

## RNB Year-end report, September 1, 2005 – August 31, 2006

### September 1, 2005 – August 31, 2006

- Net sales amounted to SEK 1,535.2 M (963.7), up 59 percent. Sales in comparable stores rose by 4.2 percent.
- Operating profit before restructuring costs totaled SEK 79.6 M (41.6). Profit after net financial items was SEK 20.9 M (36.3). Restructuring costs and nonrecurring impairment losses in conjunction with the integration of JC, were charged to earnings in the amount of SEK 49.7 M.
- Reprofiting and clarification of the JC and J-Store brands was introduced in August. Costs of the reprofiling program total some SEK 30 M, most of which was charged to earnings in August.
- Profit after tax amounted to SEK 11.3 M (25.8) after adjustment for minority interest, corresponding to SEK 0.31 (0.82) per share.
- Cash flow from operating activities was a negative SEK 28.0 M (pos: 67.9).
- The Board of Directors proposes unchanged dividend of SEK 0.41 per share for the 2005/2006 financial year.

### June 1 – August 31, 2006

- Net sales totaled SEK 539.1 M (266.4). Sales in comparable stores rose by 2.4 percent.
- Operating profit before restructuring costs totaled SEK 2.0 M (0.9). The loss after net financial items was SEK 52.1 M (loss: 0.5).
- The loss after tax was SEK 41.1 (loss: 0.6) after adjustment for minority interest, corresponding to a loss per share of SEK 0.91 (loss: 0.02).
- Cash flow from operating activities resulted in a negative SEK 66.6 M (pos: 22.4).

### After the report period

- After the closing of the extended acceptance period, RNB's shareholding and warrants in JC totaled 98.5 percent. RNB has commenced the process of compulsory redemption of the shares outstanding in JC.
- The implementation of restructuring programs and the formation of a new organization are in progress.

### RNB Group

RNB is organized on the basis of two business areas – Polarn O. Pyret and Departments & Stores. Polarn O. Pyret is a brand focused on baby and children's wear. Departments & Stores is a distribution platform for national and international brands via stores in NK department stores and Steen & Ström as well as via the JC, J-Store, Solo, Brothers, Sisters and Saks retail store concepts. At August 31, 2006, the total number of stores in RNB totaled 439, of which 210 were operated by franchisees.

# RNB RETAIL AND BRANDS

## **RNB acquired JC**

In May 2006, RNB made a public offer to shareholders in JC. At the end of the financial year, RNB's shareholding in JC was 94.6 percent. JC has been consolidated in RNB's accounts as of August 1, 2006. After the close of the extended acceptance period, RNB's holdings of shares and warrants in JC amounted to 98.5 percent. RNB has commenced the process of compulsory redemption of the shares outstanding 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 the full impact expected during the 2007/2008 fiscal year.

## **Implementation of restructuring measures and formation of new organization are in progress**

During autumn 2006, RNB is pursuing restructuring programs and the formation of a new organization. Operations in the new organization will be conducted in four business areas: Polarn O. Pyret, JC/J-Store/Solo, Brothers & Sisters and Department & Stores. The Saks store brand will cease and the stores will be integrated into Brothers & Sisters.

Due to restructuring, earnings in the fourth quarter were charged with restructuring costs totaling SEK 49.7 M, of which SEK 19.9 M for impairment losses on assets, mainly attributable to Saks.

## **Acquisition of Skandinaviskt Herr- och Dammode with operations at NK in Gothenburg**

Effective December 1, 2005, RNB acquired Skandinaviskt Herrmode AB and Skandinaviskt Dammode AB, which pursues operations at NK in Gothenburg. The total store space is 3,100 square meters.

## **Market and demand**

Retail sales in the ready-to-wear clothing sector in Sweden grew by 3.1 percent in the fourth quarter. RNB's sales for comparable stores rose by 2.4 percent.

## **Sales and earnings**

RNB's net sales during the year rose to SEK 1,535.2 M (963.7), up 59 percent. The acquisition of JC during the period had a positive effect on net sales of SEK 198.4 M. Sales in comparable stores during the fiscal year increased 4.2 percent.

The gross profit margin for the year was 48.0 percent (48.8). The new operations added to RNB during the year had a negative impact on the gross profit margin.

