

# RNB RETAIL AND BRANDS

## RNB interim report on the first quarter of 2007/2008

September 1, 2007 – November 30, 2007

- Net sales amounted to SEK 923.7 M (889.8), an increase of 3.8%. Net sales for comparable stores rose 1.6%.
- Operating profit amounted to SEK 81.5 M (86.8). Profit after net financial items amounted to SEK 70.3 M (77.3).
- Profit after tax amounted to SEK 54.8 M (62.2), corresponding to SEK 0.95 (1.10) per share.
- Cash flow from operating activities amounted to SEK 0.5 M (62.0).
- JC/J-Store experienced a weak sales trend during the autumn.

### RNB Group

RNB RETAIL AND BRANDS is a retailer that sells ready-to wear and fashion clothing, beauty products, accessories and jewelry. The company is listed on the OMX Nordic Exchange. The RNB Group 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 and has 87 stores, including 49 franchise stores. The distribution platform consists of two business areas: Department Stores and Store Concepts. The Department Stores business area operates through stores in the department stores NK in Stockholm and Gothenburg, Steen & Ström in Oslo and Illum in Copenhagen, as well as in Kosta Outlet. In total, the Department Stores business area has 23,000 square meters of retail space distributed among 76 store units. The Store Concepts business area consists of JC, J-Store, Brothers and Sisters and comprises 300 stores, including 170 franchise stores. The total number of stores included in RNB at November 30, 2007 was 463, of which 219 were operated by franchisees.

### Weaker-than-expected trend within RNB's JC and J-Store store concepts

During the autumn 2007 season, RNB's JC and J-Store store concepts experienced a weaker-than-expected sales trend, noting a decrease of approximately 10% compared with the corresponding period in the preceding year. The autumn 2007 collections did not satisfy customer expectations. Work on designing new concepts and concept expressions for JC and J-Store is under way and is expected to be completed in the next few months and be presented in time for the autumn 2008 collections.

### Market and demand

Sales in the ready-to-wear and fashion clothing industry in Sweden grew by 2.6% during the September/November 2007 period, according to the HUI index for comparable units. For RNB's operations, sales in comparable stores rose 1.6%.

### Revenue and earnings

RNB's net sales during the period amounted to SEK 923.7 M (889.8), up 3.8%. Sales in comparable stores during the period rose 1.6%.

The gross profit margin for the period was 48.2% (48.5).

Operating profit amounted to SEK 81.5 M (86.8). Profit after net financial items amounted to SEK 70.3 M (77.3). Profit after tax amounted to SEK 54.8 M (62.2).

## **RNB RETAIL AND BRANDS**

The synergies generated from the acquisition of JC had a favorable impact on earnings. However, the weak sales trend within JC and J-Store is estimated to have had an adverse impact of about SEK 30 M on earnings, compared with the year-earlier period. Brothers and Sisters, however, developed very well and reported favourable growth.

The units that were newly opened in August 2007 at the department stores Illum in Copenhagen and Steen & Ström in Oslo reported a loss of SEK 7 M during the first quarter.

A favourable trend was noted for others parts of the Group.

### **Polarn O. Pyret business area**

Net sales during the period amounted to SEK 109.1 M (107.5). Sales in comparable stores decreased 0.9%.

Operating profit amounted to SEK 24.0 M (20.4). The number of proprietary stores at the close of the period was 38 (38). In addition, there were 49 (42) franchise stores, including 16 (16) in Sweden and 33 (26) abroad.

The establishment of Polarn O. Pyret outside Sweden is proceeding as planned. It is estimated that Polarn O. Pyret will be established in at least 20 countries no later than 2010.

### **Department Store business area**

The business area includes operations at the department stores NK in Stockholm, NK in Gothenburg, Illum in Copenhagen, Steen & Ström in Oslo and Kosta Outlet. The number of proprietary stores at the close of the period was 76 (64), comprising total retail space of about 23,000 square meters.

Net sales within the Department Stores business area amounted to SEK 289.0 M (233.6). Sales in comparable units rose 10.3%. Operating profit amounted to SEK 16.6 M (20.4). The units that were newly opened in August 2007 at the department stores Illum in Copenhagen and Steen & Ström in Oslo reported a loss of SEK 7 M during the first quarter. Comparable units noted profit growth of slightly more than 10% compared with the year-earlier period, corresponding to an operating margin of 9.3%.

