

RNB RETAIL AND BRANDS

Interim report for the first quarter of 2006/2007

September 1 – November 30, 2006

Growth and sharp increase in earnings

- Net sales amounted to SEK 889.8 M (315.4), an increase of 182 percent. Sales for comparable stores rose by 6.7 percent.
- Operating profit totaled SEK 86.8 M (31.3), up 177 percent. Profit after net financial items amounted to SEK 77.3 M (30.8).
- Profit after taxes amounted to SEK 62.2 M (22.3), corresponding to SEK 1.1 (0.67) per share.
- Cash flow from operating activities amounted to SEK 62.0 M (3.4).
- Establishment at Illum department store in Copenhagen.

Events since close of the reporting period

- Solo and Saks have been sold to Varnergruppen, effective February 1.
- Expansion of retail space at Steen & Ström by approximately 1,000 square meters.
- Decision taken to initiate internationalization of the J-Store concept.

RNB Group

RNB is organized on the basis of two business areas – Polarn O. Pyret and a distribution platform for national and international brands. Polarn O. Pyret is a brand focused on baby and children's wear. The distribution platform consists of two main areas, Department Stores and Store Concepts. Department store operations are conducted via stores in the NK and Steen & Ström department stores. The store concepts comprise JC, J-Store, Solo, Brothers, Sisters and Saks. At November 30, 2006, the RNB Group had a total of 454 stores, of which 212 are operated by franchisees.

Establishment at Illum department store in Copenhagen

The Department Stores business area is expanding its distribution platform by establishing a presence at Illum in Copenhagen. In total, there will be approximately 2,000 square meters of retail space that will offer men's fashion, cosmetics, jewelry and watches. The men's fashion department is scheduled to open at the end of spring 2007 and other departments will open in August 2007.

RNB sells Solo and Saks

Solo and Saks have been sold to Varnergruppen, effective February 1. The sale is in line with efforts to streamline operations and focus fully on the store concepts that RNB gained access to through the acquisition of JC. The sale comprises a total of 16 stores and the purchase price is SEK 150 M, which is expected to generate a tax-free capital gain of approximately SEK 110 M.

Expansion of retail space at Steen & Ström by approximately 1,000 square meters

RNB has reached an agreement concerning the expansion of retail space at Steen & Ström by approximately 1,000 square meters. The expanded space will be used mainly for sales of ladies' fashions and sportswear. It is estimated that the new space will be put into service during August 2007.

Internationalization of the J-Store concept

J-Store is a concept that focuses on the age group comprising children of 6 to 13 years and focuses mainly on jeans-related fashions. A decision has been taken to initiate the internationalization of J-Store, which will be implemented in accordance with the business model applied for Polarn O. Pyret.

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Market and demand

During September to November 2006, retail sales in the ready-to-wear clothing sector in Sweden rose 2.5 percent for comparable units, according to the Swedish Wholesale and Retail Research Institute's lightning index. RNB's sales for comparable stores rose by 6.7 percent.

Sales and earnings

RNB's net sales for the period increased by 182 percent to SEK 889.8 M (315.4). The acquisition of JC had a favorable impact of SEK 504 M on net sales during the period. Sales in comparable stores rose by 6.7 percent during the period.

The gross profit margin for the period was 48.5 percent (51.8). The new operations added to RNB through the acquisition of JC generate a lower margin than other parts of RNB.

Operating profit for the period rose sharply totaling SEK 86.8 M (31.3). Profit after net financial items amounted to SEK 77.3 M (30.8). Profit after taxes was SEK 62.2 M (22.3). The fact that previously claimed but not approved tax loss carryforwards have now been approved and can thus be credited had a favorable impact of SEK 6.0 M on tax expenses.

Through the acquisition of JC, the Group gained access to tax loss carryforwards of EUR 11 M pertaining to previous operations in Germany. These loss carryforwards have been capitalized in the consolidated accounts. The company's assessment is that the prospects for utilizing the loss carryforwards in the future are favorable. The loss carryforwards have a value of SEK 28.6 M for tax purposes.

Polarn O. Pyret business area

Net sales during the period rose 29.8 percent to SEK 107.5 M (82.8). The sales increase for comparable stores was 25.3 percent. The concept was streamlined during the autumn through the removal of the ladies collection, which increased the focus on babywear and children's collections.

