

RNB RETAIL AND BRANDS

RNB Interim report for the second quarter of 2005/2006

September 1, 2005 – February 28, 2006

First six months, September 1, 2005 – February 28, 2006

- Net sales amounted to SEK 688.7 M (453.0), an increase of 52 percent. Sales for comparable stores rose by 4.0 percent.
- Operating profit amounted to SEK 62.5 M (34.8). Profit after net financial items improved by 87 percent to SEK 60.2 M (32.2).
- Profit after taxes amounted to SEK 43.1 M (23.6), corresponding to SEK 1.30 (0.79) per share after the split implemented on March 1, 2006.
- Cash flow from current operations amounted to SEK 44.4 M (25.9).

Second quarter, December 1, 2005 – February 28, 2006

- Net sales amounted to SEK 373.3 M (221.8), an increase of 68 percent. Sales for comparable stores rose by 5.3 percent.
- Operating profit amounted to SEK 31.2 M (8.4). Profit after net financial items improved sharply and amounted to SEK 29.4 M (7.1).
- Profit after taxes amounted to SEK 20.8 M (5.4), corresponding to SEK 0.63 (0.18) per share after the split implemented on March 1, 2006.
- Cash flow from current operations amounted to SEK 41.0 M (17.4).

Events since close of the reporting period

- Polarn O. Pyret signed two new master franchise agreements covering Poland and Ireland and consequently has achieved the prior goal of establishment in ten countries.
- The Board of Directors assesses that it should be feasible that Polarn O. Pyret is established in at least 20 countries through to 2010.
- As a consequence of the increased rate of expansion for Polarn O. Pyret internationally and other measures implemented in RNB the Board has decided to reevaluate and increase the company's long-term operating margin goal.
- 2:1 share split implemented as of March 1, 2006.

RNB Group

RNB is organized into two separate business areas – Polarn O. Pyret and RNB Retail. Polarn O. Pyret is a brand that focuses on baby and children's wear. RNB RETAIL is a platform for the distribution of national and international brands through stores within NK and Steen & Ström as well as for the Solo and Saks retail store concepts. At February 28, 2006, the RNB Group had a total of 142 stores, of which 27 are operated by franchisees.

Acquisition of Skandinaviskt Herr- and Dammode with operations at NK in Gothenburg

As of December 1, 2005, RNB acquired Skandinaviskt Dammode and Skandinaviskt Herrmode with operations at NK in Gothenburg. The acquired operations reported sales of approximately SEK 104 M and an operating profit of approximately SEK 7 M during the past year. As of fiscal year 2005/2006, the acquired company's store area will increase by 35 percent and thereafter will total about 3,100 square meters.

RNB RETAIL AND BRANDS

Market and demand

During the second quarter, retail sales in the ready-to-wear clothing sector in Sweden grew by 4.5 percent. RNB's sales for comparable stores rose during the same period by 5.3 percent.

Sales and earnings

RNB's net sales for the first six months rose to SEK 688.7 M (453.0), an increase of 52 percent. Sales in comparable stores rose during the same period by 4.0 percent. The gross profit margin for the period was 49.4 percent (50.1). The decline in gross margin is a result of the gross margin of the DSN operations acquired in 2005 being lower compared with the other operations in RNB.

Operating profit for the period totaled SEK 62.5 M (34.8). Profit after net financial items amounted to SEK 60.2 M (32.2). Profit after taxes was SEK 43.1 M (23.6).

Polarn O. Pyret

Net sales during the first half of the year amounted to SEK 162.8 M (147.7). Operating profit amounted to SEK 24.4 M (19.4). As a result of purchasing changes that were initiated, gross profit in proprietary stores increased by 3.2 percentage points compared with the preceding year.

At the end of the period, the number of proprietary stores was 37 (37). In addition, there were 27 (19) franchise stores, of which nine in Norway, two in the Baltic States and one in Iceland. During spring 2006, some ten franchise stores will be opened in international markets.

In April, Polarn O. Pyret signed master franchise agreements covering Poland and Ireland and consequently has achieved the prior goal of establishment in ten countries. The agreement for Ireland was signed with Odin Retail Ltd., which also has the market in England.