### **Store Concepts business area**

The business area includes the four separate store concepts JC, J-Store, Brothers and Sisters.

Net sales within the Store Concepts business area amounted to SEK 527.8 M (548.8). Sales in comparable units during the period declined 6.2%. Operating profit amounted to SEK 46.2 M (42.6). The figures for the preceding year include Solo and Saks, which contributed net sales of SEK 44.7 M and operating profit of SEK 3.9 M.

During the autumn 2007 season, RNB's JC and J-Store store concepts experienced a weaker-than-expected sales trend, noting a decrease of approximately 10% compared with the corresponding period in the preceding year. The synergies generated from the acquisition of JC had a favorable impact on earnings. However, the weak sales trend within JC and J-Store is estimated to have had an adverse impact of about SEK 30 M on earnings, compared with the year-earlier period.

## **RNB RETAIL AND BRANDS**

Compared with the year-earlier period, the combined impact of the favorable trend noted by Brothers and Sisters, synergies from the acquisition of JC and a positive cost trend, more than offset JC's weak sales trend.

For comparable units, the business area's earnings rose more than 20%, despite a decrease in sales.

The number of proprietary stores at the end of the period was 130 (140). In addition, there are 170 (170) franchise stores, of which 11 (11) are in Norway.

### **Financial position and liquidity**

Total consolidated assets amounted to SEK 3,060.1 M, compared with SEK 2,993.0 M at the end of the preceding fiscal year. Shareholders' equity rose SEK 55.7 M during the period amounted to SEK 1,620.8 M (1,565.1), resulting in an equity/assets ratio of 53.0% (52.3).

At November 30, 2007, inventories amounted to SEK 568.0 M, compared with SEK 549.8 M at the same date in the preceding year.

Cash flow from operating activities amounted to SEK 0.5 M (62.0). The weaker cash flow derived from an increase in the capital tied up in the new units at the Illum and Steen & Ström department stores and from increased inventories within JC and J-Store, due to their weak sales trend. Cash flow after investments was a negative SEK 34.6 M (10.1).

Net borrowing amounted to SEK 782.8 M, compared with SEK 728.2 M on August 31, 2007.

At the end of the period, consolidated cash and cash equivalents, including unutilized overdraft facilities, amounted to SEK 207.3 M, compared with SEK 305.8 M at the end of the preceding fiscal year.

### **Investments and depreciation/amortization**

Investments during the period amounted to SEK 36.4 M (101.0), of which the acquisition of companies accounted for SEK 0 M (74.0). Depreciation/amortization during the period amounted to SEK 19.7 M (19.0).

### **Outlook**

The weak sales trend noted by JC during the first quarter of 2007/2008 was caused by an unsuccessful collection, which also expected to have an adverse impact on sales during the second quarter of 2007/2008.

### **Personnel**

The average number of employees during the period was 1,451 (1,332).

### **Parent Company**

Net sales in the Parent Company amounted to SEK 32.4 M (18.9). The result after net financial items amounted to a loss of SEK 21.2 M (loss: 1.1). Investments during the period totaled SEK 7.1 M (77.4), of which company acquisitions accounted for SEK 0 M (74.0).

# **RNB** RETAIL AND BRANDS

## **Future publication dates**

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

Stockholm, January 29, 2008

RNB RETAIL AND BRANDS AB (publ)

Mikael Solberg

President

If you have any questions about this report, please contact:

Mikael Solberg, President, Tel +46 (0)8-410 520 20, +46 (0)768-87 20 20

Göran Blomberg, CFO, Tel. +46 (0)8-410 520 99, +46 (0)768-87 20 99

Cecilia Lannebo, Investor Relations, Tel +46 (0)8-410 520 45, +46 (0)768-87 20 45

