RNB

RNB RETAIL AND BRANDS

ANNUAL REPORT
2011/2012

POLARN O. PYRET

DEPARTMENTS & STORES

BROTHERS

SISTERS

JC
Jeans Comp

RNB RETAIL AND BRANDS owns, operates and develops fashion, clothing, accessories, jewelry and cosmetics stores that focus on providing an excellent service and shopping experience. The number of stores comprising the RNB Group totals 379, of which 151 are operated by franchisees. The RNB RETAIL AND BRANDS share has been listed on the Nasdaq OMX Nordic Exchange since 2001 in the Small Cap retail sector under the RNBS ticker.

The store concept strategy is to offer attractive and target-group-oriented ranges of fashion and accessories in major cities, towns and shopping centers. The Brothers & Sisters and JC business areas offer a mix of strong proprietary and external brands, with a distinct profile in the volume segment. Polarn O. Pyret is the leading brand and store concept for baby and children's wear in the quality segment of the Swedish market and also has a growing international presence.

In the Department and Stores business area, RNB focuses on the customer interface and on providing high-quality product ranges and store environments. The stores offer fashion for women, men and children, as well as accessories, jewelry and cosmetics for customers demanding top-class service and quality. Sales are conducted in the NK department stores in Stockholm and Gothenburg, and at the Kosta Outlet.


TS & STORES
SISTERS
JC
Jeans Company

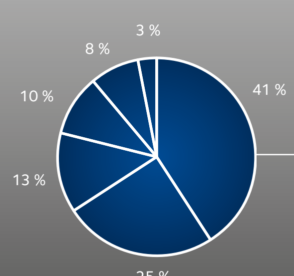
The year in brief

2011/2012 fiscal year in figures

- Net sales amounted to SEK 2,791 M (2,966), down 5.9%. Sales in comparative proprietary stores declined 2.0%.
- Impairment of goodwill in Brothers & Sisters was applied in the amount of SEK 201 M (in the preceding year, goodwill and brands in JC were charged with impairment losses of SEK 431 M).
- The operating result, excluding impairment of goodwill and brands in 2011/2012 and the preceding year, decreased SEK 24 M, amounting to a loss of SEK 102 M (loss: 78). JC's operations in Norway, which were discontinued during the year, had an adverse impact of SEK 62 M (adverse impact: 63) on the operating result.
- The loss after tax totaled SEK 329 M (loss: 445), corresponding to a loss of SEK 1.99 per share (loss: 2.69).
- Cash flow from operating activities amounted to a negative SEK 4 M (neg. 18).

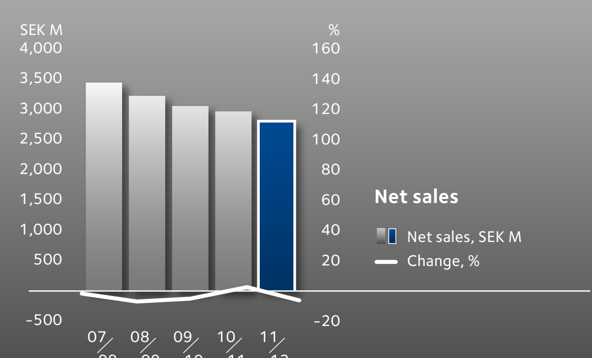
Significant events, 2011/2012

- Activities in Norway were discontinued during the past fiscal year, adversely impacting operations by SEK 63 M.
- In February, RNB RETAIL AND BRANDS decided to merge the logistics departments of JC, Brothers & Sisters, and Polarn O. Pyret to form a central organization located in Stockholm. Previously, there was one logistics department for JC/Brothers & Sisters and another based in Stockholm for Polarn O. Pyret. The merger of logistics operations and their central placement in Stockholm provide synergism of SEK 2–3 M.
- In August, RNB RETAIL AND BRANDS concluded a collaboration agreement with Coop – one of Sweden's major retailers – to the effect that Coop's 3.2 million members receive a refund of 1%, discounts and exclusive offers from Polarn O.Pyret, JC and Brothers & Sisters. Collaboration with Coop, which was implemented in the stores in early November, offers RNB the opportunity to reach new customers and the potential to enhance existing customer relationships. This business partnership covers all stores in the Polarn O. Pyret, JC and Brothers & Sisters business areas throughout Sweden.



Sales per product category, %

Men	41 %
Women	25 %
Children	13 %
Underwear & accessories	10 %
Cosmetics	8 %
Jewelry	3 %



Net sales

Net sales, SEK M
Change, %

Significant events, after the end of the fiscal year

- In September, JC and Brothers launched e-commerce initiatives. Following the launches, Brothers and JC have extended their customer access and offer shopping 24/7 throughout the year. As a result of the e-commerce launches by Brothers and JC, all of the RNB Group's three business areas based on store networks now have online stores. Since May 2012, Polarn O. Pyret has offered e-commerce opportunities in EU countries, while the online store in Sweden was established as early as 2009.

- The terms and conditions for operating finance offered to RNB RETAIL AND BRANDS by its principal major shareholder, Konsumentföreningen Stockholm, were renegotiated in September. Most of the financing, which takes the form of loans totaling SEK 500 M, was extended to June 30, 2015. The loans are repayment free up to the due date, while other loan terms and conditions remain unchanged.

- At the end of September, certain changes were made among Group management. Anders Wiberg took over the role as the new president of Polarn O. Pyret, while Maria Öqvist was appointed the new president of Brothers & Sisters. Both changes came into effect on 27 September 27, 2012. In addition, Peter Bondelid was recruited in November 2012 as Supply Chain Director, replacing Anders Wiberg as of November 19. Stefan Danieli succeeded Gunnar Bergquist as CFO for RNB RETAIL AND BRANDS as of November 1. In connection with these changes, Yongan Kim stepped down from Group management.

- In December, the company concluded an agreement with Konsumentföreningen Stockholm covering the refinancing of SEK 100 M of the existing SEK 200 M overdraft facility. Following a decision of the company's current creditors regarding the current SEK 200 M overdraft facility, this facility is to be halved as of January 1, 2013. To ensure the company's liquidity, the current overdraft facility has been supplemented with a credit facility of SEK 100 M from Konsumentföreningen Stockholm, plus an additional credit facility of SEK 50 M. Both credit facilities apply as of January 1, 2013 through December 31, 2013 and may be used regularly throughout the year as required.

Net sales per quarter and business area **2011/2012**

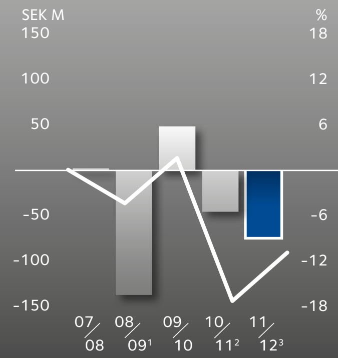
SEK M	Q1	Q2	Q3	Q4	**Total**
Polarn O. Pyret	157.6	135.3	101.5	120.6	**515.0**
Department stores[1]	254.9	271.0	203.8	227.1	**957.3**
Brothers & Sisters	146.5	135.7	131.0	136.2	**549.4**
JC	201.5	212.2	178.7	186.5	**778.9**
Other	-6.9	-0.2	2.2	-0.3	**-9.6**
Total	**753.6**	**754.0**	**612.8**	**670.6**	**2,791.0**

1 Department stores comprise Department & Stores and Kosta Outlet.

Operating profit/loss per quarter and business area **2011/2012**

SEK M	Q1	Q2	Q3	Q4	**Total**
Polarn O. Pyret	22.2	11.0	0.1	-0.5	**32.8**
Department stores[1]	13.5	16.4	1.2	27.3	**58.4**
Brothers & Sisters	5.8	-15.1	-13.5	-221.3	**-244.1**
JC	-44.8	-30.1	-13.2	-22.5	**-110.6**
Other	-11.6	-7.3	-8.3	-12.6	**-39.8**
Total	**-14.9**	**-25.1**	**-33.7**	**-229.6**	**-303.3**

1 Department stores comprise Department & Stores and Kosta Outlet.



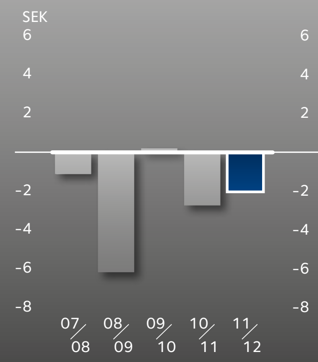
Operating profit/loss

Operating profit/loss, SEK M
Operating margin, %

1 The operating result for the second quarter of 2008/2009 is reported exclusive of the impairment loss on goodwill, which amounted to SEK 500 M.

2 The operating result for the third quarter of 2010/2011 is reported exclusive of the impairment loss on goodwill and brands, which amounted to SEK 431 M.

3 The operating loss for the fourth quarter of 2011/2012 is reported exclusive of the impairment of goodwill totaling SEK 102 M.



The share

Earnings per share, SEK
Dividend per share, SEK

CEO's comments

The past year was marked by the continuing sluggish market conditions in many areas. Although the program of changes continued throughout the Group during the year, financial pressure was exerted on the Group as a result of poor earnings and weak sales. After the close of the fiscal year, we have secured medium-term financing; nevertheless, we are assessing a number of strategic courses of action to ensure long-term sustainable financing. The bright spots of the year included reduced costs, lower inventory growth, the phase-out of JC in Norway and the establishment of production offices and production coordination, as well as the launch of e-commerce for all the Group's concepts based on store networks.

"Despite having to operate in market conditions that remain challenging and our weak financial position, I have a positive view of the pace of change and the development of RNB operations as we enter the 2012/2013 fiscal year. If we can put a stronger financial structure in place and ensure the long-term financing of operations, while securing sustainable results from the turnaround programs, I believe we will have a platform for posting steadily improved earnings and cash flow."

Magnus Håkansson, President and CEO

The adverse trend in the retail-clothing sector from the preceding year continued through the 2011/2012 fiscal year. The downturn was about 3.9%, according to the HUI index for the period September 2011 to August 2012. The challenging market conditions, combined with our specific corporate challenges, contributed to the 5.7% fall in sales in comparable stores in Sweden. During the fiscal year, however, we outperformed the market in terms of sales trends during three of four quarters, despite the operations of both JC and Brothers & Sisters being marked by wide-ranging adjustments and a significant negative impact on the gross margin from the inventory reduction programs. During the final quarter of the year, our sales progress clearly underperformed that of the overall market. Sales trends continue to show major fluctuations and, at the beginning of the 2012/2013 fiscal year, our sales have dipped slightly below the market average.

Weak market in transition

Our market is characterized by fundamental indecisiveness deriving from a cautious approach among consumers and a number of particular factors of uncertainty. I feel that the factors adversely affecting the current market will continue throughout the year ahead. We live in a volatile macroeconomic environment with a European debt crisis giving rise to uncertainty. To date, Sweden has managed relatively well, but we note signs of weakening economic activity that could cause a slide into recession. Obviously, this clearly risks adversely impacting the retail sector. We also see a number of sector-specific factors that are forcing change in our market. The primary aspects are the excessive number of players in the sportswear trade and the fact that the fashion sector is continuing to suffer from the effects of high inventories that have to be sold via discount sales.

The sportswear sector, in particular, has become a stronger competitor today, as its approach is steadily contributing to sector convergence. The high growth rate for e-commerce is also imposing pressure to change. Since consumers are increasingly opting to complete part of their purchases online, it is crucial that we are also competitive in this forum. Due to macroeconomic trends, the activities of the sportswear sector and the progress of e-commerce, there is a substantial risk that the sector will continue to be marked by excessive inventories, thereby increasing the intensity of discount sales.

Challenging year with several activities

Over the course of the year, we completed a number of improvement programs in line with the strategic agenda established in May 2011. All these actions are aimed at raising efficiency and reducing costs in a bid to upgrade and further develop operations. The high work pace, with intensive efforts to implement all changes, makes me grateful and proud of what we have achieved. The most significant measures include:

- the launch of the new JC – "JC Jeans Company" – has to date entailed the revamping of 31 stores, with a new name, new communication concepts and new autumn and winter collections
- finalizing the phase-out of JC Norway
- remodeling of sales space at Brothers & Sisters was 50% completed
- start-up of the strategic repositioning of Brothers
- phase-out of the proprietary product range at Sisters was accomplished
- inventory reductions at the Group level totaling SEK 89 M.
- establishment of the coordinated production organization through which full cost synergies and operational efficiency will be realized over the next two fiscal years
- creation of a coordinated logistics organization and closure of the logistics facility in Gothenburg
- reducing head office staffing by 20 employees
- and the switchover of 30 franchise stores to proprietary operations.

Flat sales create challenges in terms of financing and liquidity

Sluggish sales, combined with high indebtedness and weak cash flow, entail continuing financial pressure on the Group. Following a decision of the company's current creditor, the company's overdraft facility of SEK 200 M will be halved as of January 1, 2013. To safeguard the company's liquidity, the current overdraft facility will be supplemented with a new credit facility of SEK 100 M from Konsumentföreningen Stockholm, in addition to another credit facility of SEK 50 M. Both credit facilities apply as of January 1, 2013 through December 31, 2013 and may be used regularly as required during the year. Konsumentföreningen Stockholm's assuming of greater responsibility for the company's financing creates favorable conditions that permit us to calmly consider a number of strategic alternatives in an effort to create a long-term, stable financial position.

We are continuously evaluating our business areas in an effort to ensure that their market position and contribution to our results support our overriding goal of maximizing shareholder value. Overall, however, the new financing structure will increase our total interest expense, but this is the price we must pay to gain greater financing security in the medium term.

Focus on e-commerce

During the autumn, both JC and Brothers launched e-commerce in the Swedish market. Since May 2012, Polarn O. Pyret has offered e-commerce in all EU countries via www.polarnopyret.com. Polarn O. Pyret has pursued e-commerce in the Swedish market since 2009. Thanks to the launch of e-commerce by Brothers and JC, combined with the earlier e-commerce presence of Polarn O. Pyret, all three RNB Group business areas based on store networks now support e-commerce. The launch of e-commerce by Brothers and JC represents a key step in the development of RNB, since this segment offers substantial growth potential and is a key sales channel that is projected to expand sharply. E-commerce also permits us to extend customer access and offer greater selection potential for our customers, while RNB simultaneously meets customer requirements to prepare their in-store purchases by being able to view clothing and gain online inspiration before visiting stores.

New Group management

Following the close of the fiscal year, certain changes were made among Group management. Anders Wiberg, formerly Supply Chain Director, became president of Polarn O. Pyret, while Maria Öqvist, previously president of Polarn O. Pyret, took over as president of Brothers & Sisters. Both changes came into effect on September 27. Peter Bondelid was recruited externally in November to fill the position of Supply Chain Director and replace Anders Wiberg, while Yongan Kim elected to step down from Group management in conjunction with these changes.

Stefan Danieli has been CFO since November 1, succeeding Gunnar Bergquist.

Some promising features ahead of the next fiscal year

While the actions taken have already cut costs, I believe that additional cost cutting during the 2012/2013 and 2013/2014 fiscal years is necessary. My confidence in the assessment of the potential of previously communicated cost savings remains unchanged, but I feel that the weak market conditions and our vulnerable financial position will entail some delay in realizing the full effects. Inventories are much healthier now and more conservatively valued compared with a year ago, creating better conditions for selling at full margins. As we also noted continuously throughout the past fiscal year, we are engaged in a number of parallel measures aimed at positively impacting cash flow and liquidity. In addition, the closure of JC Norway will have a positive effect on earnings, since SEK 62 M of this year's loss will not recur. This also applies to operations at Illum in Denmark, which had an adverse impact of SEK 9 M on earnings for the year.

In addition to the actions aimed at bolstering financial stability, a number of programs will be introduced to raise sales. One of the key steps in this direction is the launch of preparations to expand Polarn O. Pyret in the Netherlands, where I expect the first store to open during spring 2013.

The turnaround program at JC faces a significant period during the winter, and efforts to convert the remaining JC stores will continue during the coming fiscal year. I am more positive toward the progress that will be made by JC during the year ahead compared with its situation at the beginning of the past fiscal year. To achieve a steady improvement in earnings and cash flow, what is needed, in addition to the sustainability of turnaround programs, is a stronger financial structure that secures long-term operational financing. Despite having to operate in market conditions that remain challenging and our weak financial position, I have a positive view of the pace of change and the development of RNB operations as we enter the 2012/2013 fiscal year.

Goals and strategy

Business concept

RNB RETAIL AND BRANDS develops and distributes its brands through clear-cut concepts and stores offering an attractive range of fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics, with the aim of providing customers with excellent service and a world-class shopping experience.

Vision

"The ultimate shopping trip"

Goals

RNB RETAIL AND BRANDS aims to create value for its shareholders and other stakeholders through profitable and sustainable growth. This overriding goal of profitable, sustainable growth is to be achieved by pursuing a clear operational strategy.

Operational objectives

RNB aims to provide customers with excellent service and a world-class-shopping experience with the help of skilled and highly motivated personnel, combined with an attractive store concept. The objective is to achieve a conversion rate (proportion of paying customers to the number of store visitors) of 20%.

Strategic focus

RNB RETAIL AND BRANDS' strategic focus is based on the change program initiated during the 2010/2011 fiscal year. The change program is expected to be completed during 2012/2013 fiscal year , but will not have a full impact until the 2013/2014 fiscal year. The aim of the strategy is to enhance cost efficiency and generate increased synergies, thus creating the conditions for profitable and sustainable growth.

In brief, the Group's strategic agenda entails:

- Sharpening the focus on customer satisfaction and best practice in sales.
- Ensuring competitive and financially stable franchisees.
- Continuing to develop e-commerce for JC, Polarn O. Pyret, and Brothers & Sisters.
- Boosting cost-effectiveness throughout the Group.
- Ensuring a cost-effective and coordinated production process.
- Ensuring operational efficiency in work involving rental issues, development of the store network and the establishment of new outlets.
- Developing and implementing work methods aimed at best practices in marketing.
- Continuing to focus on the implementation of the Group's strategic change plan, entailing:
  - Adjusting and partly repositioning Polarn O. Pyret in response to changes in market dynamics and stiffer competition.
  - Repositioning Brothers.
  - Highlighting and rationalizing Sisters.
  - Implementing phase two of the conceptual and financial turnaround plans for JC.

Business area	Stores	
JC	**117**	of which 42 franchises
Sweden	100	of which 42 franchises
Finland	17	of which 0 franchises
Brothers & Sisters	**85**	of which 33 franchises
Sweden	75	of which 33 franchises
Finland	10	of which 0 franchises
Brothers & Sisters dual-purpose stores	42	of which 18 franchises
Sweden	24	of which 18 franchises
Department Stores	**47**	16,818 sqm
NK Stockholm	30	
NK Gothenburg	16	
Kosta Outlet	1	
Polarn O. Pyret	**130**	of which 76 franchises
Sweden	65	of which 11 franchises
Norway	24	of which 24 franchises
Finland	15	of which 15 franchises
England	11	of which 11 franchises
Ireland	4	of which 4 franchises
US	4	of which 4 franchises
Scotland	2	of which 2 franchises
Iceland	2	of which 2 franchises
Estonia	2	of which 2 franchises
Latvia	1	of which 1 franchise

RNB RETAIL AND BRANDS worldwide

Polarn O. Pyret

Polarn O. Pyret is a fully integrated brand for baby, children's and maternity wear, with products that are designed, produced and distributed through proprietary stores and franchise stores in Sweden and abroad. Since its inception in 1976, Polarn O. Pyret has established a position as the leading brand and store concept for children's clothing in the quality segment of the Swedish market and its clothing is famous for its high quality, functionality and design. Polarn O. Pyret is currently established in ten markets.