As a consequence of the increased establishment rate, the Board of Directors assesses that it should be feasible that Polarn O. Pyret is established in at least 20 countries through to 2010.

RNB Retail

Net sales for the period amounted to SEK 526.5 M (305.7). Operating profit amounted to SEK 44.0 M (21.9). At the end of the period, the number of proprietary stores was 78 (48).

Work with developing distribution platforms of the branded business continued during the period. Construction and start of new store space of about 3,250 square meters was completed during the period. As of December 1, 2005, Skandinaviskt Dammode and Skandinaviskt Herrmode as acquired, which comprises about 3,100 square meters of store space in NK in Gothenburg. In addition, remodeling of existing space involving about 1,200 square meters was also carried out. The Champagne store concept, involving two stories, was discontinued during the period.

To further strengthen cooperation with our suppliers, an agreement was signed with New Wave Group to start an outlet in Kosta. Initially, the outlet will amount to 2,500 square meters and is expected to open in summer 2006.

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Financial position and liquidity

Consolidated total assets amounted to SEK 646.3 M, compared with SEK 559.4 M at the end of the preceding fiscal year. Shareholders' equity amounted to SEK 272.8 M (254.7), corresponding to an equity/assets ratio of 42.2 percent (45.5). At full conversion of outstanding convertible debentures of SEK 40 M, equity/assets amounts to 48.4 percent

Inventory on February 28, 2006, amounted to SEK 229.7 M, compared with SEK 134.0 M on the year-earlier date. The increase is attributable to the acquisition of DSN and Skandinaviskt Dammode and Skandinaviskt Herrmode as well as added store units in Norway and at NK in Stockholm and Gothenburg.

Cash flow from current operations amounted to SEK 44.4 M (25.9 M). Cash flow after investments was a negative SEK 33.1 M (pos. 20.6). Excluding company acquisitions, cash flow after investing activities amounted to SEK 7.2 M (20.6).

Net debt amounted to SEK 134.3 M, compared with SEK 104.9 M on August 31, 2005. Including unutilized overdraft facilities, the Group's cash and cash equivalents amounted to SEK 47.5 M at the end of the period, compared with SEK 87.2 M at the end of the preceding fiscal year.

Investments and depreciation

Investments during the period amounted to SEK 82.7 M (5.4). SEK 40.3 M of total investments was for company acquisitions and SEK 29.2 M for construction of new store space. Depreciation during the period amounted to SEK 13.8 M (10.6).

Personnel

The average number of employees during the period amounted to 645 (447).

Parent Company

Net sales in the Parent Company during the period amounted to SEK 0 M (0). After net financial items, the Parent company reported a loss of SEK 5.0 M (loss: 6.2). Investments during the period totaled SEK 3.2 M (3.0).

Future outlook

The acquisitions and expansions carried out during the past year will result in a sharp increase in sales for the 2005/2006 fiscal year. The earnings for fiscal year 2005/2006 are expected to significantly exceed the preceding year.

As a result of the increased rate of expansion for Polarn O. Pyret internationally, combined with completed acquisitions and other measures, the Board of Directors foresees continued favorable earnings growth in the years immediately ahead. Accordingly, the Board has decided to reevaluate and increase the company's long-term operating margin goal.

Accounting principles

As of September 1, 2005, RNB applies the International Financial Reporting Standards (IFRS) in its financial reporting. This interim report was prepared in accordance with IFRS and application of IAS 34 Interim Financial Reporting. IFRS is being continuously reviewed. Accordingly, changes may occur during 2005/2006.

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The applied accounting principles, changes compared with previous accounting principles, financial effects of the changed accounting principles and the adjusted comparative figures are presented on pages seven and eight of this report. The comparative figures for the year-earlier financial statements and for the most recent 12-month period are adjusted to IFRS throughout.