# RNB RETAIL AND BRANDS

## September - November 2007

### CONSOLIDATED INCOME STATEMENT

MSEK	3 months Sep 2007- Nov 2007	3 months Sep 2006- Nov 2006	12 months Sep 2006- Aug 2007
Net turnover	923,7	889,8	3 468,3
Other operating incomes	4,9	0,9	7,3
	<b>928,6</b>	<b>890,7</b>	<b>3 475,6</b>
Goods for resale	-478,7	-457,9	-1 895,0
Other external costs	-198,1	-187,5	-693,6
Personnel costs	-150,6	-139,5	-544,4
Depreciation of tangible and intangible fixed assets	-19,7	-19,0	-82,0
Capital gain on the sale of subsidiaries	-	-	106,6
Restructuring costs	-	-	-25,0
<b>Operating income</b>	<b>81,5</b>	<b>86,8</b>	<b>342,2</b>
Financial incomes	0,5	0,4	4,7
Financial costs	-11,7	-9,9	-41,1
<b>Income after financial items</b>	<b>70,3</b>	<b>77,3</b>	<b>305,8</b>
Tax	-15,5	-15,1	-50,0
<b>Profit/loss for period</b>	<b>54,8</b>	<b>62,2</b>	<b>255,8</b>
Net profit of the year attributable to:			
Parent Company's shareholders	54,2	61,7	254,9
Minority owners	0,6	0,5	0,9
<b>Earnings per share (SEK), average number of shares</b>	<b>0,95</b>	<b>1,10</b>	<b>4,49</b>
<b>Average number of shares, 000's</b>	<b>57 079</b>	<b>55 997</b>	<b>56 724</b>

### CONSOLIDATED BALANCE SHEET

MSEK	30-Nov-2007	30-Nov-2006	31-Aug-2007
<b>Assets</b>			
Rental rights	37,2	49,8	41,3
Goodwill	1 329,4	1 321,1	1 329,1
Brands	500,0	500,0	500,0
Tangible fixed assets	281,2	205,5	237,8
Financial fixed assets	3,5	3,6	3,9
Deferred tax assets	11,9	8,4	12,1
Inventories	568,0	512,4	549,8
Other current assets	328,9	299,7	319,0
<b>Total assets</b>	<b>3 060,1</b>	<b>2 900,5</b>	<b>2 993,0</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity attributable to Parent Company's shareholder	1 609,1	1 339,7	1 554,0
Shareholders' equity attributable to minority owners	11,7	11,0	11,1
Long-term liabilities, interest-bearing	597,9	655,2	608,3
Other long-term liabilities	168,3	179,2	150,4
Short-term liabilities, interest-bearing	225,7	244,4	162,3
Convertible debenture	-	40,0	-
Other short-term liabilities	447,4	431,0	506,9
<b>Total shareholders' equity and liabilities</b>	<b>3 060,1</b>	<b>2 900,5</b>	<b>2 993,0</b>

# RNB RETAIL AND BRANDS

## September - November 2007

### CASH-FLOW STATEMENT

MSEK	Sep 2007- Nov 2007	Sep 2006- Nov 2006	Sep 2006- Aug 2007
Cash flow from current operations before changes in working capital	89,7	101,6	244,8
Changes in working capital	-89,2	-39,6	-11,7
<b>Cash flow from current operations</b>	<b>0,5</b>	<b>62,0</b>	<b>233,1</b>
Company acquisitions	-	-28,6	-40,9
Divestment of subsidiaries	-	-	124,5
Cash flow from other investments activities	-35,1	-23,3	-85,3
<b>Cash flow after investments</b>	<b>-34,6</b>	<b>10,1</b>	<b>231,4</b>
Cash flow from financial activities	33,0	-18,6	-220,0
<b>Cash flow for period</b>	<b>-1,6</b>	<b>-8,5</b>	<b>11,4</b>

### CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Sep 2007- Nov 2007	Sep 2006- Nov 2006	Sep 2006- Aug 2007
Opening balance	1 565,1	1 273,0	1 273,0
New issue	-	45,4	45,5
Dividend	-	-	-23,4
Conversions of debentures	-	-	40,0
Changes recognized in shareholders' equity	0,9	-3,5	0,9
Profit for the period attributable to Parent Company's shareholders	54,2	61,7	254,9
Shareholders' equity attributable to minority owners	0,6	-25,9	-25,8
<b>Balance at end of period</b>	<b>1 620,8</b>	<b>1 350,7</b>	<b>1 565,1</b>