Departments & Stores

Departments & Stores offers a unique distribution platform for national and international brands in strong marketplaces. The company has extensive operations in the Nordic region's two leading department stores – NK in Stockholm and NK in Gothenburg.

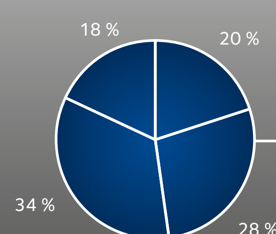
Outlet operations – Kosta Outlet Mode – are also conducted with leading brands in one of Sweden's largest outlet areas – Kosta Outlet. A shared feature at RNB's department stores is a focus on the customer interface, combined with a high-quality product range, the store environment and excellent customer service. The operations span from children's clothing to jewelry, and all of our customers impose rigorous demands on service, knowledge and quality.

JC – Jeans Company

JC – Jeans Company – is a store concept that represents a young lifestyle based on jeans and clothing worn with jeans. The range is based largely on proprietary products and supplemented with external jeans brands. JC has a long history and the first JC store was established in 1963. In Sweden, stores are operated on either a proprietary basis by JC, or on a franchise basis. In Finland, all stores are operated centrally by JC. The aim is that JC's design and internal brands, in combination with the world's leading jeans brands, will jointly create a broad and comprehensive offering of jeans designed to increase availability and product knowledge, and thus offer "one-stop shopping" for customers. JC is the leading jeans retailer in Sweden.

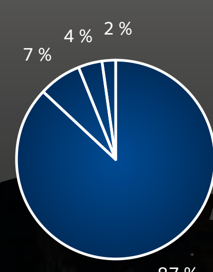
Brothers & Sisters

Brothers & Sisters are two volume-oriented, comprehensive concepts for men and women. Brothers offers well-tailored garments and casual fashion in an inspiring store environment characterized by excellent service. The range consists mainly of proprietary brands, which are supplemented with external brands in the upper mid-price segment. The first Brothers store in Sweden opened in 1992, while Sisters was launched in Sweden in 2000. The first international establishment took place in Finland in 2006. The stores in Sweden are operated either by RNB or independent franchisees. In Finland, RNB owns all stores.



Sales 2011/2012 per business area, %

Brothers & Sisters	20 %
JC	28 %
Department Stores	34 %
Polarn O. Pyret	18 %



Sales 2011/2012 per geographic market, %

Sweden	87 %
Finland	7 %
Norway	4 %
Other	2 %

Our market

RNB RETAIL AND BRANDS pursues operations in fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics through its subsidiaries Departments & Stores, Polarn O. Pyret, Brothers & Sisters and JC. Operations are conducted in a total of 10 markets, of which Sweden is the single largest.

Market trend during the past fiscal year

Sales in the clothing market in Sweden during the past 12-month period totaled SEK 55 billion, according to statistics from HUI Research. In 2012, the growth trend that had lasted since autumn 2010 was reversed, with the market as a whole remaining very flat during the past fiscal year. The total clothing market declined 3.9% over the past 12 months. While major uncertainty surrounds the way the market will develop in the year ahead, there is a considerable risk of a continuing sluggish macroeconomic trend, resulting in a negative impact on private consumption.

During the period September 1, 2011 to August 31 2012, RNB's comparable sales in proprietary stores in Sweden fell 5.7%. The total comparable trend for RNB in proprietary stores in all countries was a decline of 4.2%. Due to the sluggish trend during the year, 2012 will show the weakest growth in retail sales since 1996. Households are opting to increase their savings at the cost of consumption, a pattern that is likely to continue while they await more certainty regarding the progress of the European debt crisis and any potential impact on Swedish household finances. A deeper international economic crisis would probably to lead to a continuing fall in sales, while a solution to the debt crisis could have the opposite effect. The current trend points to considerably weak market conditions during the 2012/2013 fiscal year.

Driving forces

The retail market is driven by several different external forces, the most significant being economic factors such as GDP changes, disposable income trends, tax and interest rates, consumer views of their private financial status and general economic conditions. Demographics represent another factor affecting retail demand. A gradual, long-term shift toward the 30–60 age group means that such people represent a larger percentage of the population, which in turn accords them greater significance for retail operations as a whole.

Seasonal variations

Retail sales trends vary with the season. Sales are strongest during the autumn and winter, peaking in December when Christmas shopping acts as a powerful driving force. Historically, August has also been a strong sales month, since the start of the school year triggers an increase in the sale of children's clothing. Prices are generally higher for autumn and winter collections, thus positively impacting gross profit during the first quarter (September to November). The major discount sales months are January, February and July, which negatively affect gross margins and operating margins during these periods. Weather is another factor that impacts sales. A mild autumn and winter tends to adversely affect sales, while cold, wet summers have historically boosted sales.

Sharper competition in several areas

RNB competes primarily with international retail chains, local chains, independent stores, clothing departments at department stores, shopping centers and sportswear stores. Price competition has intensified among retail clothing chains in recent years due to a surplus of inventories. During the year, sportswear stores, which compete largely through low prices, became a very strong competitor, notably for outdoor clothing. All retailers in the clothing and accessories market – irrespective of price and quality segments – compete to some extent and the price pattern in one part of the market also impacts on other parts.

The Swedish retail clothing market has undergone structural transformation in recent years, with large stores and store chains winning market shares. In addition to this, the structural transformation is also driven by an over-establishment of shopping centers and volume retail locations, with certain recently opened locations appearing as winners at the cost of others. Consequently, as a retail chain, it is crucial to have the foresight and strength to be able to relocate. Despite the sluggish market, the structural transformation continued to a certain extent during the past fiscal year. The retail sector is a relatively mature one that grows at approximately the same rate as GDP, but offers favorable growth potential to companies that have a strong position and/or are financially robust and can thus participate actively in the structural transformation. The trend toward a market dominated by large players continues, with economies of scale offering a decisive competitive advantage, as reflected in better gross margins for the major players. The number of sales outlets and employees among clothing retailers have increased since the early 2000s. One effect of this trend is that acquisitions of local store chains and store premises are becoming increasingly common, while attractive business locations have become a progressively significant competitive factor.

Consumers are displaying greater maturity in their e-commerce activities. The trend in e-commerce has been highly positive, with an annual growth rate of some 15% over the past two years. Market analysts expect e-commerce to continue to report favorable growth, partly at the cost of in-store sales. This trend is further accentuating the structural transformation described above. Since September 2012, RNB has been well positioned to secure its share of the growing e-commerce segment.

Business area	Markets	Number of stores	Number of employees	Sales	Competitors
POLARN O. PYRET	Sweden, Norway, Finland, England, Scotland, Ireland, Iceland, Estonia, US, Latvia	130	230	SEK 515.0 M	In Sweden: H&M, Lindex, KappAhl, Stadium. In other markets there are various competitors per market.
DEPARTMENTS & STORES	Sweden	47	425	SEK 957.3 M	Åhléns City, Biblioteksgatan in Stockholm, Kicks and independent stores.
BROTHERS SISTERS	Sweden, Finland	85	212	SEK 549.4 M	Brothers: MQ, Jack & Jones, Dressmann. Sisters: MQ, H&M, Vero Moda, Gina Tricot, Zara, Lindex.
JC	Sweden, Finland	117	464	SEK 778.9 M	Carlings, Solo, MQ and local independent stores.

JC
Jeans Company

Malin Jonsson is Store Manager at JC in the Gallerian mall in Hamngatan, Stockholm. She has worked at JC for nine years.

What is your principal task as store manager?

My key task as store manager is to make sure the store is operated profitably. Naturally, this includes supervising, training and motivating store employees.

How do you approach the challenge of attracting older customers to the stores?

I think our "Jeans for all" campaign, which was launched in August, will ensure that customers who have not shopped at JC for some time will again take note of us.

How much contact do you have with RNB as a company and brand?

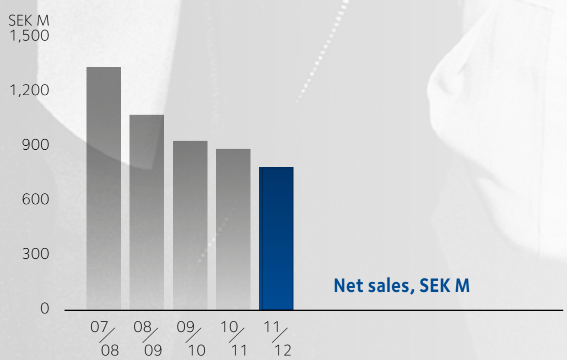
I have contact with RNB on a daily basis through our shared Intranet, via which I can get the latest news and other information.

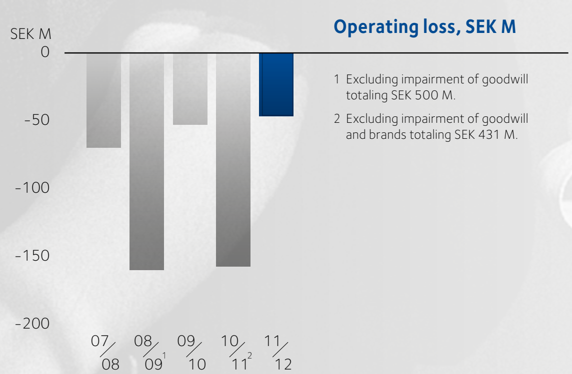
How do you differentiate JC from your competitors (such as Carlings and Solo)?

We focus on a broader target group than our competitors. Our new concept has created clarity around the word jeans. I feel our high service level leads customers to perceive us as always offering that little extra. For example, offering free jeans alterations is a matter of course.

Jeans Company

The JC concept is based on jeans and clothing worn with jeans. The proprietary brands are supplemented with a number of the world's leading jeans brands to create a broad and comprehensive jeans offering. JC's goal is to remain the best in jeans and, by doing so, defend its leading market position.





Vision

"The ultimate shopping trip"
This means that JC's customers receive inspiring and good service through personnel who know all there is to know about jeans and jeans fashion.

Business concept

JC will be the best in jeans and clothing worn with jeans.

Key figures JC

SEK M	**11/12**	10/11
Net sales	779	879
Share of RNB's sales, %	28	30
Operating loss	−48[2]	−92[1, 2]
Number of employees	464	426
Number of stores	117	146
Of which, franchises	42	67
Of which, outside Sweden	17	38

1 Excluding impairment of goodwill and brands
2 Excluding JC Norway.

Development in 2011/2012

During the past fiscal year, everything focused around transforming JC and on the turnaround plans we established at the beginning of the year. Our operation in Norway was phased out in a positive manner, both financially and operationally. We devoted considerable energy to efficiency-enhancing our organization and our working method. This included being compelled to reduce the number of employees in central positions, resulting in cost savings of more than SEK 6 M. We have also raised the efficiency of our in-store working methods, meaning we have the right employee in the right place to a greater extent than previously, which contributed more than SEK 4 M in savings. Summing up the two measures outlined above, plus a number of minor measures, corporate cost savings totaled some SEK 15 M for the entire year. Nonetheless, we are not satisfied with this and, thus, the hunt continues for additional efficiency enhancement in the organization and cost savings. Another feature of our efficiency programs was to substantially reduce inventory levels. Efforts in this respect were successful, with inventories falling from about SEK 170 M at the beginning of the year to some SEK 100 M at year-end, August 31. This is a level that represents very healthy inventories.

Sales at JC amounted to SEK 779 M, down more than 11% compared with the preceding year, while sales in comparable proprietary stores declined 2.3%. During the 2011/2012 fiscal year, 20 stores were taken over from previous franchisees and are now run as proprietary stores. The takeover proved positive for JC, with nine of these 20 stores generating an operating profit during the fiscal year. Of the comparable stores, more than 80% had been converted to what we call model stores by August 31. A model store is one that features a particular customer flow path, an open space between the cashpoint and the fitting room, along with a revamped background. Including the stores taken over, we have converted about 65% of all stores. In addition, 10 stores formerly owned by franchisees were also converted to model stores.

During the year, Maj-La Pizelli – with a career background from Filippa K – was recruited to JC's management group. In addition, Rasmus Wingårdh and Ylva Liljefors were employed as designers in charge of JC's new Size 8 Needle brand.

Turnaround program to continue

Throughout the year, we worked in accordance with the specially designed turnaround plan that was approved for JC in October 2011. As noted above, we have accomplished a great deal but much remains to be done. The plan comprises two primary components – a conceptual turnaround and a financial turnaround. These two interact, of course. As of August 31, we had made considerable progress in terms of the conceptual turnaround, but a little more remains to be achieved regarding the financial turnaround of JC.

With the initial measures, we have created a robust platform for building further on our turnaround program.

Our focus now is to cement the first phase of the turnaround work throughout the organization and then take the next step. The turnaround program is bearing fruit, although we wish we could move at a faster pace. We are moving in the right direction and what is required is unrelenting hard work, continuity and endurance.

JC Jeans Company – the "new" JC

Since 1962, we at JC Jeans Company have worked primarily with jeans and, of course, clothing worn with jeans, as our basic activity. This guides our offering and is what our personnel know most about by far and for which our stores exist. As part of the ongoing turnaround program, JC is currently developing its store concept while also changing its name to JC Jeans Company.

The vision is to continue to maximize our position as being best in jeans while further consolidating our market-leading status. The key objective for JC is to showcase our wide-ranging jeans offering, in terms of both brands and designs, thereby attracting a broader target group.

Jeans for all

"Jeans possess unique energy and allurement. They are democratic and put everyone on equal terms, as well as representing freedom and creativity. As a result, we like jeans and all clothing worn with jeans. We are a jeans company and we move in a jeans society. Jeans are for all; all are for jeans. Jeans for all!"

"Jeans for all" is the foundation in JC's new core expression and its modified market communications. The change from the past is primarily that we now have a sharper focus on jeans. We are the market leader and jeans are our legacy – features we aim to highlight. Several celebrities are fronting the "Jeans for all" campaign, which was launched in August. This marked the starting shot for the new JC – JC Jeans Company. The campaign had a major media impact and features a range of unique people. The purpose is to highlight the variety of people in today's Sweden and that JC really has jeans to match all personalities, styles and designs. In addition to our proprietary brand, Crocker, external brands such as Levi's, Lee, Wrangler, Replay, Tiger Jeans, G¬Star, Denim is Dead, Nudie and The Local Firm are available in our stores.

50 years with JC

1962

Junior center

1979

for active people

1990

JC. Jeans & Clothes

Customers and competitors

Streamlining the JC brand and encouraging more customers to discover our wide-ranging offering of specifically jeans represents a major challenge. Our focus on jeans, as manifested in the name change to JC Jeans Company and the "Jeans for all" campaign, combined with a revamped store concept, entails greater clarity in terms of customer perception. We are also offering an updated and modernized range of other clothing. Combined, all these features create a more distinct image of JC's offering and product range. By adding to our distinctiveness, the objective is to broaden our customer base to include somewhat older age groups, and to encourage them to return to JC.

JC is indisputably the market leader in jeans in our primary market, Sweden. The main competitors are H&M, Dressman and KappAhl, while MQ and Carlings are other obvious competitors but have a lower market share in jeans. JC's customer club – JC Club – is growing rapidly. At the end of the fiscal year, JC Club had 260,000 active members.

Outlook and challenges

Ahead of the forthcoming fiscal year, JC – like other market players – is faced with a number of challenges. The challenges primarily comprise operating in sluggish market conditions, combined with an excess establishment of outlets, which is leading to stiffer competition. To a certain degree, the over-establishment has created an inventory glut, leading in turn to greater pressure for discount sales. Moreover, sportswear stores have become a stronger competitor by competing for the funds at our customers' disposal with regular campaigns. E-commerce has grown sharply over a number of years, a trend that continued during the past year. For us, the transition from in-store trading to e-commerce is a challenge to be met. JC launched an e-commerce site in late September and developing our e-commerce operations will be a priority area in the years ahead.

We also aim to continue to realign JC in an effort to create greater internal efficiency. In the year ahead, our focus will be on converting the stores and developing the collections, as well as cooperating with external suppliers. This means that during the coming year, we plan to intensify cooperation with external brands, such as Nudie and The Local Firm, which are already available in JC's stores. During the past year, two new brands – Inch and Size 8 Needle – were launched at JC. These two brands offer considerable sales potential and are ideal complements to JC's current product range.

1998 **2006** **2012**

POLARN O. PYRET

Jessica Bjärelid-Grip manages the Polarn O. Pyret store in the Fältöversten shopping mall at Karlaplan, Stockholm. Jessica has been working at Polarn O. Pyret fore five years.

What is your principal task as store manager?

For me, that would be inspiring and coaching my staff toward achieving the ambitious targets that we hope to achieve. I also want to set a good example and "walk the talk." I hope that I can give energy that helps to develop the staff.

How do you approach the challenge of getting young parents, those born in the 1980s and 1990s, into Polarn o. Pyret stores?

We work constantly to attract as many people as possible to our customer club, since this is an important and efficient channel for communication with our customers. I think it is vital that our marketing reaches out to this target group. Something that I also believe our customers appreciate and value is the real expertise we have in our stores about how to best dress children.

How much contact do you have with RNB as a company and a brand?

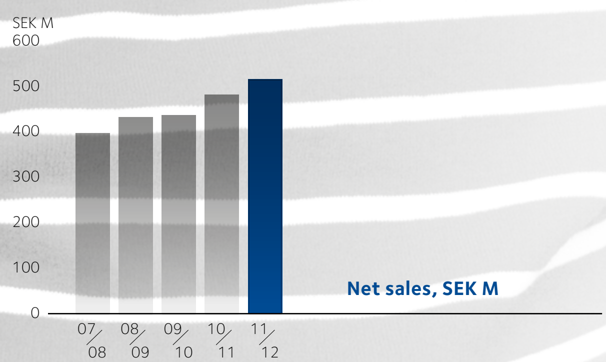
My contact with RNB is mainly through our shared Intranet – where there is a lot of good information – and our regular regional meetings.

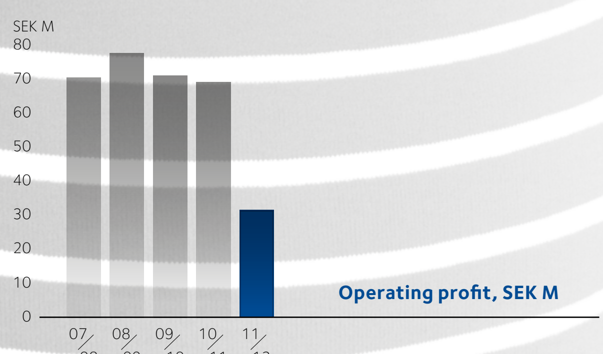
How does Polarn O. Pyret differentiate itself from competitors (such as H&M, Lindex and sports fashion stores that sell outerwear)?

