

RNB RETAIL AND BRANDS

RNB interim report on the third quarter of 2006/2007

September 1, 2006 – May 31, 2007

Fourfold increase in earnings and strengthened financial position

First nine months of the year, September 1, 2006 – May 31, 2007

- Net sales amounted to SEK 2,529.3 M (996.1) – an increase of 154%. Net sales for comparable stores rose 6.3%.
- Operating profit amounted to SEK 288.2 M (77.6). Profit after net financial items amounted to SEK 260.3 M (73.0). Nonrecurring items totaling SEK 84.0 M had a favorable effect on earnings for the period.
- Profit after tax amounted to SEK 213.1 M (52.4), corresponding to SEK 3.75 (1.58) per share.
- Cash flow from operating activities before nonrecurring items amounted to SEK 177.3 M (38.6).

Third quarter, March 1, 2007 – May 31, 2007

- Net sales amounted to SEK 758.5 M (307.4) – an increase of 147%. Net sales for comparable stores rose 5.9%.
- Operating profit amounted to SEK 60.2 M (15.1). Profit after net financial items amounted to SEK 51.1 M (12.8).
- Profit after tax amounted to SEK 36.8 M (9.3), corresponding to SEK 0.64 (0.28) per share.
- Cash flow from operating activities amounted to SEK 44.1 M (negative 5.8).

After the close of the reporting period

- RNB acquired Nordisk Damkonfektion AB, thereby expanding its operation at the NK Stockholm department store by approximately 600 square meters.

The RNB Group

RNB is organized in two business areas – Polarn O. Pyret and a distribution platform for national and international brands. Polarn O. Pyret is a brand that focuses on baby and children's wear. The distribution platform consists of the two primary segments, Department Stores and Store Concepts. The Department Stores operations are conducted through stores at the department stores NK, in Stockholm and Gothenburg, and Steen & Ström, in Oslo. The Store Concepts segment consists of J-Store, JC, Brothers and Sisters. On May 31, 2007, the total number of stores under the RNB umbrella amounted to 449, of which 216 are operated by franchisers.

JC's office relocated from Mölnlycke and operations co-located with RNB's head office in Stockholm

During the spring of 2007, RNB decided to relocate JC's office in Mölnlycke and co-locate operations at RNB's head office in Stockholm. The offices in Mölnlycke will be vacated in stages during June 2007. A new tenant will take up occupancy of the Mölnlycke premises on September 1, 2007.

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The move involved approximately SEK 25 M in nonrecurring costs, which were charged against earnings in the second quarter of 2006/2007. The earlier forecast relating to the synergistic benefits between RNB and JC amounting to at least SEK 120 M annually, beginning with the 2007/2008 fiscal year, still applies.

Store concepts Solo and Saks divested

On February 1, 2007, Solo and Saks were divested to the Varner Group. The sale involved 16 stores in total. The purchase consideration amounted to SEK 150 M, resulting in a tax-free capital gain of SEK 109.0 M in the second quarter.

Establishment in the Illum department store in Copenhagen

The Department Stores business area is expanding its distribution platform by means of an establishment in the Illum department store in Copenhagen. The new space amounts to a total of approximately 2,000 square meters, distributed among menswear, cosmetics, jewelry and watches. Operations are scheduled to begin in August 2007.

Market and demand

The fashion and clothing trade in Sweden grew during the September 2006 – May 2007 period by 2.8%, according to the HUI index for comparable units. For RNB's operations, sales in comparable stores rose 6.3%.

According to HUI, sales rose 3.6% in the third quarter. For RNB's operations, sales for comparable units rose 5.9% for the same period.

Revenue and earnings

RNB's net sales during the period amounted to SEK 2,529.3 M (996.1) – an increase of 154%. The acquisition of JC during the period had a favorable effect, amounting to SEK 1,450.3 M, on net sales. Sales in comparable stores during the period rose 6.3%.