### KEY FIGURES

		Sep 2007- Nov 2007 3 months	Sep 2006- Nov 2006 3 months	Sep 2006- Aug 2007 12 months
Gross margin	%	48,2	48,5	45,4
Operating margin	%	8,8	9,8	9,9
Profit margin	%	5,8	6,9	7,3
Return on capital employed	%	-	-	15,3
Return on shareholders' equity	%	-	-	18,3
Solidity	%	53,0	46,6	52,3
Interest coverage ratio	mult	7,0	8,8	8,4
Net dept	Mkr	782,8	877,2	728,2
Net dept/equity ratio	%	48,3	64,9	46,5
Average number of employees, full time		1 451	1 332	1 356
Average number of shares, 000's		57 079	55 997	56 724
Number of shares at end of period, 000's		57 079	56 079	57 079
Earnings per share after tax, average number	Kr	0,95	1,10	4,49
Shareholders' equity per share at end of period	Kr	28,40	24,09	27,42

# RNB RETAIL AND BRANDS

## September - November 2007

### NET TURNOVER AND OPERATING RESULT PER BUSINESS AREA

	3 months Sep 2007- Nov 2007	3 months Sep 2006- Nov 2006	12 months Sep 2006- Aug 2007
<b>Net turnover, MSEK</b>			
Polarn O. Pyret	109,1	107,5	388,4
Department Stores	289,0	233,6	973,9
Store Concepts	527,8	548,8	2 111,1
Other	-2,2	-0,1	-5,1
<b>Total</b>	<b>923,7</b>	<b>889,8</b>	<b>3 468,3</b>
<b>Operating result, MSEK</b>			
Polarn O. Pyret	24,0	20,4	56,1
Department Stores	16,6	20,4	42,8
Store Concepts	46,2	42,6	143,5
Other	-5,3	3,4	99,8
<b>Total</b>	<b>81,5</b>	<b>86,8</b>	<b>342,2</b>

### INCOME STATEMENT PER QUARTER, GROUP

MSEK	2007		2006/2007		2006		2005/2006	
	Sep-Nov	June-Aug	March-May	Dec-Feb	Sep-Nov	June-Aug	March-May	Dec-Feb
Net turnover	923,7	939,0	758,5	881,0	889,8	539,1	307,4	373,3
Other operating incomes	4,9	4,8	-	1,6	0,9	-	1,2	4,8
Goods for resale	-478,7	-547,2	-392,2	-497,7	-457,9	-299,7	-150,7	-196,2
<b>Gross profit</b>	<b>449,9</b>	<b>396,6</b>	<b>366,3</b>	<b>384,9</b>	<b>432,8</b>	<b>239,4</b>	<b>157,9</b>	<b>181,9</b>
<b>Gross margin</b>	<b>48,2%</b>	<b>41,7%</b>	<b>48,3%</b>	<b>43,5%</b>	<b>48,5%</b>	<b>44,4%</b>	<b>51,0%</b>	<b>47,4%</b>
Other external costs	-198,1	-179,0	-156,2	-170,9	-187,5	-131,9	-67,1	-69,8
Personnel costs	-150,6	-137,2	-129,9	-137,8	-139,5	-90,8	-67,4	-73,4
Depreciation	-19,7	-24,0	-19,6	-19,4	-19,0	-14,7	-8,3	-7,5
Capital gain on the sale of subsidiaries	-	-2,4	-0,4	109,4	-	-	-	-
Restructuring costs	-	-	-	-25,0	-	-49,7	-	-
<b>Operating income</b>	<b>81,5</b>	<b>54,0</b>	<b>60,2</b>	<b>141,2</b>	<b>86,8</b>	<b>-47,7</b>	<b>15,1</b>	<b>31,2</b>
Financial incomes	0,5	3,5	0,2	0,6	0,4	-	-	-
Financial costs	-11,7	-12,0	-9,3	-9,9	-9,9	-4,4	-2,3	-1,8
<b>Income after financial items</b>	<b>70,3</b>	<b>45,5</b>	<b>51,1</b>	<b>131,9</b>	<b>77,3</b>	<b>-52,1</b>	<b>12,8</b>	<b>29,4</b>

### NUMBER OF STORES AT END OF PERIOD

	30-Nov-2007	31-Aug-2007	31-May-2007	28-Feb-2007	30-Nov-2006	31-Aug-2006	31-May-2006	28-Feb-2006
Own stores Sweden	157	155	154	152	165	163	115	115
Own stores Norway	52	53	48	48	48	46	-	-
Own stores Finland	32	31	31	31	29	20	-	-
Own stores Denmark	3	3	-	-	-	-	-	-
Franchise stores Sweden	175	174	174	175	175	174	16	15
Franchise stores outside Sweden	44	40	42	38	37	36	19	12
<b>Total</b>	<b>463</b>	<b>456</b>	<b>449</b>	<b>444</b>	<b>454</b>	<b>439</b>	<b>150</b>	<b>142</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 2007

