots works well with this look.

I am wearing:

Jeans **Crocker 308**
Black t-shirt **JC Kille**
Black leather jacket **Levi's**
Black motorcycle Boots **Redwin**
Chain and denim wallet **Cone Mills**

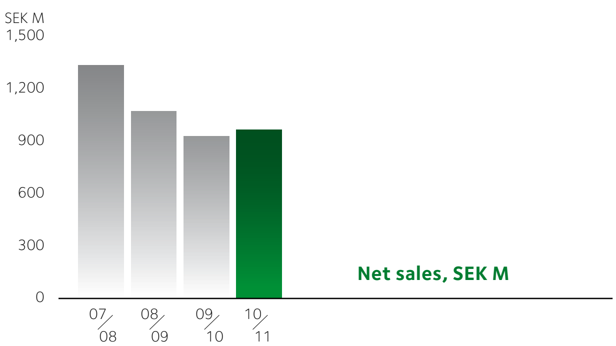
Vision

"The ultimate shopping trip"

This means that at JC, customers receive inspiring and good service from personnel who know all there is to know about jeans and jeans fashion.

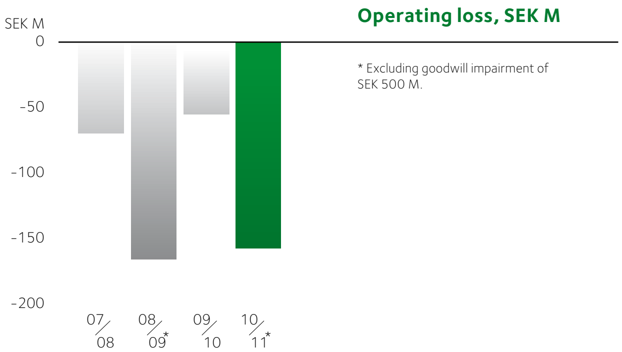
Business concept

JC will be best in jeans and clothing worn with jeans.



Net sales, SEK M

Operating loss, SEK M



* Excluding goodwill impairment of SEK 500 M.

Key figures JC

SEK M	**10/11**	09/10
Net sales	879	920
Share of RNB's sales, %	30	30
Operating loss	–156*	–52
Number of employees	426	429
Number of stores	146	157
Of which franschises	67	76
Of which outside Sweden	38	46

* Excluding goodwill and brands impairment.

Development in 2010/2011

The 2010/2011 fiscal year was marked by tough market conditions and lower sales, and a significant planning mishap prior to the third quarter. The start of the 2010/2011 fiscal year was characterized by a market in marginal growth but this trend changed dramatically for the worse during the spring and early summer. At the beginning of the third quarter (March–May), the volume that JC had ordered and produced was far too high. The negative effects of this were reinforced by weakening market conditions, which affected earnings negatively in the form of impairment losses on inventory and a larger portion of discount sales during the third quarter.

In August 2011, Marthyn Inghamn took office as the new President for JC. Marthyn has long and solid international experience in the fashion industry with a focus on jeans from his 20 years at Levi's, most recently in the role of Vice President at Levi's Mens Europe.

A key component in a successful turnaround for the RNB Group is to reverse the trend in JC. A number of measures were taken in JC after the end of 2010 in an effort to increase efficiency and reduce costs. These measures include reducing resources in central functions and cutting back the number of employees by about 15%. In addition, greater efficiency and coordination of production will be achieved through the newly opened production office in Hong Kong. Marketing resources were also rationalized and the loss-inflicted Norwegian operations will be substantially reduced/ restructured by the end of 2011/2012.

Compared with the preceding year, net sales declined 4.5% during the year, amounting to SEK 879 M (920). Sales in comparable proprietary stores declined 3.6%, while sales in local currencies remained unchanged. JC's operating result for the year declined SEK 104 M compared with the preceding year, resulting in a loss of SEK 156 M (loss: 52), excluding an impairment loss of SEK 431 M on goodwill and brands. The negative earnings were mainly due to a weak sales trend, which led to lower gross margins caused by a larger portion of discount sales and higher inventory levels. As a result of the subsequent surplus inventory, a provision of SEK 51 M was posted during the third quarter. To this should be added reserves for doubtful accounts receivable of SEK 24 M (8), which were charged to net profit for the year.

At the end of the fiscal year, there were 146 JC stores in Sweden, Norway and Finland, of which 67 were franchise stores and the remaining stores were owned by RNB. Overall, the store network was reduced by 11 stores during the year. After the end of the fiscal year, a decision was made to substantially reduce JC's Norwegian operations. One effect of this is that the number of stores in Norway will fall from 23 at year-end to about five in the coming 2011/2012 fiscal year.

Business model

JC is a concept based on jeans and clothing worn with jeans. The internal brands are supplemented with some of the world's leading jeans brands to offer a broad and complete range of jeans. JC has a long history and has been selling jeans since 1962. The broad offering combined with availability and wide knowledge of jeans creates a unique shopping experience and "one-stop-shopping" for our customers. JC's goal is to continue being best at jeans and thus maintain the company's leading market position.

JC's operations are conducted through a combination of proprietary stores and franchisees. Stores in Sweden are both proprietary and franchised, while all stores in Finland are centrally operated. The proprietary stores are mainly concentrated to larger towns while the franchised stores are predominantly located in small and medium-sized towns. The franchise system is an integral part of JC's operations, because the store operators offer in-depth knowledge of local markets in small towns, which would be difficult for a central owner to sustain. The network of stores has its main focus on medium-sized towns, where JC – with its wide range of proprietary and external brands – is the natural place for customers to shop. JC also has a strong presence in attractive locations in large towns, which is where JC sees its prime opportunities for growth in the long term.

Conceptual turnaround and reinforced offering

Following the introduction of a number of measures to increase efficiency and reduce costs, the main factor remaining from a long-term perspective is the conceptual change of JC. The purpose of this turnaround effort is to rejuvenate the JC concept and build on JC's market leadership in jeans, current customer structure, strong brands and long history. In brief, the conceptual turnaround consists of five main parts:

1) Best at jeans. JC holds a strong position with growing market shares in jeans for young target groups, thus providing a basis for developing the operations.

2) Expand target groups with marketing that does not focus on age barriers. JC holds a strong position in the young target group, which was previously a focus for marketing, but JC also holds a strong position among middle-aged groups, whereby JC's strong brand holds major potential for reaching a broader target group.

3) Stronger focus on women. Increasing the service level in stores and improving and clarifying the range for girls will improve opportunities for reaching women, who are strong and significant jeans consumers.

4) Introduce lifestyle-based range planning, marketing and sales. Jeans will remain a central focus but will be supplemented by a limited number of age-independent categories that are clearly linked to selected attitudes/styles.

5) More attractive sales environment. Basing JC's message to consumers on a selection of distinct attitudes/styles and brands combined with a store environment that focuses on consumers will create a more attractive shopping experience.

Outlook

Continued measures to render JC profitable will characterize the current fiscal year. Profitability will increase due to the earnings-enhancing measures already implemented and JC's market position will grow stronger due to the conceptual change.

During 2011/2012, investments will be made in renewing the store expression, thus strengthening the conceptual turnaround of JC. The store expression will reflect JC's desired position. Ensuring that store investments gain full impact also requires an investment in personnel to further improve the level of service in stores.

During the current fiscal year, JC will develop the JC.se website and launch a new e-commerce platform. In 2010/2011, JC.se averaged more than 100,000 unique visitors per month, and 35,000 new members joined the JC Club during the year. The e-commerce venture will further strengthen JC's market position.

Sustainability issues remain a prioritized area and initiatives will be introduced during the year through the coordinated production approach. These efforts focus mainly on reducing the environmental impact and promoting better working conditions in the production process. Since JC will now have direct contact with its production facilities, conditions for influencing supplier choices will improve and increase control over selected suppliers.

Maria Öqvist, President of Polarn O. Pyret

My top fashion tips:

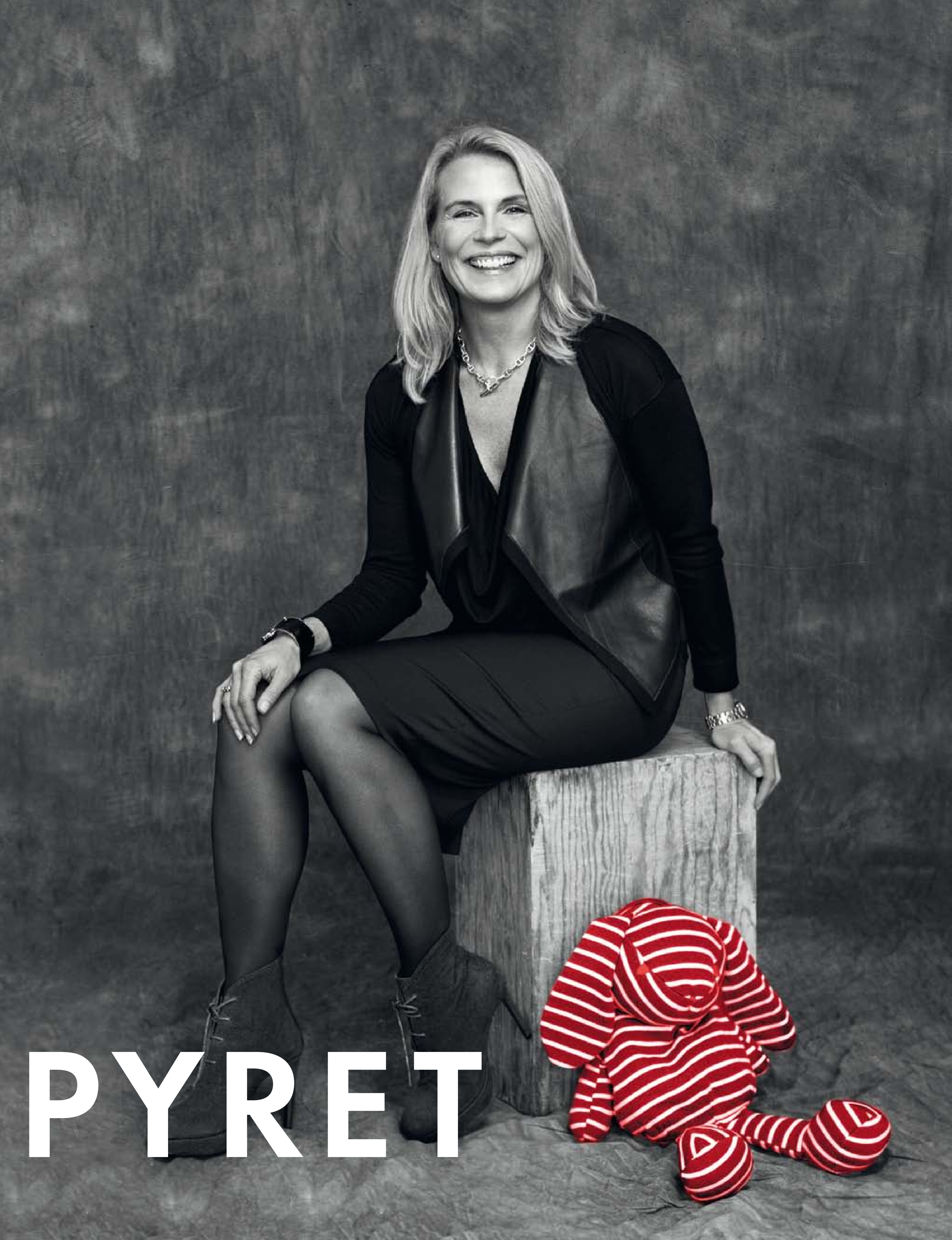
For all children: Polarn O. Pyret's jeans, which look great, come in three different styles, have an adjustable waste and – according to my two children – are really nice to wear. Perfect for everyday wear, school and play, but also cool enough for parties. For babies, toddlers and school children up to 11 years.

I am wearing:

Skirt, **Tiger**
Top, **Dagmar**
Jacket, **Dagmar**
Shoes, **Rodebjer**
Necklace and bracelet, **Hermès**

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 and franchise stores throughout Sweden and in other countries. The company's mission is happy, dry and warm children in all types of weather. Since it was founded 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, and Polarn O. Pyret's clothing is recognized for its quality, functionality and design.

POLARN O.


PYRET

POLARN O. PYRET

Vision

"The ultimate shopping trip"

Polarn O. Pyret's customers seek experiences and want to feel inspired. Through creativity, innovation and knowledgeable personnel, we create attractive stores with exposure and service that give our customers a pleasurable shopping experience, at both the time of purchase and afterwards.

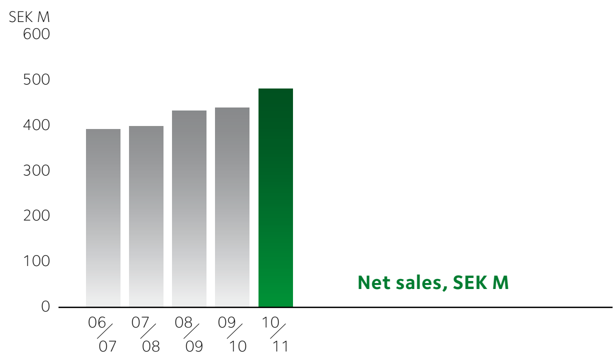
Business concept

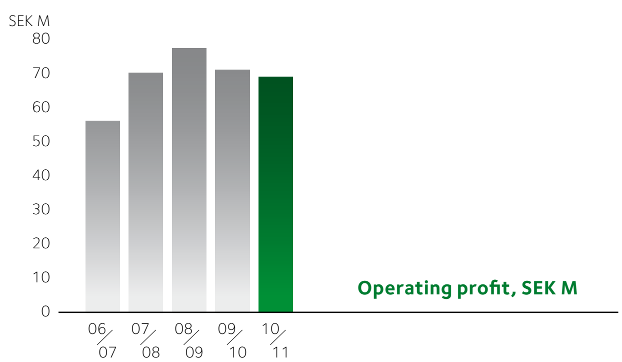
What: Smart clothing for children's every need (0–11 years)

Who: Parents and gift buyers

How: In stores where personnel are well-trained in how children should be clothed

Unique: Our combination of design, functionality and quality





Key figures Polarn O. Pyret

SEK M	**10/11**	09/10
Net sales	481	436
Share of RNB's sales, %	16	14
Operating profit	69	71
Number of employees	249	238
Number of stores	117	111
Of which franchise	70	66
Of which outside Sweden	56	52

Development in 2010/2011

During the year, the company continued to expand its network of stores with a net total of two stores in Sweden. E-commerce also maintained a positive trend during the year with sales increasing more than 50%. Customers are also visiting the online stores to a high degree to plan their purchases in physical stores. The utilization of e-commerce is fairly evenly distributed across the country.

Since the introduction in 2009, the company's e-commerce venture in the US has developed well. In the spring of 2011, Polarn O. Pyret opened its e-commerce function in the UK. The plan is to continue opening e-commerce ventures in markets where the company is currently active but also in other markets. The company receives many requests concerning opportunities for distance selling, which is a key driver of continued e-commerce expansion.

Business model

Polarn O. Pyret was founded in 1976 and makes clothing for children. The market position is based on high quality, function and unique design in the mid-price segment. The starting point is that boys and girls have the same needs when it comes to fit and function. The aim is to make the best shell jacket, knee socks, t-shirt and sunhat. Consumers can decide who wears what, and in what color.

The philosophy behind our design, fit, quality and function is that children should be children, not small adults. Making ecological clothing is a natural ambition, and our portion of eco-labeled garments is growing. The ECO label guarantees that the garment is ecological – that it is made from 100% organic cotton, for example. ECO comprises 15% of our range. All basic garments with the classic Polarn O. Pyret stripe are also Nordic Swan eco-labeled.

Driving forces

Parents seek design, function and quality when they buy clothes for their children. These are the hallmarks of Polarn O. Pyret and many people are prepared to pay a little extra for them. The product range is based on a line of unisex garments for children, which distinguish Polarn O. Pyret's product range from others. Customers are also attracted to Polarn O. Pyret's philosophy of letting children be children.

Sustainability and environmental friendliness are other qualities that consumers seek today. This is well-aligned with Polarn O. Pyret's core values, where one of the basic principles is that garments must be durable and able to be passed on for many years. Unisex also makes it easier for parents who want to pass clothing on to siblings, relatives and friends. The second-hand value of Polarn O. Pyret is high, and the company also provides a buy-and-sell service on its website.

The general trend in functional clothing among market players is to spend more time and resources on developing and marketing garments from a technical perspective. The offering has also increased the number of garments that are waterproof, breathable and that work together with other garments according to the "Layer Principle."

One market factor during the past year was higher purchasing costs for cotton and man-made fibers, and rising production costs due to lack of capacity in China, where about half of Polarn O. Pyret's production is based. To counteract this trend, the company has worked to streamline its distribution chain, whereby establishment of the Polarn O. Pyret Group in RNB's newly opened and joint production office in Hong Kong is an important measure.

Otherwise, the trend toward a larger range and broadening e-commerce offerings in the market continues.

Market

The Swedish children's clothing market has grown 4.5-5% per year over the past few years and this development continued into the beginning of the fiscal year. However, the trend broke at the end of 2010, following which the market contracted approximately 3%. The general market trend in Finland and Norway was weakly positive while the financial crisis continued to weigh heavily on development in the US and the UK. Similarly, the weak conditions continued in Iceland and the Baltic region.

Sweden remains Polarn O. Pyret's main market with about 60% of sales. Polarn O. Pyret is the second-largest player in the segment for babies up to 1 year. Polarn O. Pyret's sales developed better than the market during the year, and the company won market shares in Sweden. The market share rose approximately one percentage point to about 16%. In ages up to 6 years, Polarn O. Pyret's share rose to about 11%, an increase of 1 percentage point. Polarn O. Pyret took market shares partially through improved sales in established stores but also through new establishments. New stores were opened in Bromma, outside Stockholm, and Borås. Both stores were opened in September, which is the beginning of RNB's fiscal year.

In Finland, Polarn O. Pyret developed considerably better than the market partially because Polarn O. Pyret's is undergoing an expansion phase in this country with two new store openings. In Norway, which is the company's largest foreign market, one new store was opened during the year. This development was in line with the rest of the market.

In the UK, the Baltic region and Iceland, performance was slightly better than the market. The positive trend in the UK, and also in the US, is because the company is in an establishment phase and can thus grow faster than the market.

Outlook

Our continued efforts focus on five fundamental strategies: to continue developing the product range, to expand the Swedish network of stores and e-commerce, continued profitable international expansion, streamlined work processes and to continue working with organizational and skills development. The purpose of all strategic activities is to continue strengthening the content and promise of the brand.

To ensure that the company's offering remains cutting edge, efforts will focus on the further development of shell-layer and functional clothing based on children's needs. The starting point, as already mentioned, is the reality of children – crawling or playing in sandpits. In order to test clothing in the real world, Polarn O. Pyret collaborates with "test pre-schools". Another plan is to clarify the offering for children in early school ages.