The gross profit margin for the period amounted to 46.7% (49.9). The new operations resulting from RNB's acquisition of JC have a lower gross margin than the other parts of RNB.

Operating profit amounted to SEK 288.2 M (77.6). Profit after net financial items amounted to SEK 260.3 M (73.0). Profit after tax amounted to SEK 213.1 M (52.4). Items of a nonrecurring nature affected operating profit favorably by SEK 84.0 M, of which proceeds from the divestment of the Solo and Saks operations accounted for 109.0 M and expenses of SEK 25 M were attributable to a provision for costs relating to the relocation of the Mölnlycke office to Stockholm.

Third quarter

RNB's net sales during the third quarter amounted to SEK 758.5 M (307.4) – an increase of 147%. Sales in comparable stores during the period rose 5.9%. The gross profit margin in the third quarter amounted to 48.3% (51.0). The new operations resulting from RNB's acquisition of JC have a lower gross margin than the other parts of RNB.

Operating profit for the quarter amounted to SEK 60.2 M (15.1). Profit after net financial items amounted to SEK 51.1 M (12.8).

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Polarn O. Pyret business area

Net sales during the period amounted to SEK 291.4 M (238.4) – an increase of 22.2%. Sales in comparable stores rose 19.5%. Operating profit amounted to SEK 40.7 M (31.3). The concept was streamlined during the autumn of 2006 through the removal of the womenswear collection, which resulted in an increased focus on the baby and children's collections.

Third quarter

Net sales during the third quarter amounted to SEK 80.7 M (75.6) – an increase of 6.7%. Sales in comparable stores rose 7.6%. Operating profit amounted to SEK 6.7 M (6.9).

The establishment of Polarn O. Pyret outside Sweden is proceeding according to plan. The assessment is that it should be possible to establish a Polarn O. Pyret presence in at least 20 countries by 2010. The number of proprietary stores at the end of the period amounted to 38 (37). In addition, there are 47 (36) franchise stores, of which 16 (16) are in Sweden and 31 (20) outside Sweden.

Department Store business area

The business area includes operations at the department stores NK Stockholm, NK Gothenburg, and Steen & Ström in Oslo and Kosta Outlet. Beginning in autumn 2007, operations will also be conducted at the Illum department store in Copenhagen.

Net sales during the period amounted to SEK 709.8 M (607.9) – an increase of 16.7%. Sales in comparable units rose 6.9%. Operating profit amounted to SEK 49.5 M (53.9). The decline compared with the preceding year was due to a weaker trend for the operations at NK Gothenburg and that the Kosta outlet seasonally had an adverse impact on operations.

Third quarter

Net sales during the third quarter amounted to SEK 219.8 M (192.4) – an increase of 14.2%. Sales in comparable stores rose 10.4%. Operating profit amounted to SEK 11.0 M (10.9).

During autumn 2007, the business area will launch another department store through the establishment of Illum in Copenhagen. This will involve a total of approximately 2,000 square meters of retail space allocated to menswear, cosmetics, jewelry and watches. During autumn 2007, the operations at Steen & Ström in Oslo will be expanded by an additional 1,000 square meters. The additional floor space will focus primarily on womenswear and sportswear.

With the transfer of operations set at June 1, 2007, RNB acquired Nordisk Damkonfektion AB. The acquisition entails an expansion of the operation at NK Stockholm by approximately 600 square meters.

Store Concepts business area

The business area includes the four separate store concepts J-Store, JC, Brothers and Sisters. Up to January 31, 2007, it also included the store concepts Solo and Saks, but they were subsequently divested.

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Net sales for the period amounted to SEK 1,529.4 M (150.8). The increase in sales is attributable to the acquisition of the JC Group. Sales in comparable units during the period rose 3.0%. Operating profit amounted to SEK 110.2 M (1.7). The increase in profit is attributable to the acquisition of the JC Group.