## INCOME STATEMENT PARENT COMPANY

Mkr	3 months Sep 2007- Nov 2007	3 months Sep 2006- Nov 2006	12 months Sep 2006- Aug 2007
Net turnover	32,4	18,9	98,8
Other operating incomes	-	-	1,0
	<b>32,4</b>	<b>18,9</b>	<b>99,8</b>
Other external costs	-20,1	-6,4	-51,7
Personnel costs	-21,5	-5,1	-33,0
Depreciation of tangible and intangible fixed assets	-2,4	-1,3	-7,9
Restructuring costs	-	-	-8,5
<b>Operating income</b>	<b>-11,6</b>	<b>6,1</b>	<b>-1,3</b>
Results from participation in Group companies	-	-	130,0
Financial incomes	-	0,1	0,1
Financial costs	-9,6	-7,3	-31,9
<b>Income after financial items</b>	<b>-21,2</b>	<b>-1,1</b>	<b>96,9</b>
Allocation to tax allocation reserve	-	-	-1,8
Tax	-	-	9,1
<b>Profit/loss for period</b>	<b>-21,2</b>	<b>-1,1</b>	<b>104,2</b>

## BALANCE SHEET PARENT COMPANY

Mkr	30-Nov-2007	30-Nov-2006	31-Aug-2007
<b>Assets</b>			
Tangible fixed assets	30,9	15,6	26,2
Financial fixed assets	2 055,1	2 054,7	2 055,1
Deferred tax assets	29,9	32,8	29,9
Other current assets	114,8	83,2	177,5
<b>Total assets</b>	<b>2 230,7</b>	<b>2 186,3</b>	<b>2 288,7</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	1 428,1	1 295,7	1 449,3
Untaxed reserves	9,5	7,7	9,5
Long-term liabilities, interest-bearing	531,1	647,3	559,8
Short-term liabilities, interest-bearing	208,1	171,3	100,3
Convertible debenture	-	40,0	-
Other short-term liabilities	53,9	24,3	169,8
<b>Total shareholders' equity and liabilities</b>	<b>2 230,7</b>	<b>2 186,3</b>	<b>2 288,7</b>

## NUMBER OF STORES

Polarn O. Pyret	30-Nov-2007			30-Nov-2006		
	Own	Franchise	Total	Own	Franchise	Total
Sweden	38	16	54	38	16	54
Norway	0	14	14	0	14	14
Finland	0	4	4	0	2	2
United Kingdom	0	6	6	0	6	6
Scotland	0	1	1	0	0	0
Ireland	0	1	1	0	0	0
Iceland	0	1	1	0	1	1
Russia	0	1	1	0	0	0
Estonia	0	2	2	0	1	1
Latvia	0	2	2	0	2	2
Lithuania	0	1	1	0	0	0
Denmark (through Departments Stores)	0	0	0	0	0	0
<b>Total</b>	<b>38</b>	<b>49</b>	<b>87</b>	<b>38</b>	<b>42</b>	<b>80</b>
<b>Department Stores</b>	<b>30-Nov-2007</b>			<b>30-Nov-2006</b>		
Number of stores	76			64		
Total retail space, m2	23 021			17 054		
<b>Store Concepts</b>	<b>30-Nov-2007</b>			<b>30-Nov-2006</b>		
JC, J-Store, Sweden	29	94	123	28	94	122
JC, J-Store, Norway	33	11	44	34	11	45
JC, J-Store, Finland	20	0	20	19	0	19
Brothers, Sweden	20	41	61	19	41	60
Brothers, Finland	8	0	8	7	0	7
Sisters, Sweden	16	24	40	14	24	38
Sisters, Finland	4	0	4	3	0	3
Solo and Saks, Sweden	0	0	0	16	0	16
<b>Total</b>	<b>130</b>	<b>170</b>	<b>300</b>	<b>140</b>	<b>170</b>	<b>310</b>

RNB RETAIL AND BRANDS AB  
P.O. Box 161 42, Regeringsgatan 29  
S-103 23 STOCKHOLM, SWEDEN  
Phone: +46-8-410 520 00. Fax: +46-8-410 522 90  
Corporate identity number: 556495-4682