

## Year-end report 1 September 2003 – 31 August 2004

### Improved profits and stronger cash-flow

#### **Year-end report, 1 September 2003 – 31 August 2004**

- Net turnover amounted to 830.8 million SEK (860.4). Turnover in comparable stores rose by 4.8 percent.
- Operating profit increased to 36.1 million SEK (-38.1). Profit after financial items improved to 30.1 million SEK (-50.1).
- Profit after tax rose to 22.9 million SEK (-45.1), equivalent to 3.05 SEK (-6.01) per share.
- Cash flow from current operations rose to 82.8 million SEK (17.8). Cash flow after investments improved significantly to 71.5 million SEK (-23.4).

#### **Fourth quarter 2003/2004**

- Net turnover amounted to 192.0 million SEK (197.2). Turnover in comparable stores rose by 9.1 percent.
- Operating profit increased to 1.4 million SEK (-44.7). Profit after financial items improved to 0.6 million SEK (-47.7).
- Profit after tax was 4.4 million SEK (-39.4), equivalent to 0.59 kronor (-5.25) per share.
- Cash flow from current operations was 18.6 million SEK (-16.5). Cash flow after investments improved to 15.1 million SEK (-1.1).

#### **RNB Group**

RNB is divided into two business areas – Polarn O. Pyret and Portwear Retail. Polarn O. Pyret is a company brand that designs, produces and distributes baby, child and women/maternity clothing. Portwear Retail is a distribution platform for national and international brands through own branded boutiques, boutiques in NK as well as boutique concepts SOLO, Champagne and SAKS. As of 31 August 2004, the total number of stores in RNB was 104, of which 19 were franchises.

#### **Restructuring has improved profits and strengthened the cash-flow**

The past year has seen the implementation of a comprehensive restructuring, aimed to improve profits and lower capital tied up in assets. The complement of stores has changed through the disposal of 19 stores, four stores have been closed and four stores have been reconstructed through collaborations with selected suppliers. Costs for the head office have reduced dramatically, mostly due to significant reductions in the number of personnel.

The implemented measures have contributed to a significant improvement in profits during the period. Capital rationalisations have also given visible effects in the form of lower total capital employed and stronger solidity. Capital tied up in assets is estimated to successively continue to diminish during the current fiscal year.

# RNB RETAIL AND BRANDS

## **Market and demand**

The clothing industry in Sweden, according to HUI increased during the fourth quarter by 0.6 percent in comparable units. RNB's turnover rose during the fourth quarter by 9.1 percent in comparable stores. For the period September 2003-August 2004, the HUI Index increased by 0.5 percent in comparable while RNB's turnover rose during the same period by 4.8 percent in comparable stores.

## **Earnings and profits**

RNB's net turnover diminished during the period September 2003 to August 2004 by 3.4 percent to 830.8 million SEK (860.4). At the same time, the number of owned stores diminished to 85 (97) as a consequence of the restructuring. During the period, the average number of stores were 89 compared to 102 the previous year. Gross profit margin for the period attained 50.7 percent (47.8).

Operating profit for the period rose to 36.1 million SEK (-38.1). Profit after financial items increased to 30.1 million SEK (-50.1). Losses and costs in dismantled and restructured units, not appraised to recur during the fiscal year 2004/2005, charge this year's profit by approximately 15 million SEK. The profit for the fiscal year 2002/2003 was charged with restructuring costs of 20.1 million SEK. The improved profit is a combination of the implemented restructuring programme and a positive sales development in own stores.

Profit after tax rose to 22.9 million SEK (-45.1). The RNB Group accounts for a tax expense of -7.2 million SEK (5.0). Accrued tax income of 4.0 million SEK relating to not used deficit deductions, positively affected the tax cost.

### *Fourth quarter*

RNB's net turnover during the fourth quarter amounted to 192.0 million SEK (197.2). The diminished turnover is a consequence of the implemented restructuring, meaning a reduction in the number of own stores by the end of the period to 85 (97). Turnover in comparable stores rose in the fourth quarter by 9.1 percent. Gross profit margin during the fourth quarter was 47.7 percent (34.7).