Future reporting dates:

Q3 interim report for 2005/06	June 21, 2006
Preliminary year-end report 2005/06	October 20, 2006

Stockholm, April 4, 2006
RNB RETAIL AND BRANDS AB

Mikael Solberg
President and CEO

Questions regarding this report will be answered by:
Mikael Solberg, President and CEO, +46 (0)8-670 95 95, +46 (0)708-18 44 40
Göran Blomberg, CFO, +46 (0)8-670 95 99, +46 (0)733-97 95 99

RNB RETAIL AND BRANDS

September 2005 - February 2006

CONSOLIDATED INCOME STATEMENT

MSEK	3 months Dec 2005- Feb 2006	3 months Dec 2004- Feb 2005	6 months Sep 2005- Feb 2006	6 months Sep 2004- Feb 2005	12 months Sep 2004- Aug 2005
Net turnover	373,3	221,8	688,7	453,0	963,7
Other operating incomes	4,8	3,5	6,8	5,2	11,8
	378,1	225,3	695,5	458,2	975,5
Goods for resale	-196,2	-118,9	-348,3	-226,0	-493,7
Other external costs	-69,8	-45,9	-134,8	-93,0	-205,2
Personnel costs	-73,4	-46,8	-136,1	-93,8	-209,4
Depreciation and write-downs of tangible and intangible fixed assets	-7,5	-5,3	-13,8	-10,6	-25,6
Operating income	31,2	8,4	62,5	34,8	41,6
Financial incomes	0,0	0,1	0,5	0,1	1,0
Financial costs	-1,8	-1,4	-2,8	-2,7	-6,3
Income after financial items	29,4	7,1	60,2	32,2	36,3
Tax	-8,6	-1,7	-17,1	-8,6	-10,5
Profit/loss for period	20,8	5,4	43,1	23,6	25,8
Earnings per share (SEK), average number of shares	0,63	0,18	1,30	0,79	0,82
Earnings per share (SEK), average number of shares, at full conversion	0,61	-	1,28	-	-
Average number of shares, 000's *)	33 216	30 016	33 216	30 016	31 616
Average number of shares, 000's, at full conversion *)	34 216	-	33 716	-	-

*) Average number of shares adjusted to reflect 2:1 split on March 1, 2006.

CONSOLIDATED BALANCE SHEET

MSEK	28-Feb-2006	28-Feb-2005	31-Aug-2005
Assets			
Intangible fixed assets	252,6	89,1	217
Tangible fixed assets	91,4	43,4	54,2
Financial fixed assets	8,2	21,7	25,4
Inventories	229,7	134	184,3
Other current assets	64,4	41,5	78,5
Total assets	646,3	329,7	559,4
Shareholders' equity and liabilities			
Shareholders' equity	272,8	154,5	254,7
Convertible debenture	40,0	-	-
Long-term liabilities, interest-bearing	95,8	10,4	66,3
Short-term liabilities, interest-bearing	51,2	65,3	50,6
Other short-term liabilities	186,5	99,5	187,8
Total shareholders' equity and liabilities	646,3	329,7	559,4

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CASH-FLOW STATEMENT

MSEK	Sep 2005- Feb 2006	Sep 2004- Feb 2005	Sep 2004- Aug 2005
Cash flow from current operations before changes in working capital	70,8	42,8	64,7
Changes in working capital	-26,4	-16,9	3,2
Cash flow from current operations	44,4	25,9	67,9
Cash flow from investments activities	-77,5	-5,3	-74,3
Cash flow after investments	-33,1	20,6	-6,4
Cash flow from financial activities	34,0	-18,9	15,7
Cash flow for period	0,9	1,7	9,3

CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Sep 2005- Feb 2006	Sep 2004- Feb 2005	Sep 2004- Aug 2005
Opening balance according to approved balance sheet	256,2	130,8	130,8
Effect of change in accounting principles to IFRS	-1,5	0,1	0,1
Opening balance in accordance with IFRS	254,7	130,9	130,9
New issue	-	-	98,0
Translation difference	-25,0	-	-
Profit for the period	43,1	23,6	25,8
Balance at end of period	272,8	154,5	254,7