What makes us special is our high level of service and customer focus. Our unique design, high quality and multifunctional garments that are adapted to children's needs also set us apart. All of our garments are carefully created and designed to be worn by all types of children – large or small, girl or boy.

POLARN O. PYRET

Polarn O. Pyret is a fully integrated brand for baby, children's and maternity wear, with products that are designed, produced and distributed through proprietary stores and franchise stores in Sweden and abroad. Since its inception in 1976, Polarn O. Pyret has established a position as the leading brand and store concept for children's clothing in the quality segment of the Swedish market and its clothing is famous for its high quality, functionality and design. Polarn O. Pyret is currently established in ten markets.





Vision

"The ultimate shopping trip"

Polarn O. Pyret's customers seek experiences and want to feel inspired. Through creativity, innovation and knowledgeable personnel, we create attractive stores with exposure and service that give our customers a pleasurable shopping experience, at both the time of purchase and afterwards.

Business concept

What: Smart clothing for children's every need (0–12 years)

Who: Parents and gift buyers

How: In stores where personnel are well-trained in how children should be clothed

Unique: Our combination of design, functionality and quality

Key figures Polarn O. Pyret

SEK M	**11/12**	10/11
Net sales	515	481
Share of RNB's sales, %	18	16
Operating profit	33	69
Number of employees	230	249
Number of stores	130	117
Of which, franchises	76	70
Of which, outside Sweden	65	56

Development in 2011/12

Polarn O. Pyret showed a weak trend throughout the 2011/12 fiscal year; a trend that accelerated toward the end of the year, when sales fell by more than the market. Comparable sales in proprietary stores fell 4.3% for the full-year, compared with the preceding year. The decline was due to several minor, but interrelated, factors that, in combination, led to a sharply negative trend. Reduced sales in comparable stores, a focus on lower inventory levels and the subsequent implications for gross margins, led to a negative earnings trend. The gross margin was also adversely impacted by higher purchase prices that were not passed on to consumers. In 2011/2012, nine new stores were established through master franchisees.

Profitability before expansion

Due to the weak market conditions and the growing significance of online shopping, we revised our previous objective of continuing to expand our brick-and-mortar store network in Sweden. Today, our main focus is to increase sales and thereby profitability. We will do this by growing were we are today and developing our existing stores. Our brand and strong market position are solid fundamentals for improving profitability.

In autumn 2012, Polarn O. Pyret made a decision to establish the company in the Netherlands and we will open our first store in Eindhoven in spring 2013. The Eindhoven store will be a first store and platform for launching more stores in the Netherlands in 2013. We will initially complement the store with a Dutch website for online shopping. The Dutch market is similar to Sweden in many ways and we are convinced that our offering there will be a success.

Our traditional business model is to operate proprietary stores in Sweden. Our stores in markets outside Sweden are operated through master franchisees, which also take care of all establishments in their own markets. The advantages of a franchise model are that franchisees have a greater understanding of their local market, are responsible for investments and risk and conduct sales via stores and online shopping. Polarn O. Pyret is responsible for purchasing clothing that is then sold to the franchisees at the same price as to the proprietary stores. Polarn O. Pyret then charges a fee for all sales to customers (brand sales) through the franchisees. The franchisees undertake to position and market Polarn O. Pyret in the same manner as in all other markets.

Our garments are our brand

Polarn O. Pyret was founded in 1976. Our basic principle has remained the same for 36 years – to let children be children – and we design and manufacture our clothing from a child's perspective. This means that we do not make small versions of adult clothing, and that all of our garments combine quality and functionality with unique design, based on strong environmental awareness. Nor do we differentiate between boys and girls; we believe that both boys and girls have the same needs in terms of fit and functionality. Navy blue and red have been the basic colors in our collections from the very start, in

order to be gender-neutral – and still are. Both boys and girls can wear our classic stripes. Customers can decide who wears what, and in what color.

To confirm our leading position, we focus on continuous development in terms of quality and functionality. Over the years, we have seen how old patterns come back again. Our philosophy is to produce clothing of such high quality that it will not need to be mended, and can be handed down. We are the only manufacturer of children's clothing that offers our customers a second-hand clothing market and we know that sales of Polarn O. Pyret garments are also high in other second-hand clothing marketplaces. High second-hand value is proof that our philosophy is right.

Polarn O. Pyret has three collections – babies, toddlers and school children. This means that we offer garments for babies and boys and girls up to 12 years. Our market position is very strong for the toddler group, but our brand connection is strongest for the baby group. How many people have never seen a picture of a baby in striped clothing?

Producing ecological clothing is a natural ambition, and our portion of eco-labeled garments is growing. The ECO label guarantees that the garment is ecological – that it is made from 100% organic cotton, for example. All basic garments with the classic Polarn O. Pyret stripe are also Nordic Swan eco-labeled.

Customers and competitors

Parents seek design, function and quality when they buy clothes for their children. We believe that parents are willing to pay a little extra for good-quality clothing for their children. Our product range is based on a line of unisex garments for children, which we introduced at an early stage and that still differentiate us from our competitors. Unisex also makes it easier for parents to pass on clothing to siblings, relatives and friends, and for those who want to buy gifts for newborn babies.

Our customer club – PO.P+ – is very important to us. PO.P+ comprises what we call plus customers – customers who are loyal and active. Members of PO.P+ receive bonus points when they shop in our stores or online, as well as special offers and newsletters. The customer club accounts for a high portion of our sales and is a key channel for gathering feedback to help us improve.

In addition to traditional chains that offer children's clothing, sports fashion stores are a tough, and relatively new, competitor in the functional clothing and outerwear segment. Sports fashion stores use aggressive campaigns to cut prices and mainly focus their marketing on a garment's technical functions. This strong competition also leads to a continuously growing offering of garments that are waterproof, breathable and work together with other garments based on the layering principle.

Outlook and challenges

Our efforts during the coming year will largely resemble our strategies one year ago – to continue developing the product range, to expand and to develop an online shopping solution, while enhancing the efficiency of our work processes and continuing with our organizational and skills development. Our objective is to increase sales and profitability. For 2013, we have identified some additional areas of focus for improving profitability. Polarn O. Pyret's marketing campaigns will be intensified – partly to become more visible, but also to broaden our offering. Our communication will change slightly, to reflect our core values more clearly. We will also conduct more structured and effective work aimed at improving our store expression, with the purpose of creating an attractive environment for both parents and children.

One of our focus areas for 2011/12 was to develop a collection for younger schoolchildren. In autumn 2012, the first collection in sizes 122–152 was launched under the name "School." We will continue to develop the collection for this target group.

An obvious challenge for Polarn O. Pyret is to attract young people born during the 1980s and 1990s who have become parents for the first time. We have initiated efforts to communicate clearly with this customer group using social media, for example. The international challenge is slightly different from that in the Nordic region and, in markets outside the Nordic region, our premium position is a major asset. The challenge in these markets largely comprises promotion of the Swedish approach to children. Another challenge is that the unisex concept underlying our collections is not equally established in such markets as the US and UK.

Preparations for expanding Polarn O. Pyret in the Netherlands have commenced and we expect the first store to open in spring 2013.

BROTHERS SISTERS

Ted Gradin manages the Brothers store at Solna Centrum.
Ted has been working at Brothers for three years.

What does being a dedicated Brothers store, without a Sisters section, entail?

A more distinct offering has attracted customers who are more modern and aware. We have already noticed how the number of regular customers is increasing. Customers are positive to our new location and new store.

What is your principal task as store manager?

The most important thing is getting my team to feel as committed as I do. Customers feel the positive atmosphere and that drives sales. I want everyone who works here to feel that this is our store and that we don't leave anything to chance.

How much contact do you have with RNB as a company and a brand?

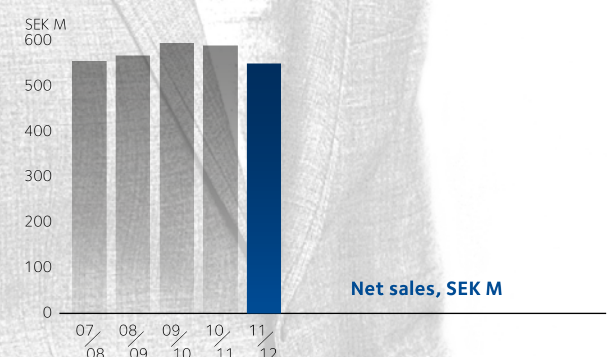
I have regular contact with RNB through our training courses and internal meetings. If I need support or a sounding board, I can always contact my colleagues at the head office.

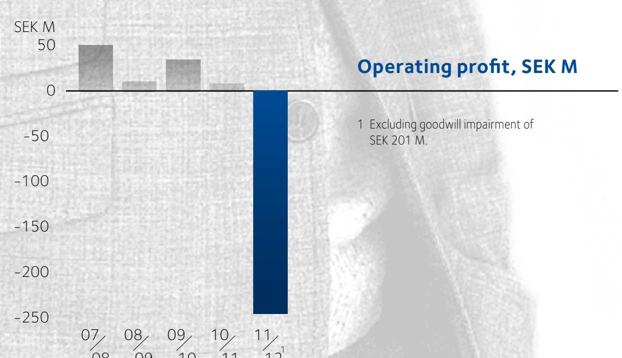
How does Brothers differentiate itself from its closest competitors, such as MQ?

We don't jump on the bandwagon, our approach is more long-term – we always offer our customers top quality, fit and functionality. That's what I believe will make Brothers successful.

BROTHERS SISTERS

Brothers & Sisters are two volume-oriented comprehensive concepts for men and women. The concepts offer well-tailored garments and casual fashion in an inspiring store environment, characterized by excellent service. The product range comprises both proprietary and external brands in the upper mid-price segment.





Vision

"The ultimate shopping trip"
For Brothers & Sisters, this means being an industry leader in creating and maintaining long-term customer relationships through products, service and stores.

Business concept

Through a clear-cut concept and an attractive range of fashion wear, to create strong customer relationships that result in top-class profitability.

Key figures Brothers & Sisters

SEK M	**11/12**	10/11
Net sales	549	586
Share of RNB's sales, %	20	20
Operating profit	-43[1]	6
Number of employees	212	245
Number of stores	85	80
Of which, franchises	33	40
Of which, outside Sweden	10	7

1 Excluding impairment of goodwill.

Development in 2011/12

During the 2011/12 fiscal year, the Brothers & Sisters business area underwent a major overhaul. A substantial dismantling of Sisters' internal product range was carried out in 2012. Around 27% of Sisters' retail space was either phased out or replaced by retail space for Brothers. Sisters now offers external brands only, and this focus and market position will continue in future. Sisters will remain, but offer an attractive mix of established brands and new lesser known candidates. A good mix, in other words.

In 2012, Brothers had its 20th anniversary. We celebrated in various ways; including a 20th birthday campaign with a focus on selected iconic garments. These garments are known as "Icons of Brothers" and provided a means for us to highlight four classic garments that Brothers has offered since 1992. These garments will probably be equally essential in every man's wardrobe in 20 years' time. Visit our www.brothers.se website to find out what they are. You can also see how Brothers serves as an inspiration, guiding Swedish men to stylish clothing.

A successful combination

The business model for Brothers & Sisters is based on a combination of proprietary and franchise stores, and a combination of proprietary and external brands in stores. The proprietary stores are mainly concentrated to larger towns while the franchised stores are predominantly located in small and midsize towns. The franchise concept provides the Brothers & Sisters business area with a competitive edge since the local store operators have deep roots in and knowledge of the local area. At the end of the 2011/12 fiscal year, 33 of a total 85 stores were operated by franchisees and the remaining stores were operated by RNB, the same proportion as in the preceding year.

All brands offered, whether internal or external, are evaluated continuously. The evaluation is conducted over two consecutive seasons and if the set sales targets are not achieved, a decision is made to replace the brand. External brands are showing a strong interest in being included in Brothers & Sisters' range.

Focus on a well-dressed look

Over the past year, Brothers has focused distinctly on promoting a well-dressed look. This was combined with upgraded stores that intensified the shopping experience by offering customers a "lounge" feeling. In spring 2011, we launched our most exclusive collection – The Tailoring Club (TTC), which has its origins in Brooklyn's tailoring traditions and symbolizes genuine craftsmanship, while simultaneously providing scope for individualism and modernity. The collection is designed to appeal to aware, fashion-conscious men and includes well-tailored suits and jackets, cashmere sweaters and shirts, specially designed to match the jackets and suits. The Tailoring Club belongs to the category that we call Tailored – a dressier style for the more aware man. TTC is currently found in around 30 stores but this number is growing steadily. Our long-term goal is that most of the stores will offer the TTC collection.

Our proprietary brand, Riley, complements TTC in the Smart Casual category. We define Smart Casual as less formal than tailored, but still well-dressed. Both TTC and Riley represent the backbone of our well-dressed offering. Brothers also offers our proprietary brand EastWest, which characterizes the style we call Leisure. These three distinct styles – Tailored, Smart Casual and Leisure – cater for all of the needs of the modern and aware man. Quite simply: Brothers understands men's fashion.

Upgraded stores and a shopping experience

The Brothers & Sisters offering is based on knowledge and a shopping experience. We believe that both of these are closely intertwined – that knowledge underlies a leading shopping experience. Brothers & Sisters offers all of this – at an attractive price.

We have gradually noticed that when customers shop or do research online and this is combined with a store experience the result is increased sales.

During 2012, we focused a great deal of energy on revising the Brothers concept. We conducted extensive customer surveys and analyzed our market position. This platform is now in place and the aim of future efforts will be to ensure compliance with it. We have overhauled our store structure during this process, and the plan is that all stores will be reviewed. This overhaul will not be completed during the current fiscal year. During the 2011/12 fiscal year, we introduced the model store concept into Brothers. This entailed upgrading and adapting the design of stores to the needs and purchasing behavior of the target group. The appearance of stores was also modified to enable testing of a new product range. One such model store is the Brothers store in the Fältöversten shopping mall in central Stockholm.

Excellent platform for increased sales

The overhaul of the product range and the communication changes that Brothers introduced during the 2011/12 fiscal year were aimed at making the Brothers concept clearer and better, not different. Our legacy is men's fashion and will continue to be so. We have also introduced some other measures to create better conditions for sales. In 2012, we launched the Brothers Blackbook – a manual for store employees. We also appointed dedicated sales coaches, whose role is to drive sales by inspiring other employees. We use our own staff to train other sales personnel in the stores. In 2012, we also intensified our focus on the use of special tools for measuring our sales, and supplemented this with continuous follow-ups.

In September 2012, Brothers launched its online store. The launch was highly successful and we believe that online shopping has a major potential to complement in-store sales and support an increased level of customer service. Our marketing will focus on our online store and we have already noticed a sharp increase in the number of visitors to our website. This increase in visitor statistics has taken place without any real marketing effort to date.

The next step will be to establish online shopping in Finland which, in time, can also be introduced in other countries.

A more competitive Sisters

Sisters' internal product range, comprising proprietary brands, was completely phased out during the fiscal year and Sisters now sells external brands alone. Half of the work involved in remodeling retail areas that were previously shared by Brothers & Sisters stores into dedicated Brothers stores was also carried out during the year. The remaining Sisters stores are now duo-stores together with Brothers, entailing that both concepts are integrated in the same store.

In the 2012/2013 fiscal year, we will be focusing on harmonizing the entire Sisters concept by evaluating the strategy and establishing a plan to make Sisters profitable. One feature we have already identified is that purchasing work must become more efficient. For example, franchisees currently conduct their own purchasing for Sisters and this must be better coordinated in future to avoid a divergent product range and to provide more opportunities for joint campaigns.

Customers and competitors

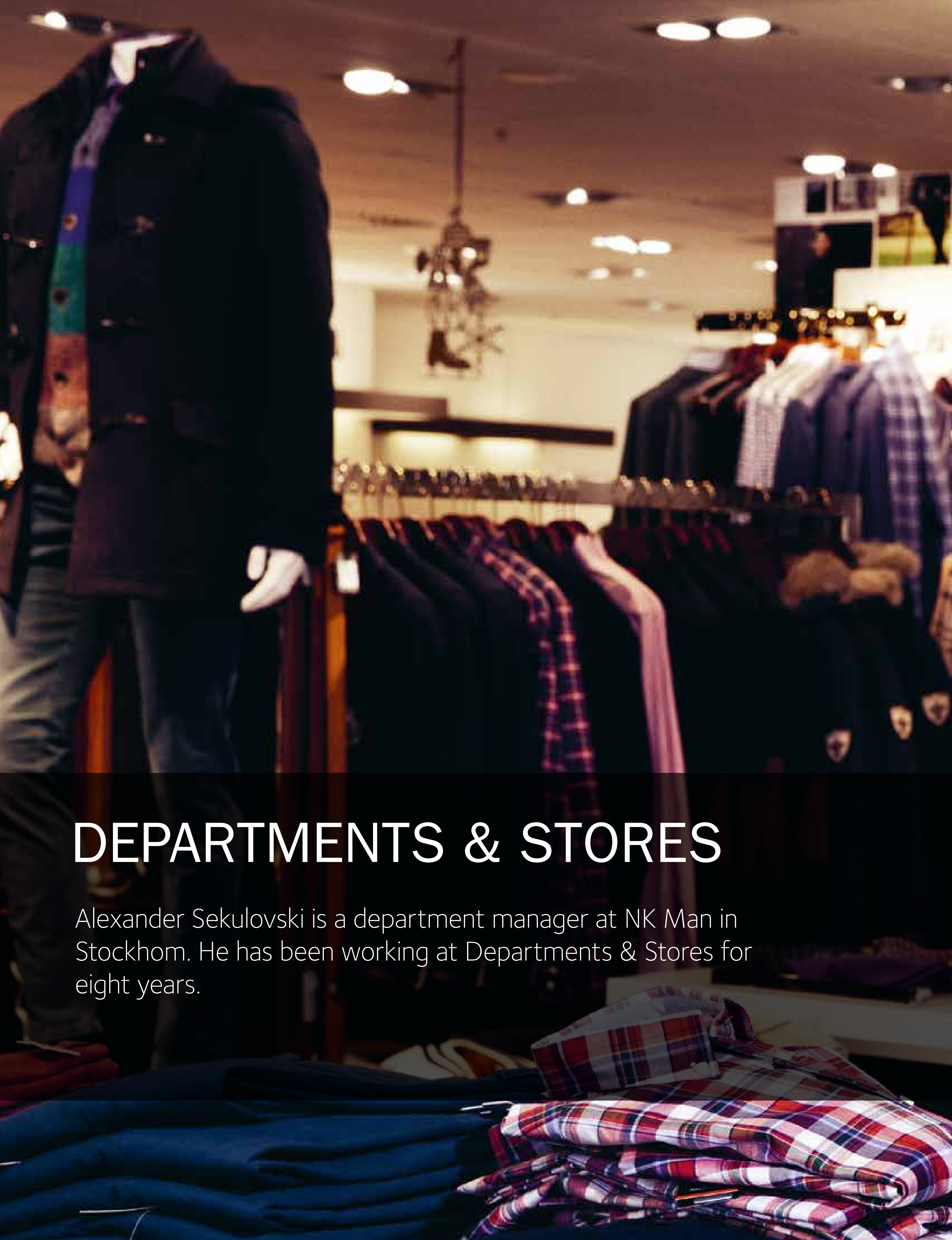
MQ is the company most like Brothers in terms of offering and market position. Brothers' competitive edge in relation to MQ is that we focus solely on men's fashion, thus making the Brothers concept unique. Other competitors are Dressman and all of the independent fashion retailers. However, Brothers' market position and offering derives from offering a cutting-edge shopping experience based on knowledge and service, rather than price competition.

