

RNB RETAIL AND BRANDS

RNB Interim report for the third quarter of 2005/2006

September 1, 2005 – May 31, 2006

First nine months, September 1, 2005 – May 31, 2006

- Net sales totaled SEK 996.1 M (697.3), up 43 percent. Sales for comparable stores rose by 5.0 percent.
- Operating profit amounted to SEK 77.6 M (40.7). Profit after net financial items improved by 98 percent to SEK 73.0 M (36.8).
- Profit after taxes amounted to SEK 52.4 M (26.4), corresponding to SEK 1.58 (0.85) per share.
- Cash flow from operational activities amounted to SEK 38.6 M (45.5).
- On May 9, 2006, RNB issued a public offer to acquire JC. The acceptance period for the offer is from June 16 to July 7, 2006.

Third quarter, March 1, 2006 – May 31, 2006

- Net sales totaled SEK 307.4 M (244.3), up 26 percent. Sales for comparable stores rose by 7.3 percent.
- Operating profit amounted to SEK 15.1 M (5.9). Profit after net financial items improved sharply and amounted to SEK 12.8 M (4.6).
- Profit after taxes amounted to SEK 9.3 M (2.8), corresponding to SEK 0.28 (0.08) per share.
- Cash flow from operational activities was a negative SEK 5.8 M (pos: 19.6).

Events since close of the reporting period

- Polarn O. Pyret signed a master franchise agreement covering Russia. This establishment is expected to commence operations in spring 2007.
- The Board of Directors has convened an Extraordinary General Meeting for July 4 to approve the transaction with JC.

RNB Group

RNB is organized into two separate business areas – Polarn O. Pyret and Departments & Stores (DSE). Polarn O. Pyret is a brand that focuses on baby and children's wear. DSE 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 May 31, 2006, the RNB Group had a total of 151 stores, of which 36 are operated by franchisees.

RNB has issued a public offer to acquire JC

The Board of Directors of RNB issued a public offer to the holders of shares and warrants in JC.

A merger of RNB and JC will create a leading distributor of national and international brands in the Nordic retail market. The merger will result in several coordination benefits of an operational nature. Synergies are expected to total at least SEK 80 M annually, with full effect expected during the 2007/2008 fiscal year.

The Board of Directors has convened an Extraordinary General Meeting for July 4 to approve the transaction with JC. The acceptance period for the offer is from June 16 to July 7, 2006.

The complete version of the offer is available from the company and can be downloaded from the company's www.rnb.se website.

RNB RETAIL AND BRANDS

Market and demand

During the third quarter, retail sales in the ready-to-wear clothing sector in Sweden grew by 6.4 percent, according to the HUI (the Swedish Research Institute of Trade) index for comparable stores. RNB's sales for comparable stores rose by 7.3 percent during the quarter. Accumulated for the period September 1, 2005 – May 31, 2006, the ready-to-wear clothing sector in Sweden grew by 3.0 percent, while RNB's sales for comparable stores rose by 5.0 percent.

Sales and earnings

RNB's net sales for the first nine months rose to SEK 996.1 M (697.3), up 43 percent. Sales in comparable stores during the same period rose by 5.0 percent. The gross profit margin for the period was 49.9 percent (50.2). 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 77.6 M (40.7). Profit after net financial items amounted to SEK 73.0 M (36.8). Profit after taxes was SEK 52.4 M (26.4). Profit was charged SEK 7.7 M for the cost of starting up new units and with SEK 3.5 M for the development of the Group's new IT platform. The Champagne store concept was discontinued during the period, which had an adverse impact of SEK 3.7 M on profit.

Third quarter

Net sales during the third quarter totaled SEK 307.4 M (244.3), up 26 percent. Sales for comparable stores during the same period rose by 7.3 percent. The gross profit margin during the third quarter was 51.0 percent (50.4).

Operating profit for the quarter amounted to SEK 15.1 M (5.9). Profit after net financial items amounted to SEK 12.8 M (4.6).

Polarn O. Pyret

Net sales during the first nine months of the year amounted to SEK 238.4 M (209.8). Operating profit amounted to SEK 31.3 M (24.3). As a result of purchasing changes that were initiated, gross profit in proprietary stores increased by 2.2 percentage points compared with the year-earlier period.