Operating profit before restructuring costs amounted to SEK 79.6 M (41.6). Profit after net financial items totaled SEK 20.9 M (36.3). Profit after taxes amounted to SEK 10.6 M (25.8). Restructuring costs totaling SEK 49.7 M, of which SEK 19.9 M for impairment losses on assets, mainly attributable to Saks, were charged against earnings in August. Reprofitting and clarification programs for the JC and J-Store brands were launched in August. The costs of the reprofiling program total approximately SEK 30 M, most of which was charged to earnings in August. The acquisition of JC did not make a positive contribution to Group's earnings during the financial year.

# RNB RETAIL AND BRANDS

## *Fourth quarter*

RNB's net sales during the fourth quarter totaled SEK 539.1 M (266.4). The acquisition of JC had a positive impact on net sales in the amount of SEK 198.4 M. Sales in comparable stores increased 2.4 percent in the fourth quarter. The gross profit margin during the fourth quarter was 44.4 percent (45.0).

Operating profit before restructuring costs for the period totaled SEK 2.0 M (0.9). The loss after net financial items totaled SEK 52.1 M (loss: 0.5). The loss after tax was SEK 41.8 M (loss: 0.6). Restructuring costs totaling SEK 49.7 M, of which SEK 19.9 M for impairment losses on assets, mainly attributable to Saks, were charged against earnings in August. Reprofiting and clarification programs for the JC och J-Store brands were launched in August. The costs of the reprofiling program total approximately SEK 30 M, most of which was charged against earnings in August.

## **Polarn O. Pyret**

Net sales during the year totaled SEK 331.4 M (279.5). Operating profit was SEK 40.7 M (23.4). The number of stores at the closing of the period was 38 (37). In addition, there were 38 (25) franchise stores, of which 17 (15) were in Sweden and 21 (10) abroad.

The establishment of Polarn O. Pyret outside Sweden is proceeding as planned. During the year, new master franchise agreements were signed for Finland, Poland, Ireland and Russia. The Board of Directors expects that Polarn O. Pyret will have a presence in at least 20 countries by 2010.

## **Departments & Stores**

Net sales in Departments & Stores totaled 1,206.1 M during the year (685.3). JC impacted earnings by SEK 198.4 M. Operating profit totaled SEK 6.0 M (33.7).

Efforts to build a powerful distribution platform continued during the year. The acquisition of JC is in line with the long-term strategy of building an effective store network for markets in which RNB is active. Overall, the acquisition of JC has added 283 new stores, of which franchisees operate 172.

Programs aimed at developing the distribution platform for branded business in department stores continued during the year. The construction and commissioning of new store space totaling some 3,600 square meters were completed. Also, as of December 1, 2005, Skandinaviskt Herr- och Dammode was acquired, which has a store space of some 3,100 square meters at NK in Gothenburg.

In addition, the rebuilding of existing floor space covering some 2,000 square meters was completed. During the period, the Champagne store concept was discontinued, which was charged to earnings in the amount of SEK 3.7 M.

As part of efforts to further strengthen cooperation with our suppliers, agreements were signed with New Wave Group covering the opening of an outlet in Kosta. During July, a total of 4,000 square meters was opened; moreover, RNB has an option to open an additional 1,500 square meters.

The total number of stores in the distribution platform is 363, of which franchisees operate 172.

# RNB RETAIL AND BRANDS

## Financial position and liquidity

Total consolidated assets amounted to SEK 2,862.5 M compared with SEK 559.4 M at the end of the preceding fiscal year. The increase in total assets is attributable to the acquisition of JC. Shareholders' equity totaled SEK 1,273.0 M (254.7), resulting in an equity/assets ratio of 44.5 percent (45.5).

Shareholders' equity during the period increased by SEK 1,018.3 M, of which SEK 994.7 M resulted from a new share issue in conjunction with the acquisition of JC. SEK 36.9 M of shareholders' equity is attributable to the minority.

At August 31, 2006, inventories totaled SEK 508.1 M compared with SEK 184.3 at the same date a year earlier. The increase in inventories was primarily due to the acquisition of JC.

Cash flow from operating activities resulted in a negative SEK 28.0 M (pos: 67.9). During the fourth quarter, cash flow was impacted sharply negatively by the extensive wholesale operations that were added to the Group as a result of the acquisition of JC. Cash flow after investments resulted in a negative SEK 770.1 M (neg: 6.4), of which company acquisitions affected cash flow adversely in the amount of SEK 670.1 M.

Net debt amounted to SEK 890.2 M compared with SEK 104.9 M at August 31, 2005. In addition to the new share issue, the acquisition of JC was financed through the raising of loans totaling SEK 666 M.

The Group's cash and cash equivalents at the close of the period, including unutilized overdraft facilities, totaled SEK 217.8 M compared with SEK 87.2 at the close of the preceding financial year.