The company also aims to open six or seven new stores in Sweden per year over the next three years. Polarn O. Pyret sees major potential in foreign markets where the company already operates. Shortly after the end of the fiscal year, the company opened a flagship store in Westfield Stratford City in East London, which is expected to become the largest urban shopping destination in Europe. The choice of location was also based on the shopping center's proximity to the Olympic village, which will attract a large number of visitors during the 2012 Olympics. Polarn O. Pyret is also assessing a number of new foreign markets.

Yongan Kim, President of Brothers & Sisters

My top fashion tips:

For all boys and men. The best investment in a man's wardrobe is a well-tailored, well-fitting suit. Don't make the mistake of choosing a suit that is too big.

I am wearing:

Top, **Sisters**
Jacket, **Sisters**
Pants, **Sisters**
Boots, **Christian Louboutin**

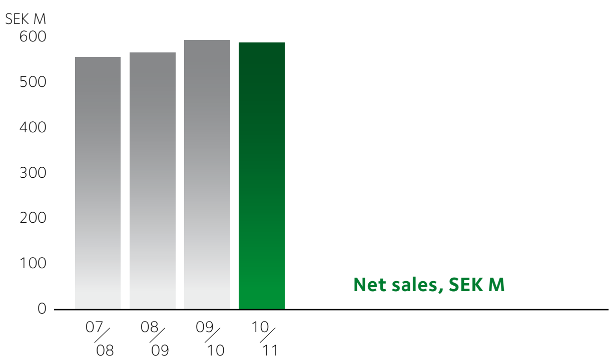
BROTHERS
SISTERS

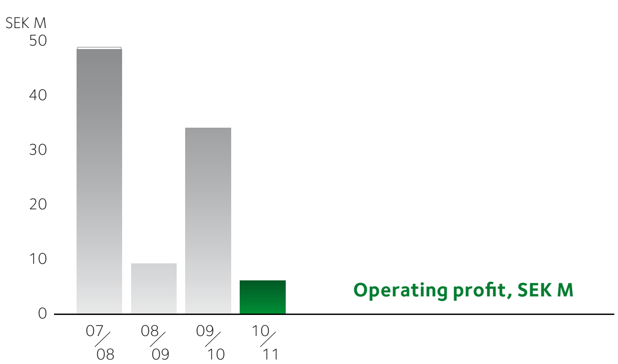
Brothers & Sisters are two volume-oriented holistic concepts for men and women. The concepts offer well-tailored clothes and casual fashion in an inspiring store environment characterized by excellent service. The product range consists of both proprietary and external brands in the upper mid-price segment.

BROTHERS SISTERS

Vision
"The ultimate shopping trip"
For Brothers & Sisters, this means being an industry leader in creating and maintaining long-term customer relationships through products, service and stores.

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.





Key figures Brothers & Sisters

SEK M	**10/11**	09/10
Net sales	586	592
Share of RNB's sales, %	19	19
Operating profit	6	34
Number of employees	245	232
Number of stores	80	81
Of which franchise	40	42
Of which outside Sweden	7	7

Development in 2010/2011

Sales by Brothers & Sisters amounted to SEK 586 M (592), a decline of 1% compared with the 2009/2010 fiscal year. Sales in comparable proprietary stores declined 0.6%, while sales in local currencies rose 0.7%. Operating profit amounted to SEK 6 M, compared with SEK 34 M in the preceding year. The decline in operating profit was mainly due to a weakened gross margin in Sisters due to a high portion of discount sales and a provision of SEK 7 M due to excessive inventory levels. Earnings were also adversely affected by increased marketing for Sisters early in the year and reserves for doubtful accounts receivable.

The Brothers concept showed a sales increase of 5.7% in comparable units during the year and continued to take market shares in both Sweden and Finland. Comparable sales for Sisters declined 2.2% during the year. After the end of the fiscal year, Yongan Kim, the former product range manager for Brothers & Sisters, became the new President.

Business model

The business model for Brothers & Sisters is based on a combination of proprietary and franchised stores, and a combination of proprietary and external brands in stores.

The proprietary stores are mainly concentrated to larger towns while the franchised stores are predominantly located in small and medium-sized towns. The franchise concept provides the Brothers & Sisters business area with a competitive edge since the local store operators have deep roots in, and knowledge of the local area. At the end of the 2010/2011 fiscal year, about half of the total 80 stores were operated by franchisees and the remaining stores were operated by RNB, which is the same distribution as in the preceding year.

All brands that are offered, whether internal or external, are evaluated continuously. The evaluation is conducted over two succeeding seasons and if the set sales targets are not achieved, a decision is made to replace the brand. There is a strong interest among external brands to be part of Brothers & Sisters.

Offering

Brothers and Sisters offer a unique and lasting shopping experience through an attractive product range and highly personalized service. Brothers and Sisters offer both well-tailored fashion and casual garments and are perceived as an affordable alternative to brands in the medium and upper-price segments.

By offering a wide range of fashion, accessories, underwear and socks/stockings from both proprietary and external brands, the stores function as small department stores. This is a particular strength in smaller locations with a limited range of brand and fashion stores. Most Brothers & Sisters stores are located in medium-sized towns and supplemented with attractive locations in cities and shopping centers.

In the 2010/2011 fiscal year, proprietary brands such as Riley, East West and Blue Ridge accounted for an average of 70% of Brothers' product range. For Sisters, the proprietary products were marketed under the concept name – Sisters. These were supplemented with attractive external brands in the upper mid-price segment, including Hilfiger Denim, Lee, GStar, Lyle & Scott, Replay and J Lindeberg.

Brothers

Brothers opened its first store in 1992 and now has 72 stores throughout Sweden, and seven stores in Finland. Brothers offers both well-tailored garments and casual fashion and supplements this with accessories, underwear and socks for men in the mid-price segment. Brothers' product range is comprehensive, enabling customers to buy an entire wardrobe in one place. The breadth of Brothers' product range is its prime competitive advantage, especially outside of cities.

Brothers' offering is based on a combination of proprietary and external brands, and the concept represents style, service and quality for men. The external brands comprise a mix of strong clothing brands with a long history and newer brands with major potential.

New strategic focus for Sisters

The new strategic focus for Sisters consists of a slimmer Sisters concept and increased investment in external brands.

The Brothers & Sisters business area had a total of 80 stores at the end of the fiscal year. Of these 80 stores, 73 were in Sweden and seven Brothers stores were in Finland. The number of single-purpose units in Sweden amounted to 20, of which only one was solely a Sisters store, and the remaining 19 stores were solely Brothers stores. The other 53 Swedish stores were dual-purpose stores where Brothers and Sisters are located side by side on a shared store surface and have a joint checkout system.

In the 2011/2012 fiscal year, the free-standing Sisters store will close, and seven dual-purpose stores will be converted to single-purpose Brothers stores. Historically, the Brothers concept has required only a short time to achieve profitability through new stores. The remaining 46 dual-purpose units will be rebuilt so that Sisters' share of the total store area will decrease by 30–50%.

Due to cutbacks to the Sisters concept, internal brands will be phased out entirely from autumn 2012. Sales of external brands in Sisters are currently profitable and the new strategic focus entails that purchasing external brands will increase about 40% from the autumn and winter 2012 collection.

The new strategic focus also entails organizational changes. Previously, the business area's two concepts had separate departments for concept development, design and purchasing while production took place jointly for the two concepts – Brothers and Sisters. After the end of the fiscal year, several central functions were removed. One design manager for Brothers was appointed, as was one purchasing manager, also for Brothers, who is responsible for both concepts.

The Tailoring Club

In September 2011, Brothers new brand TTC – The Tailoring Club – was launched in 20 selected Brothers stores.

The Tailoring Club has its origins in Brooklyn's tailoring traditions and symbolizes genuine craftsmanship while simultaneously providing scope for individualism and modernity. The collection is designed to appeal to aware, fashion-conscious man, and includes well-tailored suits and jackets, cashmere sweaters and shirts, specially designed to match the jackets and suits.

The launch of the new brand was very successful and one of the highlights was the receipt of Café Magazine's prestigious fashion award "Newcomer of the Year" in August 2011.

Outlook

In the 2011/2012 fiscal year, efforts to further strengthen the purchasing, sourcing and marketing function will continue for both concepts. The overall purpose is to increase sales per square meter and thus profitability per store.

Changing the strategic focus for Sisters is a key step in the change efforts of the RNB Group. The number of Sisters stores will be further reduced, and the goal is to have 45 stores remaining after the end of the current year and gradually somewhat fewer. Sustainability issues will also be in focus during the coming year and efforts to raise the level of ambition continue. Greater quality and environmental awareness will strengthen Brothers & Sisters' market position.

Amelie Söderberg,
President of Departments & Stores

My best fashion tips:

My basic wardrobe always includes a black blazer and tight pants. On weekdays, I let accessories do the work – bags. heels, jewelry and make-up.

I am wearing:

Jacket, **Filippa K**
Pants, **Acne**
Top, **Michael Kors**

NORDISKA KOMPANIET

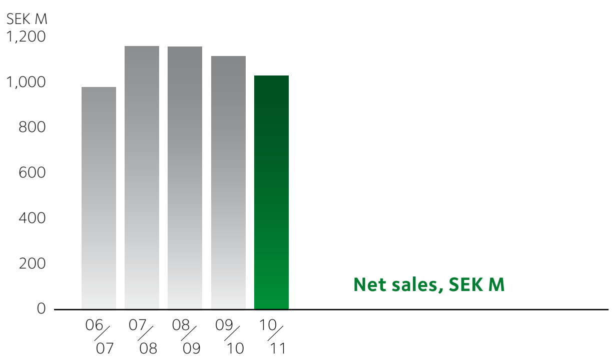
Departments & Stores offers a unique distribution platform for national and international brands in strong marketplaces. We have large-scale operations in leading department stores throughout the Nordic region – NK Stockholm and NK Gothenburg, and a small-scale operation in Illum in Copenhagen.

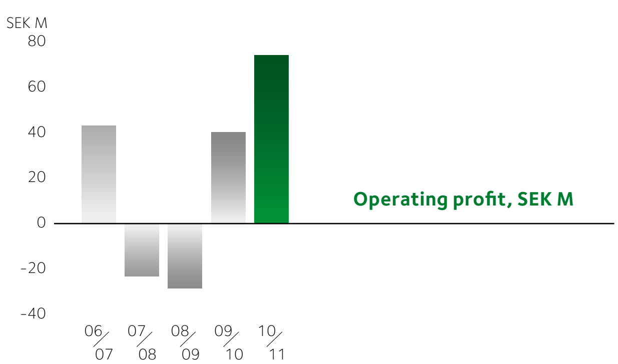
DEPARTMENTS & STORES

DEPARTMENTS & STORES

Vision
"The ultimate shopping trip"
Departments & Stores will offer a world-class shopping experience to customers.

Business concept
Departments & Stores developes concepts for department stores with world-class brands and service.





Key figures Varuhus

SEK M	**10/11**	09/10
Net sales	1 028	1 115
Share of RNB's sales, %	35	37
Operating profit	74	40
Number of empoyees	467	498
-of which Kosta Outlet	29	30
Number of stores	49	53

Development in 2010/2011

Much of the focus during the year was on business development. This included coordinating four business systems into one, upgrading departments and further development of concepts. A great deal of analysis work was also carried out to ensure that new investments and projects generate the expected effect and are prioritized correctly.

Yet another step was taken in the streamlining that has taken place in recent years, where one store in Departments & Stores was divested during the year. Thus, Departments & Stores no longer owns any separate stores. As previously communicated, the operations at the Illum department store will be discontinued, which should be finalized in January 2012.

Overall, Departments & Stores' earnings improved during the fiscal year due to the improved structure, more efficient work processes and greater cost control.

At the end of the fiscal year, a project was initiated to share knowledge and experience within the Group with the purpose of further developing RNB's best practice offering. Amelie Söderberg was responsible for development and implementation in term of sales and operation based on the competencies that exist in Departments & Stores. The project also extends to recruitment processes and effective staffing to ensure a high service level.

Business model

The business model is based on the market places (NK in Stockholm and Gothenburg), and on RNB's partner model whereby Departments & Stores and suppliers share responsibilities, risk and margins. Departments & Stores is responsible for service, product range and brand mix, store concept, service, IT and checkout systems while the supplier is responsible for design, production and inventories. The two parties decide jointly on the products that will be available in each department. Decisions concerning the product range mix are based on the ongoing sales trend and lead to a more optimal product range with major variation, and the partner model can thus contribute to increased sales per square meter.

Driving forces

The driving forces in Departments & Stores' markets include demands for high service, a diversity of attractive brands and continuous change and renewal of the product range and shopping experience. This driving force is established in collaboration with NK's business association with the aim and vision of being a world-class department store. Another driving force is the brand suppliers' demands for marketing their products in the right environment and through efficient distribution. These driving forces place high demands on Departments & Stores to retain and attract new customers through constant renewal of the offering. This also requires an ability to understand and interpret market trends and to continuously develop the service level.

Market

Departments & Stores focuses on customers with high demands for service, knowledge and quality. Women form a major portion of the customer base but the offering is broad and designed for men, women and young people. Departments & Stores' market, with a large portion of premium and luxury products, was less sensitive than other retail players to adverse economic conditions during the fiscal year. Overall, Departments & Stores performed better during the year than the rest of the retail market.

During the year, Departments & Stores' male customers returned to a large degree after a period of cautiousness following the financial crisis in 2008. As a result, the increase in men's fashion offset a slightly weaker development in women's in the Fashion segment. In the Beauty segment, competition remained tough, which created a challenging situation. This segment is also exposed to price competition from e-commerce. In Jewelry, the trend was stable.

Outlook

In the coming year, the focus will remain on business development and enhancing efficiency. However, to achieve the vision, the most important factor is that Departments & Stores continues to focus on the further development of a world-class shopping experience.

KOSTA OUTLET

Kosta Outlet Mode

The largest outlet center in Sweden was opened in June 2006 near the glassworks in Kosta, where RNB sells attractive brands in women's, men's and children's clothing. The outlet center comprises a total of 20,000 square meters, of which RNB has an area corresponding to 5,500 square meters. Due to its location by the old glassworks and a new design hotel, Kosta Outlet has become an attractive destination for tourists and conference guests. At the same time, the location of Kosta Outlet does not compete with sales in RNB's other concepts. On the contrary, the operations at Kosta Outlet provide opportunities to adapt product ranges in stores to customer preferences much faster. 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 now a separate profitable operation and serve as sales channels for unsold inventories from the Group's other concepts but a large portion of the product range is purchased in season directly from brand suppliers. RNB's established relations with several premium brands provide valuable opportunities for Kosta Outlet to create an attractive product range.

As more players establish sales operations at Kosta Outlet, the number of visitors who visit the small community in Småland is increasing. Due to its remote location, most sales take place on weekends and during public holidays. In future, weekday sales will hopefully increase due to a larger catchment area and increased marketing.

Marketing

JC, Brothers, Sisters and **Polarn O. Pyret** conduct regular marketing in both proprietary and purchased media. Proprietary media includes stores, customer clubs, the website and Facebook. Purchased media comprises television, outdoor posters, the daily press, magazines and digital media. In addition, a great deal of focus is placed on various forms of PR.

Department & Stores markets its operations under the NK umbrella, which also comprises a range of proprietary and purchased media, such as NKNyckeln and ads in the daily press.

Through greater knowledge of the customers in our selected target groups, RNB's focus is to adapt our offerings and communication in order to strengthen our attractiveness. We work with clear objectives for all of our marketing activities and continuously monitor effects and cost efficiency as we strive for continuous improvement.

On the following pages, we present a small selection of images from the campaigns conducted by RNB over the past year.

RNB RETAIL AND BRANDS

RNB contributes to sustainable development

Environmentally sustainable consumption is a core issue for an increasing number of RNB customers and RNB wishes to ensure that the stores' offerings create the prerequisites for sustainable consumption. Here follows a summary of RNB's initiatives to promote sustainability during the 2010/2011 fiscal year. A detailed description of RNB's work on sustainability issues is provided as a separate report on www.rnb.se under the "Our Responsibility" tab.

The RNB Group started working methodically on sustainability issues four years ago with the vision of surpassing customer expectations for high quality as well as environmental and ethical excellence in all phases of operations. Previously, JC, Brothers & Sisters and Polarn O. Pyret all worked individually with their own codes of conduct and chemical requirements for suppliers.

In addition to customers, RNB's key stakeholders comprise its owners, employees, franchise holders, suppliers, government agencies, interest groups and the media.

Key areas of sustainability identified by RNB are:

- The impact of the products on people and the environment
- Working conditions in production
- The impact of business activities on the external environment
- Animal welfare issues
- Commitment to society.

Sustainable long-term finances

Improved profitability has been the top priority for RNB over the past fiscal year and, naturally, a sustainable long-term financial trend is a prerequisite for all sustainability work.

One of the main components of RNB's Group-wide change program is the new production strategy based in the new production office that was opened in Hong Kong on November 1, 2011.

Our new production strategy will not only generate increased profitability, it will also provide improved conditions enabling closer working ties to suppliers, thus constituting an excellent basis for further enhancement of sustainability work. This includes increased possibilities to impact and control production, which forms a core element in how RNB affects both people and the environment. Accordingly, targets and action plans connected to supplier issues were assigned priority during the fiscal year.

Governance, strategy and goals

A separate vision and mission govern RNB's sustainability efCont. These are supplemented by policy documents (see box and www.rnb.se) that are common for the entire Group.

Sustainability work is integrated into day-to-day operations and must match the long-term goals in combination with the business and action plans determined by Group Management. Based on the aforementioned, the subsidiaries can break down their goals to provide clear direction regarding how stores and employees can contribute. New sustainability goals for the RNB Group, which take into consideration the impact on operations of the new production strategy, will be set in the first half of 2012.

Social responsibility

A central element of RNB's social responsibility revolves around production working conditions at suppliers. Responsibility primarily regards production of RNB's proprietary brands but also of external brands sold in Group stores.

None of RNB's subsidiaries have any own production facilities; all production of proprietary brands takes place at suppliers. Points of particular importance when selecting suppliers for proprietary brands include quality, price, security of supply and compliance with RNB's requirements governing production and working conditions.

Many countries lack adequate legislation governing human rights and collective labor laws. In other countries, while the legislation is in place, the level of compliance is inadequate and is not subject to controls. For these reasons, RNB has a CoC in place (see box and www.rnb.se) that all suppliers for proprietary production are required to endorse and comply with.

In order to pursue effective efforts based on the code of conduct as well as training and control of compliance, Polarn O. Pyret, JC and Brothers & Sisters are members of BSCI, the Business Social Compliance Initiative (www.bsci-eu.org). BSCI is a European organization through which companies collaborate to promote improved working conditions in so-called risk countries.