At the end of the period, the number of proprietary stores was 37 (37). In addition, there were 36 (24) franchise stores, including 20 outside Sweden.

Polarn O. Pyret has in June 2006 signed a master franchise agreement covering Russia. Accordingly, the company now has franchise agreements covering Norway, Iceland, Finland, the UK, Ireland, Poland, Russia and the three Baltic states of Estonia, Latvia and Lithuania.

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 by the end of 2010.

Departments & Stores

Net sales for the period amounted to SEK 758.7 M (488.2). Operating profit amounted to SEK 55.6 M (28.9). At the end of the period, the number of proprietary stores was 78 (56).

RNB RETAIL AND BRANDS

Work on developing the distribution platform for branded business continued during the year. Construction and start-up of about 3,600 square meters of new store space was completed during the period. As of December 1, 2005, Skandinaviskt Herr- och Dammode was acquired, which comprises about 3,100 square meters of store space at NK in Gothenburg.

In addition, remodeling of about 1,200 square meters of existing space was also completed. The Champagne store concept was discontinued during the period, for which SEK 3.7 M was charged against profit.

To further strengthen cooperation with 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 at the end of July 2006.

Financial position and liquidity

Consolidated total assets amounted to SEK 658.9 M, compared with SEK 559.4 M at the end of the preceding fiscal year. Shareholders' equity amounted to SEK 282.3 M (254.7), corresponding to an equity/assets ratio of 42.8 percent (45.5). At full conversion of outstanding convertible debentures of SEK 40 M, the equity/assets ratio amounts to 48.9 percent.

Inventory on May 31, 2006, amounted to SEK 240.7 M, compared with SEK 175.6 M a year earlier. The increase was attributable to the acquisition of DSN and Skandinaviskt Herr- och Dammode, as well as to added store units in Norway and at NK in Stockholm and Gothenburg.

Cash flow from operational activities amounted to SEK 38.6 M (45.5). Cash flow after investments was a negative SEK 51.7 M (neg: 27.8).

Net debt amounted to SEK 152.9 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 73.6 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 95.7 M (190.4). SEK 40.3 M (178.5) of total investments was for company acquisitions. Depreciation during the period amounted to SEK 22.1 M (17.2).

Personnel

The average number of employees during the period amounted to 647 (484).

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 9.1 M (loss: 10.3). Investments during the period totaled SEK 46.4 M (183.0), of which company acquisitions accounted for SEK 40.3 M (178.5).

2-for-1 share split

A 2-for-1 share split was implemented on March 1, 2006, which doubled the number of shares in the company. On May 31, 2006, the total number of shares in the company after the split was 33,217,748.

RNB RETAIL AND BRANDS

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 also expected to significantly exceed the preceding year.

As a result of the increased rate of expansion for Polarn O. Pyret internationally, combined with the completed acquisitions and other measures, the Board of Directors foresees continued favorable earnings growth in the years immediately ahead.

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. Since the IFRS are being reviewed continuously, 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 eight and nine 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:

Preliminary year-end report for 2005/06	October 20, 2006
Annual Report for 2005/06	December 2006