Brothers' target group is men who want to dress well without following fashion trends. Typically, our customers make large average purchases and buy clothing for work, weekends and special occasions at the same time.

Outlook and challenges

In 2013, we will continue to focus on developing our level of service through training courses for our employees. The aim is that this will contribute to boosting sales and, accordingly, enhance profitability. We will continue to optimize purchasing through our purchasing and production office in Asia. Part of this process, which is currently ongoing, is to identify new and potential suppliers that can produce more cost-effectively. We are also regularly evaluating the most optimal structure for our production, which could entail relocation to new countries. Finally, throughout the 2011/12 fiscal year, we worked unceasingly to consolidate volumes between companies in the RNB Group.

We predict that the tough market situation will continue, driven by the economic turmoil that is making our customers more uncertain. In 2013, we will continue to focus on developing our offering and the communication around our three distinct styles. In time for the Christmas shopping season, Brothers will be visible through TV program sponsorship. The successful partnership with King that commenced in the preceding year will continue and gather momentum in the coming year.



DEPARTMENTS & STORES

Alexander Sekulovski is a department manager at NK Man in Stockhom. He has been working at Departments & Stores for eight years.

What is your principal task as store manager?

Being straightforward in order to encourage all employees to remain alert and continue offering our world-class customer service. Our aim is always to create an extraordinary shopping experience for all customers.

What characterizes NK Man in terms of customer service?

Without sounding boastful, I believe that we offer the best service in this department store. Our customers repeatedly confirm that our level of service is high; many of them are genuinely grateful and spontaneously shake hands with us after making a purchase.

How much contact do you have with RNB as a company and a brand?

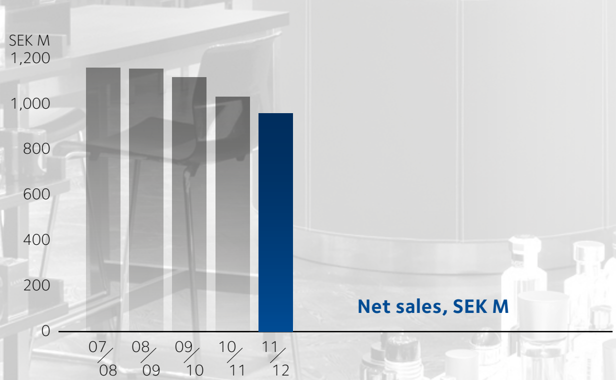
I view RNB as the shared company name, in which all of the concepts are included as brands. None of the customers here at NK are aware of the RNB brand.

How does NK Man differentiate itself from the major clothing chains and the more specialized men's clothing stores?

The main difference between us and major clothing chains is the higher quality and fashion appeal of our garments. The greatest difference between us and the more specialized men's clothing stores is that our offering is considerably broader, in terms of number of brands and ranges within a brand.

DEPARTMENTS & STORES

Departments & Stores offers a unique distribution platform for national and international brands in strong marketplaces. We have large-scale operations in leading department stores throughout the Nordic region – NK Stockholm and NK Gothenburg, and a small-scale operation at Kosta Outlet.



Vision

"The ultimate shopping trip"
Departments & Stores aims to offer a world-class shopping experience to customers.

Business concept

Departments & Stores develops concepts for department stores with world-class brands and service.

Key figures Department & Stores

SEK M	**11/12**	10/11
Net sales	957	1 028
Share of RNB's sales, %	34	35
Operating profit	58	74
Number of employees	425	467
-of which, Kosta Outlet	27	29
Number of stores	47	49

Development in 2011/12

Departments & Stores' market, with a large portion of premium and luxury products, was less sensitive than other retail players to the adverse economic conditions during the 2011/12 fiscal year. Overall, Departments & Stores performed better during the year than the rest of the retail market. Net sales amounted to SEK 957 M, down nearly 7% year-on-year, although sales in comparable stores declined only 0.1%. The adjusted operating profit was satisfactory and amounted to SEK 58 M compared with profit of SEK 74 M a year earlier. The preceding year's profit was positively affected by SEK 15 M generated through the divestment of one store. In January 2012, the loss-making operation at Illum was discontinued.

Much of the focus during the year was on business development. This included upgrading departments, further development of concepts and system development. A great deal of analysis work was also performed to ensure that new investments and projects would generate the expected effect and were prioritized correctly.

During 2011/12, a project was initiated to share knowledge and experience within the Group with the purpose of further developing RNB's best practice offering. The CEO of Departments & Stores, Amelie Söderberg, was responsible for developing and implementing best practice in term of sales and operation based on the competencies that exist in Departments & Stores. The project also extends to recruitment processes and efficient staffing to ensure a high level of service.

We are developing Sweden's leading retail center

The Departments & Stores operation is different from other operations in the RNB Group. This business area focuses on the successful operation of departments and concepts, and does not manufacture any proprietary products for sale. In contrast with other business areas in the RNB Group, Departments & Stores is not involved in any purchasing, logistics or inventories of proprietary products, thus limiting risk. Departments & Stores' operations are mainly confined to two major department stores, NK in Stockholm, and NK in Gothenburg, where Departments & Stores is the single largest tenant. For example, Departments & Stores leases approximately 80% of the NK store's attractive ground floor in Stockholm. The NK stores, which are Sweden's leading retail locations, are situated highly attractively and centrally in Sweden's two largest metropolitan areas. The property company Hufuvdstaden owns the actual NK department stores and the NK brand. Hufvudstaden operates this activity through its company, NK AB, and Departments & Stores partners with Hufvudstaden in matters related to concept development, environmental issues and service. NK's vision: "World-class department stores" is the guiding principle for this collaboration.

Departments & Stores focuses on operating its stores as efficiently as possible. At the NK department stores, Departments & Stores is responsible for service, the range and brand mix, store concepts, IT and checkout systems for various store concepts, while the garment supplier is responsible for design, production and inventories. In consultation with the supplier, Departments & Stores decides what products will be available in each department, on the basis of historic sales, as well as forecasts of future sales trends. The purpose is to achieve an optimal and attractive mix of products.

Departments & Stores – an attractive partner

Departments & Stores attracts customers who demand a high level of service, expertise and quality. Although women comprise the largest customer group, our offering is broad and also caters for men and youngsters. We have divided our offering into three segments – Beauty, Fashion and Jewelry.

The Beauty segment mainly comprises cosmetics and skincare products. The focus lies on regular product launches, with Departments & Stores' expertise in conducting efficient campaigns helping to drive sales. Departments & Stores is responsible for the NK Manlig Depå and NK Cosmetics store concepts at NK department stores in Stockholm and Gothenburg. In the Beauty segment, competition remained intense and created a challenging situation, since beauty products are easily available through online stores.

The Fashion segment includes all departments that sell clothing in various market segments and is divided into Women's, Men's and Children's. Fashion is the largest segment in Departments & Stores.

The Jewelry segment comprises NK juvelsalong at NK in Stockholm, one of the most exclusive jewelry stores in Europe. Jewelry and watches are sold in an exclusive environment, as well as accessories such as bags, wallets, key rings and pens. The popularity of men's products has increased in recent years.

A world-class shopping experience

The departments operated by Departments & Stores are characterized by high levels of service, a diversity of attractive brands and continuous change and renewal of the product range and shopping experience. These drivers are established in partnership with NK's trade association and consolidated through our ambition and target scenario of being a world-class department store. Another driving force is demands from brand suppliers to market their products in the right environment and through efficient distribution processes. These driving forces entail demands that Departments & Stores continuously renew its offering to retain and attract new customers. Early understanding and interpretation of trends, and ongoing efforts to maintain and develop the high level of service, are other requirements.

All of our departments have adopted a full-price strategy, meaning that all customers can rest assured that a recently purchased product will not be sold at a discount price the following week. Accordingly, all departments at NK adopt a very restrictive approach to discount sales.

The high level of service, combined with a highly attractive brand mix and constant renewal of the product range, provides the basis for a world-class shopping experience. This total customer service offering by the two NK department stores is unique in Sweden.

Strong and stable demand

During the 2011/12 fiscal year, the business trend for Departments & Stores was very stable in terms of both sales and profit. The trend was significantly better than for RNB's other three concepts, and for the retail market as a whole. The stable trend was due to three main factors:

- An efficient, focused and flexible organization. All employees at Departments & Stores focus on sales, whether they offer customer service in stores or work in administration. Sales are measured on a monthly basis, and analyzed and evaluated continuously. The business development and efficiency enhancements carried out during the preceding fiscal year have generated results during the current year since the cost level has fallen somewhat now that more work processes have been automated.

- Loyal customers. NK has extremely loyal customers who make recurring purchases, and many of them are key customers. NK Key is the name of NK's loyalty program and customers with an NK keycard are known as "key customers." Key customers have first option at sales and receive special offers, invitations to various events, NK's lifestyle magazine, newsletters and points for everything they purchase, which can later be used to make new purchases at NK. Quite simply, this enhances the shopping experience at NK.

- A relatively large share of luxury consumption. A major section of Departments & Stores' retail area is devoted to brands in the luxury segment. Despite the economic turmoil of recent years, which has led to consumer uncertainty, the consumption of luxury products has hardly been affected. This customer group is relatively insensitive to economic downturns and continues to maintain a high level of consumption. In 2011/12, Departments & Stores focused on this market segment by expanding its retail area for luxury brands. One such example is the expansion of the Hermès department at NK in Stockholm, driven by high and stable demand. The expansion is scheduled for completion in March 2013 and will nearly double the store's retail area.

Outlook and challenges

In the coming year, the focus will remain on business development and efficiency enhancements. More specifically, Departments & Stores will continue to focus on the further development of a world-class shopping experience. These efforts include being a leading player in the development of future concepts that create value for suppliers. As in all retailing, Departments & Stores must secure continuous and high internal efficiency by maintaining an optimal cost structure.

KOSTA OUTLET

Kosta Outlet Mode

In June 2006, the largest outlet center in Sweden was opened near the glassworks in Kosta, where RNB sells attractive clothing brands for women, men and children. The outlet center comprises a total of 20,000 square meters, of which RNB has an area corresponding to 5,500 square meters. In recent years, Kosta Outlet has become an attractive destination for tourists and conference guests. Due to its relatively isolated location and focus on tourists, sales are highest during vacation periods and major holidays.

In the 2011/12 fiscal year, sales for Kosta Fashion Outlet declined slightly, but the business area still managed to post a modest operating profit.

Since there are no other RNB concept stores at Kosta, sales are not cannibalized by RNB's other concepts. On the contrary, the Kosta Outlet operation provides opportunities for more rapidly adapting the product range in the stores to customer demand.

As a business model, Kosta Outlet is subject to certain pressure from alternative channels as well as the ordinary clothing market, which has been characterized by intensive discount sales in recent years.

During the initial stage, the outlet operation took some pressure off other Group stores, and the product range consisted almost exclusively of unsold inventory from the other business concepts. RNB's operations in Kosta Outlet are now a separate operation that serves as a sales channel for unsold inventories from the Group's other concepts, while also purchasing a large portion of the season's product range directly from brand suppliers. RNB's established relations with several premium brands provide favorable opportunities for Kosta Outlet to create an attractive product range.

Logistics and purchasing

Asia, particularly China, has been the principal market for clothing production for many years. In the past 20 to 30 years, China has gone from mainly producing large volumes of clothing at low cost to also producing top-quality, highly specialized garments. The large-scale, volume-based production facilities have moved further inland, where it is still possible to find attractively priced labor. Closer to Hong Kong and Shanghai, major changes have occurred in the form of an excellent offering, such as in the ready-to-wear industry, which did not exist ten years ago. These players have taken over much of the more quality-conscious ready-to-wear clothing market previously located in Europe.

New production office generates economies of scale

During the first quarter of the preceding year, RNB established a production office in Hong Kong, with 25 employees. The office, supported by satellite offices in Shanghai and Dhaka, the capital of Bangladesh, will coordinate production for Polarn O. Pyret, Brothers & Sisters and JC. The satellite offices will function primarily as a base for local quality-control work. During the fiscal year, RNB also closed the production office in Turkey. The resulting increased efficiency from production coordination entails that RNB will achieve a number of positive effects, including:

- Increasing the significance of strategically important suppliers and thus gaining economies of scale resulting in lower production costs.

- A more optimum production planning, resulting in shorter lead times, which in turn will ensure higher capacity and quality at an early phase.

- A higher degree of flexibility in procurement, thus generating opportunities to relocate production among the Far Eastern countries that offer the most cost-efficient production.

- During the fiscal year, the purchasing departments for Polarn O. Pyret, Brothers & Sisters and JC were reorganized and joint goods-supply processes were established to ensure that the full potential of a central production office is achieved. Logistics were also coordinated to an office in Stockholm; the office in Gothenburg was closed.

Efficient purchasing and distribution

Before each season, the various departments develop new collections comprising both basic and new products. The collections are submitted to the sales and marketing departments so that sales and marketing activities can be synchronized. In parallel with the development of new collections, the purchasing and production department seeks out and identifies possible new materials and requirements for new production units. The production process can be assigned to one or more facilities that provide regular deliveries during the season.

Development of the new collections is based on the sales budget for the season. Group companies do not purchase goods for an entire season before it starts, but rather maintain a buffer in case they wish to reduce their purchase volumes. This buffer also enables the companies to make swift supplementary purchases during the season. A large portion of the range is seasonless, meaning that certain products, such as shirts and other basic garments, can be held in inventory and distributed to stores on demand.

Inventory planning is designed to ensure that the right goods are delivered to the store at the right time. Having the right goods available in the stores where there is demand for them and removing items that are not being sold provides greater opportunities to generate healthy profitability. Efficient inventory planning also helps to minimize tied-up capital.

Sustainability

The local production office simplifies environmental and sustainability work. RNB conducts ongoing laboratory tests of its products to ensure that they do not contain chemicals that are not approved under the EU's REACH regulation.

In addition to ensuring that its suppliers comply with RNB's quality and pricing requirements, RNB monitors their compliance with all applicable environmental legislation to ensure, for example, that they do not release contaminated water and that they have acceptable working conditions. RNB is a member of the Business Social Compliance Initiative, BSCI, which works to create better conditions for the individuals working in the facilities where RNB produces its garments.

RNB's valuechain

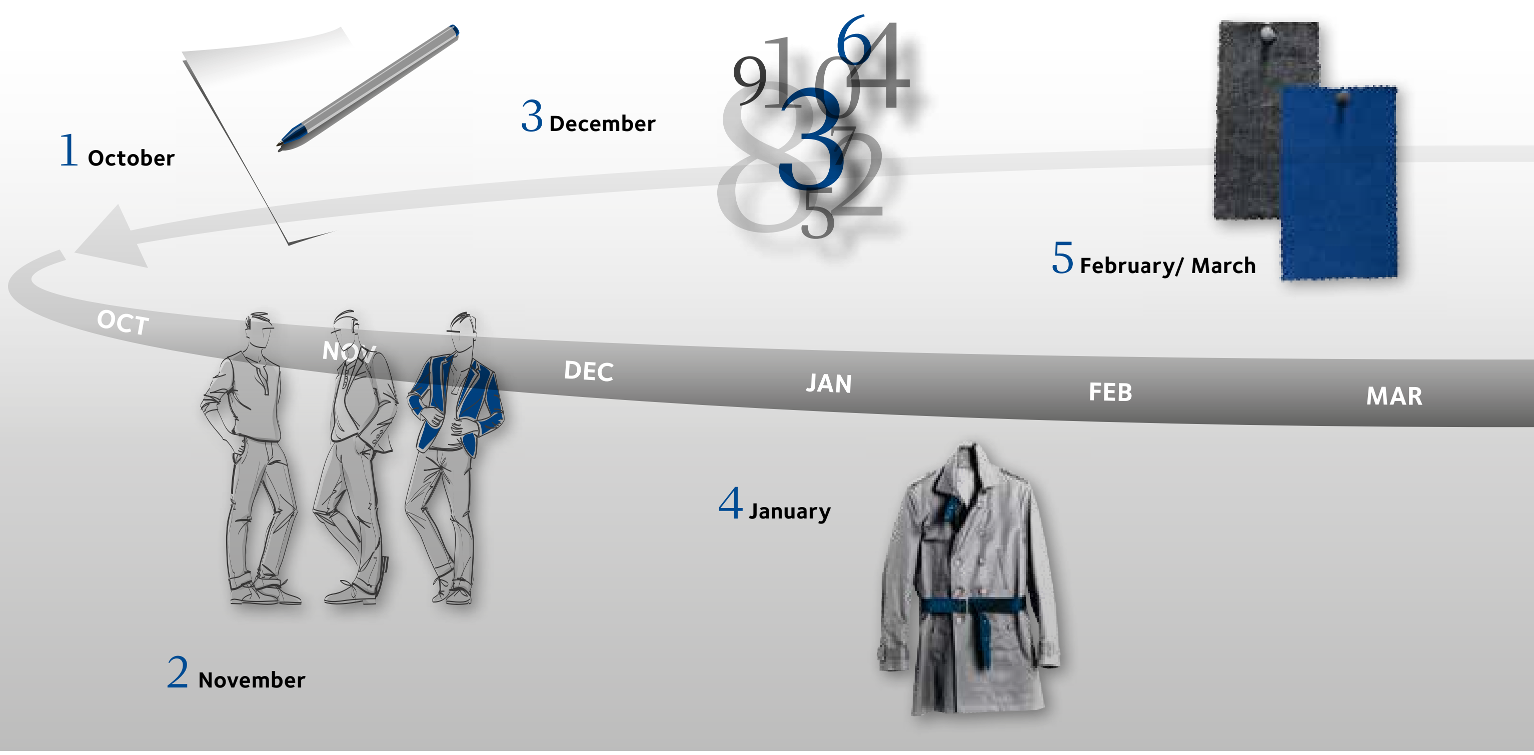
Clothing production takes place in protracted and relatively complicated cycles and it is crucial to clothing-manufacturing companies that the process is efficient and that all cost synergies are utilized. Since RNB has three different concepts, it is particularly important to highlight and safeguard the cost synergies existing between the various concepts with respect to production. The sustainability aspect is also becoming an increasingly important part of production processes and RNB works continuously to ensure sustainable production.

1 **October** The product range manager leads a total evaluation of the past season, including everything from supplier performance to sales of various items and product groups. Adjustments are made prior to the coming season based on improvement potential in terms of both concept and fashion trends. The product range manager begins work on a product range development plan, which will be used as a steering tool for design and purchasing work, as well as a sourcing tool for the production office.

2 **November** Subsequently, the purchasers compile an order containing designs, sketches, material selections, estimated delivery dates and prices, which is sent to suppliers for quotes with respect to terms and conditions and prices. The purchasers at the production office select suppliers, who provide such quotes, conduct price negotiations and return to the purchaser with suggestions for production units.