## Investment, depreciation and amortization

Investment during the period totaled SEK 1,776.4 M (197.7), of which company acquisitions accounted for SEK 1,694.9 M (176.8). Depreciation totaled SEK 36.8 M (25.6) during the period.

In conjunction with the acquisition of JC, SEK 500 M of the consolidated surplus values was assigned to the JC brand. The remaining surplus value was recognized as goodwill.

## Personnel

The average number of employees during the period was 721 (497). The increase is due to the company acquisitions completed. The number of full-time employees at the close of the period was 1,382.

## Parent Company

The Parent Company's net sales totaled SEK 37.6 M (20.2). Profit after net financial items was SEK 0.3 M (9.4). Profit includes share dividends from wholly owned subsidiaries in the amount of SEK 10.0 M (25.0). Investment for the period totaled SEK 1,703.4 M (183.3), of which company acquisitions accounted for SEK 1,694.9 M (176.8).

## Loss carry forwards

As a result of the acquisition of JC, the Group received loss carry forwards totaling EUR 11 M pertaining to previous operations in Germany. These loss carry forwards have not been capitalized in the consolidated financial statements. The company believes that there are favorable prospects of being able to utilize the loss carry forwards in the future. The total tax value of loss carry forwards is SEK 28.6 M.

# RNB RETAIL AND BRANDS

## **2-for-1 share split**

As of March 1, 2006 a share split was conducted whereby the number of shares in the company doubled. At August 31, 2006, the total number of shares in the company was 55,172,326.

## **Dividend**

The Board of Directors proposes that unchanged dividend be paid in the amount of SEK 0.41 per share for the 2005/2006 fiscal year. In accordance with the proposal, the total dividend amount is SEK 23.4 M.

## **Annual General Meeting**

The Annual General Meeting of the Company will be held on January 24, 2007 at 5:00 pm in the company's premises at Regeringsgatan 29 in Stockholm.

## **Nomination Committee**

Prior to the Annual General Meeting in 2007, the Nomination Committee comprises Jan Carlzon, Claes Hansson and John Wallmark.

## **Annual Report**

RNB's annual report is expected to be completed in early January 2007 and will be available at the company's offices and at the company's website [www.rnb.se](http://www.rnb.se).

## **Future reporting dates**

Quarterly report, first quarter 2006/2007	January 24, 2007
Quarterly report, second quarter 2006/2007	March 30, 2007
Quarterly report, third quarter 2006/2007	June 20, 2007
Year-end report for 2006/2007	October 19, 2007

Stockholm, October 20, 2006  
RNB RETAIL AND BRANDS AB (publ)

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# RNB RETAIL AND BRANDS

## September 2005 - August 2006

### CONSOLIDATED INCOME STATEMENT

MSEK	3 months June 2006- Aug 2006	3 months June 2005- Aug 2005	12 months Sep 2005- Aug 2006	12 months Sep 2004- Aug 2005
Net turnover	539,1	266,4	1 535,2	963,7
Other operating incomes	-	5,5	8,0	11,8
	<b>539,1</b>	<b>271,9</b>	<b>1 543,2</b>	<b>975,5</b>
Goods for resale	-299,7	-146,5	-798,7	-493,7
Other external costs	-131,9	-62,1	-333,8	-205,2
Personnel costs	-90,8	-54,0	-294,3	-209,4
Depreciation of tangible and intangible fixed assets	-14,7	-8,4	-36,8	-25,6
Restructuring costs	-49,7	-	-49,7	-
<b>Operating income</b>	<b>-47,7</b>	<b>0,9</b>	<b>29,9</b>	<b>41,6</b>
Financial incomes	-	0,5	0,5	1,0
Financial costs	-4,4	-1,9	-9,5	-6,3
<b>Income after financial items</b>	<b>-52,1</b>	<b>-0,5</b>	<b>20,9</b>	<b>36,3</b>
Tax	10,3	-0,1	-10,3	-10,5
<b>Profit/loss for period</b>	<b>-41,8</b>	<b>-0,6</b>	<b>10,6</b>	<b>25,8</b>
Net profit of the year attributable to:				
Parent Company's shareholders	-41,1	-	11,3	-
Minority owners	-0,7	-	-0,7	-
<b>Earnings per share (SEK), average number of shares</b>	<b>-0,91</b>	<b>-0,02</b>	<b>0,31</b>	<b>0,82</b>
<b>Earnings per share (SEK), average number of shares, at full conversion</b>	<b>-0,89</b>	<b>-</b>	<b>0,31</b>	<b>-</b>
<b>Average number of shares, 000's</b>	<b>44 976</b>	<b>33 216</b>	<b>36 181</b>	<b>31 616</b>
<b>Average number of shares, 000's, at full conversion</b>	<b>45 976</b>	<b>-</b>	<b>36 931</b>	<b>-</b>