Stockholm, June 21, 2006
RNB RETAIL AND BRANDS AB

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RNB RETAIL AND BRANDS

September 2005 - May 2006

CONSOLIDATED INCOME STATEMENT

MSEK	3 months March 2006- May 2006	3 months March 2005- May 2005	9 months Sep 2005- May 2006	9 months Sep 2004- May 2005	12 months Sep 2004- Aug 2005
Net turnover	307,4	244,3	996,1	697,3	963,7
Other operating incomes	1,2	1,1	8,0	6,3	11,8
	308,6	245,4	1004,1	703,6	975,5
Goods for resale	-150,7	-121,2	-499,0	-347,2	-493,7
Other external costs	-67,1	-50,1	-201,9	-143,1	-205,2
Personnel costs	-67,4	-61,6	-203,5	-155,4	-209,4
Depreciation and write-downs of tangible and intangible fixed assets	-8,3	-6,6	-22,1	-17,2	-25,6
Operating income	15,1	5,9	77,6	40,7	41,6
Financial incomes	0,0	0,4	0,5	0,5	1,0
Financial costs	-2,3	-1,7	-5,1	-4,4	-6,3
Income after financial items	12,8	4,6	73,0	36,8	36,3
Tax	-3,5	-1,8	-20,6	-10,4	-10,5
Profit/loss for period	9,3	2,8	52,4	26,4	25,8
Earnings per share (SEK), average number of shares	0,28	0,08	1,58	0,85	0,82
Earnings per share (SEK), average number of shares, at full conversion	0,27	-	1,55	-	-
Average number of shares, 000's *)	33 216	33 216	33 216	31 082	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	31-May-2006	31-May-2005	31-Aug-2005
Assets			
Intangible fixed assets	251,1	227,4	217
Tangible fixed assets	97,7	53,9	54,2
Financial fixed assets	7,9	17,6	25,4
Inventories	240,7	175,6	184,3
Other current assets	61,5	60,1	78,5
Total assets	658,9	534,6	559,4
Shareholders' equity and liabilities			
Shareholders' equity	282,3	255,3	254,7
Convertible debenture	40,0	-	-
Provisions	-	7,8	-
Long-term liabilities, interest-bearing	50,5	71,5	66,3
Short-term liabilities, interest-bearing	112,6	67,1	50,6
Other short-term liabilities	173,5	132,9	187,8
Total shareholders' equity and liabilities	658,9	534,6	559,4

RNB RETAIL AND BRANDS

September 2005 - May 2006

CASH-FLOW STATEMENT

MSEK	Sep 2005- May 2006	Sep 2004- May 2005	Sep 2004- Aug 2005
Cash flow from current operations before changes in working capital	88,6	58,7	64,7
Changes in working capital	-50,0	-13,2	3,2
Cash flow from current operations	38,6	45,5	67,9
Cash flow from investments activities	-90,3	-73,3	-74,3
Cash flow after investments	-51,7	-27,8	-6,4
Cash flow from financial activities	50,1	37,4	15,7
Cash flow for period	-1,6	9,6	9,3

CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Sep 2005- May 2006	Sep 2004- May 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	98,0
Dividend	-25,0	-	-
Translation difference	0,2	-	-
Profit for the period	52,4	26,4	25,8
Balance at end of period	282,3	255,3	254,7

KEY FIGURES

		Sep 2005- May 2006 9 months	Sep 2004- May 2005 9 months	Sep 2004- Aug 2005 12 months
Gross margin	%	49,9	50,2	48,8
Operating margin	%	7,8	5,8	4,3
Profit margin	%	5,3	3,8	2,7
Return on capital employed	%	-	-	14,2
Return on shareholders' equity	%	-	-	13,4
Solidity	%	42,8	47,8	45,5
Solidity, at full conversion	%	48,9	-	-
Interest coverage ratio	mult	15,3	9,4	6,8
Net dept	Mkr	152,9	126,5	104,9
Net dept/equity ratio	%	54,2	49,8	41,2
Average number of employees, full time		647	484	497
Average number of shares, 000's		33 216	31 082	31 616
Average number of shares, 000's, at full conversion		33 716	-	-
Number of shares at end of period, 000's		33 216	33 216	33 216
Number of shares at end of period, 000's, at full conversion		34 216	-	-
Earnings per share after tax, average number	Kr	1,58	0,85	0,82
Earnings per share after tax, average number, at full conversion	Kr	1,55	-	-
Shareholders' equity per share at end of period	Kr	8,50	7,69	7,67
Shareholders' equity per share at end of period, at full conversion	Kr	9,42	-	-

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

RNB RETAIL AND BRANDS

September 2005 - May 2006

NET TURNOVER AND OPERATING RESULT PER BUSINESS AREA

	3 months March 2006- May 2006	3 months March 2005- May 2005	9 months Sep 2005- May 2006	9 months Sep 2004- May 2005
Net turnover, MSEK				
Polarn O. Pyret	75,6	62,1	238,4	209,8
Departments & Stores	232,2	182,5	758,7	488,2
Other	-0,4	-0,3	-1,0	-0,7
Total	307,4	244,3	996,1	697,3
Operating result, MSEK				
Polarn O. Pyret	6,9	4,9	31,3	24,3
Departments & Stores	11,6	2,0	55,6	28,9
Other	-3,4	-1,0	-9,3	-12,5
Total	15,1	5,9	77,6	40,7