3 **December** Suppliers complete an initial sample, which is inspected by the production office. Once the sample has been tested, it is sent to the purchasing office in Stockholm. At the same time, final price negotiations are also carried out based on the quantity and materials selected. Any necessary adjustments are made to the samples to improve their selling potential or to adjust the prices.

4 **January** The purchasers conduct their first production trips in Asia to review the samples and speak to the suppliers. The first orders are also placed for the coming autumn, starting with outdoor garments, which have the longest lead times. Orders are placed on a continuous basis during the first part of the year based on product group and delivery date for the coming autumn.



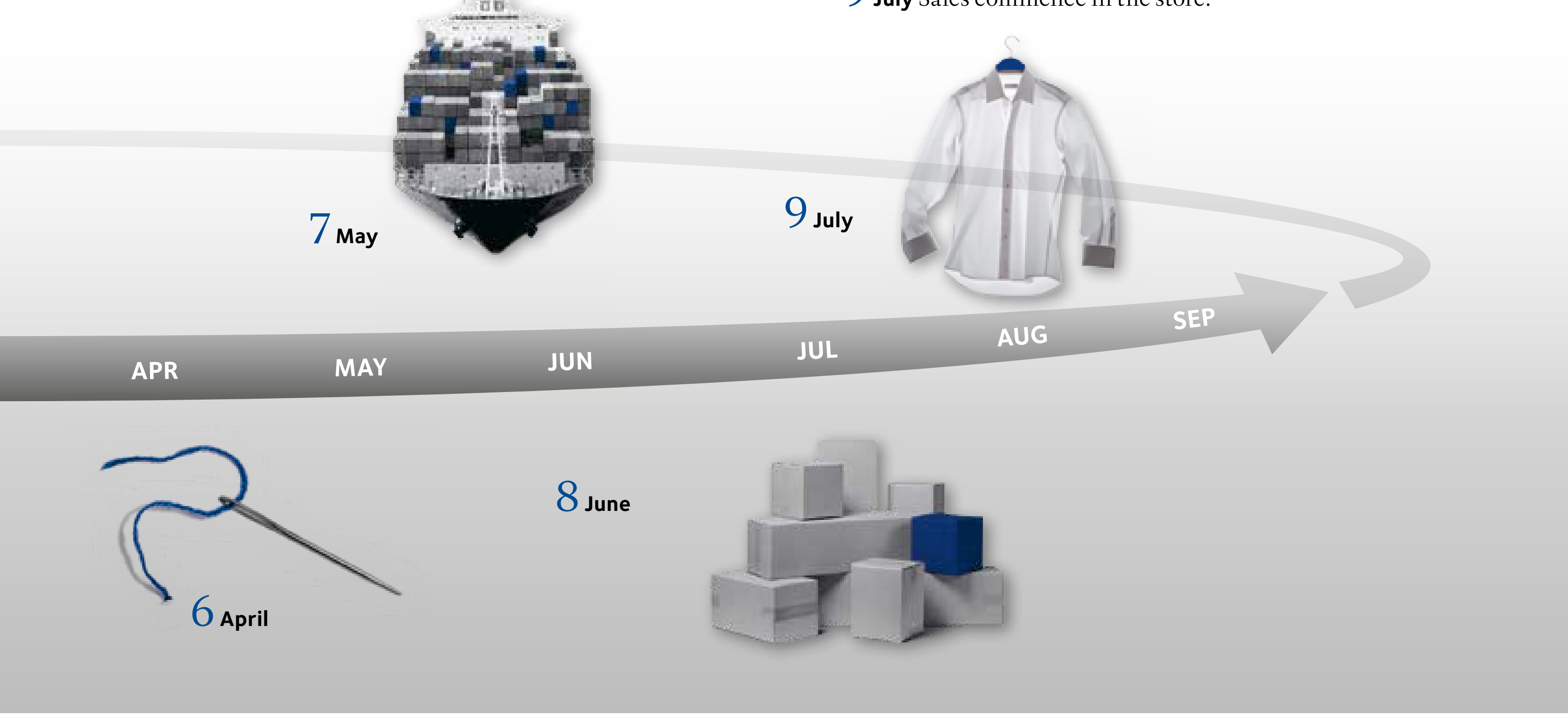
5 February/ March Materials suppliers are busy weaving fabrics, delivering yarn and producing knitted materials. Production facilities order linings, buttons and other details. Before production commences, a counter sample is produced and approved by the production office.

6 April Once the production office has approved a counter sample in the right material and color, the supplier begins producing the garment. At this stage, the production process is monitored by quality controllers from the production office or independent, third-party controllers. The quality controllers not only inspect the garment itself, but also check all labels, packaging and packing slips after production has been completed.

7 May Once the production process has been approved, the supplier books transportation by sea via a shipping agent. Prior to shipping, packing notes, shipping documents, customs documents and other items are arranged and submitted to the logistics department in Sweden, which prepares for the arrival of the goods at RNB's central warehouse.

8 June The goods arrive at the Port of Gothenburg, where they pass through customs and are transported to the central warehouse. Once at the warehouse, the various garments, which are packaged according to product range, are cross-docked using a scanner to identify the store to which they are to be shipped. The goods then leave the warehouse via a distributor and arrive at the store the next day. Certain goods are placed in inventory to enable automatic replenishment based on the sales of the individual store.

9 July Sales commence in the store.



Our responsibility

The expectations in terms of corporate responsibility remain high and sustainability issues are becoming an increasing part of our daily life. As a player in the fashion and beauty industry, with the objective of offering customers the ultimate shopping experience, it is crucial that RNB lives up to expectations from customers, employees and other stakeholders in respect of responsibility for ethical and environmental issues, as well as continuously focusing on development in this area.

RNB uses the term CSR, Corporate Social Responsibility, to summarize the work performed to contribute to sustainable development. CSR at RNB includes the company's total impact on people and the environment, with the following five primary areas identified as the most important focus areas:

- Working conditions in production
- The impact of the products on people and the environment
- The impact of business activities on the external environment
- Animal welfare issues
- Social sponsorship

Based on this definition of CSR, two distinct focus areas have been established: production and products. In goods production, major emphasis is placed on working conditions for factory employees, which also includes environmental issues in manufacturing. The second major focus area involves direct impact from products and ranges where the key issues pertain primarily to material selection, chemicals and child-proofing. The priority placed on these focus areas is clearly visible in the work conducted during the year.

Below is a summary of RNB's work in each focus area in the past year. A complete description of RNB's work to achieve a more sustainable company is available in the separate Sustainability Report, which is published on www.rnb.se once a year.

Coordination for enhanced efficiency and better results

Sustainability issues have been a part of the work conducted at RNB for many years. Group-wide monitoring of strategic issues has been conducted over the past five years, while operating activities pertaining to supplier monitoring and range development have been primarily driven in each subsidiary. In connection with the reorganization of the production departments, and the establishment of a new production office in autumn 2011, work was further centralized and the CSR function was relocated to the new Supply Chain department. As part of the joint production department, work on sustainability issues is now more strongly connected to day-to-day operations, primarily in design and purchasing work. Another advantage is that Group-wide governance has become more distinct, thus contributing to better opportunities to coordinate activities that enhance efficiency and generate better results. This occurs largely through the production offices, where the new organization has resulted in the strengthening of work to monitor product quality, working conditions and production environment.

The changes have also led to an extensive review of all policies, guidelines and targets in the area, which was launched in spring 2012. The ongoing work will be further developed in the coming year and will result in an updated action plan in spring 2013.

Increased focus on working conditions in goods production

RNB owns no production facilities. Production of proprietary brands for JC, Brothers and Polarn O. Pyret takes place at suppliers worldwide. Most of the production occurs in Asia, where China, followed by Bangladesh, is the largest market in terms of the number of suppliers; a certain portion also takes place in Europe and Turkey.

The advantage of having local offices is the opportunity they provide to form close relationships and cooperate with suppliers, which is a prerequisite for achieving long-term and sustainable improvements. Despite the advances made by the clothing industry since the establishment of the first Codes of Conduct, there are still several challenges to ensuring acceptable working conditions in goods production. Many of the countries in which production occurs face a lack of sufficient legislation or monitoring to correct existing problems. Consequently, RNB has decided to place more emphasis on this effort and a clear proof of this is the further development of methods for factory monitoring and supplier development implemented during the year. More than 70 factory visits, with a focus on these issues, were implemented in late September 2011. During these controls, the facility was inspected based on the criteria stipulated in the Code of Conduct, while another important aim of the visits was to initiate dialogs with suppliers to generate understanding of the issues and thus better opportunities for change.

In addition to the work performed by the local staff in the production countries, RNB has for many years been a member of BSCI, Business Social Compliance Initiative, which works together with a large number of European companies to create better conditions for the individuals working in the supply line. This work is based on a Group-wide Code of Conduct and a system for implementing independent monitoring of the production facilities. As a relatively small company in global retailing, participating in industrial initiatives such as this is a major advantage. It increases our capacity to monitor more facilities while also creating better opportunities to gain support for demands when many are working towards the same goal. Another important part of the work with BSCI is the training of suppliers, which gives RNB the opportunity to invite suppliers to workshops on current issues, which are arranged locally in the production countries.

The objective of all these activities is to work, step by step, towards improving conditions in the production facilities. After each visit or independent inspection, an action plan is prepared together with the supplier, which is then followed up as the measures are implemented. Following up these action plans is key to ensuring that work is progressing in the right direction and that the improvements are permanent.

In the past year, the focus was on salary issues in textile production. One of the problems is that people working in the production facilities are having difficulties making ends meet despite working many hours every day. The challenge posed by salaries and working hours is one of the most difficult in the industry. RNB wants all employees to receive a salary that they can live on and, to achieve this, the Group engages in supplier dialogs, factory inspections and cooperation with others in the industry.

RNB focuses on reducing its environmental footprint

Management of the water and chemicals used in many manufacturing processes has a serious negative impact on the environment. To reduce this impact, the STWI (Swedish Textile Water Initiative) was established more than two years ago to review how work on these issues can be handled jointly in the industry. RNB has been involved since its inception in 2010 and, in May 2012, a decision was made to also participate in the next phase, which is based on actively working with suppliers to improve their water and chemical management processes.

Another initiative that has been in progress for many years in the Group is the continuous strive to reduce the use of hazardous chemicals in production. Chemicals are used in several of the processes required to manufacture a garment. Some of these substances are not hazardous as long as the amount is restricted and handled correctly. Other chemicals have been confirmed as hazardous to people or the environment and should not be used in manufacturing at all. European chemical legislation regulates the chemicals that may be used in production when the product reaches the European market. Since many of these substances cause serious damage during manufacture, RNB has also banned the use of these chemicals. Consequently, a key part of the work is the use of the chemical stop list, which informs suppliers of the chemicals that are banned or restricted, which is then monitored through random inspections. To increase the number of inspections and also the possibility to discover at an early stage whether a product contains forbidden substances, RNB introduced procedures during the year to perform more tests during production, as a supplement to the tests conducted on products in the store.

Product range requirement

Subsidiaries in the RNB Group are well-known for their specific product areas in which each of them has their icon products. The various approaches for the concept lead to various expectations. For Polarn O. Pyret, offering products that are produced with extra consideration for the environment is natural, since these requirements are widespread in the children's clothing segment. Accordingly, the Polarn O. Pyret range features an expanding selection of products that are manufactured from materials or using methods deemed to be more sustainable. Comfortable knitted garments in colorful patterns are one of the largest product groups and this category includes several garments that are manufactured from ecological cotton, as well as garments where the entire manufacturing process from fiber to the complete garment is monitored from an environmental aspect. Among the functional garments, there are also options with less environmental impact in the form of shell jackets, fleece sweaters and underwear in recycled synthetic fiber. When selecting material, the environmental aspect is gaining more scope in the textile industry since cotton cultivation and the manufacture of the most common synthetic fibers have considerable negative impact. To manage this, a project has been initiated at Polarn O. Pyret with the aim of expanding the range with more sustainable products and hopefully the other companies will learn from the project and use it in the development of their own range in the future.

The common thread for the striped sweater at Polarn O. Pyret, the suit at Brothers and the perfect jeans at JC is that they are all high quality in their respective segments. Quality and products that last long are becoming increasingly more important as interest in environmental issues rises and, in order to meet these expectations, continuous work is conducted to check and develop product quality. To ensure that products maintain the required quality, demands are placed with respect to durability, pilling, waterproofing, etc., for each order, which are then checked through tests at independent laboratories prior to and during production. The establishment of production offices has also entailed an increase in quality controls during production following the recruitment of proprietary quality inspectors. Presence during production generates better opportunities to discover quality problems in time but also facilitates more regular follow-ups of other requirements since everyone visiting a production facility is obligated to report whether they see an infringement of the Code of Conduct.

As a key distributor of the brands in Sweden, through the store chains JC and Brothers & Sisters, as well as the departments at NK, RNB is also highly responsible for conveying its view of corporate responsibility and placing demands to those supplying products from external brands to the company. This occurs through an enclosure containing a list of requirements and expectations encompassing ethics, the environment and product safety, which is attached to all agreements signed for external brands. Despite limited opportunities to conduct follow-ups further up the value chain, it is important for RNB that the brands distributed by the company represent the same values as RNB with respect to corporate responsibility.

Significant progress during the year

- In autumn 2011, the quality departments at JC, Brothers & Sisters and Polarn O. Pyret were centralized to the new RNB Supply Chain department. The new department also includes the CSR function, production offices and the logistics department. The organization facilitates coordination and efficiency enhancements between subsidiaries in many key issues, not least sustainability.

- During the year, production offices were established in Hong Kong and Dhaka, Bangladesh. The offices house personnel responsible for monitoring product quality, working conditions and environmental issues during production.

- In spring 2012, Polarn O. Pyret launched a project to expand the range of garments made of more sustainable materials.

- At the end of the fiscal year, a project was initiated aimed at updating the CSR plan at RNB. As part of the project, the focus areas and goals for the CSR effort will be reviewed.

- RNB was reviewed and mentioned in two reports that were published during the year ("Does the fashion industry have the courage to raise pay?" Fair Trade Center and Clean Clothes Campaign Sweden and "A lost revolution", Swedwatch). The reports are largely about workers' pay in the textile industry and RNB has participated in dialogs with the Fair Trade Center and in a workshop arranged by Swedwatch to discuss the issues.

- Polarn O. Pyret was appointed Sweden's greenest clothing brand according to a survey conducted by the Differ brand agency jointly with the survey company Yougov, where more than 1,000 Swedes aged 15-74 were asked about their views on the environmental and sustainability work. This demonstrated great confidence in the work performed by the company, but also subjects the continued development in the area to considerable demands.

RNB's Code of Conduct

RNB wants all goods sold in the chain's stores to have been produced under acceptable working conditions. The Code of Conduct is based on the UN's human rights declaration and ILO's eight core conventions, as well as local legislations. RNB's Code of Conduct stipulates the following:

- Compliance with laws and ordinances
- Due regard to be given to the work environment, health and safety issues at the workplace
- Payment of salaries and remuneration pursuant to the applicable regulations
- Working hours should not exceed applicable regulations and overtime must be correctly compensated
- The right to freedom of association and collective bargaining
- The prohibition of child labor
- The prohibition of forced labor
- Discrimination is forbidden
- Disciplinary punishment is forbidden

Read our sustainability report in its entirety under Sustainable Fashion at www.rnb.se.

Working at RNB

RNB RETAIL AND BRANDS' vision is to offer our customers the ultimate service and shopping experience. RNB develops and distributes brands through distinct concepts and stores with an attractive range of fashion, clothing, accessories, jewelry and cosmetics. We want customers to feel appreciated and inspired to shop. To achieve this, it is crucial that we have committed, motivated and experienced employees.

An important part of the work to achieve our vision is that during the past fiscal year we developed a distinct Talent Management process encompassing all employees in the Group. The process is summarized in the illustration below.

The employee handbook, which is a guide for our supervisors and our information channel to our employees, is updated with policies, processes and work methods as part of the Talent Management work. RNB is affiliated to the employers' organization, the Swedish Trade Federation, as well as collective agreements with trade unions Unionen and the Commercial Employees' Union.

Attract

In order to offer our customers the ultimate shopping experience, it is crucial for us to attract the right employees with the right attitude to service. Our corporate culture reflects our values, attitudes and behavior, which influence the Talent Management work. Our cornerstones are key to this effort. We recognize high value in internal rotation among employees, since these employees embody our corporate culture and are able to promote competency development through internal rotation. RNB has a structured and approved recruitment process, based on the best practice approach. During the year, a cooperation project, Career in retail, was initiated with our employers' organization, the Swedish Trade Federation. The objective of the cooperation is to display our brands among schools in Sweden to attract future talents.

Recruit

RNB RETAIL AND BRANDS has a distinct process for salaries and remuneration in order to make understanding of salary administration as smooth as possible for our managers in the organization.

Develop

RNB has a clear performance-management process. It is based on developmental discussions that are connected to distinct goals and targets, which are then reviewed in performance discussions, with the aim of ensuring that our employees are on the right path.

We support competency development through a smart competency development package featuring a manager forum, a high potential program, management training courses and courses for future store managers. The competency gap is documented through competency documentation.

Terminate

During the year, we focused on clarifying our termination process with termination discussions for employees whose employment has been terminated. We have also quality assured the process for our foreign employees, when they return home.

Annual HR survey and developmental discussions

The HR survey is a measure (KPI) of how well we live up to our Talent Management process. The most recent HR survey was conducted in March and the results showed that the company is characterized by a distinct business plan, that managers in the Group demonstrate efficiency and are clear in their communication, and have confidence and respect for their employees.

Developmental discussions are conducted with all employees annually. Clear results of the developmental discussions are strong motivation among individual employees, a strong focus on sharing knowledge and experiences and that RNB is a fun company to work for and that employees and managers have fun together. The employees also show great pride in working at RNB. The developmental discussions also showed clear improvement areas in internal communication (mainly the Intranet) and clarifying the various career paths in our Talent Management program.

- The number of employees in the operation during 2011/12 was 1,419.
- Of these, 1,231 were employed in Sweden and the remaining 188 in RNB's other markets.
- Of the total number of employees, 1,331 worked in stores/department stores and 88 in central functions.

Both men and women work in leading positions in the Group and both genders are represented on RNB's Board of Directors and in Group Management.

	Women	Men
RNB's Board of Directors	1	6
RNB's Group Management	2	5
Number of Presidents in the Group	2	3

Accounts

Board of Directors' Report 2011/12

The Board of Directors of RNB RETAIL AND BRANDS AB (publ), Corp. Reg. No. 556495-4682, hereby submits its annual report and consolidated financial statements for the fiscal year, September 1, 2011 – August 31, 2012.

Operations

RNB RETAIL AND BRANDS owns, operates and develops fashion, clothing, accessories, jewelry and cosmetics stores that focus on providing excellent service and an extraordinary shopping experience. Sales are mainly conducted in Scandinavia through the three store concepts Brothers & Sisters, JC and Polarn O. Pyret, as well as through shops in the department stores NK in Stockholm and Gothenburg. At August 31, 2012, RNB had a total number of 379 (392) stores, of which 151 (177) were operated by franchisees.