Third quarter

Net sales during the third quarter amounted to SEK 458.4 M (39.8). Sales in comparable stores increased by 1.6%. Operating profit amounted to SEK 42.9 M (0.7).

During August 2007, Brothers will launch three stores with an expanded collection based on the same content as male one-stop shopping, including fragrances, cosmetics and accessories. The number of proprietary stores at the end of the period amounted to 129 (16). In addition, there are 169 (0) franchise stores, of which 11 (0) are in Norway.

Financial position and liquidity

The consolidated balance-sheet total amounted to SEK 2,800.7 M, compared with SEK 2,862.5 M at the end of the preceding fiscal year. Shareholders' equity amounted to SEK 1,518.6 M (1,273.0), resulting in an equity/assets ratio of 54.2% (44.5).

Shareholders' equity increased during the period by SEK 245.6 M, of which SEK 45.4 M was through a new issue in conjunction with the acquisition of JC, and SEK 40.0 M was through conversion of debentures.

At May 31, 2007, inventories amounted to SEK 460.4 M, compared with SEK 240.7 M at the same date in the preceding year. The increase is primarily due to the acquisition of JC.

Cash flow from operating activities amounted to SEK 177.3 M (38.6). Cash flow after investments and acquisitions and divestments of subsidiaries amounted to SEK 244.4 M (negative: 51.7).

Net borrowing amounted to SEK 667.4 M, compared with SEK 890.2 M on August 31, 2006.

At the end of the period, consolidated cash and cash equivalents, including unutilized overdraft facilities, amounted to SEK 358.6 M, compared with SEK 217.8 M at the end of the preceding fiscal year.

Investments and depreciation/amortization

Investments during the period amounted to SEK 124.9 M (95.7), of which the acquisition of JC shares accounted for SEK 74.0 M. Depreciation/amortization during the period amounted to SEK 58.0 M (22.1). The increase in depreciation/amortization was attributable to the acquisition of JC.

Human resources

The average number of employees during the period amounted to 1,300 (647). The increase was attributable to the acquisition of JC.

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Parent Company

Net sales in the Parent Company amounted to SEK 0 M (0). The result after net financial items amounted to a loss of SEK 15.0 M (loss: 9.1). Investments during the period amounted to SEK 82.0 M (46.4), of which company acquisitions amounted to SEK 74.0 M (40.3).

Future outlook

In 2007, the retail trade in Sweden is expected to see strong growth, which combined with the preceding year's acquisition of JC is expected to have a favorable effect on net sales and earnings for RNB.

Future publication dates

Year-end report for 2006/2007	October 19, 2007
Q1 interim report for 2007/2008	January 29, 2008
Q2 interim report for 2007/2008	April 3, 2008
Q3 interim report for 2007/2008	June 18, 2008
Year-end report for 2007/2008	October 22, 2008

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RNB RETAIL AND BRANDS

September 2006 - May 2007

CONSOLIDATED INCOME STATEMENT

MSEK	3 months March 2007- May 2007	3 months March 2006- May 2006	9 months Sep 2006- May 2007	9 months Sep 2005- May 2006	12 months Sep 2005- Aug 2006
Net turnover	758,5	307,4	2 529,3	996,1	1 535,2
Other operating incomes	0,0	1,2	2,5	8,0	8,0
	758,5	308,6	2 531,8	1 004,1	1 543,2
Goods for resale	-392,2	-150,7	-1 347,8	-499,0	-798,7
Other external costs	-156,2	-67,1	-514,6	-201,9	-333,8
Personnel costs	-129,9	-67,4	-407,2	-203,5	-294,3
Depreciation of tangible and intangible fixed assets	-19,6	-8,3	-58,0	-22,1	-36,8
Capital gain on the sale of subsidiaries	-0,4	-	109,0	-	-
Restructuring costs	-	-	-25,0	-	-49,7
Operating income	60,2	15,1	288,2	77,6	29,9
Financial incomes	0,2	-	1,2	0,5	0,5
Financial costs	-9,3	-2,3	-29,1	-5,1	-9,5
Income after financial items	51,1	12,8	260,3	73,0	20,9
Tax	-14,3	-3,5	-47,2	-20,6	-10,3
Profit/loss for period	36,8	9,3	213,1	52,4	10,6
Net profit of the year attributable to:					
Parent Company's shareholders	36,3	-	212,1	-	11,3
Minority owners	0,5	-	1,0	-	-0,7
Earnings per share (SEK), average number of shares	0,64	0,28	3,75	1,58	0,31
Earnings per share (SEK), average number of shares, at full conversion *)	0,64	0,27	3,74	1,55	0,31
Average number of shares, 000's	57 079	33 216	56 605	33 216	36 181
Average number of shares, 000's, at full conversion *)	57 079	34 216	57 052	33 716	36 931

