

# RNB RETAIL AND BRANDS

## RNB Interim report for the first quarter of 2005/2006

September 1 – November 30, 2005

- Net sales amounted to SEK 315.4 M (231.2), an increase of 36 percent. Sales for comparable stores rose by 2.5 percent.
- Operating profit amounted to SEK 31.3 M (26.4). Profit after net financial items improved by 23 percent to SEK 30.8 M (25.1).
- Profit after taxes amounted to SEK 22.3 M (18.2), corresponding to SEK 1.34 (1.21) per share.
- Cash flow from current operations amounted to SEK 3.4 M (8.5).
- With occupancy on December 1, 2005, RNB acquired Skandinaviskt Dammode and Skandinaviskt Herrmode with operations at NK in Gothenburg.
- The Board proposes a 2:1 share split.

### Events since close of the reporting period

- Polarn O. Pyret signed a master franchise agreement covering Finland.
- RNB signed an agreement to start an outlet in Kosta in cooperation with the New Wave Group.

### 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 November 30, 2005, the RNB Group had a total of 135 stores, of which 27 are operated by franchisees.

### RNB acquires 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 3,100 square meters. The purchase price of the acquisition totals SEK 40 M and payment will be in the form of a convertible debt instrument that does not carry interest and matures on December 22, 2006.

### Market and demand

During the first quarter, retail sales in the ready-to-wear clothing sector in Sweden grew by 2.2 percent. RNB's sales for comparable stores rose during the same period by 2.5 percent.

### Sales and earnings

RNB's net sales for the period rose to SEK 315.4 M (231.2), an increase of 36 percent. Acquisition of the operations with DSN affected net sales positively by SEK 65.4 M, compared with the preceding year. Sales in comparable stores rose during the period by 2.5 percent. The gross profit margin for the period was 51.8 percent (53.7). 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.

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Operating profit for the period totaled SEK 31.3 M (26.4). Profit after net financial items amounted to SEK 30.8 M (25.1). Profit after taxes was SEK 22.3 M (18.2). During the period, construction and start-up of new store space of about 2,500 square meters was completed. Remodeling of existing space involving about 1,200 square meters was also carried out during the period. The start of operations in the new store space and the remodeling of the existing space affected earnings adversely during the period by about SEK 3 M.

## **Polarn O. Pyret**

Net sales during the period amounted to SEK 82.8 M (77.8). Operating profit amounted to SEK 14.7 (14.3). As a result of purchasing changes that were initiated, gross profit in proprietary stores increased by 2.7 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. As of autumn 2006, Polarn O. Pyret will start sales over the Internet.

In January 2006, Polarn O. Pyret signed a master franchise agreement covering Finland. Establishment of Polarn O. Pyret outside Sweden is proceeding as planned. In Norway, an additional ten stores are contracted and will open successively in 2006 and 2007. In June 2005, Polarn O. Pyret signed a master franchise agreement covering the UK. The first store in the UK is expected to open in March 2006.

## **RNB Retail**

Net sales for the period amounted to SEK 232.8 M (153.6). Acquisition of the DSN operations affected net sales positively by SEK 65.4 M compared with a year earlier. Operating profit amounted to SEK 19.0 M (16.2). At the end of the period, the number of proprietary stores was 71 (47).

Work with developing distribution platforms of the branded business continued during the period. Construction and start of new store space of about 2,500 square meters was completed during the period. Remodeling of existing space involving about 1,200 square meters was also carried out during the period.

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

## **Financial position and liquidity**

Consolidated total assets amounted to SEK 577.2 M, compared with SEK 559.4 M at the end of the preceding fiscal year. Shareholders' equity amounted to SEK 276.8 M (254.7), corresponding to an equity/assets ratio of 48.0 percent (45.5).

Inventory on November 30, 2005, amounted to SEK 202.6 M, compared with SEK 137.8 M on the year-earlier date. The increase is attributable to the acquisition of DSN and the added store units in Norway and at NK in Stockholm and Gothenburg.

Cash flow from current operations amounted to SEK 3.4 M (8.5 M). Cash flow after investments was a negative SEK 17.5 M (pos. 5.1).