Group

In addition to the Parent Company, RNB RETAIL AND BRANDS AB (publ), the Group includes the wholly owned subsidiaries Ängsviol Blomstern AB, Polarn O. Pyret AB, PO.P International IP AB, PO.P International NO AB, PO.P International UK AB, PO.P International OTH AB, PO.P International Suomi AB, Portwear AB, Departments & Stores Europe AB, Departments & Stores Denmark AS, Kosta Outlet Mode AB, JC AB, JC Sverige AB, Brothers & Sisters Sverige AB, Nordic Textile Grosshandels GmbH, JC Jeans & Clothes Oy and JC Jeans & Clothes AS, with the underlying company JC Jessheim AS.

Significant events during the year

During the 2011/12 fiscal year, the company implemented a Group-wide action program, pursuant to decisions made at the start of the fiscal year.

Reduction of inventory levels

The inventory levels in the Group were reduced by SEK 89 M, of which JC Norway accounted for SEK 24 M, JC for SEK 17 M, Brothers & Sisters for SEK 18 M and Polarn O. Pyret for SEK 28 M. This includes increases in inventories from several proprietary stores resulting from the takeover of about SEK 40 M of inventories from franchisees.

Production offices in Hong Kong and Dhaka

During the fiscal year, RNB opened a production office in Hong Kong and a satellite office in Dhaka. The offices will coordinate production for the subsidiaries Polarn O. Pyret, Brothers & Sisters and JC. A satellite office is planned to be opened in Shanghai in the future. The coordination had a positive impact on the gross margin in 2011/12 and this positive impact is deemed to increase in coming years.

Strategic change for Sisters

In October 2011, RNB decided to implement a thorough strategic overhaul of the Sisters concept. As a result of the decision, certain stores known as duo-stores have been converted into exclusively Brothers stores, while for others, the floor space allocated to the Sisters concept has been reduced and the space allocated to the Brothers concept increased. The product range for Sisters has been shifted to only feature external brands. At the close of the fiscal year, approximately half of the planned conversion of floor space for Brothers & Sisters had been implemented.

Discontinuation of JC in Norway

The loss-generating Norwegian JC operation was discontinued during the year, with a negative impact of SEK 62 M (neg: 63) on the operating result.

Rationalization measures in Group-wide functions

During the spring, the logistics organization was coordinated to Stockholm, which also resulted in the closure of the previous logistics department in Gothenburg. All Group-wide functions are thus located in the head office.

In addition, certain head office functions have also been merged with Group-wide functions, resulting in a reduction of about 20 employees.

Launch of JC Jeans Company

Work to reverse the negative earnings of JC continued during the year. This entailed the name change to JC Jeans Company and continued product range development. To date, 31 stores have been converted, renamed and received a new communication expression.

Takeover of franchise stores

During the year, the company took over 27 franchise stores as proprietary stores in the JC concept (20) and Brothers & Sisters (7).

Impairment of goodwill
The anticipated turnaround of Brothers & Sisters is taking longer than planned, resulting in continued profitability problems. Due to this, future expectations have been revised downwards. Based on the implemented impairment testing, impairment of goodwill in Brothers & Sisters totaled SEK 201 M during the fiscal year. In the preceding year, impairment of goodwill and brands in JC amounted to SEK 431 M. The remaining carrying amount on goodwill subsequently amounts to SEK 249 M for Brothers & Sisters and SEK 235 M for Department Stores. The remaining carrying amount for the JC brand is SEK 260 M.

Significant events after the end of the fiscal year
Operating financing from KfS
Operating financing from the company's principal owner, Konsumentföreningen Stockholm, which totaled SEK 500 M, has been renegotiated thus extending the due date for both of the company's loans to June 30, 2015. The loans are repayment-free until the due date.

In December, the company signed an agreement with Konsumentföreningen Stockholm for the refinancing of SEK 100 M of the existing credit facility of SEK 200 M. Following a decision by the company's current creditor about the existing credit facility of SEK 200 M, this will be halved as of January 1, 2013. To secure the company's liquidity, the existing credit facility has been supplemented with a new credit facility of SEK 100 M from Konsumentföreningen Stockholm, as well as an additional credit facility of SEK 50 M. Both credit facilities apply from January 1, 2013 to December 31, 2013 and may be utilized as necessary during the year.

Financial targets for RNB
In October 2011, the Board of Directors adopted new financial targets for RNB to be effective as of the 2011/12 fiscal year.
The targets are:

- A long-term operating margin of 10%
- Long-term sales growth of 5-10%
- A debt/equity ratio of 0.5 to 1.0

The concepts
Polarn O. Pyret business area
Net sales for the period amounted to SEK 515 M (481). Sales in comparable proprietary stores declined 4.3% year-on-year.

Operating profit amounted to SEK 33 M (69), corresponding to an operating margin of 6.4% (14.4). The lower sales in comparable stores resulted in a negative earnings trend. The gross margin was also negatively impacted by higher purchase prices, which could not be passed on to consumers in the prevailing market conditions.

To turn around the earnings trend, work is being focused on increasing sales in Sweden through a review of Polarn O. Pyret's product range, communications and long-term brand positioning. The online store will also be further developed. A first step in this direction was taken during the year, when an online store was launched for Polarn O. Pyret in the EU countries where the company has physical stores. During the past year, nine new stores were established internationally through master franchisees.

Department Stores business area
Net sales for the Department Stores business are amounted to SEK 957 M (1,028), down 6.9%. Sales in comparable stores fell 0.1%.

Operating profit amounted to SEK 58 M (74). Profit for the preceding year was positively impacted by a capital gain of SEK 15 M from the divestment of a store.

The operation at Illum in Copenhagen, which was discontinued in January, reported a loss of SEK 9 M (loss: 12).

JC business area
Net sales for JC amounted to SEK 779 M (879), down 11.4%. Sales in comparable proprietary stores fell 2.3%.

JC reported an operating loss of SEK 11 M (loss: 587). Excluding the operation in Norway and excluding the preceding year's impairments of goodwill and brands totaling SEK 431 M, the operating loss for the Swedish and Finnish operations amounted to SEK 48 M (loss: 92). A provision of SEK 7 M (24) was posted for uncertain accounts receivables.

JC's operation in Norway, which was discontinued during the year, had a negative impact of SEK 62 M (neg: 63) on earnings.

During the fiscal year, 20 stores were taken over as proprietary stores from franchisees.

Brothers & Sisters business area
Net sales for Brothers & Sisters totaled SEK 549 M (586), down 6.2%. Sales in comparable stores fell 5.1%.

Excluding goodwill impairment, Brothers & Sisters recognized an operating loss of SEK 43 M (profit: 6). The lower earnings were attributable to weak sales in proprietary stores and to franchises, as well as weaker gross margins. The margins were negatively impacted by reduced inventory levels, the divestment of older stock and the phase-out of the internal product range in Sisters.

During the year, seven stores were taken over as proprietary stores from former franchisees.

Parent Company
The Parent Company provides Group-wide services.

Net sales in the Parent Company amounted to SEK 146 M (101). After net financial items, a loss of SEK 321 M was recognized, including SEK 201 M (436) for impairment of shares in subsidiaries. Investments totaled SEK 32 M (47).

Net sales and earnings
RNB's net sales for the fiscal year totaled SEK 2,791 M (2,966), down 5.9%. Sales in comparable proprietary stores fell 2.0%, year-on-year.

The restructuring of the franchisee network during the fiscal year entailed the takeover of 27 stores (20 JC and 7 Brothers & Sisters). In addition, four JC stores were discontinued due to bankruptcy.

The gross margin for the fiscal year was 47.7% (46.9).

Excluding goodwill and brand impairments for the current and the preceding fiscal year, operating profit declined SEK 24 M and amounted to a loss of SEK 102 M (loss: 78). JC's operation in Norway, which was discontinued during the year, had a negative impact of SEK 62 M (neg: 63) on operating profit.

Excluding JC's operation in Norway and excluding goodwill and brand impairments for the current and the preceding fiscal year, the operating result declined SEK 25 M and amounted to a loss of SEK 40 M (loss: 15).

The loss before tax amounted to SEK 159 M, excluding goodwill impairment (SEK 103 M excluding goodwill and brand impairments). Excluding JC in Norway, the loss before tax was SEK 96 M (loss: 40). Unrealized results from future contracts had a negative impact of SEK 2 M (2) on earnings.

The loss after tax was SEK 329 M (loss: 445).

Financial position and liquidity
The Group had total assets of SEK 1,802 M, compared with SEK 2,079 at the end of the preceding fiscal year. At August 31, 2012, shareholders' equity amounted to SEK 628 M (959), resulting in an equity/assets ratio of 34.9% (46.1).

At the same date, inventories totaled SEK 484 M (573).

Cash flow from operating activities was a negative SEK 4 M (neg: 18). The negative flow from earnings for the year was offset by a positive trend for the working capital. The reduction in inventories had the greatest positive impact on working capital.

After investments, cash flow amounted to a negative SEK 113 M (neg: 96).

Net debt amounted to SEK 604 M, compared with SEK 507 a year earlier.

Consolidated cash and cash equivalents, including unutilized credit facilities, amounted to SEK 146 M at fiscal year-end, compared with SEK 139 M at the end of the preceding fiscal year.

During the year, the company received an additional loan of SEK 100 M from the company's principal owner, Konsumentföreningen Stockholm. Following the end of the fiscal year, the maturity date for this loan and the previous loan of SEK 400 M has been extended to June 2015. Both loans are repayment-free until the maturity date. The terms and conditions for the loans are market-based. The Group fulfills the covenants stipulated in the prevailing agreements with creditors.

As stated in the information under the heading Significant events after the end of the fiscal year on page 49 in this Annual Report, additional financing has been secured.

The Group fulfills the covenants stipulated in the prevailing agreements with creditors.

Investments, depreciation and impairments

Investments for the period totaled SEK 123 M (71). Depreciation/amortization and impairments amounted to SEK 289 M (527), including goodwill impairment of SEK 201 M (SEK 431 M in the preceding year).

Personnel

The average number of employees during the fiscal year was 1,419 (1,435).

Sustainable fashion

RNB presents a separate sustainability report. The company pursues a policy document, a vision and a comprehensive business plan for sustainability issues. Refer to the current sustainability report on the company's website, www.rnb.se.

Transactions with closely related parties

No transactions were conducted between the RNB Group and closely related parties that significantly impacted the Group's position and earnings.

The company has two loans from the principal owner, Konsumentföreningen Stockholm, totaling SEK 500 M, at market interest rates and covenants.

For further information on transactions with closely related parties, refer to Note 4, page 70.

Tax paid

During the period, the Group paid tax totaling SEK 7 M (6).

Risk factors

RNB is exposed to a number of risks that are fully or partly beyond the company's control, but which could adversely impact consolidated profit. The risks are described in detail in Note 40.

Corporate governance

RNB is governed through the Annual General Meeting, the Board of Directors and the President in accordance with the Swedish Companies Act, the Articles of Association and the Swedish Code of Corporate Governance. The company's Corporate Governance report is presented on pages 86 – 93.

Board of Directors' work

At the beginning of the fiscal year, RNB's Board of Directors consisted of seven members elected by the Annual General Meeting.

The Board is appointed at the Annual General Meeting for the period until the next Annual General Meeting. The company's Articles of Association do not include any statutes on the appointment or dismissal of Board Members.

RNB's Board of Directors is subject to a formal work plan that complies with the Swedish Companies Act with respect to work distribution and reporting. The formal work plan governs Board meetings, issues to be addressed at Board meetings, the Chairman's assignments, the President's assignments and certain other matters. Within the Board, there is a Remuneration Committee and an Audit Committee. The Remuneration Committee addresses salaries, bonuses and other remuneration for the President and senior executives that report directly to the President.

In addition to the statutory meeting, the Board held six scheduled Board meetings and five extraordinary meetings during the 2011/12 fiscal year. The scheduled meetings focused primarily on earnings follow-ups, investment matters, external reporting, budget and strategy issues. The extraordinary meetings dealt with financing and liquidity issues, the establishment of the production organization in Asia, franchisee-related issues and the outsourcing of IT operations.

Nomination Committee

The task of the Nomination Committee is to prepare and submit proposals to shareholders of the company concerning the election of Board members and, when applicable, auditors.

The Chairman of the Board is to annually, not later than six months prior to the Annual General Meeting, contact the four largest shareholders in the company. These are then to appoint one member each to the Nomination Committee. The Chairman of the Board is to be co-opted to the Nomination Committee, but not as its Chairman. The Chairman of the Board is also to ensure that information about the composition of the Nomination Committee, with contact information, is published well in advance of the Annual General Meeting. The Chairman of the Board is also to report to the Nomination Committee regarding the conditions for the Board of Directors' work and specific expertise requirements that may be significant to the Nomination Committee's work. Shareholders must be able to submit proposals to the Nomination Committee for further evaluation within the framework of its work. The Nomination Committee is to hold meetings as necessary, but at least once per year.

Ahead of the Annual General Meeting on January 17, 2013, the members of the Nomination Committee were appointed pursuant to the resolution at the 2012 Annual General Meeting and consist of Sune Dahlqvist, Chairman of Konsumentföreningen Stockholm, Ulf Strömsten, Catella Fondförvaltning, Jan Litborn, representing Douglas Invest AS and John Wallmark, Spartoi AB.

Guidelines for remuneration of senior executives

The Annual General Meeting on January 19, 2012 resolved on guidelines governing remuneration and other terms of employment for company management. These are described in Note 4.

The Board of Directors proposes that the Annual General Meeting resolve to adopt the following guidelines.

The company is to offer market-aligned total remuneration, making it possible to recruit and retain senior executives. The remuneration structure for company management is to comprise fixed and variable salary, a pension and other remuneration. Combined, these parts are to comprise the individual's total remuneration. Fixed and variable salary components jointly represent the employee's salary.

The fixed, monthly salary paid in SEK is to take into account the employee's areas of responsibility and experience. The variable salary is to relate primarily to the outcome of the subsidiaries' operating result and/or consolidated result after financial items compared with established targets.

In respect of the currently applicable bonus, it is proposed that the maximum outcome in terms of the company's costs for the variable salary, which implies fulfillment of all bonus-based targets and that the bonus to be paid is fully financed by the surplus generated, may not exceed SEK 3,750,000 (excluding social security contributions), of which SEK 750,000 to the President. The calculation is based on the seven people who currently comprise company management. The bonus is to be evaluated annually and the bonus structure is to be re-established each year based on budgeted earnings as the target. The bonus does not qualify for vacation or pension.

The variable salary in the bonus program may not exceed 40% of the fixed salary.

As in the past, the President is entitled to pension corresponding to a maximum premium of 30% of his/her current annual salary. Other members of company management are entitled to pension according to the ITP plan or equivalent. The retirement age is 65.

Other remuneration and benefits are to be market-aligned and contribute to facilitating the employee's possibilities to fulfill his/her assignments.

Terms of employment for company management include regulations governing notice of employment termination. According to these agreements, employment may normally be terminated by the employee subject to a period of notice of three to six months and by the company subject to a period of notice of six to 12 months. Unchanged salary is payable during the notice period. For the President, a notice period of up to 12 months applies if termination is initiated by the company.

The Board is entitled to deviate from the above guidelines if the Board deems that it has specific reasons to justify such a deviation in an individual case.

Ownership conditions

The number of shareholders on August 31, 2012 was 9,807, of whom 9,515 were registered in Sweden. The largest owners at August 31, 2012 were as follows:

Largest shareholders	No. of shares	Share capital/ votes, %
Konsumentföreningen Stockholm	35,959,350	21.7
Axbrands AB	11,600,000	7.0
Douglas Invest AS	9,231,776,	5.6
Avanza pension	7,481,140	4.5
Irish Life International Ltd.	4,310,704	2.6
Catella Fondförvaltning	3,753,113	2.3
Nordnet Pensionsförsäkring AB	3,489,761	2.1
Handelsbanken fonder	3,475,573	2.1
Spartoi AB	3,279,396	2.0
Löfman Michael	2,933,160	1.8
Total, largest shareholders	**85,513,973**	**51.7**
Other	79,911,278	48.3
Total	**165,425,251**	**100.0**

The number of shares in the company on August 31, 2012 was 165,425,251, which were all common shares, each of which with a quotient value of SEK 1. Each share entitles its owner to one vote at the Annual General Meeting and all shares are entitled to an equal percentage of the company's assets and profit. There are no statutes in the company's Articles of Association limiting the number of votes that each shareholder can cast at the Annual General Meeting nor any limitations on the right to transfer shares. Aside from Konsumentföreningen Stockholm, no shareholder, directly or indirectly, holds more than 10% of the shares in RNB RETAIL AND BRANDS AB (publ). More information is available under the section called "The Share" on pages 94-95.

Dividend

The Board proposes that no dividend be paid for the 2011/12 fiscal year.

Proposed distribution of unappropriated earnings

The following funds are available for allocation by the Annual General Meeting, SEK 000s:	
Retained earnings	570,496,163
Loss for the year	–286,324,498
	284,171,665
The Board of Directors proposes:	
That the following amount be carried forwards	284,171,665

For further information regarding RNB's earnings and financial position, refer to the following income statement and balance sheet with accompanying notes. All amounts are listed in thousands of SEK (SEK 000s) unless otherwise specified.