Operating profit amounted to SEK 20.4 (14.7). At the end of the period, the number of proprietary stores was 38 (37). In addition, there were 42 (27) franchise stores, of which 16 (15) were in Sweden and 26 (12) in other countries.

Establishment of Polarn O. Pyret outside Sweden is proceeding as planned. Management estimates that Polarn O. Pyret should be established in at least 20 countries by 2010.

Department Stores business area

The business area comprises operations conducted at the NK Stockholm, NK Gothenburg and Steen & Ström in Oslo department stores and the Kosta Outlet. As of spring 2007, the business area will also include the operations conducted at the Illum department store in Copenhagen.

Net sales within the Department Stores business area rose 32.6 percent to SEK 233.6 M (176.2). The sales increase for comparable units was 6.1 percent. Operating profit amounted to SEK 20.4 M (16.8). At the end of the period, the number of proprietary stores was 64 (55).

The business area will be starting up another new operation during the year through the establishment at Illum in Copenhagen. This will comprise a total of approximately 2,000 square meters distributed among men's fashion, cosmetics, jewelry and watches. The men's fashion department is scheduled to open at the end of spring 2007 and other departments will open in August 2007.

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During autumn 2007, the operations at Steen & Ström will be increased by an additional 1,000 square meters. The expanded space will be used mainly for sales of ladies' fashions and sportswear.

Store Concepts business area

The business area comprises the JC, J-Store, Solo, Brothers, Sisters and Saks store concepts. As a feature of efforts to streamline operations and sharpen the business area's focus, the Solo and Saks concepts have been sold to Varnergruppen, effective February 1, 2007.

Net sales within the Store Concepts business area amounted to SEK 548.8 M (56.6). The sales increase was attributable to the acquisition of the JC Group. Sales in comparable units rose 2.0 percent. Operating profit amounted to SEK 42.6 M (2.2). The increase in earnings was attributable to the acquisition of the JC Group.

At the end of the period, the number of proprietary stores was 140 (16). In addition, there were 170 (0) franchise stores, including 11 (0) in Norway.

Financial position and liquidity

Consolidated total assets amounted to SEK 2,900.5 M, compared with SEK 2,862.5 M at the end of the preceding fiscal year. Shareholders' equity amounted to SEK 1,350.7 M (1,273.0), corresponding to an equity/assets ratio of 46.6 percent (44.5).

Shareholders' equity grew during the period by SEK 103.6 M, of which SEK 45.7 M was added through the acquisition of JC. Minority shareholders account for SEK 11.0 M of RNB's shareholders' equity.

On November 30, 2006, inventories amounted to SEK 512.4 M, compared with SEK 202.6 M a year earlier. The increase was mainly attributable to the acquisition of JC.

Cash flow from operating activities amounted to SEK 62.0 M (3.4). Cash flow after investments amounted to SEK 10.1 M (neg. 17.5), with the JC shares having a negative impact of SEK 28.6 M on cash flow.

Net debt amounted to SEK 877.2 M, compared with SEK 890.2 M on August 31, 2006.

Including unutilized overdraft facilities, the Group's cash and cash equivalents amounted to SEK 173.3 M at the end of the period, compared with SEK 217.8 M at the end of the preceding fiscal year.

Investments and depreciation

Investments during the period amounted to SEK 101.0 M (21.4), of which the JC shares accounted for SEK 74.0 M. Depreciation during the period amounted to SEK 19.0 M (6.3). The increase in depreciation was due to the acquisition of JC.

Outlook

The assessment for 2007 is that growth in the Swedish retail sector will be healthy which, together with the preceding year's acquisition of JC, is expected to have a favorable impact on the RNB Group's net sales and earnings.

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Personnel

The average number of employees during the period was 1,332 (590). The increase was attributable to the acquisition of JC.

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 1.1 M (loss: 1.9). Investments during the period totaled SEK 77.4 M (1.6), of which the acquisition of companies accounted for SEK 74.0 M (0).