KEY FIGURES

		Sep 2005- Feb 2006 6 months	Sep 2004- Feb 2005 6 months	Sep 2004- Aug 2005 12 months
Gross margin	%	49,4	50,1	48,8
Operating margin	%	9,1	7,7	4,3
Profit margin	%	6,3	5,2	2,7
Return on capital employed	%	-	-	14,2
Return on shareholders' equity	%	-	-	13,4
Solidity	%	42,2	46,9	45,5
Solidity, at full conversion	%	48,4	-	-
Interest coverage ratio	mult	22,5	12,9	6,8
Net dept	Mkr	134,3	71,6	104,9
Net dept/equity ratio	%	49,2	46,3	41,2
Average number of employees, full time		645	447	497
Average number of shares, 000's		33 216	30 016	31 616
Average number of shares, 000's, at full conversion		33 716	-	-
Number of shares at end of period, 000's		33 216	30 016	33 216
Number of shares at end of period, 000's, at full conversion		34 216	-	-
Earnings per share after tax, average number	Kr	1,30	0,79	0,82
Earnings per share after tax, average number, at full conversion	Kr	1,28	-	-
Shareholders' equity per share at end of period	Kr	8,21	5,15	7,67
Shareholders' equity per share at end of period, at full conversion	Kr	9,14	-	-

*) Average number of shares adjusted to reflect 2:1 split on March 1, 2006.

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NET TURNOVER AND OPERATING RESULT PER BUSINESS AREA

	3 months Dec 2005- Feb 2006	3 months Dec 2004- Feb 2005	6 months Sep 2005- Feb 2006	6 months Sep 2004- Feb 2005
Net turnover, MSEK				
Polarn O. Pyret	80,0	69,9	162,8	147,7
RNB Retail	293,7	152,1	526,5	305,7
Other	-0,4	-0,2	-0,6	-0,4
Total	373,3	221,8	688,7	453,0
Operating result, MSEK				
Polarn O. Pyret	9,7	5,1	24,4	19,4
RNB Retail	25,0	5,7	44,0	21,9
Other	-3,5	-2,4	-5,9	-6,5
Total	31,2	8,4	62,5	34,8

INCOME STATEMENT PER QUARTER, GROUP

MSEK	2005/2006	2005	2005	2005	2004/2005	2004	2004	2004
	Dec-Feb	Sep-Nov	June-Aug	Mars-May	Dec-Feb	Sep-Nov	June-Aug	Mars-May
Net turnover	373,3	315,4	266,4	244,3	221,8	231,2	192,0	184,7
Other operating incomes	4,8	2,0	5,5	1,1	3,5	1,7	3,0	3,3
Goods for resale	-196,2	-152,1	-146,5	-121,2	-118,9	-107,1	-100,4	-87,9
Gross profit	181,9	165,3	125,4	124,2	106,4	125,8	94,6	100,1
Gross margin	47,4%	51,8%	45,0%	50,4%	46,4%	53,7%	47,7%	52,4%
Other external costs	-69,8	-65,0	-62,1	-50,1	-45,9	-47,1	-42,4	-46,2
Personnel costs	-73,4	-62,7	-54,0	-61,6	-46,8	-47,0	-44,9	-41,0
Depreciation	-7,5	-6,3	-8,4	-6,6	-5,3	-5,3	-5,9	-6,6
Operating income	31,2	31,3	0,9	5,9	8,4	26,4	1,4	6,3
Financial incomes	-	0,5	0,5	0,4	0,1	-	0,3	0,1
Financial costs	-1,8	-1,0	-1,9	-1,7	-1,4	-1,3	-1,1	-1,6
Income after financial items	29,4	30,8	-0,5	4,6	7,1	25,1	0,6	4,8

NUMBER OF STORES AT END OF PERIOD

	28-Feb-2006	30-Nov-2005	31-Aug-2005	31-May-2005	28-Feb-2005	30-Nov-2004	31-Aug-2004	31-May-2004
Own stores	115	108	101	93	85	84	85	84
Franchise stores	27	27	25	24	19	19	19	18
Total	142	135	126	117	104	103	104	102

ACCOUNTING PRINCIPLES

The accounting principles and methods for calculations in the parent company and Group correspond to those applied in the most recent annual report, with the exception of the transition to IFRS, which is described separately.

The gross profit margin is calculated as ((net turnover minus costs of goods sold)/net turnover).

This report is unaudited.