Consolidated statement of comprehensive income

SEK 000s	Note	**Sep 11–Aug 12**	Sep 10–Aug 11
Net sales	3	2,791,031	2,965,670
Other operating revenues	6	10,077	21,565
		2,801,108	**2,987,235**
Operating expenses			
Goods for resale	8,20	–1,459,248	–1,575,298
Other external costs	5,7,33	–731,493	–765,886
Personnel costs	4	–625,165	–628,218
Depreciation/amortization and impairment of tangible and intangible fixed assets	13,15,16,18	–87,053	–96,106
Impairment of goodwill and brand	13,14,17	–201,432	–431,196
Capital loss on sale of subsidiaries		–	–95
Operating loss		**–303,283**	**–509,564**
Results from financial investments			
Interest income and similar profit/loss items	9	4,770	8,906
Interest expense and similar profit/loss items	10	–60,999	–33,995
Loss after financial items		**–359,512**	**–534,653**
Tax on net profit for the year	11	30,595	89,487
Net loss for the year		**–328,917**	**–445,166**
Other comprehensive income			
Translation differences		–2,560	15
Comprehensive loss for the year		**–331,477**	**–445,151**
Net loss for the year pertaining to:			
Parent Company's shareholders		–328,917	–445,166
Non-controlling interest		–	–
Comprehensive loss for the year pertaining to:			
Parent Company's shareholders		–331,477	–445,151
Non-controlling interest		–	–
Earnings per share (SEK)	12	–1.99	–2.69
Average number of shares outstanding (000s)	12	165,425	165,425

Consolidated cash-flow statement

SEK 000s	Note	**Sep 11-Aug 12**	Sep 10-Aug 11
Operating activities			
Operating loss		-303,283	-509,564
Interest received		4,770	6,835
Interest paid		-54,302	-30,440
Tax paid		-6,638	-6,345
Adjustment for non-cash items	34	264,942	495,002
Cash flow from operating activities before changes in working capital		**-94,511**	**-44,512**
Cash flow from changes in working capital			
Decrease (+)/increase (-) in inventories		88,753	-9,870
Decrease (+)/increase (-) in current receivables	35	-4,052	24,452
Decrease (-)/increase (+) in current liabilities		6,209	11,887
Cash flow from operating activities		**-3,601**	**-18,043**
Investing activities			
Acquisition of tangible and intangible fixed assets		-92,900	-100,742
Change in long-term receivables		-16,364	7,634
Acquisition of subsidiaries	35	-	-
Divestment of subsidiaries	35	-	-95
Divestment of other fixed assets		412	15,518
Cash flow from investing activities		**-108,852**	**-77,685**
Financing activities			
Increased utilization of overdraft facilities		-	105,328
Decreased utilization of overdraft facilities		-31,204	-
Redemption of pension provisions		-3,328	-5,633
Borrowings		123,909	-
Cash flow from financing activities		**89,377**	**99,695**
Cash flow during the year		**-23,076**	**3,967**
Cash and cash equivalents at the beginning of the year		53,495	49,470
Exchange-rate differences in cash and cash equivalents		-708	58
Cash and cash equivalents at year-end	23	**29,711**	**53,495**

Consolidated balance sheet

SEK 000s	Note	**Aug 31, 2012**	Aug 31, 2011
ASSETS			
Fixed assets			
Intangible fixed assets	13		
Trademarks	14	259,712	259,712
Software	15	93,850	79,448
Rental rights	16	27,620	15,501
Goodwill	17	483,673	685,105
		864,855	**1,039,766**
Tangible fixed assets			
Equipment and store fittings	18	144,615	131,941
		144,615	**131,941**
Financial fixed assets			
Other long-term receivables	37	16,364	0
		16,364	**0**
Total fixed assets		**1,025,834**	**1,171,707**
Current assets			
Inventories			
Goods for resale	20	483,763	573,116
		483,763	**573,116**
Current receivables			
Accounts receivable	37	134,343	191,589
Current tax assets		9,094	13,599
Other receivables	21	20,679	11,930
Prepaid expenses and accrued income	22	98,204	63,655
		262,320	**280,773**
Cash and cash equivalents	23	29,711	53,495
Total current assets		**775,794**	**907,384**
TOTAL ASSETS		**1,801,628**	**2,079,091**

SEK 000s	Note	**Aug 31, 2012**	Aug 31, 2011
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		165,425	165,425
Other contributed capital		1,848,929	1,848,929
Other reserves		-8,162	-5,602
Loss brought forward		-1,049,400	-604,234
Net loss for the year		-328,917	-445,166
Total shareholders' equity		**627,875**	**959,352**
Long-term liabilities			
Liabilities to credit institutions	25	21,934	10,006
Provisions for pensions	24	12,309	15,637
Deferred tax liabilities	11	210	30,906
Other long-term liabilities	25,26	500,000	400,000
Total long-term liabilities		**534,453**	**456,549**
Current liabilities			
Liabilities to credit institutions	25	15,423	20,150
Overdraft facilities	25,27	83,683	114,887
Accounts payable	28	331,338	319,129
Other liabilities	29	52,051	58,913
Accrued expenses and prepaid income	30	156,805	150,111
Total current liabilities		**639,300**	**663,190**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,801,628**	**2,079,091**
Assets pledged	31	822,569	522,601
Contingent liabilities	32	219	1,392

Changes in Group shareholders' equity

SEK 000s	Share capital	Other contributed capital	Other reserves	Profit/loss brought forward	Net profit/loss for the year	**Total shareholders' equity**
Shareholders' equity, August 31, 2010	**165,425**	**1,848,929**	**–5,617**	**–633,130**	**28,896**	**1,404,503**
Transfer of previous year's profit/loss				28,896	–28,896	0
Net loss for the year					–445,166	–445,166
Other comprehensive income (translation difference)			15			15
Shareholders' equity, August 31, 2011	**165,425**	**1,848,929**	**–5,602**	**–604,234**	**–445,166**	**959,352**
Transfer of preceding year's profit/loss				–445,166	445,166	0
Net loss for the year					–328,917	–328,917
Other comprehensive income (translation difference)			–2,560			–2,560
Shareholders' equity, August 31, 2012	**165,425**	**1,848,929**	**–8,162**	**–1,049,400**	**–328,917**	**627,875**

Presentation of shareholders' equity for the Group

Pursuant to IAS 1, shareholders' equity must be broken down into its constituent components. RNB has chosen to specify shareholders' equity as follows: Share capital, Other contributed capital, Other reserves, Profit/loss brought forward and Net profit/loss for the year.

The item "Share capital" encompasses the registered share capital of the Parent Company. "Other contributed capital" consists essentially of all funds contributed by shareholders in excess of shareholders' equity. "Other reserves" consists of those items that are recognized directly in "Other comprehensive income." In RNB's case, this item comprises translation differences attributable to translation of foreign subsidiaries pursuant to IAS 21.

"Profit/loss brought forward" corresponds to the total accumulated profits and losses of the Group less dividends paid.

"Share capital" comprised 165,425,251 shares on August 31, 2012. All of the shares are common shares.

No dividend is proposed for the September 1, 2011 – August 31, 2012 fiscal year.

Parent Company income statement

SEK 000s	Note	**Sep 11–Aug 12**	Sep 10–Aug 11
Net sales	39	145,538	100,585
Other operating revenues	6	5,822	5,682
		151,360	**106,267**
Operating expenses			
Other external costs	5,7,33	-115,533	-102,229
Personnel costs	4,39	-64,119	-42,150
Depreciation, amortization and impairment of tangible and intangible fixed assets	13,15,16,18	-14,729	-33,822
Operating loss		**-43,021**	**-71,934**
Results from financial investments			
Results from participations in Group companies	36	-236,682	-393,783
Interest income and similar profit/loss items	9	1,853	2,128
Interest expense and similar profit/loss items	10	-43,451	-25,991
Loss after financial items		**-321,301**	**-489,580**
Appropriations			
Changes in depreciation in excess of plan		12,500	-
Loss before tax		**-308,801**	**-489,580**
Tax on net profit/loss for the year	11	22,477	17,801
Net loss for the year		**-286,324**	**-471,779**

Parent Company statement of comprehensive income

SEK 000s	Note	**Sep 11–Aug 12**	Sep 10–Aug 11
Net loss for the year		-286,324	-471,779
Other comprehensive income		-	-
Comprehensive loss for the year		**-286,324**	**-471,779**

Parent Company balance sheet

SEK 000s	Note	**Aug 31, 2012**	Aug 31, 2011
ASSETS			
Fixed assets			
Intangible fixed assets			
Software	15	86,369	65,682
		86,369	**65,682**
Tangible fixed assets			
Equipment	18	1,937	5,609
		1,937	**5,609**
Financial fixed assets			
Shares in subsidiaries	19	945,226	1,146,658
Deferred tax assets	11	63,900	41,423
		1,009,126	**1,188,081**
Total fixed assets		**1,097,432**	**1,259,372**
Current assets			
Current receivables			
Accounts receivable	37	0	93
Receivables from Group companies	38	188,372	255,750
Current tax assets		1,536	1,815
Other receivables	21	365	198
Prepaid expenses and accrued income	22	9,035	4,272
		199,308	**262,128**
Cash and cash equivalents	23	78	0
Total current assets		**199,386**	**262,128**
TOTAL ASSETS		**1,296,818**	**1,521,500**

SEK 000s	Note	**Aug 31, 2012**	Aug 31, 2011
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital		165,425	165,425
Statutory reserve		183,647	183,647
Total restricted shareholders' equity		**349,072**	**349,072**
Non-restricted shareholders' equity			
Profit brought forward		570,496	1,042,275
Net loss for the year		–286,324	–471,779
Total non-restricted shareholders' equity		**284,172**	**570,496**
Total shareholders' equity		**633,244**	**919,568**
Untaxed reserves			
Accumulated depreciation in excess of plan		0	12,500
Total untaxed reserves		**0**	**12,500**
Long-term liabilities			
Liabilities to credit institutions	25,26	500,000	400,000
Total long-term liabilities		**500,000**	**400,000**
Current liabilities			
Overdraft facilities	25,27	83,683	114,887
Accounts payable	28	16,136	11,547
Liabilities to Group companies	38	23,997	36,022
Other liabilities	29	4,871	1,699
Accrued expenses and prepaid income	30	34,887	25,277
Total current liabilities		**163,574**	**189,432**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,296,818**	**1,521,500**
Assets pledged	31	254,593	254,593
Contingent liabilities	32	46,465	63,638

Parent Company cash-flow statement

SEK 000s	Note	**Sep 11–Aug 12**	Sep 10–Aug 11
Operating activities			
Operating loss		–43,021	–71,934
Interest received		1,853	2,128
Interest paid		–40,759	–22,634
Tax paid		–533	3,704
Adjustment for non-cash items	34	14,729	33,654
Cash flow from operating activities before changes in working		**–67,731**	**–55,082**
Cash flow from changes in working capital			
Decrease (+)/increase (–) in current receivables		63,353	–58,579
Decrease (–)/increase (+) in current liabilities		2,654	9,690
Cash flow from operating activities		**–1,724**	**–103,971**
Investing activities			
Acquisition of tangible and intangible fixed assets		–31,744	–46,869
Acquisition of subsidiaries	35	–250	–
Divestment of subsidiaries	35	250	2,670
Divestment of other fixed assets		–	60
Cash flow from investing activities		**–31,744**	**–44,139**
Financing activities			
Increased utilization of overdraft facilities		–	105,328
Decreased utilization of overdraft facilities		–31,204	–
Group contributions received		101,150	173,450
Group contributions paid		–136,400	–145,700
Dividend received		–	15,000
Borrowings		100,000	–
Cash flow from financing activities		**33,546**	**148,078**
Cash flow during the year		**78**	**–32**
Cash and cash equivalents at the beginning of the year		0	32
Cash and cash equivalents at year-end	23	78	0

Parent Company's changes in shareholders' equity

	Restricted shareholders' equity		Non-restricted shareholders' equity		
SEK 000s	Share capital	Statutory reserve	Profit/loss brought forward	Net profit/loss for the year	**Total shareholders' equity**
Shareholders' equity, August 31, 2010	**165,425**	**183,647**	**1,032,571**	**9,704**	**1,391,347**
Preceding year's profit/loss brought forward			9,704	-9,704	0
Net loss for the year				-471,779	-471,779
Shareholders' equity, August 31, 2011	**165,425**	**183,647**	**1,042,275**	**-471,779**	**919,568**
Preceding year's profit/loss brought forward			-471,779	471,779	0
Net loss for the year				-286,324	-286,324
Shareholders' equity, August 31, 2012	**165,425**	**183,647**	**570,496**	**-286,324**	**633,244**

"Share capital" comprised 165,425,251 shares on August 31, 2012. All of the shares are common shares.

"Profit brought forward" corresponds to the total accumulated profits and losses of the Group less dividends paid including Group contributions paid and received. The "Share premium account" sum attributable to non-restricted shareholders' equity that arose in conjunction with the new share issue is recognized under "Profit/loss brought forward".

No dividend is proposed for the September 1, 2011 – August 31, 2012 fiscal year.

Notes to the financial statements

Amounts in SEK 000s, unless stated otherwise.

Note 1 Accounting policies, etc.

Information about the company and the Annual Report
RNB RETAIL AND BRANDS AB (publ), Corp. Reg. No. 556495-4682, is a Swedish public limited liability company with its registered office in the Municipality of Stockholm, Stockholm County. The company's shares are listed on Nasdaq OMX Nordic, Stockholm, Small Cap segment. RNB RETAIL AND BRANDS AB is the Parent Company of the Group. The Group owns, operates and develops stores that sell fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics. The company's fiscal year extends from September 1 to August 31.

The Annual Report for the Group and the Parent Company for the 2011/2012 fiscal year was signed by the Board of Directors and the President on December 27, 2012. The consolidated statement of comprehensive income and balance sheets for the Parent Company and the Group included in the Annual Report will be subject to adoption at the Annual General Meeting to be held on January 17, 2012.

Conformity with standards and regulations
The annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that have been approved by the European Commission for application within the EU. In addition, the Swedish Financial Reporting Board's (RFR) recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied.

The Parent Company applies the same accounting policies as the Group except in the cases listed below under the section "Parent Company's accounting policies." Instances in which the Parent Company's accounting policies deviate from those of the Group are caused by limits on the possibilities of fully applying IFRS in the Parent Company as a consequence of the Swedish Annual Accounts Act and, in certain cases, due to tax purposes. The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities issued by the Swedish Financial Reporting Board.

Conditions for preparing the financial statements for the Parent Company and the Group
The Parent Company's functional currency is SEK, which is also the reporting currency for the Parent Company and the Group. This means that the financial statements are presented in SEK. All figures, unless otherwise stated, are rounded off to the nearest thousand. Recognition of assets and liabilities is based on the historical cost (cost), with the exception of certain financial assets and liabilities that are measured at fair value. Financial assets and liabilities, which are measured at fair value, comprise derivatives (currency forward contracts).

Preparing the financial statements in accordance with IFRS requires that company management make assessments and estimates as well as assumptions that affect the application of accounting policies and the recognized figures for assets, liabilities, revenues and expenses. Estimates and assumptions are based on historical experience and a number of other factors that, under prevailing circumstances, are considered reasonable.

The results of these estimates and assumptions are then used in determining the carrying amounts of assets and liabilities, which are not otherwise evident from other sources. The actual outcome may differ from these estimates and assumptions.

In the application of IFRS, assessments made by management that have a significant impact on the financial statements and the estimates made and that can cause substantial adjustments in the following years' financial statements are described in detail in Note 2.

Events after the balance-sheet date refer to both favorable and unfavorable events that occur after the balance-sheet date but before the date in the following year in which the financial statements are authorized for issue by the Board of Directors. Information is disclosed in the annual accounts concerning significant events after the balance-sheet date that were not taken into account when preparing the balance sheets and the income statements. Only such events that provide evidence of conditions that existed at the balance-sheet date have been considered when establishing the financial statements.

The material accounting policies applied when these consolidated financial statements were prepared are presented below. These policies have been applied consistently for all of the years presented unless otherwise stated.

New and amended accounting policies
The following updated standards have been applied as of the current fiscal year:

- IFRS 7 Financial Instruments: Disclosures – amendment (approved by the EU on November 22, 2011.
- IAS 12 Income Taxes – amendment (expected to be approved by the EU in the fourth quarter of 2012)

None of the abovementioned amendments had any effects on the prepared financial statements.

New IFRS standards, IFRIC interpretations and amendments that have been issued but not yet adopted
Listed below is a brief description of the standards and interpretations that have not yet been adopted by RNB but are expected to have a future impact.

IFRS 7 Financial Instruments: Disclosures - amendment (expected to be approved by the EU in the fourth quarter of 2012)
This amendment will not give rise to any effects on the prepared financial statements.

IFRS 9 Financial Instruments (not yet approved by the EU and no date for approval has currently been scheduled.)
IFRS 9 is to be applied to fiscal years beginning on or after January 1, 2015.

The standard entails a reduction in the number of measurement categories for financial assets and stipulates that the two main classifications for recognizing financial assets and liabilities are at cost (amortized cost) and at fair value through profit or loss. For certain equity investments, there is the option of recognition at fair value in the statement of financial position, with changes in value recognized directly in other comprehensive income, and with no transfer to net profit for the period on divestment. New rules have also been introduced regarding how changes in own credit spreads are to be presented when liabilities are measured at fair value.

This standard will be supplemented with impairment and hedge accounting rules.

This amendment will not give rise to any material impact on the content of the financial statements, except that some financial instruments may be reclassified.

IFRS 10 Consolidated Financial Statements and amendment to IAS 27 Consolidated and Separate Financial Statements (Expected to be approved by the EU in the fourth quarter of 2012)
IFRS 10 and the amendment to IAS 27 are to be applied to fiscal years beginning on or after January 1, 2013. IFRS 10 replaces the section in IAS 27 regarding preparation of consolidated financial statements. The rules

pertaining to how the method is to be applied to preparing consolidated financial statements have not been changed. More specifically, the amendment addresses how a company is to determine whether a controlling influence exists and thus whether a company is to be consolidated.

IFRS 10 will impact the prepared financial statements as regards the companies that are to be consolidated and on which grounds such consolidation is to take place.

IFRS 11 Joint Arrangements and amendment to IAS 28 Investments in Associates (Expected to be approved by the EU in the fourth quarter of 2012)
IFRS 11 and the amendment to IAS 28 are to be applied to fiscal years beginning on or after January 1, 2013. IFRS 11 addresses the recognition of joint arrangements, which are defined as contractual agreed sharing of control and arrangements subject to joint control.

Jointly owned assets and joint operations are classified as a "joint operation". Each joint operator (or party) recognizes its share of the assets, liabilities, revenue and expenses. Joint ventures, whereby the parties have rights to the net assets of the arrangement, are to be recognized in accordance with the equity method.

Since RNB does not have any joint arrangements as defined by IFRS 11, the application of this standard will not have any impact on the financial reporting.

IFRS 12 Disclosures of Interest in Other Entities (Expected to be approved by the EU in the fourth quarter of 2012)
IFRS 12 is to be applied to fiscal years beginning on or after January 1, 2013 and the standard contains more extensive disclosure requirements than previous requirements on disclosures in annual reports and will impact the content of the financial statements.

IFRS 12 will affect the financial statements since it pertains to disclosures of subsidiaries, associated companies and joint arrangements.

Investment Entities (expected to be approved by the EU in the third quarter of 2013)
This standard will not have any impact on the financial statements.

IFRS 13 Fair Value Measurement (expected to be approved by the EU in the fourth quarter of 2012)
IFRS 13 is to be applied to fiscal years beginning on or after January 1, 2013. It does not describe when fair value is to be used but rather how it is to be measured when such a value is to be or may be used in accordance with a specific IFRS. In accordance with IFRS 13, new disclosures are to be provided to clarify the measurement techniques to be applied and the measurement data (inputs) to be used in these techniques, as well as the effects that the measurement has had on profit or loss. It should be noted that new disclosure requirements are to be provided for both assets and liabilities that are continuously measured at fair value and for assets and liabilities that are measured at fair value only for disclosure purposes.

This standard will not impact the content of the financial statements.

IAS 1 Presentation of Financial Statements – amendment: presentation of other comprehensive income (approved by the EU on June 5, 2012)
The amendment to IFRS 1 is to be applied to fiscal years beginning on or after July 1, 2012. This amendment changes the grouping of transactions recognized in other comprehensive income. Items that are to be reclassified to profit or loss are to be recognized separately from the items that are not to be reclassified to profit or loss. The proposal does not change the actual content of other comprehensive income only the presentation.

The amendment will not impact the presentation of the statement of comprehensive income.

IAS 19 Employee Benefits – amendment (Approved by the EU on June 5, 2012)
The amendment to IAS 19 is to be applied to fiscal years beginning on or after January 1, 2013. Examples of the changes under the amendment:

- the option of deferring actuarial gains and losses as a part of the "corridor" limit or recognizing actuarial gains and losses directly in profit or loss is no longer permissible. Instead, such gains and losses are to be recognized continuously in other comprehensive income.
- remeasurement recognized in other comprehensive income (not reclassification) comprises actuarial gains and losses and the difference between actual and estimated returns on pension assets are to be recognized in other comprehensive income.
- the interest rate applied to the calculation of pension liabilities is also to be used for the calculation of returns on pension assets.
- sensitivity analyses are to be conducted regarding reasonable changes to all assumptions made in the calculation of the pension liability.