INCOME STATEMENT PER QUARTER, GROUP

MSEK	2006	2005/2006	2005	2005	2005	2004/2005	2004	2004
	March-May	Dec-Feb	Sep-Nov	June-Aug	March-May	Dec-Feb	Sep-Nov	June-Aug
Net turnover	307,4	373,3	315,4	266,4	244,3	221,8	231,2	192,0
Other operating incomes	1,2	4,8	2,0	5,5	1,1	3,5	1,7	3,0
Goods for resale	-150,7	-196,2	-152,1	-146,5	-121,2	-118,9	-107,1	-100,4
Gross profit	157,9	181,9	165,3	125,4	124,2	106,4	125,8	94,6
Gross margin	51,0%	47,4%	51,8%	45,0%	50,4%	46,4%	53,7%	47,7%
Other external costs	-67,1	-69,8	-65,0	-62,1	-50,1	-45,9	-47,1	-42,4
Personnel costs	-67,4	-73,4	-62,7	-54,0	-61,6	-46,8	-47,0	-44,9
Depreciation	-8,3	-7,5	-6,3	-8,4	-6,6	-5,3	-5,3	-5,9
Operating income	15,1	31,2	31,3	0,9	5,9	8,4	26,4	1,4
Financial incomes	-	-	0,5	0,5	0,4	0,1	-	0,3
Financial costs	-2,3	-1,8	-1,0	-1,9	-1,7	-1,4	-1,3	-1,1
Income after financial items	12,8	29,4	30,8	-0,5	4,6	7,1	25,1	0,6

NUMBER OF STORES AT END OF PERIOD

	31-May-2006	28-Feb-2006	30-Nov-2005	31-Aug-2005	31-May-2005	28-Feb-2005	30-Nov-2004	31-Aug-2004
Own stores	115	115	108	101	93	85	84	85
Franchise stores	36	27	27	25	24	19	19	19
Total	151	142	135	126	117	104	103	104

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 2005 - May 2006

EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES TO IFRS

CONSOLIDATED INCOME STATEMENT

MSEK	3 months March 2005- May 2005	Adjustment IFRS	IFRS 3 months March 2005- May 2005
Net turnover	244,3		244,3
Other operating incomes	1,1		1,1
	245,4		245,4
Goods for resale	-121,2		-121,2
Other external costs	-48,2	-1,9	-50,1
Personnel costs	-58,5	-3,1	-61,6
Depreciation and write-downs of tangible and intangible fixed assets	-9,5	2,9	-6,6
Operating income	8,0	-2,1	5,9
Financial incomes	0,4		0,4
Financial costs	-1,7		-1,7
Income after financial items	6,7	-2,1	4,6
Tax	-3,2	1,4	-1,8
Profit/loss for period	3,5	-0,7	2,8

CONSOLIDATED INCOME STATEMENT

MSEK	9 months Sep 2004- May 2005	Adjustment IFRS	IFRS 9 months Sep 2004- May 2005
Net turnover	697,3		697,3
Other operating incomes	6,3		6,3
	703,6		703,6
Goods for resale	-347,2		-347,2
Other external costs	-141,2	-1,9	-143,1
Personnel costs	-152,3	-3,1	-155,4
Depreciation and write-downs of tangible and intangible fixed assets	-22,2	5,0	-17,2
Operating income	40,7	0,0	40,7
Financial incomes	0,5		0,5
Financial costs	-4,4		-4,4
Income after financial items	36,8	0,0	36,8
Tax	-11,8	1,4	-10,4
Profit/loss for period	25,0	1,4	26,4

CONSOLIDATED BALANCE SHEET

MSEK	31-May-2005	Adjustment IFRS	IFRS 31-May-2005
Assets			
Intangible fixed assets	226,0	1,4	227,4
Tangible fixed assets	53,9		53,9
Financial fixed assets	17,5	0,1	17,6
Inventories	175,6		175,6
Other current assets	60,1		60,1
Total assets	533,1	1,5	534,6
Shareholders' equity and liabilities			
Shareholders' equity	253,8	1,5	255,3
Provisions	7,8		7,8
Long-term liabilities, interest-bearing	71,5		71,5
Short-term liabilities, interest-bearing	67,1		67,1
Other short-term liabilities	132,9		132,9
Total shareholders' equity and liabilities	533,1	1,5	534,6

RNB RETAIL AND BRANDS

September 2005 - May 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
Personnel 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

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