### CONSOLIDATED BALANCE SHEET

MSEK	31-Aug-2006	31-Aug-2005
<b>Assets</b>		
Rental rights	53,7	20,6
Goodwill	1 274,4	196,4
Brands	500,0	-
Tangible fixed assets	196,6	54,2
Financial fixed assets	6,1	0,1
Deferred tax assets	8,7	25,3
Inventories	508,1	184,3
Other current assets	314,9	78,5
<b>Total assets</b>	<b>2 862,5</b>	<b>559,4</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity attributable to Parent Company's shareholder	1 236,1	254,7
Shareholders' equity attributable to minority owners	36,9	-
Long-term liabilities, interest-bearing	660,3	66,3
Other long-term liabilities	155,4	-
Short-term liabilities, interest-bearing	260,8	50,6
Convertible debenture	40,0	-
Other short-term liabilities	473,0	187,8
<b>Total shareholders' equity and liabilities</b>	<b>2 862,5</b>	<b>559,4</b>

# RNB RETAIL AND BRANDS

## September 2005 - August 2006

### CASH-FLOW STATEMENT

	Sep 2005- Aug 2006	Sep 2004- Aug 2005
<b>MSEK</b>		
Cash flow from current operations before changes in working capital	57,1	64,7
Changes in working capital	-85,1	3,2
<b>Cash flow from current operations</b>	<b>-28,0</b>	<b>67,9</b>
Cash flow from investments activities	-742,1	-74,3
<b>Cash flow after investments</b>	<b>-770,1</b>	<b>-6,4</b>
Cash flow from financial activities	789,2	15,7
<b>Cash flow for period</b>	<b>19,1</b>	<b>9,3</b>

### CHANGES IN SHAREHOLDERS' EQUITY

	Sep 2005- Aug 2006	Sep 2004- Aug 2005
<b>MSEK</b>		
Opening balance according to approved balance sheet	256,2	130,8
Effect of change in accounting principles to IFRS	-1,5	0,1
<b>Opening balance in accordance with IFRS</b>	<b>254,7</b>	<b>130,9</b>
New issue	994,7	98,0
Dividend	-25,0	-
Changes recognized in shareholders' equity	0,4	-
Profit for the period attributable to Parent Company's shareholders	11,3	25,8
Shareholders' equity attributable to minority owners	36,9	-
<b>Balance at end of period</b>	<b>1 273,0</b>	<b>254,7</b>

### KEY FIGURES

		Sep 2005- Aug 2006 12 months	Sep 2004- Aug 2005 12 months
Gross margin	%	48,0	48,8
Operating margin	%	1,9	4,3
Profit margin	%	0,7	2,7
Return on capital employed	%	2,4	14,2
Return on shareholders' equity	%	1,5	13,4
Solidity	%	44,5	45,5
Solidity, at full conversion	%	45,9	-
Interest coverage ratio	mult	3,2	6,8
Net dept	Mkr	890,2	104,9
Net dept/equity ratio	%	69,9	41,2
Average number of employees, full time		721	497
Average number of shares, 000's		36 181	31 616
Average number of shares, 000's, at full conversion		36 931	-
Number of shares at end of period, 000's		55 172	33 216
Number of shares at end of period, 000's, at full conversion		56 172	-
Earnings per share after tax, average number	Kr	0,31	0,82
Earnings per share after tax, average number, at full conversion	Kr	0,31	-
Shareholders' equity per share at end of period	Kr	23,07	7,67
Shareholders' equity per share at end of period, at full conversion	Kr	23,37	-

# RNB RETAIL AND BRANDS

## September 2005 - August 2006

### NET TURNOVER AND OPERATING RESULT PER BUSINESS AREA

	3 months June 2006- Aug 2006	3 months June 2005- Aug 2005	12 months Sep 2005- Aug 2006	12 months Sep 2004- Aug 2005
<b>Net turnover, MSEK</b>				
Polarn O. Pyret	93,0	69,7	331,4	279,5
Departments & Stores	447,4	197,1	1 206,1	685,3
Other	-1,3	-0,4	-2,3	-1,1
<b>Total</b>	<b>539,1</b>	<b>266,4</b>	<b>1 535,2</b>	<b>963,7</b>
<b>Operating result, MSEK</b>				
Polarn O. Pyret	9,4	-0,9	40,7	23,4
Departments & Stores	-49,6	4,8	6,0	33,7
Other	-7,5	-3,0	-16,8	-15,5
<b>Total</b>	<b>-47,7</b>	<b>0,9</b>	<b>29,9</b>	<b>41,6</b>