CoC training courses at suppliers are led by specialists and conducted in the local language. Follow-up is subsequently performed by accredited third-party auditors resulting in assessment at one of three levels: Good, Improvements Needed or Non Compliant. Suppliers that are unable to meet requirements have to prepare a rectification plan for improvement and are subsequently re-audited. This means that BSCI is not primarily a certification, but rather a system of working toward continuous improvements. The new production office in Hong Kong increases RNB's ability to collaborate with local interest groups and thus influence, audit and follow up.

RNB also has a policy in place for animal welfare issues. This policy includes a stipulation that animals used for production must be treated humanely and protected from unnecessary suffering and disease. Polarn O. Pyret, JC and Brothers & Sisters do not allow genuine fur or fur components in their product ranges.

Continuously ensuring that RNB's own employees are kept informed regarding the impact of sustainability issues on day-to-day operations forms an ongoing objective for the Group. Compliance is ensured by providing the personnel concerned with the correct training, information and tools. Read more about our employees on pages 46–47 of the Annual Report.

Environmental responsibility

Garment manufacture requires resources in the form of raw materials, water and even chemicals for processes including dyeing and converting cotton fibers to yarn and textiles. Cotton has a major impact on the environment through its requirement for water and the pesticides used in its cultivation.

RNB maintains the primary focus of its environmental initiatives on those parts of the production chain that are closest to the company's own operations, meaning, the production of clothing, transports and the environmental impact of stores and offices. Polarn O. Pyret has taken this one step further and is endeavoring to develop its range of children's clothing made of organic cotton and outdoor clothing made from recycled polyester.

Polarn O. Pyret, JC and Brothers & Sisters have joined the Chemicals Group at Swerea IFV, the Textile Importers' Association in Sweden and STWI (the Sweden Textile Water Initiative) in order to work effectively with the core issues pertaining to the environmental impact arising from the use of chemicals and water.

The Chemicals Group at Swerea IFV assists with expertise and information pertaining to chemicals relevant for the production of garments and the interest group, the Textile Importers' Association in Sweden, monitors industry-wide environmental issues and has produced a separate chemicals guide.

Polarn O. Pyret, JC and Sisters & Brothers have drawn up a list of chemicals prohibited in proprietary production, which comprises part of business agreements with suppliers. Chemical requirements are followed up through the implementation of spot checks. Any departure from the requirements results in the supplier being contacted to determine the cause and remedial measures have to be taken. If any risk is identified for the wearer of a garment, the garment is recalled pursuant to internal procedures.

Since clean water is in short supply in many areas of Asia, it is crucial to limit water use as far as possible in the dyeing and production procedures and to minimize emissions. The STWI, Sweden Textile Water Initiative, is a joint project for companies in the textile and leather sectors that aims to draw up guidelines for sustainable water use by summer 2012. Through collaboration with STWI, RNB gains valuable insight into the development of RNB's own initiatives to reduce water consumption and environmental impact.

The clothes marketed by RNB's subsidiaries are mainly manufactured in Asia. Most of the goods are transported to Europe by sea and subsequently road from warehouse to store. Air transport is not normally permitted.

Because the journeys undertaken by employees also impact the environment, RNB's travel policy states that business travel must always take into account environmental considerations. 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, thus enabling personnel to rely extensively on public transport.

The primary impact on the environment of stores and warehouses is through energy consumption. The goal for the fiscal year was not reached in this regard due to focus being directed on suppliers and the new production office. Potential exists for untapped savings in this area and RNB's ambition is to improve measurement and thus its ability to control and reduce energy consumption.

Quality

Customers want to know that the clothes they purchase were manufactured in a manner that respects human rights and the environment. However, it is of equal importance that the clothes are of the right quality in terms of function and/or the way quality is communicated to the customer. For these reasons, quality is always a major issue when new collections are produced and the garments are tried and tested assiduously prior to production.

Polarn O. Pyret, JC and Brothers & Sisters set requirements covering durability, waterproofing, reasonable amounts of abrasion for garments to withstand, colorfastness and shrinkage. For these reasons, quality tests are performed preproduction, during production, on delivery and in the case of any complaints. If products with quality shortcomings nevertheless reach stores and customers, there are established procedures for the recall of faulty garments and the handling of recalls by store personnel and customer service.

Commitment to society

Through sponsorship and charitable work, Polarn O. Pyret strives to contribute to positive development of the situation of children in society. During the fiscal year, Polarn O. Pyret continued its collaboration with Rum för barn (place for children) at Stockholm's cultural center. Over the past year, the collaboration with Plan Sweden comprised the sale of Christmas labels to raise funds for the organization's work helping children in need in all parts of the world. Unsold stock from RNB's warehouses and stores was donated to such organizations as Erikshjälpen.

Significant events during the year:

- During the fiscal year, RNB clarified its requirements and expectations concerning product safety, ethics and the environment that relate to external brands. A separate document clarifies this for existing suppliers and will comprise part of the requirements stipulated in all new business transactions.

- During the year, Polarn O. Pyret conducted a survey of the members of its customer club. This indicated that customers have high expectations and a great degree of confidence in the company's environmental initiatives.

- In summer 2011, a review performed by Testfakta showed that buttons on a PVC jacket from Polarn O. Pyret contained high levels of lead. Polarn O. Pyret recalled the garment and subsequently increased the level of self inspection through subjecting more buttons to testing and clarifying requirements for suppliers.

- Polarn O. Pyret expanded its organic range of garments during the year. Customers are now able to find Nordic Ecolabelled and organic garments in the stores as well as garments made from recycled polyester. Polarn O. Pyret has also continued efforts to provide customers with the opportunity to buy and sell used children's clothing on www.polarnopyret.se.

- Training and workshops were carried out together with suppliers and interest groups to improve working conditions with suppliers within the framework of the collaboration with BSCI. Furthermore, RNB also participated in the work with the new database for BSCI.

- Several training courses were completed for personnel regarding the use of chemicals and water in production.

- RNB, in collaboration with other companies in the fashion industry, produced educational films and information posters about fire safety for the employees and management of suppliers in Bangladesh.

Sustainability vision

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

Sustainability goals

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

Group-wide policy documents:

- HR policy
- Environmental policy
- Animal welfare policy
- Travel policy
- Sponsorship policy
- Safety policy
- Code of conduct.

RNB's code of conduct

RNB wants all goods sold in the chain's stores to have been produced under acceptable working conditions. The code of conduct is based on UN and ILO conventions and applies to all our suppliers and partners. Items stipulated in RNB's code of conduct include:

- Compliance with laws and ordinances
- The right of employees to membership of labor unions and collective bargaining
- A policy of non-discrimination
- The payment of salaries and benefits pursuant to the applicable regulations
- The regulation and compensation of overtime in compliance with the governing regulations and agreements
- Due regard to be given to health and safety issues at the workplace
- The prohibition of child labor
- The prohibition of forced labor.

Read our sustainability report in its entirety under Sustainable Fashion in www.rnb.se.

Working at RNB

VVision and values

RNB's vision is to offer its customers an extraordinary shopping experience, the ultimate shopping trip, and the overriding objective is to increase floor traffic in our stores. We want the customer to feel appreciated and inspired from a visit to one of our stores. The customer interface is decisive in this area.

Another key component is the unified corporate culture with RNB's four fundamental cornerstones:

- Honesty
- Own initiative
- Faith in people
- We look after the money.

Talents

To provide our customers with the ultimate shopping trip, it is totally critical for us to attract the right employees who understand the importance of putting the customer in focus. Accordingly, RNB sees great value in identifying in-house talent within the Group from which RNB can develop the company's future managers and successful employees.

RNB University

Skills supply within RNB is built primarily on a Group-wide interactive training program, RNB University. All new employees at RNB undergo an obligatory interactive induction course including information about the scope of operations, goals and visions. Our personnel are also offered training in sales and service, safety-related issues and textiles and material through our interactive educational tool. As part of RNB University, the company works with teacher-led leadership courses for future and existing store managers. RNB's training program comprises programs for the training of new staff, store managers and a general leadership program that supports the various Group companies and Group-wide initiatives.

Employees

RNB strives to be an attractive employer. The annual HR surveys conducted by RNB indicate that employees possess strong individual motivation and a positive perception of knowledge and experience transfer within the company while regarding the company an attractive workplace. The company's managers are graded highly and RNB personnel proud of working for the Group. RNB works with skills development throughout the Group.

In addition, RNB has produced job descriptions to clarify expectations for each individual's role thus providing a positive perspective on the individual's contribution to the company. RNB works with management by objectives through smart goals, thus making the individual's contribution to the company's development particularly clear in the annual employee development dialog.

Work-environment responsibility comprises a key element for RNB and a delegation document has been produced that informs key personnel of their responsibility for the work environment. Safety initiatives are being driven intensively by head office and the methodical work on the work environment is followed up on an annual basis through checklists, as well as in connection with any incidents and accidents. Employees can obtain information about the organization through the company's internal portal.

As part of a wide-reaching action plan, RNB has implemented a change in the organization with the aim of increasing operational efficiency and lowering costs. The measures will result in about thirty positions disappearing. RNB is tied to the employers' organization, the Swedish Trade Federation, and has collective agreements with Unionen and the Commercial Employees' Union. RNB has invited the labor union, Unionen, and TRR to provide support in the effort to downsize the organization.

RNB utilizes a "Sick and Recovery Reporting" service in partnership with occupational healthcare for administration of sickness absence. With this "Sick and Recovery Reporting" service, employees are able to access advisory healthcare services provided by a qualified nurse directly over the telephone. This also comprises a tool and support in rehabilitation cases.

The service is provided to all employees of the Group and the company has a low rate of sickness absence, in great part due to this service. Short-term absence was 2.41% and long-term absence 1.07% of hours worked.

The organization in figures

The average number of employees during the 2010/2011 fiscal year was 1,435. Among the employees, 1,233 were employed in Sweden and the remainder in RNB's other markets. Both men and women work in leading positions in the Group and both genders are represented on RNB's Board of Directors and in Group Management.

A key component is the unified corporate culture featuring RNB's four fundamental cornerstones:

Accounts

Board of Directors' Report 2010/2011

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, 2010 – August 31, 2011.

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, 2011, RNB had a total of 392 (402) stores, of which 177 (184) were operated by franchisees.

Group

In addition to the Parent Company, RNB RETAIL AND BRANDS AB (publ), the Group includes the wholly owned subsidiaries Ängsviol Blomstern AB, Polarn O. Pyret AB, Portwear AB, Departments & Stores Europe AB, Departments & Stores Denmark AS, Kosta Outlet Mode AB, JC AB, JC Sverige AB, Brothers & Sisters Sverige AB, Nordic Textile Grosshandels GmbH, JC Jeans & Clothes Oy and JC Jeans & Clothes AS, as well as the underlying company JC Jessheim AS, which is owned to 91%.

Significant events during the year

Impairment of goodwill and brand attributable to JC

The acquisition of the JC Group during the summer of 2006 resulted in SEK 1,063 M in goodwill and SEK 500 M in JC brand value. In 2008/2009, the goodwill value was impaired in the amount of SEK 500 M. During the preceding fiscal year, goodwill was allocated between JC and Brothers & Sisters. JC subsequently had SEK 191 M remaining in goodwill and a brand value of SEK 500 M. Due to JC's continued profitability issues, it became clear that the turnaround is taking longer than planned, which in turn resulted in a downward revision of future outlook. Accordingly, based on the completed impairment test, the remaining goodwill was impaired by SEK 191 M and of a gross SEK 250 M and brand value by a net amount of SEK 177 M, after deferred tax. The remaining carrying amount of the brand subsequently amounted to SEK 260 M.

Discontinuation of operations at Illum

The operation at Illum Kids was discontinued in January 2011. Notice of termination of the contract for operating the business at Illum Kosmetik has been issued by the company. The operation will be closed not later than January 15, 2012. This operation resulted in a loss of SEK 12 M against the Group's earnings, including discontinuation costs totaling SEK 4 M.

Streamlining of head office

The restructuring of the head office has been decided on and was conducted during the autumn and entailed the discontinuation of 30 positions. SEK 5 M was reserved during the fiscal year for related costs. The overall streamlining effort is expected to reduce annual costs by about SEK 14 M as of autumn 2011.

Market and demand

The clothing market experienced a very weak trend essentially throughout the fiscal year. According to the Swedish Retail Institute, sales in comparable stores in Sweden declined about 3.7%. For RNB, sales in comparable proprietary stores in Sweden declined 0.3%. Overall comparable sales in proprietary stores in all countries decreased 0.7%.

New President and CEO, and new Chairman of RNB

During the year, Magnus Håkansson succeeded Mikael Solberg as President and CEO, and Laszlo Kriss assumed the position of Chairman of the Board of the company.

Significant events after the end of the fiscal year

Production office in Hong Kong

RNB continues its work on the Group-wide program of change and opened a production office in Hong Kong in November 2011. The office will coordinate production for the Polarn O. Pyret, Brothers & Sisters and JC subsidiaries with the help of satellite offices that will be opened in Shanghai, China, and Dacca, Bangladesh. The coordinated working approach is expected to result in a positive effect on the gross margin.

Strategic change at Sisters

In October 2011, RNB decided to implement a thorough strategic change of the Sisters concept. The decision includes converting certain stores that are known as duo-stores into exclusively Brothers stores, and in others, the surface space allocated to the Sisters concept will be reduced and the space allocated to the Brothers concept will be expanded. Meanwhile, the product range for Sisters will shift from including internal and external brands to exclusively featuring external brands in the future.

Reduction/restructuring of JC in Norway
In October 2011, RNB decided on a sharp reduction/restructuring of JC's loss-generating Norwegian operations. Accordingly, an additional group of stores will be closed.

New financial targets for RNB
In October 2011, the Board adopted new financial targets for RNB as of the 2011/2012 fiscal year.
The new targets comprise:

- A long-term operating margin of 10%
- Long-term sales growth of 5 to 10%
- A debt/equity ratio of 0.5 to 1.0

The concepts
Polarn O. Pyret business area
Net sales during the period totaled SEK 481 M (436). Sales in comparable proprietary stores rose 4.1% year-on-year.

Operating profit amounted to SEK 69 M (71), corresponding to an operating margin of 14.3% (16.3).

The number of proprietary stores at the end of the fiscal year was 47 (45). In addition, there were 70 (66) franchise stores, including 14 (14) in Sweden and 56 (52) abroad.

Department Stores business area
Net sales within Department Stores totaled SEK 1,028 M (1,115), down 7.8%. The discontinued operation at Steen & Ström had an adverse impact of 6.1% on net sales. During the period, sales in comparable stores increased 0.5%.

Operating profit amounted to SEK 74 M (40). Of the improvement of SEK 34 M, SEK 15 M was attributable to the divestment of a store outside the NK department stores operations. The remainder of the improvement derived mainly from strengthened gross margins and the divestment of loss-generating operations.

The operation at Illum Kids was discontinued in January. The contract for operating the business at Illum Kosmetik was terminated by the company. The operation will be closed not later than January 15, 2012. The operation at Illum had an adverse impact on operating profit of SEK 12 M (neg: 13), which includes a charge of SEK 4 M for the discontinuation of Kids and Kosmetik.

Operating profit for the Department Stores business area, excluding the operations at Illum, Steen & Ström and other operating revenue from a divested store, totaled SEK 71 M (61).

The number of proprietary stores at the end of the fiscal year was 49 (53), with a total of 17,995 (18,782) square meters of retail floor space.

JC business area
Net sales during the period totaled SEK 879 M (920), down 4.5%. Sales in comparable proprietary stores declined 3.6%. In local currencies, sales remained unchanged.

JC's Operating profit declined SEK 104 M, leading to a loss of SEK 156 M (loss: 52) for the year, excluding SEK 431 M for the completed impairment of goodwill and brand value. Earnings were negatively impacted by a weak sales trend in recent quarters, in the form of weaker gross profit from lower sales and the consequences that this had on inventory levels, inventory values and the share of discount sales. Due to confirmed surplus inventories, an extensive inventory write-down was conducted in the third quarter. SEK 24 M (8) was reserved for confirmed and uncertain accounts receivables.

The number of proprietary stores at the end of the fiscal year was 79 (81). In addition, there were 67 (76) franchise stores.

Brothers & Sisters business area
Net sales at Brothers & Sisters totaled SEK 586 M (592), down 1%. During the period, sales in comparable stores declined 0.6%. Sales in comparable proprietary stores declined 0.6%. In local currencies, sales rose 0.7%.

Operating profit for Brothers & Sisters totaled SEK 6 M (34). The decline was primarily attributable to Sisters in the form of weaker gross margins caused by a high share of discount sales, but also by an inventory impairment of SEK 7 M during the third quarter due to the confirmation of surplus inventory. An increased marketing initiative at Sisters during the first quarter led to higher costs. SEK 2 M (2) was reserved for confirmed and uncertain accounts receivables.

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

Parent Company
The Parent Company provides Group-wide services.

Net sales in the Parent Company amounted to SEK 101 M (99). After net financial items, a loss of SEK 490 M (profit: 17), including SEK 436 M for impairment of shares in subsidiaries was recognized. Investments totaled SEK 47 M (16).

Net sales and earnings
RNB's net sales amounted to SEK 2,966 M (3,054), down 2.9%.

Sales in comparable proprietary stores in all countries declined 0.7%. The gross margin was 46.9% (48.4).

Compared with the preceding fiscal year, earnings were adversely affected by the weak sales trend, primarily during the second half of the year. Weak sales also resulted in consequences in terms of the share of discount sales, inventory levels and the inventory valuation. Due to confirmed surplus inventories, extensive inventory impairments were made during the year. SEK 27 M was reserved for confirmed and uncertain accounts receivables.

A loss of SEK 78 M (48) was posted, excluding SEK 431 M for goodwill and brand impairment. The result after financial items, excluding a goodwill and brand impairment of SEK 431 M and excluding results from future contracts, amounted to a loss of SEK 106 M (profit: 21).

Net financial items were positively affected by SEK 2 M (1) in value changes concerning derivatives. The result after tax amounted to a loss of SEK 445 M (29), including goodwill and brand impairments of SEK 368 M for JC.

During the fiscal year, a store outside the department store operations at NK within the Department Stores business area was divested, generating a capital gain of SEK 15 M.

An SEK 15 M impairment of intangible assets was made in the Group, due to the implementation of a new business system.

The operation at the Illum department store, which is under discontinuation, recognized an operating loss of SEK 12 M (loss: 13), which includes a cost of SEK 4 M for the discontinuation of Kids and Cosmetics.

Financial position and liquidity
The Group had total assets of SEK 2,079 M compared with SEK 2,518 M at the end of the preceding fiscal year. Shareholders' equity at fiscal year-end amounted to SEK 959 M (1,404), resulting in an equity/assets ratio of 46.1% (55.8).

At August 31, 2011, inventories totaled SEK 573 M compared with SEK 563 M a year earlier.

For the period September 1, 2010 through August 31, 2011, cash flow from operating activities was a negative SEK 18 M (positive: 120).