Operating profit for the period were 1.4 million SEK (-44.7). Profit after financial items rose to 0.6 million SEK (-47.7). The profit for the fourth quarter 2002/2003 was charged with restructuring costs of 20.1 million SEK.

## **Polarn O. Pyret**

Net turnover during the period amounted to 248.0 million SEK (245.3). Operating profit rose to 16.8 million SEK (8.9). The number of own stores at the end of the period was 37 (37), of which 19 (16) were franchises.

In 2003, Polarn O. Pyret signed a master-franchise agreement for Norway. In October 2003, the first P.O.P store opened in Oslo. During 2004, an additional three stores have been opened in Norway. RNB's objective is to sign additional master-franchise agreements in new markets.

# RNB RETAIL AND BRANDS

## Portwear Retail

Net turnover during the period amounted to 583.5 million SEK (617.5). Operating profit rose to 24.7 million SEK (-19.5). The number of owned stores at the end of the period was 48 (60). The lower number of stores is in line with the implemented restructuring programme.

## Financial position and liquidity

The group's balance sheet total was 351.2 million SEK, compared to 415.9 SEK at the end of the last fiscal year. The lower total capital employed is a consequence of the implemented restructuring programme. Shareholders' equity rose to 130.8 million SEK (107.9), giving a equity ratio of 37.2 percent (25.9).

Inventories as of 31 August 2004 amounted to 140.0 million SEK, compared to 158.1 million SEK at 31 August 2003.

Cash flow from current operations rose to 82.8 million SEK (17.8). Cash flow after investments improved significantly and amounted to 71.5 million SEK (-23.4).

Net debts in the company have diminished to 92.1 million SEK compared to 163.6 at 31 August 2003.

The group's liquidity, including unused bank overdrafts, was by the end of the period 45.6 million SEK compared to 41.2 million SEK at the end of the last fiscal year.

## Investments and depreciations

Investments for the period were 14.9 million SEK (61.1). The majority of last year's investments were due to the acquisition of the Champagne group. Depreciations during the period came to 25.5 million SEK (29.3), of which goodwill comprised 4.1 million SEK (4.0).

## Personnel

The average number of employees during the period was 489 (535).

## Parent company

Earnings for the parent company amounted to 248.0 million SEK (245.3). Profit after financial items rose to 15.3 million SEK (-61.8). Investments for the period were 8.4 million SEK (52.7).

## Forecasts

The restructuring programme that has been carried out during the last years is completed. The restructuring programme in combination with a positive development in sales, have led to a significantly improved profit. The profit 2003/2004 has been charged with losses and costs of about 15 million SEK, not appraised to recur during the fiscal year 2004/2005.

## Dividend

RNB's current dividend policy is to the shareholders divide one third of profit after tax. Owners of preference shares have preferential rights to dividend up to 11.4 million SEK.

The Board's dividend proposal for the fiscal year 2003/2004 and future dividend policy is to be declared during December 2004.

# RNB RETAIL AND BRANDS

## **Annual General Meeting**

Annual General Meeting will be held at 5:00 pm (CET) on January 25, 2005 at RNB RETAIL AND BRANDS, Regeringsgatan 29, Stockholm.

## **Annual Report**

The annual report 2003/2004 will be available at RNB RETAIL AND BRANDS headquarter and at [www.rnb.se](http://www.rnb.se) during December 2004. The Annual Report will be sent to the company's shareholders.

## **Pending financial communications**

Quarterly report, first quarter 2004/2005	January 25, 2005
Quarterly report, second quarter 2004/2005	April 8, 2005
Quarterly report, third quarter 2004/2005	June 23, 2005
Year-end report 2004/2005	October 21, 2005

Stockholm, October 22, 2004  
RNB RETAIL AND BRANDS AB (publ)