*) Conversion of convertible debentures outstanding occurred during December 2006.

CONSOLIDATED BALANCE SHEET

MSEK	31-May-2007	31-May-2006	31-Aug-2006
Assets			
Rental rights	41,3	16,4	53,7
Goodwill	1 315,1	234,7	1 274,4
Brands	500,0	-	500,0
Tangible fixed assets	200,7	97,7	196,6
Financial fixed assets	4,2	-	6,1
Deferred tax assets	8,4	7,9	8,7
Inventories	460,4	240,7	508,1
Other current assets	270,6	61,5	314,9
Total assets	2 800,7	658,9	2 862,5
Shareholders' equity and liabilities			
Shareholders' equity attributable to Parent Company's shareholder	1 507,1	282,3	1 236,1
Shareholders' equity attributable to minority owners	11,5	-	38,9
Long-term liabilities, interest-bearing	590,5	50,5	660,3
Other long-term liabilities	210,2	-	155,4
Short-term liabilities, interest-bearing	138,2	112,6	260,8
Convertible debenture	-	40,0	40,0
Other short-term liabilities	343,2	173,5	473,0
Total shareholders' equity and liabilities	2 800,7	658,9	2 862,5

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September 2006 - May 2007

CASH-FLOW STATEMENT

MSEK	Sep 2006- May 2007	Sep 2005- May 2006	Sep 2005- Aug 2006
Cash flow from current operations before changes in working capital	230,2	88,6	57,1
Changes in working capital	-52,9	-50,0	-85,1
Cash flow from current operations	177,3	38,6	-28,0
Company acquisitions	-28,6	-39,8	-670,1
Divestment of subsidiaries	144,7	-	-
Cash flow from other investments activities	-49,0	-50,5	-72,0
Cash flow after investments	244,4	-51,7	-770,1
Cash flow from financial activities	-214,0	50,1	789,2
Cash flow for period	30,4	-1,6	19,1

CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Sep 2006- May 2007	Sep 2005- May 2006	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	-23,4	-25,0	-25,0
Conversions of debentures	40,0	-	-
Changes recognized in shareholders' equity	-2,6	0,2	0,4
Profit for the period attributable to Parent Company's shareholders	212,1	52,4	11,3
Shareholders' equity attributable to minority owners	-25,9	-	36,9
Balance at end of period	1 518,6	282,3	1 273,0

KEY FIGURES

		Sep 2006- May 2007 9 months	Sep 2005- May 2006 9 months	Sep 2005- Aug 2006 12 months
Gross margin	%	46,7	49,9	48,0
Operating margin	%	11,4	7,8	1,9
Profit margin	%	8,4	5,3	0,7
Return on capital employed	%	-	-	2,4
Return on shareholders' equity	%	-	-	1,5
Solidity	%	54,2	42,8	44,5
Solidity, at full conversion	%	54,2	48,9	45,9
Interest coverage ratio	mult	9,9	15,3	3,2
Net dept	Mkr	667,4	152,9	890,2
Net dept/equity ratio	%	43,9	54,2	69,9
Average number of employees, full time		1 300	647	721
Average number of shares, 000's		56 605	33 216	36 181
Average number of shares, 000's, at full conversion *)		57 052	33 716	36 931
Number of shares at end of period, 000's		57 079	33 216	55 172
Number of shares at end of period, 000's, at full conversion *)		57 079	34 216	56 172
Earnings per share after tax, average number	Kr	3,75	1,58	0,31
Earnings per share after tax, average number, at full conversion *)	Kr	3,74	1,55	0,31
Shareholders' equity per share at end of period	Kr	26,61	8,50	23,07
Shareholders' equity per share at end of period, at full conversion*)	Kr	26,61	9,42	23,37