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EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES TO IFRS

CONSOLIDATED INCOME STATEMENT

MSEK	3 months Dec 2004- Feb 2005	Adjustment IFRS	IFRS 3 months Dec 2004- Feb 2005
Net turnover	221,8		221,8
Other operating incomes	3,5		3,5
	225,3		225,3
Goods for resale	-118,9		-118,9
Other external costs	-45,9		-45,9
Personnel costs	-46,8		-46,8
Depreciation and write-downs of tangible and intangible fixed assets	-6,4	1,1	-5,3
Operating income	7,3	1,1	8,4
Financial incomes	0,1		0,1
Financial costs	-1,4		-1,4
Income after financial items	6,0	1,1	7,1
Tax	-1,7		-1,7
Profit/loss for period	4,3	1,1	5,4

CONSOLIDATED INCOME STATEMENT

MSEK	6 months Sep 2004- Feb 2005	Adjustment IFRS	IFRS 6 months Sep 2004- Feb 2005
Net turnover	453,0		453,0
Other operating incomes	5,2		5,2
	458,2		458,2
Goods for resale	-226,0		-226,0
Other external costs	-93,0		-93,0
Personnel costs	-93,8		-93,8
Depreciation and write-downs of tangible and intangible fixed assets	-12,7	2,1	-10,6
Operating income	32,7	2,1	34,8
Financial incomes	0,1		0,1
Financial costs	-2,7		-2,7
Income after financial items	30,1	2,1	32,2
Tax	-8,6		-8,6
Profit/loss for period	21,5	2,1	23,6

CONSOLIDATED BALANCE SHEET

MSEK	28-Feb-2005	Adjustment IFRS	IFRS 28-Feb-2005
Assets			
Intangible fixed assets	87,0	2,1	89,1
Tangible fixed assets	43,4		43,4
Financial fixed assets	21,6	0,1	21,7
Inventories	134,0		134,0
Other current assets	41,5		41,5
Total assets	327,5	2,2	329,7
Shareholders' equity and liabilities			
Shareholders' equity	152,3	2,2	154,5
Long-term liabilities, interest-bearing	10,4		10,4
Short-term liabilities, interest-bearing	65,3		65,3
Other short-term liabilities	99,5		99,5
Total shareholders' equity and liabilities	327,5	2,2	329,7

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September 2005 - February 2006

EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES TO IFRS

CONSOLIDATED INCOME STATEMENT

MSEK	12 months Sep 2004- Aug 2005	Adjustment IFRS	IFRS 12 months Sep 2004- Aug 2005
Net turnover	963,7		963,7
Other operating incomes	11,8		11,8
	975,5		975,5
Goods for resale	-493,7		-493,7
Other external costs	-200,0	-5,2	-205,2
Pesonnal costs	-203,2	-6,2	-209,4
Depreciation and write-downs of tangible and intangible fixed assets	-32,1	6,5	-25,6
Operating income	46,5	-4,9	41,6
Financial incomes	1,0		1,0
Financial costs	-6,0	-0,3	-6,3
Income after financial items	41,5	-5,2	36,3
Tax	-14,1	3,6	-10,5
Profit/loss for period	27,4	-1,6	25,8

CONSOLIDATED BALANCE SHEET

MSEK	31-Aug-2005	Adjustment IFRS	IFRS 31-Aug-2005
Assets			
Intangible fixed assets	218,3	-1,3	217,0
Tangible fixed assets	54,2		54,2
Financial fixed assets	25,6	-0,2	25,4
Inventories	184,3		184,3
Other current assets	78,5		78,5
Total assets	560,9	-1,5	559,4
Shareholders' equity and liabilities			
Shareholders' equity	256,2	-1,5	254,7
Long-term liabilities, interest-bearing	66,3		66,3
Short-term liabilities, interest-bearing	50,6		50,6
Other short-term liabilities	187,8		187,8
Total shareholders' equity and liabilities	560,9	-1,5	559,4

RNB RETAIL AND BRANDS AB
P.O. Box 161 42, Regeringsgatan 29
S-103 23 STOCKHOLM, SWEDEN
Phone: +46-8-670 95 00. Fax: +46-8-670 95 01
Organisationsnummer: 556495-4682