### INCOME STATEMENT PER QUARTER, GROUP

MSEK	2006 June-Aug	2006 March-May	2005/2006 Dec-Feb	2005 Sep-Nov	2005 June-Aug	2005 March-May	2004/2005 Dec-Feb	2004 Sep-Nov
Net turnover	539,1	307,4	373,3	315,4	266,4	244,3	221,8	231,2
Other operating incomes	-	1,2	4,8	2,0	5,5	1,1	3,5	1,7
Goods for resale	-299,7	-150,7	-196,2	-152,1	-146,5	-121,2	-118,9	-107,1
<b>Gross profit</b>	<b>239,4</b>	<b>157,9</b>	<b>181,9</b>	<b>165,3</b>	<b>125,4</b>	<b>124,2</b>	<b>106,4</b>	<b>125,8</b>
<b>Gross margin</b>	<b>44,4%</b>	<b>51,0%</b>	<b>47,4%</b>	<b>51,8%</b>	<b>45,0%</b>	<b>50,4%</b>	<b>46,4%</b>	<b>53,7%</b>
Other external costs	-131,9	-67,1	-69,8	-65,0	-62,1	-50,1	-45,9	-47,1
Personnel costs	-90,8	-67,4	-73,4	-62,7	-54,0	-61,6	-46,8	-47,0
Depreciation	-14,7	-8,3	-7,5	-6,3	-8,4	-6,6	-5,3	-5,3
Restructuring costs	-49,7	-	-	-	-	-	-	-
<b>Operating income</b>	<b>-47,7</b>	<b>15,1</b>	<b>31,2</b>	<b>31,3</b>	<b>0,9</b>	<b>5,9</b>	<b>8,4</b>	<b>26,4</b>
Finacial incomes	-	-	-	0,5	0,5	0,4	0,1	-
Financial costs	-4,4	-2,3	-1,8	-1,0	-1,9	-1,7	-1,4	-1,3
<b>Income after financial items</b>	<b>-52,1</b>	<b>12,8</b>	<b>29,4</b>	<b>30,8</b>	<b>-0,5</b>	<b>4,6</b>	<b>7,1</b>	<b>25,1</b>

### NUMBER OF STORES AT END OF PERIOD

	31-Aug-2006	31-May-2006	28-Feb-2006	30-Nov-2005	31-Aug-2005	31-May-2005	28-Feb-2005	30-Nov-2004
Own stores Sweden	163	115	115	108	101	93	85	85
Own stores Norway	46	-	-	-	-	-	-	-
Own stores Finland	20	-	-	-	-	-	-	-
Franchise stores Sweden	174	16	15	15	15	15	14	14
Franchise stores outside Sweden	36	19	12	12	10	9	5	5
<b>Total</b>	<b>439</b>	<b>150</b>	<b>142</b>	<b>135</b>	<b>126</b>	<b>117</b>	<b>104</b>	<b>104</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.

The effects of the transition to IFRS for the comparison year are reported seperately.

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 - August 2006

### EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES TO IFRS

#### CONSOLIDATED INCOME STATEMENT

MSEK	3 months June 2005- Aug 2005	Adjustment IFRS	IFRS 3 months June 2005- Aug 2005
Net turnover	266,4		266,4
Other operating incomes	5,5		5,5
	<b>271,9</b>		<b>271,9</b>
Goods for resale	-146,5		-146,5
Other external costs	-58,8	-3,3	-62,1
Personnel costs	-50,9	-3,1	-54,0
Depreciation of tangible and intangible fixed assets	-9,9	1,5	-8,4
<b>Operating income</b>	<b>5,8</b>	<b>-4,9</b>	<b>0,9</b>
Financial incomes	0,5		0,5
Financial costs	-1,6	-0,3	-1,9
<b>Income after financial items</b>	<b>4,7</b>	<b>-5,2</b>	<b>-0,5</b>
Tax	-2,3	2,2	-0,1
<b>Profit/loss for period</b>	<b>2,4</b>	<b>-3,0</b>	<b>-0,6</b>

#### 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
Personnel costs	-203,2	-6,2	-209,4
Depreciation 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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