After investments, cash flow amounted to a negative SEK 96 M (positive: 74).

Net debt amounted to SEK 507 M compared with SEK 429 M in the year-earlier period.

Consolidated cash and cash equivalents at fiscal year-end, including unutilized overdraft facilities, amounted to SEK 139 M compared with SEK 240 M at the end of the preceding fiscal year.

The Group fulfills the covenants stipulated in the prevailing agreements with creditors. Current loans and the associated covenants are described in Note 37. The company's Board and Group management believe that long-term financing is now secured, based on current forecasts, plans and available lines of credit.

Investments, depreciation and impairments
Investments during the year totaled SEK 101 M (41). Depreciation/amortization and impairments during the year amounted to SEK 527 M (92), of which goodwill and brand impairments accounted for SEK 431 M (0).

Personnel
The average number of employees during the fiscal year was 1,435 (1,442). Of the employees, about 1,233 were located in Sweden and the remainder in RNB's other markets.

Sustainable fashion
RNB presents a separate sustainability report. The company maintains a policy document, a vision and a thorough business plan for sustainability matters. Refer to the current sustainability report on the company's website, www.rnb.se.

Transactions with associated parties
No transactions were conducted between the RNB Group and associated parties that significantly impacted the Group's position and earnings. The company has a loan from the principal owner, Konsumentföreningen Stockholm, in the amount of SEK 400 M at market interest rates and covenants.

For further information on transactions with associated parties, refer to Note 4.

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 40.

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 86-93.

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.

The Board is appointed at the Annual General Meeting for the period until the next Annual General Meeting. The company's Articles of Association do not include any statutes on the appointment or dismissal of Board Members.

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 three 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 meetings dealt with the recruitment of a CEO for RNB and a president for JC, the election of a new Chairman in accordance with the resolutions at the Annual General Meeting, and leasing matters.

Nomination Committee
At the 2011 Annual General Meeting, it was resolved that a Nomination Committee should be elected among the major shareholders for the purpose of nominating Board Members ahead of the 2012 Annual General Meeting. Prior to the Annual General Meeting on January 19, 2012, members of the Nomination Committee have been appointed pursuant to a resolution at the 2011 Annual General Meeting. These comprise Sune Dahlqvist, Chairman of KfS, Paul Schrotti, President of Axel Johnson AB, Fred Wachtmeister, representing Irish Life and Swiss Life, and Jan Litbörn, representing Douglas Invest AS.

Guidelines governing remuneration of senior executives
The Annual General Meeting on January 20, 2011, 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 Annual General Meeting resolve to pass the following guidelines.

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 components jointly represent 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 result and/or consolidated result 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. 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, a two-year program was resolved on at the preceding year's Annual General Meeting comprising the fiscal years 2010/2011 and 2011/2012. 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 2,771,000 (excluding social security contributions), of which SEK 500,000 to the President. The calculation is based on the six people entitled to a bonus who were members of company management as of August 31, 2011. 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 potentially renewing the two-year program.

As in the past, the President is entitled to pension corresponding to a maximum premium of 30% of his/her current annual salary. Other members of company management are entitled to pension according to the ITP plan or equivalent. 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, 2011 was 10,938, of whom 10,579 were registered in Sweden. The largest owners at August 31, 2011 were as follows:

Largest shareholders	No. of shares	Sharecapital/ votes, %
Konsumentföreningen Stockholm	35,959,350	21.7
Axbrands AB	11,600,000	7.0
Douglas Invest AS (Mikael Solberg)	9,231,776	5.6
Avanza pension	6,948,705	4.2
Irish Life International Ltd. (Jan Carlzon)	4,401,654	2.7
UBS AG	3,332,873	2.0
Spartoi AB	3,279,396	2.0
Nordnet Pensionsförsäkring AB	3,068,154	1.9
Catella Fondförvaltning	2,526,013	1.5
Handelsbanken fonder	2,403,030	1.5
Total, largest shareholders	**82,750,951**	**50.1**
Other	82,674,300	49.9
Total	**165,425,251**	**100.0**

The number of shares in the company on August 31, 2011 totaled 165,425,251, which were all common shares each of which with a quotient value of SEK 1. Each share entitles its owner to one vote at the Annual General Meeting and all shares are entitled to an equal percentage of the company's assets and profit. There are no statutes in the company's Articles of Association limiting how many votes each shareholder can place at the Annual General Meeting nor any limitations on the right to transfer shares. Aside from Konsumentföreningen Stockholm, no shareholder, directly or indirectly, holds more than 10% of the shares in RNB Retail and Brands AB (publ). More information is available under the section called "The Share" on pages 94–95.

Outlook

The Board of Directors is of the opinion that earnings will improve significantly in the 2011/2012 fiscal year, even if the trend for the retail clothing market remains weak.

Dividend

The Board proposes that no dividend be paid for the 2010/2011 fiscal year.

Proposed distribution of unappropriated earnings

The following funds are available for allocation by the Annual General Meeting, SEK 000s	
Retained earnings	1,042,275
Loss for the year	–471,779
	570,496
The Board of Director proposes:	
That the following amount be carried forward:	570,496

For further information regarding the company's earnings and financial position, refer to the following income statement and balance sheet with accompanying notes. All amounts are listed in thousands of SEK (SEK 000s) unless otherwise specified.

Consolidated statement of comprehensive income

SEK 000s	Note	**Sep 10–Aug 11**	Sep 09–Aug 10
Net sales	3	2,965,670	3,054,511
Other operating revenues	6	21,565	17,772
		2,987,235	**3,072,283**
Operating expenses			
Goods for resale	8,20	–1,575,298	–1,575,564
Other external costs	5,7,33	–765,886	–726,773
Personnel costs	4	–628,218	–628,407
Depreciation/amortization and impairment of tangible and intangible fixed assets	13,15,16,18	–96,106	–91,550
Impairment of goodwill and brand	13,14,17	–431,196	–
Capital loss on sale of subsidiaries		–95	–2,000
Operating profit/loss		**–509,564**	**47,989**
Results from financial investments			
Interest income and similar profit/loss items	9	8,906	17,643
Interest expense and similar profit/loss items	10	–33,995	–43,957
Profit/loss after financial items		**–534,653**	**21,675**
Tax on net profit for the year	11	89,487	7,221
Net profit/loss for the year		**–445,166**	**28,896**
Other comprehensive income			
Translation differences		15	–1,717
Comprehensive income for the year		**–445,151**	**27,179**
Net profit/loss for the year pertaining to:			
Parent Company's shareholders		–445,166	28,896
Non-controlling interest		–	–
Comprehensive income for the year pertaining to:			
Parent Company's shareholders		–445,151	27,179
Non-controlling interest		–	–
Earnings per share (SEK) *	12	–2.69	0.18
Average number of shares outstanding (000s) *	12	165,425	161,052

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

Consolidated cash-flow statement

SEK 000s	Note	**Sep 10–Aug 11**	Sep 09–Aug 10
Operating activities			
Operating profit/loss		–509,564	47,989
Interest received		6,835	17,643
Interest paid		–30,440	–41,020
Tax paid		–6,345	2,417
Adjustment for non-cash items	34	495,002	68,351
Cash flow from operating activities before changes in working capital		**–44,512**	**95,380**
Cash flow from changes in working capital			
Decrease (+)/increase (-) in inventories		–9,870	6,697
Decrease (+)/increase (-) in current receivables		24,452	43,205
Decrease (-)/increase (+) in current liabilities		11,887	–24,804
Cash flow from operating activities		**–18,043**	**120,478**
Investing activities			
Acquisition of tangible and intangible fixed assets		–100,742	–41,553
Change in long-term receivables		7,634	–7,634
Divestment of subsidiaries	35	–95	–4,920
Divestment of other fixed assets		15,518	7,381
Cash flow from investing activities		**–77,685**	**–46,726**
Financing activities			
Increased utilization of overdraft facilities		105,328	–
Decreased utilization of overdraft facilities		–	–200,129
Redemption of pension provisions		–5,633	–5,634
Loans raised		–	400,000
New share issue after issue expenses		–	302,814
Amortization of liabilities to credit institutions		–	–535,731
Cash flow from financing activities		**99,695**	**–38,680**
Cash flow during the year		**3,967**	**35,072**
Cash and cash equivalents at the beginning of the year		49,470	15,281
Exchange-rate differences in cash and cash equivalents		58	–883
Cash and cash equivalents at year-end	23	**53,495**	**49,470**

Consolidated balance sheet

SEK 000s	Note	**Aug 31, 2011**	Aug 31, 2010
ASSETS			
Fixed assets			
Intangible fixed assets	13		
Trademarks	14	259,712	500,000
Software	15	79,448	66,221
Rental rights	16	15,501	16,039
Goodwill	17	685,105	876,013
		1,039,766	**1,458,273**
Tangible fixed assets			
Equipment and store fittings	18	131,941	139,896
		131,941	**139,896**
Financial fixed assets			
Other long-term receivables	37	0	7,634
		0	**7,634**
Total fixed assets		**1,171,707**	**1,605,803**
Current assets			
Inventories			
Goods for resale	20	573,116	563,246
		573,116	**563,246**
Current receivables			
Accounts receivable	37	191,589	201,779
Current tax assets		13,599	10,336
Other receivables	21	11,930	9,534
Prepaid expenses and accrued income	22	63,655	77,689
		280,773	**299,338**
Cash and cash equivalents	23	53,495	49,470
Total current assets		**907,384**	**912,054**
TOTAL ASSETS		**2,079,091**	**2,517,857**

SEK 000s	Note	**Aug 31, 2011**	Aug 31, 2010
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		165,425	165,425
Other contributed capital		1,848,929	1,848,929
Other reserves		–5,602	–5,617
Loss brought forward		–604,234	–633,130
Net loss for the year		–445,166	28,896
Total shareholders' equity		**959,352**	**1,404,503**
Long-term liabilities			
Liabilities to credit institutions	25	10,006	28,982
Provisions for pensions	24	15,637	21,270
Deferred tax liabilities	11	30,906	120,889
Other long-term liabilities	25,26	400,000	400,000
Total long-term liabilities		**456,549**	**571,141**
Current liabilities			
Liabilities to credit institutions	25	20,150	18,274
Overdraft facilities	25,27	114,887	9,559
Accounts payable	28	319,129	315,814
Other liabilities	29	56,406	51,494
Accrued expenses and prepaid income	30	152,618	147,072
Total current liabilities		**663,190**	**542,213**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,079,091**	**2,517,857**
Assets pledged	31	522,601	523,325
Contingent liabilities	32	1,392	3,899

Changes in Group shareholders' equity

SEK 000s	Share capital	Other contri-buted capital	Other reserves	Profit/loss brought forward	Net profit/loss for the year	**Total share-holders' equity**
Shareholders' equity, August 31, 2009	**114,158**	**1,594,149**	**–3,900**	**29,685**	**–662,815**	**1,071,277**
Transfer of previous year's profit/loss				–662,815	662,815	0
Net profit for the year					28,896	28,896
Other comprehensive income (translation difference)			–1,717			–1,717
Total	**114,158**	**1,594,149**	**–5,617**	**–633,130**	**28,896**	**1,098,456**
Transactions with owners						
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**
Transfer of preceding year's profit/loss				28,896	–28,896	0
Net loss for the year					–445,166	–445,166
Other comprehensive income (translation difference)			15			15
Shareholders' equity, August 31, 2011	**165,425**	**1,848,929**	**–5,602**	**–604,234**	**–445,166**	**959,352**

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, 2011. All of the shares are common shares.

No dividend is proposed for the September 1, 2010 – August 31, 2011 fiscal year.

Parent Company income statement

SEK 000s	Note	**Sep 10–Aug 11**	Sep 09–Aug 10
Net sales	39	100,585	98,868
Other operating revenues	6	5,682	4,930
		106,267	**103,798**
Operating expenses			
Other external costs	5,7,33	–102,229	–96,901
Personnel costs	4,39	–42,150	–32,590
Depreciation, amortization and impairment of tangible and intangible fixed assets	13,15,16,18	–33,822	–19,738
Operating loss		**–71,934**	**–45,431**
Results from financial investments			
Results from participations in Group companies	36	–393,783	83,500
Interest income and similar profit/loss items	9	2,128	3,511
Interest expense and similar profit/loss items	10	–25,991	–24,194
Profit/loss after financial items		**–489,580**	**17,386**
Appropriations			
Changes in depreciation in excess of plan		–	550
Profit/loss before tax		**–489,580**	**17,936**
Tax on net profit/loss for the year	11	17,801	–8,232
Net profit/loss for the year		**–471,779**	**9,704**

Parent Company statement of comprehensive income

SEK 000s	Note	**Sep 10–Aug 11**	Sep 09–Aug 10
Net profit/loss for the year		–471,779	9,704
Other comprehensive income		–	–
Comprehensive income for the year		**–471,779**	**9,704**

Parent Company balance sheet

SEK 000s	Note	**Aug 31, 2011**	Aug 31, 2010
ASSETS			
Fixed assets			
Intangible fixed assets			
Software	15	65,682	43,579
		65,682	**43,579**
Tangible fixed assets			
Equipment and store fittings	18	5,609	14,557
		5,609	**14,557**
Financial fixed assets			
Shares in subsidiaries	19	1,146,658	1,517,258
Deferred tax assets	11	41,423	23,622
		1,188,081	**1,540,880**
Total fixed assets		**1,259,372**	**1,599,016**
Current assets			
Current receivables			
Accounts receivable	37	93	252
Receivables from Group companies	38	255,750	262,691
Current tax assets		1,815	6,114
Other receivables	21	198	1,009
Prepaid expenses and accrued income	22	4,272	5,790
		262,128	**275,856**
Cash and cash equivalents	23	0	32
Total current assets		**262,128**	**275,888**
TOTAL ASSETS		**1,521,500**	**1,874,904**

SEK 000s	Note	**Aug 31, 2011**	Aug 31, 2010
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital		165,425	165,425
Statutory reserve		183,647	183,647
Total restricted shareholders' equity		**349,072**	**349,072**
Non-restricted shareholders' equity			
Profit brought forward		1,042,275	1,032,571
Net profit/loss for the year		–471,779	9,704
Total non-restricted shareholders' equity		**570,496**	**1,042,275**
Total shareholders' equity		**919,568**	**1,391,347**
Untaxed reserves			
Accumulated depreciation in excess of plan		12,500	12,500
Total untaxed reserves		**12,500**	**12,500**
Long-term liabilities			
Liabilities to credit institutions	25,26	400,000	400,000
Total long-term liabilities		**400,000**	**400,000**
Current liabilities			
Overdraft facilities	25,27	114,887	9,559
Accounts payable	28	11,547	11,806
Liabilities to Group companies	38	36,022	37,284
Other liabilities	29	930	712
Accrued expenses and prepaid income	30	26,046	11,696
Total current liabilities		**189,432**	**71,057**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,521,500**	**1,874,904**
Assets pledged	31	254,593	254,593
Contingent liabilities	32	43,021	69,054

Parent Company cash-flow statement

SEK 000s	Not e	**Sep 10–Aug 11**	Sep 09–Aug 10
Operating activities			
Operating loss		–71,934	–45,431
Interest received		2,128	3,511
Interest paid		–22,634	–22,995
Tax paid		3,704	–11,975
Adjustment for non-cash items	34	33,654	19,738
Cash flow from operating activities before changes in working capital		**–55,082**	**–57,152**
Cash flow from changes in working capital			
Decrease (+)/increase (-) in current receivables		–58,579	–54,377
Decrease (–)/increase (+) in current liabilities		9,690	–100,476
Cash flow from operating activities		**–103,971**	**–212,005**
Investing activities			
Acquisition of tangible and intangible fixed assets		–46,869	–15,715
Divestment of subsidiaries	35	2,670	100
Divestment of other fixed assets		60	152
Cash flow from investing activities		**–44,139**	**–15,463**
Financing activities			
Increased utilization of overdraft facilities		105,328	–
Decreased utilization of overdraft facilities		–	–110,217
Group contributions received		173,450	134,300
Group contributions paid		–145,700	–37,800
Dividend received		15,000	69,100
New share issue after issue expenses		–	302,814
Borrowings		–	400,000
Amortization of liabilities to credit institutions		–	–530,731
Cash flow from financing activities		**148,078**	**227,466**
Cash flow during the year		**–32**	**–2**
Cash and cash equivalents at the beginning of the year		32	34
Cash and cash equivalents at year-end	23	0	32

Parent Company's changes in shareholders' equity

SEK 000s	Restricted shareholders' equity Share capital	 Statutory reserve	Non-restricted shareholders' equity Profit/loss brought forward	 Net profit/loss for the year	**Total share-holders' equity**
Shareholders' equity, August 31, 2009	**114,158**	**183,647**	**1,410,837**	**–633,046**	**1,075,596**
Preceding year's profit/loss brought forward			–633,046	633,046	0
Net profit for the year				9,704	9,704
Total	**114,158**	**183,647**	**777,791**	**9,704**	**1,085,300**
Transactions with shareholders					
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**	**1,032,571**	**9,704**	**1,391,347**
Preceding year's profit/loss brought forward			9,704	–9,704	0
Net loss for the year				–471,779	–471,779
Shareholders' equity, August 31, 2011	**165,425**	**183,647**	**1,042,275**	**–471,779**	**919,568**

"Share capital" comprised 165,425,251 shares on August 31, 2011. 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 issue is recognized under "Profit/loss brought forward".

No dividend is proposed for the September 1, 2010 – August 31, 2011 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 2010/2011 fiscal year was signed by the Board of Directors and the President on December 5, 2011. The consolidated statement of comprehensive income and balance sheets for the Parent Company and the Group included in the annual report will be subject to adoption at the Annual General Meeting to be held on January 19, 2012.

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 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 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 cost (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 recognized 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 32 Financial instruments (amendments)
Enhancement of IFRS.

In addition to the above, the following new standards, interpretations or revisions have come into effect, but are not relevant for the Group. IFRS 2 (amendment), IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 16 Hedges of a Net Investment in a Foreign Operation and IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

New IFRS standards, IFRIC interpretations and amendments that have been issued but not yet adopted

Listed below is a brief description of the standards and interpretations that have not yet been adopted by RNB but are expected to have a future impact.

IFRS 9 Financial instruments

This standard intends to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard has not yet been approved by the EU and no schedule for approval is currently available. Since the completion of all aspects of the standard is pending, the Group has not assessed the impact of the new standard.

IASB has also adopted IAS 24 (revised) and IFRIC 14 Prepayments of a minimum funding requirement, which have not yet come into effect. Neither these nor the other IFRS enhancements are expected to have any significant impact on RNB's financial statements.

The effects for accounting purposes for the Group of the other standards, interpretations or amendments issued by IASB that have not yet been approved by the EU have not been evaluated (including IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities and IFRS 13 Fair Value Measurement), nor will they be adopted during the 2011/2012 fiscal year.