The Board of Directors

## **Inquiries regarding this report should be directed to:**

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# RNB RETAIL AND BRANDS

## September 2003 - August 2004

### CONSOLIDATED INCOME STATEMENT

MSEK	3 months Jun 2004- Aug 2004	3 months Jun 2003- Aug 2003	12 months Sep 2003- Aug 2004	12 months Sep 2002- Aug 2003
Net turnover	192,0	197,2	830,8	860,4
Other operating incomes	3,0	1,1	9,3	3,0
	<b>195,0</b>	<b>198,3</b>	<b>840,1</b>	<b>863,4</b>
Goods for resale	-100,4	-128,8	-409,4	-449,2
Other external costs	-42,4	-51,5	-184,3	-212,6
Personnel costs	-44,9	-46,6	-184,8	-199,9
Depreciation and write-downs of tangible and intangible fixed assets	-5,9	-5,6	-25,5	-29,3
Other costs for restructuring	-	-10,5	-	-10,5
<b>Operating income</b>	<b>1,4</b>	<b>-44,7</b>	<b>36,1</b>	<b>-38,1</b>
Financial incomes	0,3	0,3	0,5	0,6
Financial costs	-1,1	-3,3	-6,5	-12,6
<b>Income after financial items</b>	<b>0,6</b>	<b>-47,7</b>	<b>30,1</b>	<b>-50,1</b>
Tax	3,8	8,3	-7,2	5,0
<b>Profit/loss for period</b>	<b>4,4</b>	<b>-39,4</b>	<b>22,9</b>	<b>-45,1</b>
<b>Earnings per share (SEK), average number of shares</b>	<b>0,59</b>	<b>-5,25</b>	<b>3,05</b>	<b>-6,01</b>
<b>Average number of shares, 000's</b>	<b>7 504</b>	<b>7 504</b>	<b>7 504</b>	<b>7 504</b>

### CONSOLIDATED BALANCE SHEET

MSEK	31-Aug-2004	31-Aug-2003
<b>Assets</b>		
Intangible fixed assets	91,2	100,4
Tangible fixed assets	46,4	49,1
Financial fixed assets	30,3	37,9
Inventories	140,0	158,1
Other current assets	43,3	70,4
<b>Total assets</b>	<b>351,2</b>	<b>415,9</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity	130,8	107,9
Provisions	-	4,5
Long-term liabilities, interest-bearing	11,2	24,6
Short-term liabilities, interest-bearing	83,4	151,3
Other short-term liabilities	125,8	127,6
<b>Total shareholders' equity and liabilities</b>	<b>351,2</b>	<b>415,9</b>

## September 2003 - August 2004

### CASH-FLOW STATEMENT

MSEK	Sep 2003- Aug 2004	Sep 2002- Aug 2003
Cash flow from current operations before changes in working capital	53,7	-20,6
Changes in working capital	29,1	38,4
<b>Cash flow from current operations</b>	<b>82,8</b>	<b>17,8</b>
Cash flow from investments activities	-11,3	-41,2
<b>Cash flow after investments</b>	<b>71,5</b>	<b>-23,4</b>
Cash flow from financial activities	-81,3	25,4
<b>Cash flow for period</b>	<b>-9,8</b>	<b>2,0</b>

### CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Sep 2003- Aug 2004	Sep 2002- Aug 2003
Opening balance	107,9	153,0
Profit/loss for period	22,9	-45,1
<b>Closing balance</b>	<b>130,8</b>	<b>107,9</b>

### KEY FIGURES

		Sep 2003- Aug 2004 12 months	Sep 2002- Aug 2003 12 months
Gross margin	%	50,7	47,8
Operating margin	%	4,3	-4,4
Profit margin	%	2,8	-5,2
Return on capital employed	%	14,4	-13,1
Return on shareholders' equity	%	18,6	-34,6
Solidity	%	37,2	25,9
Interest coverage ratio	times	5,6	-3,0
Net dept	MSEK	92,1	163,6
Net dept/equity ratio	%	70,5	151,6
Average number of employees, full time		489	535
Average number of shares, 000's		7 504	7 504
Number of shares at end of period, 000's		7 504	7 504
Earnings per share after tax, average number	SEK	3,05	-6,01
Shareholders' equity per share at end of period	SEK	17,43	14,38