*) Conversion of convertible debentures outstanding occurred during December 2006.

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September 2006 - May 2007

NET TURNOVER AND OPERATING RESULT PER BUSINESS AREA

	3 months March 2007- May 2007	3 months March 2006- May 2006	9 months Sep 2006- May 2007	9 months Sep 2005- May 2006
Net turnover, MSEK				
Polarn O. Pyret	80,7	75,6	291,4	238,4
Department Stores	219,8	192,4	709,8	607,9
Store Concepts	458,4	39,8	1 529,4	150,8
Other	-0,4	-0,4	-1,3	-1,0
Total	758,5	307,4	2 529,3	996,1
Operating result, MSEK				
Polarn O. Pyret	6,7	6,9	40,7	31,3
Department Stores	11,0	10,9	49,5	53,9
Store Concepts	42,9	0,7	110,2	1,7
Other	-0,4	-3,4	87,8	-9,3
Total	60,2	15,1	288,2	77,6

INCOME STATEMENT PER QUARTER, GROUP

MSEK	2007		2006		2005/2006		2005	
	March-May	Dec-Feb	Sep-Nov	June-Aug	March-May	Dec-Feb	Sep-Nov	June-Aug
Net turnover	758,5	881,0	889,8	539,1	307,4	373,3	315,4	266,4
Other operating incomes	-	1,6	0,9	-	1,2	4,8	2,0	5,5
Goods for resale	-392,2	-497,7	-457,9	-299,7	-150,7	-196,2	-152,1	-146,5
Gross profit	366,3	384,9	432,8	239,4	157,9	181,9	165,3	125,4
Gross margin	48,3%	43,5%	48,5%	44,4%	51,0%	47,4%	51,8%	45,0%
Other external costs	-156,2	-170,9	-187,5	-131,9	-67,1	-69,8	-65,0	-62,1
Personnel costs	-129,9	-137,8	-139,5	-90,8	-67,4	-73,4	-62,7	-54,0
Depreciation	-19,6	-19,4	-19,0	-14,7	-8,3	-7,5	-6,3	-8,4
Capital gain on the sale of subsidiaries	-0,4	109,4	-	-	-	-	-	-
Restructuring costs	-	-25,0	-	-49,7	-	-	-	-
Operating income	60,2	141,2	86,8	-47,7	15,1	31,2	31,3	0,9
Financial incomes	0,2	0,6	0,4	-	-	-	0,5	0,5
Financial costs	-9,3	-9,9	-9,9	-4,4	-2,3	-1,8	-1,0	-1,9
Income after financial items	51,1	131,9	77,3	-52,1	12,8	29,4	30,8	-0,5

NUMBER OF STORES AT END OF PERIOD

	31-May-2007	28-Feb-2007	30-Nov-2006	31-Aug-2006	31-May-2006	28-Feb-2006	30-Nov-2005	31-Aug-2005
Own stores Sweden	154	152	165	163	115	115	108	101
Own stores Norway	48	48	48	46	-	-	-	-
Own stores Finland	31	31	29	20	-	-	-	-
Franchise stores Sweden	174	175	175	174	16	15	15	15
Franchise stores outside Sweden	42	38	37	36	19	12	12	10
Total	449	444	454	439	150	142	135	126

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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