Future reporting dates

Q2 interim report for 2006/07	March 30, 2007
Q3 interim report for 2006/07	June 20, 2007
Year-end report 2006/07	October 19, 2007

Stockholm, January 24, 2007
RNB RETAIL AND BRANDS AB

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RNB RETAIL AND BRANDS

September - November 2006

CONSOLIDATED INCOME STATEMENT

MSEK	3 months Sep 2006- Nov 2006	3 months Sep 2005- Nov 2005	12 months Sep 2005- Aug 2006
Net turnover	889,8	315,4	1 535,2
Other operating incomes	0,9	2,0	8,0
	890,7	317,4	1 543,2
Goods for resale	-457,9	-152,1	-798,7
Other external costs	-187,5	-65,0	-333,8
Personnel costs	-139,5	-62,7	-294,3
Depreciation of tangible and intangible fixed assets	-19,0	-6,3	-36,8
Restructuring costs	-	-	-49,7
Operating income	86,8	31,3	29,9
Financial incomes	0,4	0,8	0,5
Financial costs	-9,9	-1,3	-9,5
Income after financial items	77,3	30,8	20,9
Tax	-15,1	-8,5	-10,3
Profit/loss for period	62,2	22,3	10,6
Net profit of the year attributable to:			
Parent Company's shareholders	61,7	-	11,3
Minority owners	0,5	-	-0,7
Earnings per share (SEK), average number of shares	1,10	0,67	0,31
Earnings per share (SEK), average number of shares, at full conversion	1,08	-	0,31
Average number of shares, 000's	55 997	33 216	36 181
Average number of shares, 000's, at full conversion	56 997	-	36 931

CONSOLIDATED BALANCE SHEET

MSEK	30-Nov-2006	30-Nov-2005	31-Aug-2006
Assets			
Rental rights	49,8	18,8	53,7
Goodwill	1 321,1	196,7	1 274,4
Brands	500,0	-	500,0
Tangible fixed assets	205,5	70,7	196,6
Financial fixed assets	3,6	0,7	6,1
Deferred tax assets	8,4	16,8	8,7
Inventories	512,4	202,6	508,1
Other current assets	299,7	70,9	314,9
Total assets	2 900,5	577,2	2 862,5
Shareholders' equity and liabilities			
Shareholders' equity attributable to Parent Company's shareholder	1 339,7	276,8	1 236,1
Shareholders' equity attributable to minority owners	11,0	-	36,9
Long-term liabilities, interest-bearing	655,2	61,0	660,3
Other long-term liabilities	179,2	-	155,4
Short-term liabilities, interest-bearing	244,4	69,6	260,8
Convertible debenture	40,0	-	40,0
Other short-term liabilities	431,0	169,8	473,0
Total shareholders' equity and liabilities	2 900,5	577,2	2 862,5

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CASH-FLOW STATEMENT

MSEK	Sep 2006- Nov 2006	Sep 2005- Nov 2005	Sep 2005- Aug 2006
Cash flow from current operations before changes in working capital	101,6	35,9	57,1
Changes in working capital	-39,6	-32,5	-85,1
Cash flow from current operations	62,0	3,4	-28,0
Company acquisitions	-28,6	-	-670,1
Cash flow from other investments activities	-23,3	-20,9	-72,0
Cash flow after investments	10,1	-17,5	-770,1
Cash flow from financial activities	-18,6	13,7	789,2
Cash flow for period	-8,5	-3,8	19,1

CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Sep 2006- Nov 2006	Sep 2005- Nov 2005	Sep 2005- Aug 2006
Opening balance according to approved balance sheet	1 273,0	256,2	256,2
Effect of change in accounting principles to IFRS	-	-1,5	-1,5
Opening balance in accordance with IFRS	1 273,0	254,7	254,7
New issue	45,4	-	994,7
Dividend	-	-	-25,0
Changes recognized in shareholders' equity	-3,5	-0,2	0,4
Profit for the period attributable to Parent Company's shareholders	61,7	22,3	11,3
Shareholders' equity attributable to minority owners	-25,9	-	36,9
Balance at end of period	1 350,7	276,8	1 273,0