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 comprise 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 recognized 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 cost is established through an acquisition analysis performed in conjunction with the acquisition.
In the analysis, the cost 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 cost of the subsidiaries' shares and the fair value of acquired assets, assumed liabilities and contingent liabilities is recognized as goodwill. If the 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 intra-Group unrealized gains and losses have been eliminated when preparing the consolidated financial statements.

Conversion of foreign 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 derive 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.

Dividend income is recognized as a financial income when the right to receive payment has been established.

Borrowing expenses

Borrowing expenses for the acquisition of qualified fixed assets are recognized as fixed assets. Offer borrowing expenses are expensed in profit and loss.

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 measured at accrued cost. Accrued cost 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.

Note 1 Cont.

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 cost 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 cost 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 recognized at August 31, 2011 was 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 cost 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 cost less amortization. Software is amortized at a rate of 20% annually, which corresponds to its expected useful life in five years.

Tangible fixed assets

Tangible fixed assets, which pertain to fittings and fixtures and store interiors, are recognized at cost (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.

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.

Inventories

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

When calculating the cost 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. The requisite provision is made for obsolescence.

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 and brand have been based on the Group's operating segments that are deemed to be the lowest cash-generating units.

Note 1 **Cont.**

Dividends paid
Dividends paid are recognized as a liability after the Annual General Meeting has approved the dividend.

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 (PRI) 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 2010/2011, 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 3.7% (4). The most important actuarial assumptions are described in Note 24.

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, 2011, Alecta's surplus in the form of the collective consolidation level amounted to 113% (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.

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

Reporting by operating segment
Based on how management monitors the operations' operating segments, RNB has defined Group Management as its chief operating decision maker. RNB reports on four different business areas, 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. In the financial statements for the operating segments, central administration is recognized under the header "Other."

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

Note 1 Cont.

uncertain future events or when an obligation exists that is not recognized 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, 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 most important 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.

Shareholder contributions and Group contributions

The Parent Company recognizes Group contributions in accordance with RFR 2, IAS 18 paragraph 3, entailing that Group contributions received are recognized as financial income in profit and loss. Group contributions paid are recognized in accordance with RFR 2, IAS 27 paragraph 2, which, as a result of the link between accounting and taxation, entails that Group contributions paid are recognized as a financial expense in profit and loss. The term "recognition of Group contributions" is an advance application and entails that the principles have changed compared with the preceding fiscal year. Accordingly, comparative figures have been adjusted, although there was no impact on Total non-restricted shareholders' equity.

Shareholder contributions received are recognized directly in the recipient's shareholders' equity and shareholder contributions paid are recognized as investments in participations in Group companies. Insofar as impairments are required, the impairment is recognized as a cost in profit and loss under the header "Profit from participations in Group companies."

Participations in subsidiaries

Participations in subsidiaries are recognized in the Parent Company in accordance with the cost method. All dividends received from subsidiaries are recognized as income in profit and loss under the header "Profit from participations in Group companies." The balance-sheet item "Participations in subsidiaries" is tested for impairment insofar as there are indications or reasons to assume that the recoverable amount is below the carrying amount.

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 13, 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; and Brothers & Sisters, SEK 450 000,000. The value of brands, SEK 259,712,000, 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 for the period thereafter and assumptions concerning growth following the budget period. See Note 13, 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 11.

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 56,321,000 and accounts receivable, net after the reserve, amounted to SEK 191,589,000.

Inventories

Inventories have been measured at the lower of 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 10–Aug 11	Polarn O. Pyret	Department Stores	JC	Brothers & Sisters	Other	Eliminations	Total
Revenues							
External sales	477,010	1,027,497	877,050	584,113	–	–	2,965,670
Internal sales	3,686	392	1,849	1,886	100,585	–108,398	0
Interest income	116	31	5,659	1,029	4,199	–2,128	8,906
Other revenues	7,084	15,280	151	–	5,682	–6,632	21,565
Total	**487,896**	**1,043,200**	**884,709**	**587,028**	**110,466**	**–117,158**	**2,996,141**
Earnings							
Profit/loss per business segment	69,408	73,718	–586,723	5,876	–71,843	–	–509,564
Operating profit/loss	**69,408**	**73,718**	**–586,723**	**5,876**	**–71,843**	**0**	**–509,564**
Other disclosures							
Assets	162,679	466,964	656,912	690,536	398,956	–296,956	2,079,091
Liabilities and provisions	122,160	185,045	310,416	99,634	699,440	–296,956	1,119,739
Investments	7,033	7,963	26,125	12,753	48,611	–	102,485
Depreciation, amortization and impairments	2,914	12,755	448,040	10,522	53,071	0	527,302
Fixed assets by country							
Sweden	14,048	264,850	296,044	478,202	96,374	–	1,149,518
Norway	–	–	15,748	–	–	–	15,748
Finland	–	–	4,474	1,917	–	–	6,391
Denmark	–	50	–	–	–	–	50

Sep 09–Aug 10	Polarn O. Pyret	Department Stores	JC	Brothers & Sisters	Other	Eliminations	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
Interest income	2,839	1,429	11,951	623	4,312	–3,511	17,643
Other revenues	6,671	744	5,427	–	4,930	–	17,772
Total	**445,250**	**1,116,859**	**937,536**	**592,972**	**108,110**	**–110,801**	**3,089,926**
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 and impairments	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

Central administration is recognized under the header "Other" in the financial statements for the operating segments.

Note 3 Cont.

Net sales per country

Group	Sep 10–Aug 11	Sep 09–Aug 10
Net sales in Sweden	2,551,449	2,544,793
Net sales in Norway	141,607	239,252
Net sales in Denmark	62,730	68,777
Net sales in Finland	176,693	174,022
Net sales in other countries	33,191	27,667
Total	**2,965,670**	**3,054,511**

No individual customer represents more than 10% of total revenues.

Note 4 Personnel and personnel costs

Average number of employees distributed among women and men

Group	Sep 10–Aug 11 Total	Sep 10–Aug 11 Of whom, men	Sep 09–Aug 10 Total	Sep 09–Aug 10 Of whom, men
Sweden	1,233	232	1,199	236
Norway	66	11	98	13
Finland	104	16	105	34
Denmark	32	2	40	4
	1,435	**261**	**1,442**	**287**

Parent Company	Sep 10–Aug 11 Total	Sep 10–Aug 11 Of whom, men	Sep 09–Aug 10 Total	Sep 09–Aug 10 Of whom, men
Sweden	48	25	45	26
	48	**25**	**45**	**26**

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

Koncernen	31 Aug 11 Total	31 Aug 11 Of whom, men	31 Aug 10 Totalt	31 Aug 10 Of whom, men
Board of Directors	7	6	8	7
Management Group excl. President	6	4	7	2

Wages, salaries, other remuneration and social security costs

Group Total	Sep 10–Aug 11 Board Members and President	Sep 10–Aug 11 Other employees	Sep 10–Aug 11 Total	Sep 09–Aug 10 Board Members and President	Sep 09–Aug 10 Other employees	Sep 09–Aug 10 Total
Wages, salaries and other remuneration	11,299	483,591	494,890	11,368	492,315	503,683
Social security costs	4,673	121,483	126,156	4,131	119,316	123,447
Pension costs	1,503	28,665	30,168	2,517	31,067	33,584
	17,475	**633,739**	**651,214**	**18,016**	**642,698**	**660,714**

Group Sweden	Sep 10–Aug 11 Board Members and President	Sep 10–Aug 11 Other employees	Sep 10–Aug 11 Total	Sep 09–Aug 10 Board Members and President	Sep 09–Aug 10 Other employees	Sep 09–Aug 10 Total
Wages, salaries and other remuneration	11,299	409,572	420,871	11,368	393,826	405,194
Social security costs	4,673	116,325	120,998	4,131	110,400	114,531
Pension costs	1,503	21,785	23,288	2,517	21,924	24,441
	17,475	**547,682**	**565,157**	**18,016**	**526,150**	**544,166**

Note 4 Cont.

Group Norway	Sep 10–Aug 11 Board Members and President	Sep 10–Aug 11 Other employees	Sep 10–Aug 11 Total	Sep 09–Aug 10 Board Members and President	Sep 09–Aug 10 Other employees	Sep 09–Aug 10 Total
Wages, salaries and other remuneration	–	26,724	26,724	–	46,134	46,134
Social security costs	–	3,392	3,392	–	7,026	7,026
Pension costs	–	91	91	–	1,248	1,248
	–	**30,207**	**30,207**	**–**	**54,408**	**54,408**

Group Finland	Sep 10–Aug 11 Board Members and President	Sep 10–Aug 11 Other employees	Sep 10–Aug 11 Total	Sep 09–Aug 10 Board Members and President	Sep 09–Aug 10 Other employees	Sep 09–Aug 10 Total
Wages, salaries and other remuneration	–	28,081	28,081	–	30,592	30,592
Social security costs	–	1,651	1,651	–	1,635	1,635
Pension costs	–	4,653	4,653	–	5,332	5,332
	–	**34,385**	**34,385**	**–**	**37,559**	**37,559**

Group Denmark	Sep 10–Aug 11 Board Members and President	Sep 10–Aug 11 Other employees	Sep 10–Aug 11 Total	Sep 09–Aug 10 Board Members and President	Sep 09–Aug 10 Other employees	Sep 09–Aug 10 Total
Wages, salaries and other remuneration	–	19,214	19,214	–	21,763	21,763
Social security costs	–	115	115	–	255	255
Pension costs	–	2,136	2,136	–	2,563	2,563
	–	**21,465**	**21,465**	**–**	**24,581**	**24,581**

Parent Company	Sep 10–Aug 11 Board Members and President	Sep 10–Aug 11 Other employees	Sep 10–Aug 11 Total	Sep 09–Aug 10 Board Members and President	Sep 09–Aug 10 Other employees	Sep 09–Aug 10 Total
Wages, salaries and other remuneration	6,014	25,663	31,677	3,174	22,549	25,723
Social security costs	2,307	8,723	11,030	1,244	7,104	8,348
Pension costs	1,422	2,996	4,418	787	3,046	3,833
	9,743	**37,382**	**47,125**	**5,205**	**32,699**	**37,904**

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. A special fee is paid to the Chairman of the Audit Committee. 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 20, 2011, 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 components jointly represent the employee's salary.

The basic salary, which currently totals SEK 267,000 per month for the President, is based on the individual's areas of responsibility and experience. The variable salary is to be related to the outcome of the subsidiaries' operating result and/or the Group's result after financial items compared with the established targets. The variable salary is also to be linked to objectives on both a one and two-year horizon and is to be in part contingent on such factors as the employee not resigning and that part of the bonus must be invested in the company's share.

To receive a 12-month bonus, the company's cost for the variable salary in the event of a 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 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.

The two-year program encompasses 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

Note 4 Cont.

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.

The President is entitled to an occupational pension corresponding to a premium amounting to 30% of his current annual salary. Other members of company management are entitled to pensions in accordance with the ITP plan or 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 2010/2011 fiscal year, Board Members received total director fees of SEK 1,047,000, of which SEK 225,000 was paid to the Chairman of the Board who stepped down during the fiscal year, SEK 172,000 to the Board Member who also took up office as Chairman of the Board during the fiscal year, SEK 194,000 to the Deputy Chairman of the Board who was also Chairman of the Audit Committee and SEK 131,000 to each of the other non-executive Board Members, except for Board Members who stepped down during the year who received SEK 63,000 (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

During the fiscal year, Magnus Håkansson succeeded Mikael Solberg as President and CEO. Prior to assuming this position, Magnus Håkansson was the company's Chairman. After stepping down as President and CEO, Mikael Solberg served as a Board Member of the company. During the fiscal year 2010/2011, President and CEO Magnus Håkansson received salary and other remuneration totaling SEK 1,228,000, in addition to the SEK 225,000 that Magnus Håkansson received during the period of the fiscal year in which he acted as Chairman of the Board.

The President is entitled to a maximum bonus of SEK 750,000 based mainly on the Group's pretax earnings. The President was not entitled to any bonus for the 2010/2011 fiscal year. During the fiscal year 2010/2011, former President and CEO Mikael Solberg expensed salary and other remuneration in the amount of SEK 3,739,000. Mikael Solberg did not receive a bonus for the fiscal year 2010/2011, nor did he receive a director's fee for the fiscal year.

RNB's pension costs for President and CEO Magnus Håkansson amounted to SEK 329,000 during the fiscal year. The President is covered by an occupational pension plan corresponding to a premium of 30% 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. RNB's expensed pension costs for former President Mikael Solberg totaled SEK 1,093,000.

The President is subject to a notice period of up to 12 months applies if termination is initiated by the company, and six months if termination is initiated by the President. Unchanged salary is paid during the notice period for the President.

Other senior executives

Other senior executives are defined as those persons who, apart from the President, are members of the Management Group.

During the 2010/2011 fiscal year, the following individuals, in addition to the President, were members of the Management Group: Gunnar Bergquist, Maria Öqvist, Amelie Söderberg, Lea Rytz Goldman, Marthyn Inghamn, Anders Wiberg, Per-Åke Arvidsson, Agnes Öhlund and Tina Zetterström.

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.

Salary and other payments totaling SEK 10,012,000 were paid to senior executives in the 2010/2011 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 774,000 for the 2010/2011 fiscal year.

Related-party transactions

During the 2010/2011 fiscal year, the RNB Group procured printed materials in an amount of SEK 1,100,000 from a company related to Mikael Solberg. Pricing of the products was based on normal commercial terms. At August 31, 2011, RNB owed this affiliated company SEK 2,000.

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 615,000. At August 31, 2011, the RNB Group had no outstanding liability to these affiliated companies.

During the fiscal year, the Department Stores, JC and Brothers & Sisters concepts 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 12,459,000 and sales amounted to SEK 2,659,000. At August 31, 2011, the RNB Group's net debt to the related companies amounted to SEK 1,424,000.

During the 2010/2011 fiscal year, the RNB Group signed a three-year loan agreement with Konsumentföreningen Stockholm at normal market terms and conditions. Further information is provided in Note 37. During the year, interest charges amounted to SEK 21,589,000, equivalent to an average interest rate of 5.4%. At August 31, 2011, the outstanding debt amounted to SEK 400 M and accrued interest to SEK 5,422,000.

During the fiscal year, the JC and Brothers & Sisters concepts rented premises and procured market-related services from companies for which Lazlo Kriss was a board member at some time during the fiscal year. Pricing was based on normal commercial terms. Total procurement from companies affiliated to Lazlo Kriss amounted to SEK 8,917,000, while sales to the affiliated companies totaled SEK 3,420,000. At August 31, 2011, the RNB Group's outstanding liability to these affiliated companies amounted to SEK 1,409,000.

Note 4 Cont.

Remuneration to the Board of Directors and President

	Sep 10–Aug 11			Sep 09–Aug 10		
	Salary and directors fees	Of which, bonus	Pension cost	Salary and directors fees	Of which, bonus	Pension cost
Chairman of the Board, Laszlo Kriss	172.0			114.5		
Chairman of the Board/President and CEO Magnus Håkansson	1,453.0	0	329.0	150.0		
Chairman of the Board, Claes Hansson	0.0			125.0		
Board Member, Jan Carlzon	131.0			125.0		
Board Member, Torsten Jansson	131.0			125.0		
Board Member, Lilian Fossum Biner	194.0			125.0		
Board Member, John Wallmark	63.0			125.0		
Board Member, Nils Vinberg	131.0			125.0		
President and CEO/Board Member Mikael Solberg	3,739.0	0	1,093.0	2,159.5	0	787.0
	6,014.0	**0**	**1,422.0**	**3,174.0**	**0**	**787.0**

Note 5 Remuneration to auditors

	Group		Parent Company	
	Sep 10–Aug 11	Sep 09–Aug 10	**Sep 10–Aug 11**	Sep 09–Aug 10
Ernst & Young AB				
Audit assignments	2,530	2,554	664	590
Audit activities beyond audit assignment	408	817	234	570
Tax consultancy services	518	467	368	384
Other services	331	784	206	438
	3,787	**4,622**	**1,472**	**1,982**

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 Other operating revenues

	Group		Parent Company	
	Sep 10–Aug 11	Sep 09–Aug 10	**Sep 10–Aug 11**	Sep 09–Aug 10
Capital gain on the divestment of tangible and intangible fixed assets	14,182	5,427	168	–
Forwarding other expenses to franchisees	6,843	6,671	–	–
Forwarding other expenses to subsidiaries	–	–	5,514	–
Other revenues	540	5,674	–	4,930
	21,565	**17,772**	**5,682**	**4,930**

Note 7 Other external expenses

	Group		Parent Company	
	Sep 10–Aug 11	Sep 09–Aug 10	**Sep 10–Aug 11**	Sep 09–Aug 10
Expenses for premises	420,010	415,754	30,076	21,415
Marketing	143,167	116,084	195	378
Other	202,709	194,935	71,958	75,108
	765,886	**726,773**	**102,229**	**96,901**

Note 8 Exchange-rate differences

Exchange-rate gains of SEK 23,317,000 (gain: 15,540,000) had an impact on the Group's operating profit during the fiscal year. The exchange-rate gains were attributable to the Group's purchases of goods and recognized in profit and loss under "Goods for resale."

Note 9 Interest income and similar profit/loss items

Group
Interest income for 2010/2011 included SEK 2,071,000 (760,000) for the recalculation of currency forward contracts at fair value.

Parent Company
Interest income for 2010/2011 included interest income from Group companies amounting to SEK 2,128,000 (3,511,000).

Note 10 Interest expenses and similar profit/loss items

Group
Interest expense for 2010/2011 included SEK 0 (0) for the recalculation of currency forward contracts at fair value.

Parent Company
Interest expense for 2010/2011 included SEK 0 (0) for the recalculation of currency forward contracts at fair value.