Net debt amounted to SEK 122.6 M, compared with SEK 104.9 M on August 31, 2005. Including unutilized overdraft facilities, the Group's liquid funds amounted to SEK 64.4 m at the end of the period, compared with SEK 87.2 M at the end of the preceding fiscal year.

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## **Investments and depreciation**

Investments during the period amounted to SEK 21.4 M (3.4), most of which was for construction and remodeling of store space.

## **Personnel**

The average number of employees during the period amounted to 590 (446).

## **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 1.9 M (loss: 2.3). Investments during the period totaled SEK 1.6 M (1.6).

## **Board proposes 2:1 split**

Prior to the Annual General Meeting on January 24, 2006, the Board proposed a 2:1 share split. It is expected that the split can be implemented in March 2006.

## **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 newly added operations provide for a more uniform distribution of earnings between quarters compared with prior years. In total, the earnings for fiscal year 2005/2006 are expected to significantly exceed the preceding year.

## **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.

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**

Q2 interim report for 2005/06	April 4, 2006
Q3 interim report for 2005/06	June 21, 2006
Preliminary year-end report 2005/06	October 20, 2006

Stockholm, January 24, 2006  
RNB RETAIL AND BRANDS AB

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# RNB RETAIL AND BRANDS

## September 2005 - November 2005

### CONSOLIDATED INCOME STATEMENT

MSEK	3 months Sep 2005- Nov 2005	3 months Sep 2004- Nov 2004	12 months Sep 2004- Aug 2005
Net turnover	315,4	231,2	963,7
Other operating incomes	2,0	1,7	11,8
	<b>317,4</b>	<b>232,9</b>	<b>975,5</b>
Goods for resale	-152,1	-107,1	-493,7
Other external costs	-65,0	-47,1	-205,2
Personnel costs	-62,7	-47,0	-209,4
Depreciation and write-downs of tangible and intangible fixed assets	-6,3	-5,3	-25,6
<b>Operating income</b>	<b>31,3</b>	<b>26,4</b>	<b>41,6</b>
Financial incomes	0,8	-	1,0
Financial costs	-1,3	-1,3	-6,3
<b>Income after financial items</b>	<b>30,8</b>	<b>25,1</b>	<b>36,3</b>
Tax	-8,5	-6,9	-10,5
<b>Profit/loss for period</b>	<b>22,3</b>	<b>18,2</b>	<b>25,8</b>
<b>Earnings per share (SEK), average number of shares</b>	<b>1,34</b>	<b>1,21</b>	<b>1,63</b>
<b>Average number of shares, 000's</b>	<b>16 608</b>	<b>15 008</b>	<b>15 808</b>

### CONSOLIDATED BALANCE SHEET

MSEK	30-Nov-2005	30-Nov-2004	31-Aug-2005
<b>Assets</b>			
Intangible fixed assets	215,5	90,1	217
Tangible fixed assets	70,7	45,6	54,2
Financial fixed assets	17,5	23,5	25,4
Inventories	202,6	137,8	184,3
Other current assets	70,9	48,0	78,5
<b>Total assets</b>	<b>577,2</b>	<b>345,0</b>	<b>559,4</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	276,8	149,1	254,7
Long-term liabilities, interest-bearing	61,0	7,5	66,3
Short-term liabilities, interest-bearing	69,6	84,3	50,6
Other short-term liabilities	169,8	104,1	187,8
<b>Total shareholders' equity and liabilities</b>	<b>577,2</b>	<b>345,0</b>	<b>559,4</b>

# RNB RETAIL AND BRANDS

## September 2005 - November 2005

### CASH-FLOW STATEMENT

MSEK	Sep 2005- Nov 2005	Sep 2004- Nov 2004	Sep 2004- Aug 2005
Cash flow from current operations before changes in working capital	35,9	30,4	64,7
Changes in working capital	-32,5	-21,9	3,2
<b>Cash flow from current operations</b>	<b>3,4</b>	<b>8,5</b>	<b>67,9</b>
Cash flow from investments activities	-20,9	-3,4	-74,3
<b>Cash flow after investments</b>	<b>-17,5</b>	<b>5,1</b>	<b>-6,4</b>
Cash flow from financial activities	13,7	-2,8	15,7
<b>Cash flow for period</b>	<b>-3,8</b>	<b>2,3</b>	<b>9,3</b>

### CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Sep 2005- Nov 2005	Sep 2004- Nov 2004	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
<b>Opening balance in accordance with IFRS</b>	<b>254,7</b>	<b>130,9</b>	<b>130,9</b>
New issue	-	-	98,0
Translation difference	-0,2	-	-
Profit for the period	22,3	18,2	25,8
<b>Balance at end of period</b>	<b>276,8</b>	<b>149,1</b>	<b>254,7</b>

### KEY FIGURES

		Sep 2005- Nov 2005 3 months	Sep 2004- Nov 2004 3 months	Sep 2004- Aug 2005 12 months
Gross margin	%	51,8	53,7	48,8
Operating margin	%	9,9	11,4	4,3
Profit margin	%	7,1	7,9	2,7
Return on capital employed	%	-	-	14,2
Return on shareholders' equity	%	-	-	13,4
Solidity	%	48,0	43,2	45,5
Interest coverage ratio	ggr	24,7	20,3	6,8
Net dept	Mkr	122,6	87,0	104,9
Net dept/equity ratio	%	44,3	58,4	41,2
Average number of employees, full time		590	446	497
Average number of shares, 000's		16 608	15 008	15 808
Number of shares at end of period, 000's		16 608	15 008	16 608
Earnings per share after tax, average number	Kr	1,34	1,21	1,63
Shareholders' equity per share at end of period	Kr	16,67	9,93	15,34

# RNB RETAIL AND BRANDS

## September 2005 - November 2005

### NET TURNOVER AND OPERATING RESULT PER BUSINESS AREA

	3 months Sep 2005- Nov 2005	3 months Sep 2004- Nov 2004	12 months Sep 2004- Aug 2005
<b>Net turnover, MSEK</b>			
Polarn O. Pyret	82,8	77,8	279,5
RNB Retail	232,8	153,6	685,3
Other	-0,2	-0,2	-1,1
<b>Total</b>	<b>315,4</b>	<b>231,2</b>	<b>963,7</b>
<b>Operating result, MSEK</b>			
Polarn O. Pyret	14,7	14,3	23,4
RNB Retail	19,0	16,2	25,8
Other	-2,4	-4,1	-7,6
<b>Total</b>	<b>31,3</b>	<b>26,4</b>	<b>41,6</b>

### INCOME STATEMENT PER QUARTER, GROUP

MSEK	2005		2005	2004/2005	2004	2004	2004	2003/2004
	Sep-Nov	June-Aug	Mars-May	Dec-Feb	Sep-Nov	June-Aug	Mars-May	Dec-Feb
Net turnover	315,4	266,4	244,3	221,8	231,2	192,0	184,7	219,1
Other operating incomes	2,0	5,5	1,1	3,5	1,7	3,0	3,3	0,7
Goods for resale	-152,1	-146,5	-121,2	-118,9	-107,1	-100,4	-87,9	-115,6
<b>Gross profit</b>	<b>165,3</b>	<b>125,4</b>	<b>124,2</b>	<b>106,4</b>	<b>125,8</b>	<b>94,6</b>	<b>100,1</b>	<b>104,2</b>
<b>Gross margin</b>	<b>51,8%</b>	<b>45,0%</b>	<b>50,4%</b>	<b>46,4%</b>	<b>53,7%</b>	<b>47,7%</b>	<b>52,4%</b>	<b>47,2%</b>
Other external costs	-65,0	-62,1	-50,1	-45,9	-47,1	-42,4	-46,2	-46,7
Personnel costs	-62,7	-54,0	-61,6	-46,8	-47,0	-44,9	-41,0	-47,6
Depreciation	-6,3	-8,4	-6,6	-5,3	-5,3	-5,9	-6,6	-6,4
<b>Operating income</b>	<b>31,3</b>	<b>0,9</b>	<b>5,9</b>	<b>8,4</b>	<b>26,4</b>	<b>1,4</b>	<b>6,3</b>	<b>3,5</b>
Financial incomes	0,8	0,5	0,4	0,1	-	0,3	0,1	0,1
Financial costs	-1,3	-1,9	-1,7	-1,4	-1,3	-1,1	-1,6	-1,7
<b>Income after financial items</b>	<b>30,8</b>	<b>-0,5</b>	<b>4,6</b>	<b>7,1</b>	<b>25,1</b>	<b>0,6</b>	<b>4,8</b>	<b>1,9</b>