# RNB RETAIL AND BRANDS

## September 2003 - August 2004

### NET TURNOVER AND OPERATING RESULT PER BUSINESS AREA

	3 month Jun 2004- Aug 2004	3 month Jun 2003- Aug 2003	12 month Sep 2003- Aug 2004	12 month Sep 2002- Aug 2003
<b>Net turnover, MSEK</b>				
Polarn O. Pyret	61,4	58,4	248,0	245,3
Portwear Retail	130,9	139,7	583,5	617,5
Other	-0,3	-0,9	-0,7	-2,4
<b>Total</b>	<b>192,0</b>	<b>197,2</b>	<b>830,8</b>	<b>860,4</b>
<b>Operating result, MSEK</b>				
Polarn O. Pyret	2,5	-0,6	16,8	8,9
Portwear Retail	0,1	-22,7	24,7	-19,5
Other	-1,2	-21,4	-5,4	-27,5
<b>Total</b>	<b>1,4</b>	<b>-44,7</b>	<b>36,1</b>	<b>-38,1</b>

### INCOME STATEMENT PER QUARTER PARENT COMPANY

MESK	2004	2004	2003/2004	2003	2003	2003	2002/2003	2002
	June-Aug	Mars-May	Dec-Feb	Sep-Nov	June-Aug	Mars-May	Dec-Feb	Sep-Nov
Net turnover	192,0	184,7	219,1	235,0	197,2	190,7	228,6	243,9
Other operating incomes	3,0	3,3	0,7	2,3	1,1	0,8	0,6	0,5
Goods for resale	-100,4	-87,9	-115,6	-105,5	-128,8	-84,1	-126,9	-109,4
<b>Gross profit</b>	<b>94,6</b>	<b>100,1</b>	<b>104,2</b>	<b>131,8</b>	<b>69,5</b>	<b>107,4</b>	<b>102,3</b>	<b>135,0</b>
<b>Gross margin</b>	<b>47,7%</b>	<b>52,4%</b>	<b>47,2%</b>	<b>55,1%</b>	<b>34,7%</b>	<b>55,9%</b>	<b>44,5%</b>	<b>55,1%</b>
Other external costs	-42,4	-46,2	-46,7	-49,0	-51,5	-51,4	-54,2	-55,5
Personnel costs	-44,9	-41,0	-47,6	-51,3	-46,6	-51,0	-51,6	-50,7
Depreciation	-5,9	-6,6	-6,4	-6,6	-5,6	-7,8	-7,8	-8,1
Other costs for restructuring	-	-	-	-	-10,5	-	-	-
<b>Operating income</b>	<b>1,4</b>	<b>6,3</b>	<b>3,5</b>	<b>24,9</b>	<b>-44,7</b>	<b>-2,8</b>	<b>-11,3</b>	<b>20,7</b>
Financial incomes	0,3	0,1	0,1	-	0,3	0,0	0,1	0,2
Financial costs	-1,1	-1,6	-1,7	-2,1	-3,3	-2,4	-4,0	-2,9
<b>Income after financial items</b>	<b>0,6</b>	<b>4,8</b>	<b>1,9</b>	<b>22,8</b>	<b>-47,7</b>	<b>-5,2</b>	<b>-15,2</b>	<b>18,0</b>

### NUMBER OF STORES AT END OF PERIOD

	31-Aug-2004	31-May-2004	29-Feb-2004	30-Nov-2003	31-Aug-2003	31-May-2003	28-Feb-2003	30-Nov-2002
<b>Own stores</b>								
Sweden	85	84	84	96	97	103	100	101
Estonia	-	-	-	-	-	-	1	1
Lithuania	-	-	-	-	-	-	1	1
<b>Franchise stores</b>	<b>19</b>	<b>18</b>	<b>18</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>15</b>	<b>15</b>
<b>Total</b>	<b>104</b>	<b>102</b>	<b>102</b>	<b>112</b>	<b>113</b>	<b>119</b>	<b>117</b>	<b>118</b>

### ACCOUNTING PRINCIPLES

The accounting principles and methods for calculations in the parent company and concern, is in accordance with those used in the latest annual report.

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

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