Note 11 Taxes

Tax on net profit/loss for the year

	Group		Parent Company	
	Sep 10– Aug 11	Sep 09– Aug 10	**Sep 10– Aug 11**	Sep 09– Aug 10
Current tax	–80	–307	–	–
Current tax attributable to prior years	–416	15,154	–	–
Deferred tax	89,983	–7,626	17,801	–8,232
	89,487	**7,221**	**17,801**	**–8,232**

Deferred tax for the year

	Group		Parent Company	
	Sep 10– Aug 11	Sep 09– Aug 10	**Sep 10– Aug 11**	Sep 09– Aug 10
Deferred tax pertaining to change in untaxed reserves	9,691	1,553	–	–
Deferred tax pertaining to loss carry-forwards	18,739	–8,975	17,801	–8,232
Deferred tax costs pertaining to other temporary differences	–1,776	–1,008	–	–
Deferred tax revenue attributable to impairment of brand	63,196	–	–	–
Deferred tax revenue pertaining to other temporary differences	133	804	–	–
	89,983	**–7,626**	**17,801**	**–8,232**

Tax pertaining to items recognized directly against shareholders' equity

	Group		Parent Company	
	Sep 10– Aug 11	Sep 09– Aug 10	**Sep 10– Aug 11**	Sep 09– Aug 10
Other tax effects*	–	3,232	–	3,232
	0	**3,232**	**0**	**3,232**

* Other tax effects comprise taxes tied to the costs attributable to the preceding year's rights issue and recognized directly in equity. The preceding year's tax effect of SEK 3,233,000 is equivalent to 26.3% of the preceding 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 10– Aug 11	Sep 09– Aug 10	**Sep 10– Aug 11**	Sep 09– Aug 10
Recognized pretax loss	–534,653	21,675	–489,580	17,936
Tax according to current tax rate, 26.3%.	140,614	–5,700	128,760	–4,717
Tax effect of nondeductible items				
-Impairment of participations in subsidiaries	–	–	–114,826	–21,592
-Impairment of goodwill	–50,209	–	–	–
-Profit/loss on sale of subsidiaries	–25	–526	18	–
-Other, non-deductible	–746	–569	–96	–96
Tax effect of nontaxable items				
-Dividends received	–	–	3,945	18,173
-Other non-taxable	762	216	–	–
Effect of tax change attributable to prior years	–416	15,154	–	–
Effect of other tax rates in foreign subsidiaries	176	248	–	–
Unutilized and reassessed items*	–669	–1,602	–	–
	89,487	**7,221**	**17,801**	**–8,232**

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

Note 11 Cont.

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

	Group		Parent Company	
	31 Aug 11	31 Aug 10	**31 Aug 11**	31 Aug 10
Deferred tax liabilities				
Untaxed reserves	–8,758	–18,433	–	–
Fixed assets				
-Rental rights	–320	–376	–	–
-Trademarks	–68,304	–131,500	–	–
-Equipment	–	–	–	–
Deferred tax assets				
Fixed assets				
-Rental rights	370	1 027	–	–
-Equipment	1,584	1,491	–	–
Provisions for pensions	1,491	2,066	–	–
Derivative liabilities	669	1,214	–	–
Loss carry-forwards in Sweden	42,362	23,622	41,423	23,622
Loss carry-forwards in foreign subsidiaries	–	–	–	–
	–30,906	**–120,889**	**41,423**	**23,622**

In view of anticipated future taxable surpluses during the years ahead, RNB expects to be able to benefit from certain recognized loss carry-forwards, whereby the related deferred tax assets have been recognized. This assessment also reflects the possibility, in the right circumstances, of the Group internally utilizing and offsetting certain deferred tax liabilities against deferred tax assets attributable to the loss carry-forwards.

All deferred tax assets attributable to loss carry-forwards pertain to loss carry-forwards that have arisen in Sweden, the use of which is not subject to any time limitations. 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 10–Aug 11	Sep 09–Aug 10	**Sep 10–Aug 11**	Sep 09–Aug 10
Deferred tax assets	–	–	41,423	23,622
Deferred tax liabilities	–30,906	–120,889	–	–
	–30,906	**–120,889**	**41,423**	**23,622**

Note 12 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.

	No. of shares at the end of the period	
Period	**Sep 10–Aug 11**	Sep 09–Aug 10
September 1–September 23	165,425,251	114,157,664
September 24–October 18	165,425,251	149,117,014
October 19–November 2	165,425,251	164,790,651
November 3–August 31	165,425,251	165,425,251

The average number of shares for the year amounted to 165,425,251 (161,051,609).

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

Note 13 Intangible fixed assets

The goodwill that resulted from the implemented acquisition of subsidiaries during the year pertained 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. The carrying amount for the Group's goodwill at August 31, 2011 was SEK 685,105,000, following impairment losses of SEK 190,908,000 for the year. Goodwill is allocated among the operating segments as follows: Polarn O.Pyret SEK 1,660,000 (1,660,000), Department Stores SEK 233,445,000 (233,445,000), JC SEK 0 (190,908,000) and Brothers & Sisters SEK 450,000,000 (450,000,000). The impairments in 2010/2011 were based on the impairment tests conducted in accordance with the conditions described below.

In addition to goodwill, the Group has trademarks that are estimated to have an indefinite useful life. At August 31, 2011, following the year's impairment losses of SEK 240,288,000, the carrying amount for brands amounted to SEK 259,712,000 (500,000,000), which was attributable entirely to the JC brand. The impairment losses in 2010/2011 were based on the impairment tests conducted in accordance with the conditions described below. 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. The discount rate is calculated as a weighted average between the required yield and the cost of capital (WACC). The forecast corresponds to prior experiences and external sources of information. All operating segments are deemed to have a similar risk profile, which is why the same discount rate is used.

As a result of the trend and performance of the JC operating segment to date, the impairment tests conducted in 2010/2011 encompassed a revision of future expectations, which resulted in the prior carrying amount for the goodwill and brand value being indefensible. Accordingly, as described above, an impairment of SEK 191,908,000 was applied to goodwill related to the JC operating segment and an impairment loss of SEK 240,288,000 was applied to the brand value related to the JC operating segment. Following the impairment, there is no remaining value to recognize for goodwill, while the carrying amount for the brand is SEK 259,712,000.

Note 13 Cont.

A general analysis of the sensitivity of the variables utilized was performed. Assuming a decline in the annual growth rate from 3% to 2% entails no need for impairment for the Polarn O. Pyret and Department Stores operating segments. (Nor does a decline of 1% entail a need for impairment.) A corresponding decline for the JC operating segment would entail an additional need to impair the brand by SEK 27 M (SEK 67 M in the event of a decline of 1%). A pretax increase in the discount rate from 12% to 13% entails no need for impairment of the Polarn O. Pyret and Department Stores operating segments. A corresponding increase for the JC operating segment would entail an additional need to impair the brand by SEK 40 M (SEK 91 M in the event of an increase of 14%) and for the Brothers & Sisters operating segment, such an increase would entail a need to impair goodwill by SEK 37 M (SEK 90 M in the event of an increase of 14%). For the Polarn O. Pyret and Department Stores operating segments, the above scenario would not entail a need for impairment either.

Deviations to the forecast cash flows during individual years affect the impairment test, although the decisive factor for the model is the expected sustainable cash flow. To warrant the brand's carrying amount, the JC operating segment must operate on the basis of a sustainable cash flow of about SEK 70 M and to warrant the carrying amount for goodwill, the Brothers & Sisters operating segment must operate on the basis of a sustainable cash flow of about SEK 65 M. A deviation of SEK 10 M from the sustainable cash flow for the JC and Brothers & Sisters operating segments would have an impact of SEK 70 M on the value of the brand and goodwill.

The Group's fixed assets include lease items pertaining to IT platforms held on the basis of financial leasing contracts with a cost of SEK 47,654,000 (45,912,000) and accumulated amortization amounting to SEK 36,011,000 (26,248,000). The carrying amount is 11,643,000 (19,664,000).

Parent Company	**31 Aug 11**	31 Aug 10
Opening cost	61,483	45,791
Disposals for the year	–35,126	–
Acquisitions for the year	45,984	15,692
Closing accumulated cost	**72,341**	**61,483**
Opening amortization	–17,904	–8,658
Disposals for the year	21,430	–
Amortization for the year	–10,185	–9,246
Closing accumulated amortization	**–6,659**	**–17,904**
Opening impairments	–	–
Disposals for the year	14,000	–
Impairment losses for the year	–14,000	–
Closing accumulated impairments	**0**	**0**
Closing planned residual value	**65,682**	**43,579**

In the Parent Company, all leasing agreements, regardless of whether they are financial or operational, are recognized as operational.

Note 14 Trademarks

Group	**31 Aug 11**	31 Aug 10
Opening costs	500,000	500,000
Impairment	–240,288	–
Closing accumulated cost	**259,712**	**500,000**

Note 15 Software

Group	**31 Aug 11**	31 Aug 10
Opening cost	111,332	93,629
Acquisitions for the year	47,848	17,703
Disposals for the year	–35,126	–
Closing accumulated cost	**124,054**	**111,332**
Opening amortization	–45,111	–26,110
Disposals for the year	21,431	–
Amortization for the year	–20,926	–19,001
Closing accumulated amortization	**–44,606**	**–45,111**
Opening impairment	–	–
Disposals for the year	14,000	–
Impairment for the year	–14,000	–
Closing accumulated impairments	**0**	**0**
Closing planned residual value	**79,448**	**66,221**

Note 16 Rental rights

Group	**31 Aug 11**	31 Aug 10
Opening cost	187,396	188,123
Acquisitions for the year	3,300	785
Divestments for the year	–2,649	–1,300
Translation differences	110	–212
Closing accumulated cost	**188,157**	**187,396**
Opening amortization	–152,665	–148,867
Acquisitions for the year	1,526	1,235
Amortization for the year	–2,817	–5,207
Translation differences	30	174
Closing accumulated amortization	**–153,926**	**–152,665**
Opening impairments	–18,692	–18,731
Translation differences	–38	39
Closing accumulated impairments	**–18,730**	**–18,692**
Closing planned residual value	**15,501**	**16,039**

Note 17 Goodwill

Group	31 Aug 11	31 Aug 10
Opening cost	876,013	876,013
Impairment losses for the year	–190,908	–
Closing accumulated cost	**685,105**	**876,013**

Goodwill item distributed by segment:

	31 Aug 11	31 Aug 10
Polarn O. Pyret	1,660	1,660
Department Stores	233,445	233,445
JC	0	190,908
Brothers & Sisters	450,000	450,000
Closing accumulated cost	**685,105**	**876,013**

Note 18 Equipment and store furnishings

Group	31 Aug 11	31 Aug 10
Opening cost	539,433	648,451
Acquisitions for the year	51,453	25,758
Divestments and disposals for the year	–16,078	–129,725
Translation differences	–4,602	–5,051
Closing accumulated cost	**570,206**	**539,433**
Opening depreciation	–399,537	–451,600
Divestments and disposals for the year	14,143	114,754
Depreciation for the year	–56,905	–67,342
Translation differences	4,492	4,651
Closing accumulated depreciation	**–437,807**	**–399,537**
Opening impairments	–	–
Disposals for the year	1,000	–
Impairment losses for the year	–1,458	–
Closing accumulated impairments	**–458**	**0**
Closing planned residual value	**131,941**	**139,896**

The Group's fixed assets include leased items pertaining to store computer systems held on the basis of financial leasing contracts with a cost of SEK 39,836,000 (39,836,000) and accumulated depreciation amounting to SEK 26,396,000 (16,853,000). The carrying amount is 13,440,000 (22,983,000).

Parent Company	31 Aug 11	31 Aug 10
Opening cost	60,620	66,539
Acquisitions for the year	885	23
Divestments for the year	–3,999	–5,942
Closing accumulated cost	**57,506**	**60,620**
Opening depreciation	–46,063	–41,362
Divestments and disposals for the year	2,803	5,790
Depreciation for the year	–8,637	–10,491
Closing accumulated depreciation	**–51,897**	**–46,063**
Opening impairments	–	–
Disposals for the year	1,000	–
Impairment losses for the year	–1,000	–
Closing accumulated impairments	**0**	**0**
Closing planned residual value	**5,609**	**14,557**

In the Parent Company, all leasing agreements, regardless of whether they are financial or operational, are recognized as operational agreements.

Note 19 Shares in subsidiaries

Company	Corp. Reg. 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
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	Copenhagen	10,000,000	100	–
Kosta Outlet Mode AB	556448-7980	Stockholm	1,000	100	–
JC AB	556468-8991	Stockholm	37,147,880	100	892,065
JC Sverige AB	556308-6734	Stockholm	1,000	100	–
Brothers & Sisters Sverige AB	556513-6826	Stockholm	1,000	100	–
JC Jeans & Clothes AS	961,313,880	Oslo	500	100	–
JC Jessheim AS	985,548,307	Oslo	91	91	–
Nordic Textile Grosshandels GmbH	HR B 52245	Cologne	1	100	–
JC Jeans & Clothes Oy	760.404	Helsinki	4,000	100	–
Carrying amount					**1,146,658**

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

Parent Company	31 Aug 11	31 Aug 10
Opening carrying amount	1,517,258	1,586,458
Acquisitions for the year	−2,600	−100
Shareholders' contribution paid	68,600	13,000
Impairment losses for the year	−436,600	−82,100
Closing carrying amount	**1,146,658**	**1,517,258**

Impairment losses of SEK 368,000,000 were attributable to JC AB and to impairment losses attributable to the shareholders' contributions paid from the Parent Company to the subsidiaries, which were impairment tested.

Note 20 Inventories

SEK 88,832,000 (78,308,000) has been recognized at fair value less retail costs totaling SEK 573,116,000 (563,246,000) recognized under inventories; the remainder is recognized at historical cost. Inventories exclusively comprise goods for resale.

Note 21 Other receivables

Group	31 Aug 11	31 Aug 10
Other receivables	11,930	9,534
	11,930	**9,534**

Parent Company	31 Aug 11	31 Aug 10
Other receivables	198	1,009
	198	**1,009**

Other receivables are expected to be received within 12 months.

Note 22 Prepaid expenses and accrued income

Group	31 Aug 11	31 Aug 10
Prepaid rent	29,218	29,561
Prepaid other costs	23,621	41,505
Derivative asset	–	–
Accrued income	10,816	6,623
	63,655	**77,689**

Parent Company	31 Aug 11	31 Aug 10
Prepaid rent	1,579	1,706
Prepaid leasing	1,090	189
Other prepaid expenses	1,603	3,895
	4,272	**5,790**

In accordance with IAS 39, derivative assets are classified in the category financial assets measured at fair value in profit and loss and accrued income is classified in the loan receivables; read more in Note 37.

Note 23 Cash and cash equivalents

Cash and cash equivalents are held in the following currencies.

Group	Rate Aug 31, 11	Rate Aug 31, 10	31 Aug 11	31 Aug 10
SEK			2,974	3,497
NOK	1.19	1.17	16,508	15,045
DKK	1.23	1.26	2,731	3,194
USD	6.35	7.43	5,054	4,337
EUR	9.17	9.40	26,227	23,396
HKD	0.82	0.96	1	1
			53,495	**49,470**

Parent Company	31 Aug 11	31 Aug 10
SEK	–	32
	0	**32**

Note 24 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	31 Aug 11	31 Aug 10
Present value of unfunded obligations	20,627	24,050
Unrecognized actuarial gains (+) and losses (-)	–4,990	–2,780
	15,637	**21,270**

Historical development of current value of unfunded obligations

Group	
August 31, 2009	27,131
August 31, 2008	29,423
August 31, 2007	29,302

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

Group	Aug 31, 11	Aug 31, 10
Net obligation for defined-benefit plans, September 1	21,270	26,904
Paid remuneration	–	–45
Costs recognized in profit and loss	2,340	1,323
Redemption of obligation	–7,973	–6,912
Net obligation for defined-benefit plans, August 31	**15,637**	**21,270**

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

Group	Aug 31, 11	Aug 31, 10
Discount rate on August 31, %	3.7	4.0
Future increase in pensions, %	2.0	2.0

Costs recognized in profit and loss

Group	Sep 10–Aug 11	Sep 09–Aug 10
Adjustments to unrecognized actuarial gains/losses due to redemption	921	58
Actuarial gains/losses in profit and loss for the period	375	–
Interest	1,044	1,265
	2,340	**1,323**

Costs recognized under the following items in profit and loss

Group	Sep 10–Aug 11	Sep 09–Aug 10
Personnel expenses	1,296	58
Interest expense and similar profit/loss items	1,044	1,265
	2,340	**1,323**

For the 2010/2011 fiscal year, the Group's expenses for defined-contribution pension plans amounted to SEK 28.9 M (29.8).

For the 2010/2011 fiscal year, redemption of pension liabilities is estimated to match the amount redeemed in fiscal year 2010/2011.

Note 25 Liabilities to credit institutions and other liabilities

The Group has raised loans from KfS (refer to Notes 26 and 37).

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 30,156,000 (47,256,000), including a short-term portion of SEK 20,150,000 (18,274,000). The entire liability is due for repayment within five years.

The Group's average interest rates on loans and overdraft facilities amount to:

Group	Sep 10–Aug 11	Sep 09–Aug 10
Konsumentföreningen Stockholm	5.40%	4.16%
Overdraft facilities with SEB	3.79%	3.43%

Note 26 Other long-term liabilities

The Parent Company has raised a loan with Konsumentföreningen Stockholm. The loan is free of amortization until March 2013 in accordance with the current agreement. Note 37 describes the covenants of the loan.

Note 27 Overdraft facilities

Group
On August 31, 2011, overdraft facilities granted amounted to SEK 200 M (200).

Parent Company
On August 31, 2011, overdraft facilities granted amounted to SEK 200 M (200).

Note 28 Accounts payable

Accounts payable are held in the following currencies.

Group	Rate Aug 31, 11	Rate Aug 31, 10	Aug 31, 11	Aug 31, 10
SEK			216,354	227,077
NOK	1.19	1.17	5,453	12,427
DKK	1.23	1.26	3,501	1,253
USD	6.35	7.43	36,907	25,916
EUR	9.17	9.40	50,363	46,866
HKD	0.82	0.96	5,987	1,365
GBP	10.36	11.46	564	910
			319,129	**315,814**

Accounts payable fall due in ten to 90 days.

Parent Company	Rate Aug 31, 11	Rate Aug 31, 10	Aug 31, 11	Aug 31, 10
SEK			11,541	11,616
NOK	1.19	1.17	2	106
EUR	9.17	9.40	4	84
			11,547	**11,806**

Accounts payable fall due in ten to 90 days.

Note 29 Other liabilities

Group	Aug 31, 11	Aug 31, 10
VAT	18,153	18,556
Personnel-related taxes	13,553	12,772
Gift vouchers	13,735	10,289
Other	10,965	9,877
	56,406	**51,494**

Parent Company	Aug 31, 11	Aug 31, 10
VAT	59	–
Personnel-related taxes	860	712
Gift vouchers	–	–
Other	11	–
	930	**712**

Note 30 Accrued expenses and prepaid income

Group	Aug 31, 11	Aug 31, 10
Accrued vacation and payroll liabilities	66,922	63,225
Accrued social security contributions	41,714	37,268
Derivative liabilities	2,544	4,615
Accrued interest	6,299	2,942
Other accrued expenses	31,709	33,854
Prepaid income	3,430	5,168
	152,618	**147,072**

Parent Company	Aug 31, 11	Aug 31, 10
Accrued vacation and payroll liabilities	3,720	1,715
Accrued social security contributions	4,035	3,039
Accrued interest	6,299	2,942
Other accrued expenses	11,992	4,000
	26,046	**11,696**

In accordance with IAS 39, derivative assets are classified in the category financial assets measured at fair value in profit and loss and accrued income is classified in the loan receivables; read more in Note 37.