KEY FIGURES

		Sep 2006- Nov 2006 3 months	Sep 2005- Nov 2005 3 months	Sep 2005- Aug 2006 12 months
Gross margin	%	48,5	51,8	48,0
Operating margin	%	9,8	9,9	1,9
Profit margin	%	6,9	7,1	0,7
Return on capital employed	%	-	-	2,4
Return on shareholders' equity	%	-	-	1,5
Solidity	%	46,6	48,0	44,5
Solidity, at full conversion	%	47,9	-	45,9
Interest coverage ratio	mult	8,8	24,7	3,2
Net dept	Mkr	877,2	122,6	890,2
Net dept/equity ratio	%	64,9	44,3	69,9
Average number of employees, full time		1 332	590	721
Average number of shares, 000's		55 997	33 216	36 181
Average number of shares, 000's, at full conversion		56 997	-	36 931
Number of shares at end of period, 000's		56 079	33 216	55 172
Number of shares at end of period, 000's, at full conversion		57 079	-	56 172
Earnings per share after tax, average number	Kr	1,10	0,67	0,31
Earnings per share after tax, average number, at full conversion	Kr	1,08	-	0,31
Shareholders' equity per share at end of period	Kr	24,09	8,34	23,07
Shareholders' equity per share at end of period, at full conversion	Kr	24,36	-	23,37

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September - November 2006

NET TURNOVER AND OPERATING RESULT PER BUSINESS AREA

	3 months Sep 2006- Nov 2006	3 months Sep 2005- Nov 2005	12 months Sep 2005- Aug 2006
Net turnover, MSEK			
Polam O. Pyret	107,5	82,8	331,4
Department Stores	233,6	176,2	1 015,1
Store Concepts	548,8	56,6	191,0
Other	-0,1	-0,2	-2,3
Total	889,8	315,4	1 535,2
Operating result, MSEK			
Polam O. Pyret	20,4	14,7	40,7
Department Stores	20,4	16,8	7,0
Store Concepts	42,6	2,2	-1,0
Other	3,4	-2,4	-16,8
Total	86,8	31,3	29,9

INCOME STATEMENT PER QUARTER, GROUP

MSEK	2006	2006	2006	2005/2006	2005	2005	2005	2004/2005
	Sep-Nov	June-Aug	March-May	Dec-Feb	Sep-Nov	June-Aug	March-May	Dec-Feb
Net turnover	889,8	539,1	307,4	373,3	315,4	266,4	244,3	221,8
Other operating incomes	0,9	-	1,2	4,8	2,0	5,5	1,1	3,5
Goods for resale	-457,9	-299,7	-150,7	-196,2	-152,1	-146,5	-121,2	-118,9
Gross profit	432,8	239,4	157,9	181,9	165,3	125,4	124,2	106,4
Gross margin	48,5%	44,4%	51,0%	47,4%	51,8%	45,0%	50,4%	46,4%
Other external costs	-187,5	-131,9	-67,1	-69,8	-65,0	-62,1	-50,1	-45,9
Personnel costs	-139,5	-90,8	-67,4	-73,4	-62,7	-54,0	-61,6	-46,8
Depreciation	-19,0	-14,7	-8,3	-7,5	-6,3	-8,4	-6,6	-5,3
Restructuring costs	-	-49,7	-	-	-	-	-	-
Operating income	86,8	-47,7	15,1	31,2	31,3	0,9	5,9	8,4
Financial incomes	0,4	-	-	-	0,5	0,5	0,4	0,1
Financial costs	-9,9	-4,4	-2,3	-1,8	-1,0	-1,9	-1,7	-1,4
Income after financial items	77,3	-52,1	12,8	29,4	30,8	-0,5	4,6	7,1

NUMBER OF STORES AT END OF PERIOD

	30-Nov-2006	31-Aug-2006	31-May-2006	28-Feb-2006	30-Nov-2005	31-Aug-2005	31-May-2005	28-Feb-2005
Own stores Sweden	165	163	115	115	108	101	93	85
Own stores Norway	48	46	-	-	-	-	-	-
Own stores Finland	29	20	-	-	-	-	-	-
Franchise stores Sweden	175	174	16	15	15	15	15	14
Franchise stores outside Sweden	37	36	19	12	12	10	9	5
Total	454	439	150	142	135	126	117	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.

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

This report is unaudited.

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