### NUMBER OF STORES AT END OF PERIOD

	30-Nov-2005	31-Aug-2005	31-May-2005	28-Feb-2005	30-Nov-2004	31-Aug-2004	31-May-2004	29-Feb-2004
<b>Own stores</b>	108	101	93	85	84	85	84	84
<b>Franchise stores</b>	27	25	24	19	19	19	18	18
<b>Total</b>	<b>135</b>	<b>126</b>	<b>117</b>	<b>104</b>	<b>103</b>	<b>104</b>	<b>102</b>	<b>102</b>

### 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.

# RNB RETAIL AND BRANDS

## September - november 2005

### EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES TO IFRS

#### CONSOLIDATED INCOME STATEMENT

<b>MSEK</b>	<b>3 months Sep 2004- Nov 2004</b>	<b>Adjustment IFRS</b>	<b>IFRS 3 months Sep 2004- Nov 2004</b>
Net turnover	231,2		231,2
Other operating incomes	1,7		1,7
	<b>232,9</b>		<b>232,9</b>
Goods for resale	-107,1		-107,1
Other external costs	-47,1		-47,1
Personnel costs	-47,0		-47,0
Depreciation and write-downs of tangible and intangible fixed assets	-6,3	1,0	-5,3
<b>Operating income</b>	<b>25,4</b>	<b>1,0</b>	<b>26,4</b>
Financial incomes	-		-
Financial costs	-1,3		-1,3
<b>Income after financial items</b>	<b>24,1</b>	<b>1,0</b>	<b>25,1</b>
Tax	-6,9		-6,9
<b>Profit/loss for period</b>	<b>17,2</b>	<b>1,0</b>	<b>18,2</b>

#### CONSOLIDATED BALANCE SHEET

<b>MSEK</b>	<b>30-Nov-2004</b>	<b>Adjustment IFRS</b>	<b>IFRS 30-Nov-2004</b>
<b>Assets</b>			
Intangible fixed assets	89,1	1,0	90,1
Tangible fixed assets	45,6		45,6
Financial fixed assets	23,4	0,1	23,5
Inventories	137,8		137,8
Other current assets	48,0		48,0
<b>Total assets</b>	<b>343,9</b>	<b>1,1</b>	<b>345,0</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	148,0	1,1	149,1
Long-term liabilities, interest-bearing	7,5		7,5
Short-term liabilities, interest-bearing	84,3		84,3
Other short-term liabilities	104,1		104,1
<b>Total shareholders' equity and liabilities</b>	<b>343,9</b>	<b>1,1</b>	<b>345,0</b>

# RNB RETAIL AND BRANDS

## September - november 2005

### 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
	<b>975,5</b>		<b>975,5</b>
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
<b>Operating income</b>	<b>46,5</b>	<b>-4,9</b>	<b>41,6</b>
Financial incomes	1,0		1,0
Financial costs	-6,0	-0,3	-6,3
<b>Income after financial items</b>	<b>41,5</b>	<b>-5,2</b>	<b>36,3</b>
Tax	-14,1	3,6	-10,5
<b>Profit/loss for period</b>	<b>27,4</b>	<b>-1,6</b>	<b>25,8</b>

#### CONSOLIDATED BALANCE SHEET

MSEK	31-Aug-2005	Adjustment IFRS	IFRS 31-Aug-2005
<b>Assets</b>			
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
<b>Total assets</b>	<b>560,9</b>	<b>-1,5</b>	<b>559,4</b>
<b>Shareholders' equity and liabilities</b>			
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
<b>Total shareholders' equity and liabilities</b>	<b>560,9</b>	<b>-1,5</b>	<b>559,4</b>

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