Note 31 Pledged assets

For liabilities to credit institutions and overdraft facilities

Group	Aug 31, 11	Aug 31, 10
Chattel mortgages	182,790	182,790
Leased fixed assets	25,083	42,647
Shares in subsidiaries	314,728	297,888
	522,601	**523,325**

Parent Company	Aug 31, 11	Aug 31, 10
Shares in subsidiaries	254,593	254,593
	254,593	**254,593**

Note 32 Contingent liabilities

Group	Aug 31, 11	Aug 31, 10
Other guarantees	1,392	3,899
	1,392	**3,899**

Parent Company	Aug 31, 11	Aug 31, 10
Guarantees for subsidiaries	43,021	69,054
	43,021	**69,054**

Note 33 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 2010 – August 2011	440,496	45,708

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

Payments due	Group	Parent Company
September 2011 – August 2012	365,515	36,833
September 2012 – August 2013	231,505	13,162
September 2013 – August 2014	129,006	7,065
After August 2014	87,928	3,652

Of the future rental commitments listed above, SEK 30,857,000 comprises financial leasing agreements in the Group.

Note 34 Cash-flow statement

Adjustment for non-cash-flow items

Group	Aug 31, 11	Aug 31, 10
Depreciation, amortization and impairments	96,106	91,550
Impairment of goodwill and brand	431,196	–
Capital gain/loss on the sale of fixed assets	–14,182	–3,527
Other adjustments	–18,118	–19,672
	495,002	**68,351**

Parent Company	Aug 31, 11	Aug 31, 10
Depreciation, amortization and impairments	33,822	19,738
Capital gain/loss on the sale of dormant companies	–168	–
	33,654	**19,738**

Cash and cash equivalents in the cash-flow statement comprise cash and bank balances amounting to SEK 53,495,000 (49 470,000) for the Group and SEK 0 (32,000) for the Parent Company at August 31, 2011.

Note 35 Acquisition and divestment of subsidiaries

During the year, the dormant companies C/O Departments & Stores Nordic AB, Skandinaviskt Herrmode AB, Skandinaviskt Dammode AB and Meijer & Meijer AB were sold. During the comparative year 2009/2010, Departments & Stores Norway AS and Brother & Sisters AB were sold

No acquisitions were made during the 2010/2011 fiscal year or the comparative year 2009/2010.

The fair value of assets and liabilities divested during the 2010/2011 fiscal year was as follows:

Item	C/O Departments & Stores Nordic AB	Skandinaviskt Herrmode AB	Skandinaviskt Dammode AB	Meijer & Meijer AB	Total
Cash and cash equivalents	321	1,755	676	127	2,879
Current liabilities	–12	–48	–24	–11	–95
Purchase consideration paid	**309**	**1,707**	**652**	**116**	**2,784**
Cash and cash equivalents in companies sold	–321	–1,755	–676	–127	–2,879
Impact on the Group's cash and cash equivalents	**–12**	**–48**	**–24**	**–11**	**–95**

Note 35 Cont.

The fair value of assets and liabilities acquired during the 2008/2009 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 acquired companies	–920	–100	–1,020
Impact on the Group's cash and cash equivalents	**–4,920**	**0**	**–4,920**

Note 36 Results from participation in Group companies

Parent Company	Aug 31, 11	Aug 31, 10
Sale of shares in subsidiaries	67	0
Dividends from subsidiaries	15,000	69,100
Impairment of shares in subsidiaries	–436,600	–82,100
Group contributions received	173,450	134,300
Group contributions paid	–145,700	–37,800
	–393,783	**83,500**

Note 37 Financial instruments

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, 2011, cash and cash equivalents amounted to SEK 53,495,000 for the Group and SEK 0 for the Parent Company.

Loan receivables and accounts receivables

The terms and conditions for payment of accounts receivables normally allow ten to 30 days of credit. Certain customers benefitted from extended repayment plans. On August 31, 2011, accounts receivable amounted to SEK 191,589,000 for the Group and SEK 93,000 for the Parent Company.

Age analysis, accounts receivable	Aug 31, 11	Aug 31, 10
Not due	124,914	162,350
< 60 days	21,160	12,642
60 – 90 days	6,381	5,582
90 – 180 days	34,870	11,185
> 180 days	60,585	43,990
Total accounts receivable	**247,910**	**235,749**
Provision for depreciation/amortization	–56,321	–33,970
Total	**191,589**	**201,779**

Age analysis other long-term receivables	Aug 31, 11	Aug 31, 10
Not due	0	7,634
Total other long-term receivables	**0**	**7,634**
Provision for depreciation/amortization	0	0
Total	**0**	**7,634**

The need for impairment concerning accounts receivable is tested on an individual basis. Receivables from customers benefitting from extended repayment plans are not recognized as due in the above age analysis as long as the repayment plans are followed.

Provisions for doubtful receivables have been changed as follows:

	Aug 31, 11
Opening provisions	33,970
Provisions for probable losses	27,114
Confirmed losses	–4,763
Closing provisions	**56,321**

Accrued income

Accrued income amounted to SEK 10,816,000 (6,623,000).

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.

Note 37 Cont.

Accounts payable

The Group's accounts payable consist mainly of liabilities in SEK, EUR and USD. The terms and conditions for payment of accounts payable allow ten to 90 days of credit. Also refer to Note 28, for a description of the composition of accounts payable by currency.

Financial liabilities measured at fair value in profit and loss

Outstanding transaction hedges and value on August 31, 2011:

Currency	Hedged volume	Fair value	Number of hedged months
USD	16,000	–1,659	0–6 months
EUR	11,000	–885	0–6 months
Total		**–2,544**	

Changes in fair value regarding forward contracts are recognized in profit and loss; also refer to Notes 9 and 10. The item is recognized in the balance sheets under "Prepaid expenses and accrued income." All currency hedges mature within 12 months.

Overdraft facilities

The Group's overdraft facilities on August 31, 2011 totaled SEK 200 M (200). Utilized amounts on August 31, 2011 amounted to SEK 114.9 M (9.6). The overdraft facility is subject to a variable interest rate and the rate during the 2010/2011 fiscal year was 3.79% (3.43). 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 have a clean down period of three days in the first quarter and of three days in the third quarter. During the 2010/2011 fiscal year, the company was granted a waiver entailing that the requirement on net debt have a clean down period of three days during the third quarter of 2010/2011 and of three days during the first quarter of 2011/2012 would jointly be deferred to the second quarter (December to February) of 2011/2012.

Other loan liabilities and loans from credit institutions

During the preceding fiscal year, the Group raised a loan with Konsumentföreningen Stockholm, which is also a principal owner of the company. The loan amounted to SEK 400 M and was raised on market terms. The credit agreement contains original 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 company received a waiver entailing exemption from the aforementioned covenants through August 31, 2012.

Repayment of the loan amounting to SEK 400 M is subject to a period of grace until March 2013, when the loan falls due in its entirety. The current interest rate is Stibor +5.5% (3), which corresponds to 7.87% at August 31, 2011. The average interest rate in 2010/2011 was 5.40% (4.16). The interest rate is based on Stibor, including an additional margin depending on the debt ratio prevailing during the term of the loan.

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 30,156,000 (47,256,000), including a short-term portion of SEK 20,150,000 (18,274,000). The entire liability is due for repayment within five years.

Accrued expenses

Accrued expenses primarily comprise employee-related items; see Note 30.

Group, August 31, 2011

Financial assets	Assets measured at fair value in profit and loss	Loan receivables and accounts receivable	Other financial assets	Total
Accounts receivable	–	191,589	–	191,589
Other receivables	–	25,529	–	25,529
Accrued income	–	10,816	–	10,816
Derivatives	–	–	–	–
Cash and cash equivalents	–	–	53,495	53,495
				281,429

Financial liabilities	Liabilities measured at fair value in profit and loss	Other financial liabilities	Total
Accounts payable	–	319,129	319,129
Derivatives	2,544	–	2,544
Loans from credit institutions	–	30,156	30,156
Overdraft facilities	–	114,887	114,887
Other loan liabilities	–	400,000	400,000
Other liabilities	–	56,406	56,406
Accrued expenses	–	146,644	146,644
			1,069,766

Note 37 Cont.

Group, August 31, 2010

Financial assets	Assets measured at fair value in profit and loss	Loan receivables and accounts receivable	Other financial assets	**Total**
Accounts receivable	–	201,779	–	201,779
Other receivables	–	19,870	–	19,870
Accrued income	–	6,623	–	6,623
Derivatives	–	–	–	–
Cash and cash equivalents	–	–	49,470	49,470
				277,742

Financial liabilities	Liabilities measured at fair value in profit and loss	Other financial liabilities	**Total**
Accounts payable	–	315,814	315,814
Derivatives	4,615	–	4,615
Loans from credit institutions	–	47,256	47,256
Overdraft facilities	–	9,559	9,559
Other loan liabilities	–	400,000	400,000
Other liabilities	–	51,494	51,494
Accrued expenses	–	137,289	137,289
			966,027

Note 38 Receivables/liabilities from Group companies

Parent Company
The subsidiaries' share of liabilities/receivables in the Group's central account system with banks is recognized among current liabilities/receivables from Group companies.

	Receivables		**Liabilities**	
Parent Company	**Aug 31, 11**	Aug 31, 10	**Aug 31, 11**	Aug 31, 10
JC AB	54,198	68,986	–	–
JC Sverige	87,632	94,017	–	–
JC AS	–	9,790	8	–
JC Retail	–	9,279	–	–
JC Oy	–	–	28	–
Portwear AB	75,242	80,619	–	–
Polarn O. Pyret AB	38,678	–	–	4,497
Departments & Stores Europe AB	–	–	22,382	7,113
Kosta Outlet Mode AB	–	–	7,348	2,404
Brothers & Sisters Sverige AB	–	–	6,037	20,270
Ängsviol Blomstern AB	–	–	219	219
Skandinaviskt Dammode AB	–	–	–	675
Skandinaviskt Herrmode AB	–	–	–	1,755
C/O departments & Stores Nordic AB	–	–	–	351
	255,750	**262,691**	**36,022**	**37,284**

Note 39 Intra-Group purchases and sales

The Parent Company's net sales of SEK 100,585,000 (98,868,000) are entirely attributable to internally debited services provided to subsidiaries. The Parent Company also recognizes other expenses of SEK 5,514,000 that were reinvoiced under the Other operating expenses item.

The Parent Company has purchased services from subsidiaries amounting to SEK 40,000 (1,290,000).

Note 40 Risks and risk management

Exchange-rate risks

The RNB Group's exchange-rate exposure consists of the 30-35% 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 %	–/+ 15
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 long-term loan liabilities, the company signed special covenants. The covenants for the signed loan agreement are described in Note 37.

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. Demographics are another factor that impact demand. A gradual shift toward older age groups during an extended period is causing individuals between the ages of 30 and 60 to gradually comprise a relatively large proportion of the population, thus also increasing the significance of this age group for RNB.

Weather and seasonal variations

It is generally stated that the retail sales trend varies with the seasons. Sales are at their strongest during the autumn and winter, peaking in December when Christmas shopping is a powerful drive. The beginning of the school year in August has historically proved to be a strong sales month during which sales of children's clothes increase. The price level is generally higher for autumn and winter collections, which also has a positive impact on gross profit during the first quarter (September-November) of the split fiscal year. The major discount months of January, February and July have an adverse impact on both gross margins and operating margins during these periods.

Weather is another factor that affects sales. A mild autumn and winter generally tends to have an adverse impact on sales, and a cold and rainy summer has historically proven to have a positive impact on sales.

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 hedgedj.

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 the 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 the material risks and uncertainties faced by the Group.

Stockholm, December 5, 2011

Laszlo Kriss
Chairman of the Board

Lilian Fossum Biner
Deputy Chairperson

Jan Carlzon
Board Member

Mikael Solberg
Board Member

Torsten Jansson
Board Member

Nils Vinberg
Board Member

Magnus Håkansson
President, CEO and Board Member

Our audit report was submitted on December 5, 2011
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, 2010 to August 31, 2011 fiscal year. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 48-84. 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 consolidated statement of comprehensive income and the consolidated balance sheet 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 5, 2011

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.

The control of RNB is divided among the shareholders at the Annual General Meeting (AGM), 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.

Swedish Code of Corporate Governance

This Corporate Governance Report was prepared in accordance with the provisions of the Swedish Code of Corporate Governance as well as with chapter 6, sections 6 – 9 of the Annual Accounts Act and chapter 9, section 31 of the Companies Act, and pertains to fiscal year 2010/2011. 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, 2011, the share capital of RNB was SEK 165,425,251 represented by 165,425,251 shares with a quotient value of SEK 1. All of the shares are common shares. Each share entitles the holder to one vote at the AGM and all shares provide equal entitlement to shares in the company's assets and earnings.

At August 31, 2011, the number of registered shareholders was 10,938, of whom 10,576 were registered in Sweden. At August 31, 2011, the three major shareholders were Konsumentföreningen Stockholm (KfS) which held 21.7%, Axbrands AB which held 7.0% and Mikael Solberg, via companies, who held 10% of the voting rights. Further information is available in the section entitled "the RNB Share" on pages 94–95.

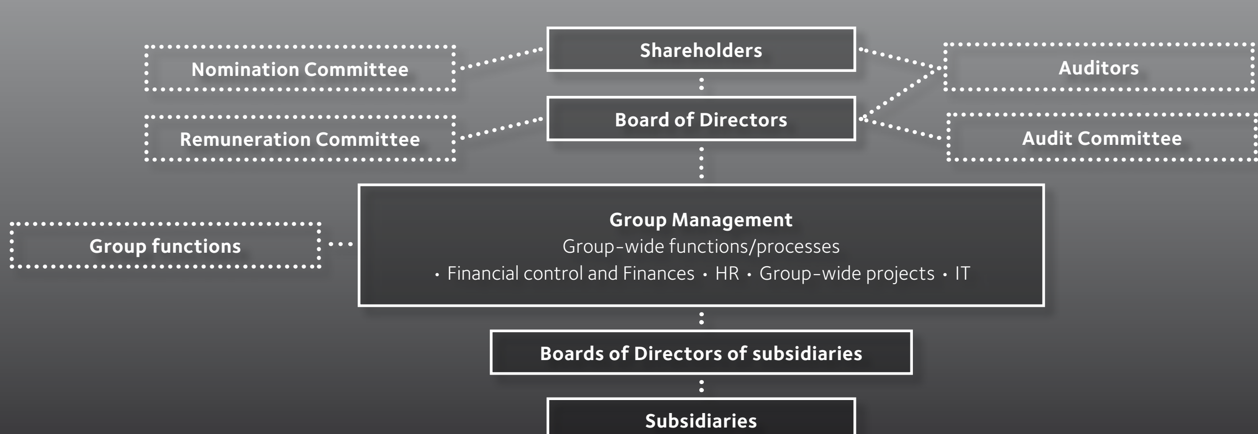
Annual General Meeting

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

At RNB's AGM on January 20, 2011, 43 shareholders participated, representing 42% of the number of shares and voting rights in the company.

The AGM must be held no later than six months after the end of the fiscal year. Notification of the AGM and of general shareholder meetings convened to address a motion concerning amendment of the Articles of Association must take place no earlier than six weeks

Governance structure



before and no later than four weeks before the AGM. Notification of other general shareholder meetings must take place no earlier than six weeks before and no later than three weeks before the AGM. All shareholders registered in the share register and who have notified their attendance in time are entitled to attend and vote at the AGM. Those shareholders who are unable to attend in person may be represented by a proxy.

Minutes from previous AGMs and Extraordinary General Meetings are available on www.rnb.se.

Nomination Committee

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

The Chairman of the Board shall annually, at least six months prior to the AGM, contact the four largest shareholders in the company who shall each appoint one member of the Nomination Committee. The Chairman of the Board is to be co-opted to the Nomination Committee but must not be its chairman. 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 AGM. 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, but at least once annually.

The 2011 AGM resolved that a Nomination Committee should be appointed from among the largest shareholders with the task of proposing Board members for presentation at the 2012 AGM. Prior to the AGM to be held on January 19, 2012, the Nomination Committee comprises the following members who were appointed in accordance with a resolution by the 2011 AGM: Sune Dahlqvist, Chairman of Konsumentföreningen Stockholm, Paul Schrotti, Executive Vice President of Axel Johnson AB, Fred Wachtmeister, representing Irish Life and Swiss Life and Jan Litborn representing Douglas Invest AS.

Board of Directors

RNB's Board of Directors makes decisions on matters 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 no deputies. Members are elected at the AGM for the period up to the end of the following AGM. RNB's Articles of Association do not contain any stipulations concerning the appointment and dismissal of Board Members.

Up to the AGM held on January 20, 2011, RNB's Board of Directors comprised eight members elected by a previous shareholders' meeting. At the AGM on January 20, 2011, the following Board members were re-elected; Mikael Solberg, Torsten Jansson, Jan Carlzon, Nils Vinberg, Lilian Fossum Biner, Laszlo Kriss and Magnus Håkansson. John Wallmark declined re-election at the AGM, following which the Board comprised seven members. The President and CEO is a Member of the Board. See pages 88–89 for further information regarding the Board of Directors.

Articles of Association

The Articles of Association may only be amended at the AGM or an Extraordinary General Meeting. The Articles of Association are available at www.rnb.se.

Remuneration of the Board of Directors

The director fees paid to the members of the Board, which were adopted by the 2011 AGM, total SEK 1,050,000, of which SEK 300,000 was to be paid to the Chairman of the Board and SEK 137,500 to each other non-executive Board member, as well as a fee of SEK 62,500 to the chairman of the Audit Committee.

Board of Directors' formal work plan

RNB's Board of Directors has a formal work plan that complies with the Swedish Companies Act in terms of 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 three extraordinary meetings during the 2010/2011 fiscal year. The scheduled meetings focused primarily on earnings follow-ups, investment matters, external reporting, budgets and strategy issues. The extraordinary meetings addressed recruitment of a CEO for RNB and a president for JC, as well as election of a new Chairman of the Board in accordance with an AGM resolution and lease issues.

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 extra-ordinary meetings	
Board member	Ordinary	Extra-ordinary	Remuneration Committe	Audit committe
Magnus Håkansson	6	3	2	
Jan Carlzon	6	2	2	
Lilian Fossum Biner	6	2		4
Torsten Jansson	6			
Laszlo Kriss	6	3		3
John Wallmark	2	1	2	
Nils Vinberg	5	3		4
Mikael Solberg	5	2		

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 task of the company's Remuneration Committee, which is appointed by the Board, is to review and provide the Board with recommendations concerning the principles for remuneration of the company's senior executives, including performance-based remuneration

Board of Directors

Mikael Solberg

➔ Member of the RNB Board since 1996. ➔ Born 1962 ➔ Degree in economics ➔ Other Board assignments: Chairman of the Board of Douglas Invest AS, Angelstar AB, Solberg Holding BV and Cellcomb AB. Member of the Board of Campadre AB and Tryckeri AB Knappen. ➔ Shareholding in RNB: August 31, 2011: 9,231,776 shares via companies.

Lilian Fossum Biner

➔ Member of the RNB Board since 2009. ➔ Born 1962 ➔ Degree in business administration ➔ Other Board assignments: Member of the Boards of Oriflame Cosmetics S.A., Givaudan SA, Thule Group AB and Melon Fashion Group. ➔ Shareholding in RNB: August 31, 2011: 100,000 shares.

Laszlo Kriss

➔ Chairman of the Board; Member of the RNB Board since 2009. ➔ Born 1946 ➔ President of Konsumentföreningen Stockholm. ➔ Other Board assignments: Chairman of the Board of Coop Marknad AB and Blomsterfonden i Stockholm. ➔ Shareholding in RNB: August 31, 2011: 100,000 shares.

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 AGM on January 20, 2011, the company's Remuneration Committee has comprised Magnus Håkansson, Jan Carlzon and Mikael Solberg. During the period prior to the AGM, the Remuneration Committee comprised Magnus Håkansson, Jan Carlzon and John Wallmark. When Magnus Håkansson was appointed President and CEO, he was replaced on the Committee by Laszlo Kriss.

Audit Committee

The task of the Audit Committee, which is appointed by the Board, 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 on 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 fees for audit work.

Magnus Håkansson
➔ Member of the RNB Board since 2010. ➔ Born 1963 ➔ Degree of economics and MBA ➔ President and CEO of RNB RETAIL AND BRANDS since May 1, 2011. ➔ Shareholding in RNB: August 31, 2011: 300,000 shares.

Jan Carlzon
➔ Member of the RNB Board since 2006. ➔ Born 1941 ➔ Degree in business administration ➔ Other Board assignments: Chairman of the Board of Perfect Guide AB and Mentor Sverige. Member of the Board of Unlimited Travel AB, Utveckling I Noresund AB, Catella Asset management AB, Fyndig AB and Aviation Capacity Resource. ➔ Shareholding in RNB: August 31, 2011: 7,284,943 shares in endowment policies.

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 New Wave Group AB. ➔ Shareholding in RNB: August 31, 2011: 2,140,436 shares via companies.

Nils Vinberg
➔ Member of the RNB Board since 2009. ➔ Born 1957 ➔ Degree in business administration ➔ Other Board assignments: Vice Chairman of Björn Borg AB. Member of the Board of Odd Molly International AB, Elevenate AB and Vinberg Management AB. ➔ Shareholding in RNB: August 31, 2011: 85,714 shares.

During the 2010/2011 fiscal year, the Audit Committee comprised Lilian Fossum Biner, Laszlo Kriss and Nils Vinberg.

External auditors

RNB's auditors are elected by the AGM. 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 the 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 AGM. 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 consultancy services pertaining to tax and accounting.

Management

Amelie Söderberg
- President of Departments & Stores Europe AB
- Born: 1969
- Degree in business administration
- Employed since 2000
- Shareholding in RNB: 0

Marthyn Inghamn
- President of JC Sverige AB
- Born: 1968
- Secondary education
- Employed since 2011
- Shareholding in RNB: 159,200

Hanna Graflund Sleyman
- Production Manager
- Born: 1978
- Senior High School education
- Additional member
- Shareholding in RNB: 0

Anders Wiberg
- Global Supply Chain Director
- Born: 1961
- Secondary education
- Employed since 2009
- Shareholding in RNB: 0

Magnus Håkansson
- President and Chief Executive Officer
- Born: 1963
- Degree in economics and MBA
- Employed since 2011
- Shareholding in RNB: 300,000

Internal audit

To date, RNB has not found any reason to establish a specific internal audit function. The company conducts ongoing work on 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 division between 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. On August 31, 2011, RNB's Group Management consisted of seven members, of whom two are women. Since the end of the fiscal year, Group Management has been expanded and now consists of ten members, of whom five are women.

The Board is responsible for the existence of an efficient system for internal control and risk management.

Madeléne Granath
- HR Manager
- Born: 1966
- BA
- Employed since 2011
- Shareholding in RNB: 0

Sarah König
- Property and Establishment Manager
- Born: 1974
- Bachelor of Laws
- Employed since 2011
- Shareholding in RNB: 0

Gunnar Bergquist
- Chief Financial Officer
- Born: 1955
- Degree in business administration
- Employed since 2009
- Shareholding in RNB: 114,000

Yongan Kim
- President of Brothers & Sisters AB
- Born: 1967
- Degree in business administration
- Employed since 2008
- Shareholding in RNB: 2,000

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

Henrik Welander *(not in photo)*
- Interim CIO
- Born: 1965
- Degree in engineering and MBA
- Shareholding in RNB: 0

Tina Zetterström
- Born: 1972. Human Resources Manager until August 2011

Per-Åke Arvidsson
- Born: 1961. Global Supply Chain Manager until August 2011

The President has been delegated the responsibility of creating a solid basis for working on these issues. Both Group Management and managers at various 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 meetings of the boards, the issues to be addressed at board meetings, the assignments of the chairmen, the assignments of the presidents and certain other matters. The boards have scheduled meetings every quarter with business including 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 not exceed SEK 750,000 for each person.

Internal control

The Board is responsible for the company's internal control, which 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. Internal control at RNB complies with an established framework and consists of the following components: Control environment, risk assessment, control activities, information and communication and follow-up.

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 division 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 governing 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 and all of the Group's suppliers. 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 company bodies, 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 analyzes 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 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. Among other areas, RNB has documented vulnerability in certain IT systems and identified the risk of incorrect valuations and slow-moving 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 and correct any mistakes or deviations in financial reporting. The objective is to continue monitoring control activities during coming fiscal years.

Risks are deemed to exist regarding the valuation of goodwill and brands 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. In this context, assumptions concerning the future, growth, profitability and financing are key parameters. These parameters are also important in assessments of going concerns. The counterparties' ability to meet their obligations for accounts receivables is assessed continuously. Deferred tax assets tied to loss carryforwards 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 efficiently exchange and report relevant significant information on operations. 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 period thereafter, 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 to address the inadequacies and suggestions for corrective measures that may have arisen from the external audit.

Stockholm, December 5, 2011

Laszlo Kriss
Chairman of the Board

Lilian Fossum Biner
Deputy Chairperson

Jan Carlzon
Board member

Mikael Solberg
Board member

Torsten Jansson
Board member

Nils Vinberg
Board member

Magnus Håkansson
President and CEO and Board member

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 556495-682

The Board of Directors and the Chief Executive Officer are responsible for the corporate governance report for the fiscal year September 1, 2010 to August 31, 2011 (pages 86–93) and for its preparation in accordance with the Annual Accounts Act.

As the basis for our opinion that the corporate governance report has been prepared and complies with the Annual Accounts Act and the consolidated financial statements, we have read the corporate governance report and assessed its legal content based on our knowledge of the company.

In my opinion, the corporate governance report has been prepared in accordance, and its legal content complies, with the Annual Accounts Act and the consolidated financial statements.

Stockholm, December 5, 2011

Ernst & Young AB

Bertel Enlund
Authorized Public Accountant

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, 2011 amounted to SEK 165,425,251, represented by 165,425,251 shares each with a quotient value of SEK 1. All of the shares are common shares.

According to Euroclear, the number of RNB shareholders on August 31, 2011 was 10,938, of whom 96.7% were registered in Sweden. RNB's ten largest owners held shares corresponding to 50.1% of both the share capital and the voting rights in the company. On the same date, the shares registered outside Sweden represented 23.3% of the total number of shares in the company.

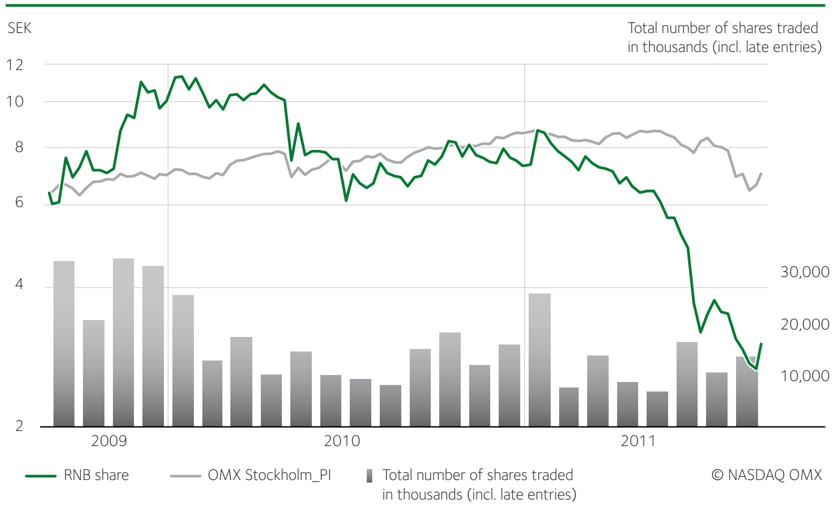
Share-price trend

The closing share price on August 31, 2011 was SEK 3.03, equal to market capitalization of SEK 501,238,511 for RNB RETAIL AND BRANDS. The highest price quoted during the year was SEK 9.55 on January 19, 2011 and the lowest price was SEK 2.55 on August 9, 2011.

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 2010/2011 fiscal year.

RNB share diagram



Analysts who monitor RNB

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Ownership structure at August 31, 2011

Major shareholders	No. of shares	Share capital/ Voting rights,%
Konsumentföreningen Stockholm	35,959,350	21.7
Axbrands AB	11,600,000	7.0
Douglas Invest AS (Mikael Solberg)	9,231,776	5.6
Avanza pension	6,948,705	4.2
Irish Life International Ltd. (Jan Carlzon)	4,401,654	2.7
UBS AG	3,332,873	2.0
Spartoi AB	3,279,396	2.0
Nordnet Pensionsförsäkring AB	3,068,154	1.9
Catella Fondförvaltning	2,526,013	1.5
Handelsbanken fonder	2,403,030	1.5
Total, major shareholders	**82,750,951**	**50.1**
Other	82,674,300	49.9
Total	**165,425,251**	**100.0**

Shareholder structure at August 31, 2011

Size of shareholding by category	No. of shares	Share capital/ Voting rights, %
1–500	3,312	0.5
501–1,000	1,806	1.0
1,001–5,000	3,883	6.3
5,001–10,000	864	4.2
10,001–15,000	352	2.6
15,001–20,000	184	1.9
20,001 –	537	83.4
Total	**10,938**	**100.0**

Key data per share

SEK per share	2007/ 2008	2008/ 2009	2009/ 2010	**2010/ 2011**
Earnings per share	–1.11	–6.12	0.18	–2.69
Dividend per share	0	0	0	0
Bid price for share on OMX Nordic Exchange at year-end	12.95	6.54	6.7	3.03
Shareholders' equity per share	24.60	9.38	8.49	5.80
Dividend yield, %	0	0	0	0
P/E ratio, (share price/ earnings per share)	neg.	neg.	37.2	–1.1

Trend of share capital

Year, Transaction	Increase in no. of shares	Accumulated no. of shares	Increase in share capital	Accumulated share capital	Quotient 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 06–Aug 07	Sep 07–Aug 08	Sep 08–Aug 09	Sep 09–Aug 10	**Sep 10–Aug 11**
Revenues	3,475.5	3,439.7	3,212.0	3,072.3	2,987.2
Operating profit/loss	342.2	1.8	–636.0	48.0	–509.5
Net financial items	–36.4	–53.5	–52.6	–26.3	–25.1
Profit/loss after financial items	305.8	–51.7	–688.6	21.7	–534.7
Net profit/loss for the year	**255.8**	**–63.2**	**–662.8**	**28.9**	**–445.2**

Balance-sheet items

SEK M	Sep 06–Aug 07	Sep 07–Aug 08	Sep 08–Aug 09	Sep 09–Aug 10	**Sep 10–Aug 11**
Fixed assets	2,124.2	2,193.5	1,660.9	1,605.8	1,171.7
Inventories	549.8	672.0	590.6	563.2	573.1
Accounts receivable	188.5	291.0	222.1	201.8	191.6
Other current assets	88.1	140.1	112.0	97.5	89.2
Cash and cash equivalents	42.4	31.6	15.3	49.5	53.5
Total assets	**2,993.0**	**3,328.2**	**2,600.9**	**2,517.8**	**2,079.1**
Shareholders' equity	1,565.2	1,404.1	1,071.3	1,404.5	959.4
Long-term liabilities	758.7	717.4	590.5	571.1	456.5
Current liabilities	669.1	1,206.7	939.1	542.2	663.2
Total shareholders' equity and liabilities	**2,993.0**	**3,328.2**	**2,600.9**	**2,517.8**	**2,079.1**

Key data

	Sep 06–Aug 07	Sep 07–Aug 08	Sep 08–Aug 09	Sep 09–Aug 10	**Sep 10–Aug 11**
Gross profit margin, %	45.4	43.3	43.0	48.4	46.9
Operating margin, %	9.9	0.1	neg	1.6	–12.8
Profit margin, %	7.3	neg	neg	0.9	–11.2
Risk-bearing equity, SEK M	1,715.6	1,563.5	1,187.5	1,525.4	990.3
Share of risk-bearing equity, %	57.3	47.0	45.7	60.6	47.6
Equity/assets ratio, %	52.3	42.2	41.2	55.8	46.1
Capital employed, SEK M	2,335.7	2,427.1	1,913.2	1,882.5	1,520.1
Return on capital employed, %	15.3	0.6	neg	3.5	neg
Return on equity, %	18.3	neg	neg	2.3	neg
Number of annual employees	1,356	1,430	1,451	1,442	1,435
Number of proprietary stores at year-end	224	242	243	218	215
Number of franchise stores at year-end	190	187	192	184	177

Data per share[1]

	Sep 06–Aug 07	Sep 07–Aug 08	Sep 08–Aug 09	Sep 09–Aug 10	**Sep 10–Aug 11**
Profit/loss after tax, SEK	4.49	–1.11	–6.12	0.18	–2.69
Shareholders' equity, SEK	27.42	24.60	9.38	8.49	5.80
Share price, August 31, SEK	72.50	12.95	6.54	6.70	3.03
Average number of shares, thousands	56,724	57,079	108,371	161,052	165,425
Number of shares at year-end, thousands	57,079	57,079	114,158	165,425	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.

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

Equity per share
Equity divided by the number of shares at fiscal year-end.

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.

Annual General Meeting

The Annual General Meeting will be held at 5 p.m. on January 19, 2012 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 13, 2012, and notify the company of their intention to participate no later than Monday, January 16, 2012 at the address RNB RETAIL AND BRANDS AB, PO Box 161 42, SE-103 23 Stockholm, Sweden by telephone to +46 8 410 520 00 or by e-mail to ann-charlotte.rudels@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 12, 2012.

Dividend

The Board proposes that no dividend be paid for the 2010/2011 fiscal year.

Financial calendar

January 18, 2012	First quarter interim report
January 19, 2012	Annual General Meeting, 5:00 p.m.
March 30, 2012	Second quarter interim report
June 27, 2012	Third quarter interim report
October 24, 2012	Fourth quarter, Year-end report

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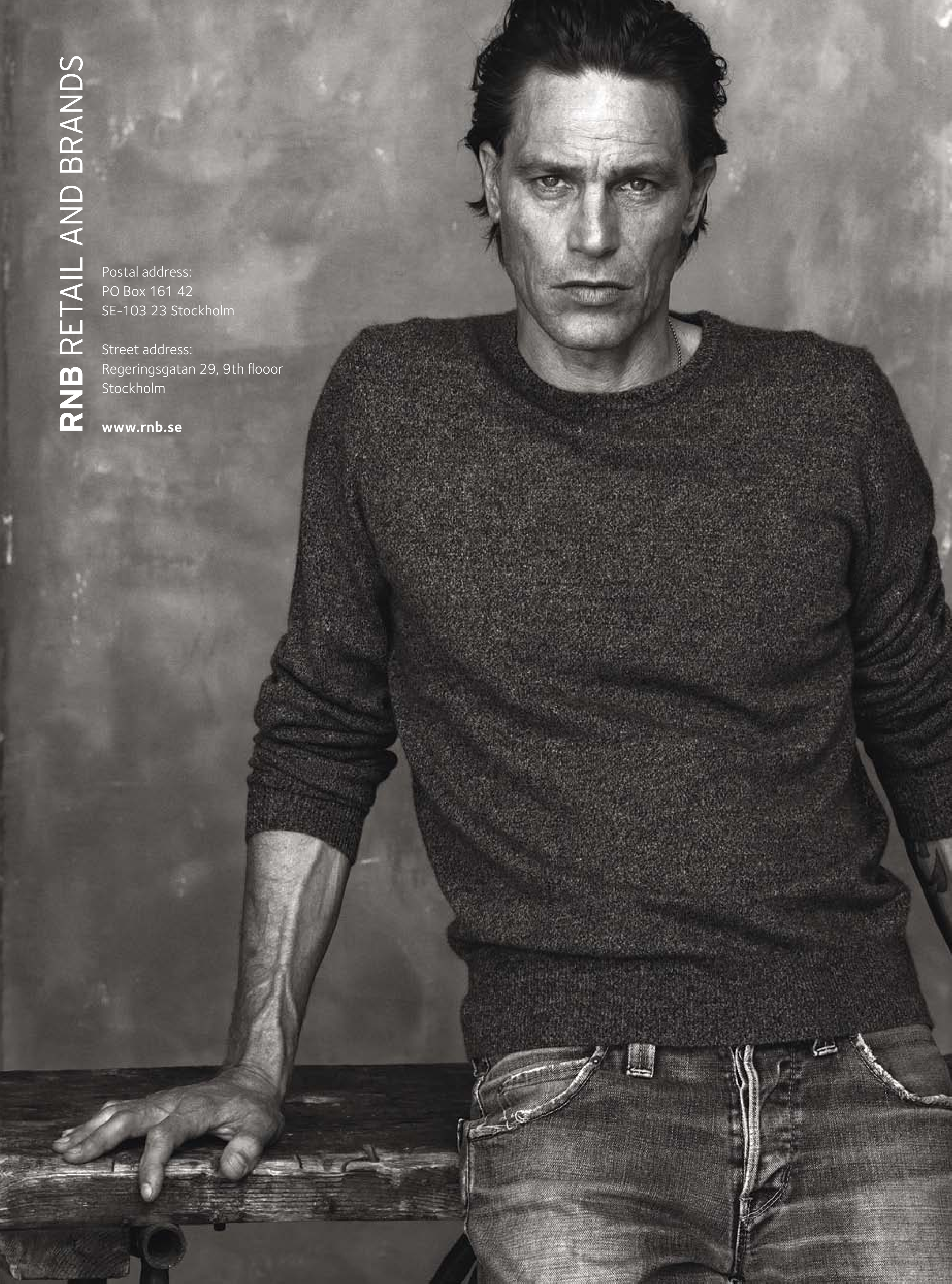
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