For the Swedish entities, the actuarial calculations will also include future payments of special employer's contributions.

IAS 32 Financial Instruments: Presentation – amendment (expected to be approved by the EU in the fourth quarter of 2012)
The amendment to IAS 32 is to be applied to fiscal years beginning on or after January 1, 2014. With the amendment to IAS 32, the application guidance section has been clarified regarding the offsetting of financial assets and financial liabilities. Clarification has been provided of the definition of "a legally enforceable right to set off" and the definition of "items that can be settled net" in various contexts.

The amendment is not expected to give rise to any changes in the financial statements.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (expected to be approved by the EU in the fourth quarter of 2012
This interpretation will not have any impact on the prepared financial statements.

Annual Improvements to IFRSs 2009–2011 (expected to be approved by the EU in the first quarter of 2013)
The amendments are to be applied to fiscal years beginning on or after January 1, 2013 and are not expected to have any impact on the financial statements.

UFR 9 Recognition of Yield Tax
Application of the statement UFR 9 from the Swedish Financial Reporting Board is to commence at the same time as the amendment to IAS 19, meaning on or after January 1, 2013. The yield tax charged on provisions in the balance sheet is to be recognized continuously as an expense in profit or loss for the period to which the tax pertains. Accordingly, such yield tax is not to be included in the calculation of liabilities for defined-benefit pension plans.

Amended accounting policies for the Parent Company
Significant amendments to RFRs
A significant amendment to the Swedish Financial Reporting Board's recommendation RFR 2 entails that new guidance has been introduced regarding the recognition of Group contributions. The new guidance on Group contributions is to be applied to fiscal years beginning on or after January 1, 2013 but early application is permitted.

A company can apply either the main rule or the alternative rule to the recognition of Group contributions. The rule selected must be applied consistently to all Group contributions. The main rule entails that:

- The Parent Company is to recognize Group contributions received from subsidiaries as financial income and Group contributions paid to subsidiaries as an increase in participations in Group companies.
- Subsidiaries are to recognize Group contributions received from the Parent Company in equity and Group contributions paid to the Parent Company are also to be recognized in equity.

- Group contributions received from fellow subsidiaries are to be recognized in equity and Group contributions paid to fellow subsidiaries are also to be recognized in equity.

The alternative rule entails that both Group contributions received and paid are to be recognized as appropriations.

Classification
Fixed assets and long-term liabilities consist essentially of amounts that are expected to be recovered or paid after more than twelve months from the balance-sheet date. Current assets and current liabilities consist essentially of amounts that are expected to be recovered or paid within twelve months from the balance-sheet date.

Consolidation principles
The consolidated financial statements comprise the Parent Company and subsidiaries in which the Parent Company has a controlling influence, which implies having the right, directly or indirectly, to formulate the company's financial and operative strategies for the purpose of obtaining financial benefits.

Subsidiaries are recognized in accordance with the purchase method, which entails that the acquisition of a subsidiary is regarded as a transaction in which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. With regard to the Group, the cost is established through an acquisition analysis performed in conjunction with the acquisition. In the analysis, the cost of shares or operations is established, as is the fair value of acquired identifiable assets, assumed liabilities and contingent liabilities. All transactions connected with acquisitions are expensed. The difference between the cost of the subsidiaries' shares and the fair value of acquired assets, assumed liabilities and contingent liabilities is recognized as goodwill. If the cost is less than the fair value of the acquired subsidiary's assets, liabilities and contingent liabilities, the difference is recognized directly through profit or loss. The subsidiaries' financial statements are included in the consolidated financial statements from the date of acquisition until the date the controlling influence ceases.

Intra-Group transactions and intra-Group unrealized gains and losses have been eliminated when preparing the consolidated financial statements.

Conversion of foreign currencies
Functional currency and reporting currency
Items included in the financial statements of the various units in the Group are measured in the currency used in the economic environment in which the particular companies are mainly active (functional currency). In the consolidated financial statements, the Swedish krona (SEK) is the Parent Company's functional currency and the Group's reporting currency.

Transactions and balance-sheet items
Transactions in foreign currency are translated using the exchange rate applying on the transaction day to the unit's functional currency. Receivables and liabilities in foreign currencies are measured at the exchange rate prevailing on the balance-sheet date.

Exchange-rate gains and losses attributable to loans and cash and cash equivalents are recognized through profit or loss as financial income or costs. Other exchange-rate gains and losses are recognized in Goods for resale.

Group companies
For all Group companies whose earnings and financial position are in a functional currency other than the reporting currency, amounts are translated to the Group's reporting currency, namely SEK, in the following manner:

(a) assets and liabilities for each and every balance sheet are translated at the exchange rate prevailing on the balance-sheet date;

(b) revenues and costs for each and every income statement are translated at the average exchange rate and

(c) the translation differences that arise are recognized separately in other comprehensive income.

Goodwill and fair value adjustments of assets and liabilities that arise in connection with the acquisition of a foreign operation are treated as assets and liabilities in the particular operation and are translated at the exchange rate prevailing on the balance-sheet date.

Currency hedging
When currency-hedging future cash flows, the hedging instruments are restated at fair value. Hedge accounting is not applied.

Revenue
Group revenues derive from sales to consumers in proprietary stores and from wholesale sales to franchisees. Franchisees also pay a franchise fee based on their sales. The franchise fee is recognized through profit or loss in the item "Net sales" for the same period as when the sale to the consumer occurred.

Sales of goods are recognized on delivery of the product to the customer, in accordance with the terms and conditions for sale. All store sales are conducted on a 10-30 days sale-or-return basis. Sales are recognized following deductions for discounts and excluding VAT.

Customer loyalty programs, which mainly comprise discounts provided in relation to the customers' actual purchases, are recognized as a special component of the sales transaction in which they are awarded by reducing sales revenues with this component. The reduction of sales revenues is based on the value for the customer and not the cost for RNB. The reduction is recognized as deferred income and included through profit or loss over the periods during which the commitment is fulfilled.

Financial income and expenses
Financial income and expenses primarily comprise interest income on cash and bank balances, interest expenses on loans, changes in value of currency derivatives and other financial items.

Dividend income is recognized as a financial income when the right to receive payment has been established.

Borrowing expenses
Borrowing expenses for the acquisition of qualified fixed assets are recognized as fixed assets. Offer borrowing expenses are expensed through profit or loss.

Financial instruments
All financial assets and liabilities are classified in accordance with IAS 39 in the following categories:

- Financial assets measured at fair value through profit or loss comprise available-for-sale financial assets, which from RNB's viewpoint comprise currency forward contracts with positive fair values.
- Investments held to maturity comprise non-derivative financial assets with fixed or fixable payments and fixed maturities that the Group intends to retain until maturity. RNB has no financial assets classified in this category.
- Loan receivables and Accounts receivable comprise non-derivative financial assets involving fixed or fixable payments. For RNB, this category comprises cash and cash equivalents, accounts receivable, accrued income and loan receivables. Accounts receivable are initially recognized at fair value and thereafter at accrued cost less doubtful receivables, which are assessed individually. Since the estimated maturity of accounts receivable is generally short, their value is recognized in the nominal amount without discounting. Impairment losses on accounts receivable are recognized in operating expenses.
- Available-for-sale financial assets comprise non-derivative financial assets that are either classified as available-for-sale or are not classified in any of the other categories. RNB has no financial assets classified in this category.

Note 1 **Cont.**

- Financial liabilities measured at fair value through profit or loss comprise financial liabilities held for trading purposes, which from RNB's viewpoint comprise forward contracts with negative fair values.
- Other financial liabilities comprise financial liabilities that are not held for trading purposes. From RNB's viewpoint, this category consists of accounts payable, accrued costs and loan liabilities. Loan liabilities are measured at accrued cost. Accrued cost is determined on the basis of the effective interest rate that was calculated when the liability was raised. This means that surplus and deficit values, as well as direct issue expenses, are accrued over the maturity of the liability. Long-term liabilities have an anticipated maturity that exceeds one year, while current liabilities have a maturity of less than one year. Since the estimated maturity of an account payable is short, its value is recognized in the nominal amount without discounting.

Financial assets are recognized initially at fair value plus transaction costs. Financial liabilities are recognized at accrued cost. Financial liabilities and assets measured at fair value via profit and loss, meaning RNB's currency forward contracts, are recognized at fair value, while attributable transaction costs recognized through profit or loss.

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party to the contractual terms and conditions of the instrument. Accounts receivable are recognized in the balance sheet when the invoice has been sent. A liability is recognized when the counterparty has performed a service and a contractual payment obligation prevails, even if the invoice has not yet been received. Accounts payable are recognized when the invoice has been received.

A financial asset is derecognized from the balance sheet when the contractual rights to the asset are realized, extinguished or the company loses control over them. The same applies to a portion of a financial asset. A financial liability is derecognized from the balance sheet when the contractual obligation has been fulfilled or in some other manner extinguished. The same applies to a portion of a financial liability.

At each reporting occasion, the company assesses if there are objective indications that a financial asset, or group of financial assets, requires impairment.

The indications used primarily by the Group to determine whether there is objective evidence that an impairment requirement exists include:

- significant financial difficulties displayed by the issuer or the debtor,
- breach of contract, such as lack of or delayed payment of interest or capital amount,
- probability that the borrower will enter bankruptcy or some other form of financial reconstruction,
- an active market for the particular asset seizes to operate due to financial difficulties.

Financial assets and liabilities are offset against each other and recognized in a net amount in the balance sheet only when there is a legal right to offset the recognized amounts and there is an intention to settle them in a net amount.

Intangible fixed assets

Goodwill: Goodwill is the amount by which the cost exceeds the fair value of the Group's participation in the net assets of acquired subsidiaries at the date of acquisition. Goodwill is measured at cost less any accumulated impairment. Goodwill is divided into cash-generating units that comprise the Group's operating segments and is not amortized; instead, it is tested for impairment annually or as soon as indications arise suggesting that the asset in question has decreased in value. Any impairment is not reversed.

Trademarks: In addition to goodwill, the Group has trademarks that are deemed to have an indefinite useful life. The Group intends to retain and further develop the JC trademark, which is well established within its market. Trademarks are not amortized; instead, they are tested for any impairment annually or as soon as any indications arise that suggest that the asset in question has decreased in value.

Rental rights: Rental rights are recognized at cost less amortization. Rental rights are amortized over ten years, which corresponds to their estimated useful lives, given that, for example, these rights pertain to stores primarily in central locations.

Software: Software is recognized at cost less amortization. Software is amortized over five years, which corresponds to its expected useful life.

Tangible fixed assets

Tangible fixed assets, which pertain to fittings and fixtures and store interiors, are recognized at cost (cost) less depreciation and any impairment.

Additional expenditure is added to the asset's carrying amount or is recognized as a separate asset, depending on what is most suitable, only if it is probable that the future economic benefits associated with the asset will be credited to the Group and that the cost of the asset can be measured in a reliable manner. Repair and maintenance expenditure is expensed during the period that such expenditure arises. Tangible fixed assets are depreciated systematically over the estimated useful life of the assets concerned. The straight-line depreciation method is used for all types of tangible fixed assets. For fittings and fixtures and store interiors, a depreciation period of five years is used.

The assets' residual values and useful lives are impairment tested at the close of each report period and are adjusted if required. The carrying amount of an asset is impaired immediately to the asset's recoverable value should the carrying amount of the asset exceed its estimated recoverable value.

Leasing agreements

When leasing agreements entail that the Group, as the lessee, essentially enjoys the financial benefits and bears the financial risks associated with the leased object, the leasing agreements are classified as financial and the object is recognized as a fixed asset in the consolidated balance sheet and is impaired to the shorter of the leasing period or the useful life. The corresponding obligation to pay leasing fees in the future is recognized as long-term and current liabilities. Each leasing payment is allocated among amortization of the recognized debt and financial expenses.

Other leasing agreements, mainly rental agreements for premises, are recognized as operational agreements.

Operational leasing entails that the leasing fee is expensed over the agreement period.

In a certain number of the Group's rental contracts, the rent is divided into basic rent and revenue-based rent, whereby the rental amount depends on the store's sales during the fiscal year. In such cases, only the basic rent is expensed straight line. The revenue-based rent is expensed during the period for which the revenue pertains.

Inventories

Inventories are measured at the lower of the cost and net realizable value.

When calculating the cost of inventories, the first-in, first-out principle is applied, including expenses arising after the acquisition of inventory assets and the transportation of them up to their current location and condition. The requisite provision is made for obsolescence.

Cash and cash equivalents

Cash and cash equivalents comprise cash funds and immediately available balances with banks and similar institutions.

Impairment

On each balance-sheet date, an impairment test is performed to determine whether there is any indication that the carrying amounts of Group assets have been impaired. If such indications exist, the recoverable value of the

asset concerned is calculated.
For goodwill and trademarks with indefinite useful lives, the recoverable value is calculated once a year. If it is not possible to assign essentially independent cash flows to a single asset, the assets are grouped at the lowest level where it is possible to identify essentially independent cash flows when the impairment test is performed. An impairment loss is recognized when the carrying amount of the asset or cash-generating unit exceeds its recoverable value. Impairment is charged against profit and loss. Impairment tests of goodwill and brand have been based on the Group's operating segments that are deemed to be the lowest cash-generating units.

Dividends paid
Dividends paid are recognized as a liability after the Annual General Meeting has approved the dividend.

Pensions
The Group has both defined-contribution and defined-benefit pension plans.
Employees in Sweden are covered by both the defined-benefit and defined-contribution plans, while employees in Norway, Denmark and Finland are covered by only defined-contribution plans.

Defined-contribution plans
For employees covered by defined-contribution plans, contributions are paid to a separate legal entity and there is no obligation to pay additional contributions. Commitments pertaining to defined-contribution plans are recognized as a personnel cost through profit or loss when they arise.

Defined-benefit plans
For employees covered by defined-benefit plans, remuneration is paid to employees and former employees based on such factors as salary levels when they retire and the number of years of service. The Group bears the risk of paying the promised remuneration. For RNB, one defined-benefit pension plan (PRI) is unfunded; in this plan, no new vesting occurs. New vesting is secured through the payment of insurance premiums to Alecta. The calculated present value of the obligations is recognized in the balance sheet as a liability.
Pension costs and pension commitments for defined-benefit pension plans are calculated according to the Projected Unit Credit Method. This method divides the costs for pensions in line with the employee performing services for the Group, which increases their right to future remuneration. The Group's commitment is calculated annually by independent actuaries. The commitment comprises the present value of the expected future payments. Prior to finalizing the annual accounts for 2011/2012, RNB considered the choice of discount interest rate to be used for calculating the pension liability. In RNB's assessment, there is reason to believe that the market for corporate bonds, primarily housing bonds, has the breadth and the depth that would warrant seeking support for the discount interest rate in this market. Accordingly, RNB has used housing bonds with comparable terms as a basis for its interest-rate assumption and has applied a discount interest rate of 3.7% (3.7). The most important actuarial assumptions are described in Note 24.
Actuarial gains and losses may arise when the present value of the commitments is determined. These gains and losses arise either when the actual outcome deviates from previous assumptions or when assumptions are changed. For actuarial gains and losses that arise in the calculation of the Group's commitments, the so-called corridor rule is applied. The corridor rule means that the portion of the accumulated actuarial gains and losses that exceeds 10% of the larger of the commitment's present value and the fair value of the planned assets is recognized through profit or loss over the anticipated average remaining period of service of the employees covered by the plan. Otherwise, actuarial gains and losses are not taken into account.
The accounting policy described above is applied only to the consolidated financial statements. Each legal entity in the Group recognizes defined-benefit pension plans in accordance with local rules and regulations.

Alecta
Certain commitments for salaried employees in Sweden are also insured on the basis of insurance with Alecta. According to statement UFR 3 from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, the insurance with Alecta comprises a multi-employer defined-benefit plan. Similar to previous years, Alecta has not had access to such information that would make it possible to recognize this plan as a defined-benefit plan. Accordingly, the ITP pension plan secured on the basis of insurance with Alecta is recognized as a defined-contribution plan. At September 30, 2012, Alecta's surplus in the form of the collective consolidation level amounted to 123% (113). The collective consolidation rate comprises the market value of Alecta's assets as a percentage of insurance commitments calculated according to Alecta's actuarial calculation assumptions, which do not correspond to IAS 19.

Severance pay
A provision is recognized in conjunction with the termination of employment only if the company is unquestionably obligated to terminate employment prior to the scheduled time or when remuneration is paid as an offer to encourage voluntary resignation. In cases where the company terminates employment, a detailed plan is prepared that includes workplace, positions held, the approximate number of employees involved, the remuneration for each personnel category or position and the time of the implementation of the plan.

Taxes
Income taxes recognized through profit or loss include tax that is to be paid or received and pertains to the current year, adjustments of current tax in prior years and changes in deferred tax. These taxes have been calculated in accordance with the applicable tax regulations in each country.
Tax liabilities/assets are measured at nominal amounts in accordance with the taxation rules and tax rates that have been decided or announced and that with considerable certainty will be implemented. In the balance sheet, the current tax receivable and the current tax liability are recognized as current items. For items recognized through profit or loss, the associated tax effects are also recognized through profit or loss. Tax effects of items recognized directly in shareholders' equity are recognized in shareholders' equity and for items recognized directly in other comprehensive income, the tax effect is also recognized in other comprehensive income.
Deferred tax is calculated and recognized on all temporary differences between the tax-assessment value and the carrying amount of assets and liabilities and for loss carryforwards. Deferred tax assets are recognized as long-term receivables and deferred tax liabilities are recognized as long-term liabilities.
The value of deferred tax assets is assessed every time the annual accounts are prepared and is reduced to the extent that it is no longer probable that sufficiently large taxable profits will be available to offset all or portions of the deferred tax assets.
Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets against tax liabilities against each other and when the deferred tax assets and tax liabilities pertain to taxes charged by the same tax authority and that pertain either to the same taxpayer or to different taxpayer subject to the intention to settle the balances by means of net payment.

Cash-flow statement
The cash-flow statement was prepared in accordance with the indirect method. The recognized cash flow only includes transactions that involve receipts or disbursements.

Reporting by operating segment
Based on how management monitors the operations' operating segments, RNB has defined Group Management as its chief operating decision maker. RNB reports on four different business areas, namely Polarn O. Pyret, Department Stores, JC and Brothers & Sisters. The operating segments'

Note 1 Cont.

earnings, assets and liabilities include directly attributable items that can be allocated to the operating segments in a reasonable and reliable manner. Group Management assesses the earnings of the operating segments on the basis of operating profit. This measurement does not vary from the measurement of operating profit recognized in the consolidated income statement. In the financial statements for the operating segments, central administration is recognized under the header "Other."

Contingent liabilities
A contingent liability is recognized when a possible obligation arises from past events whose existence will only be confirmed by one or more uncertain future events or when an obligation exists that is not recognized as a liability or provision, since it is not probable that an outflow of resources will be required.

Parent Company's accounting policies
The Parent Company prepares its annual accounts in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2.3 Accounting for Legal Entities. According to RFR 2, the Parent Company, in the annual accounts for legal entities, must apply all EU-approved IFRS and statements, to the greatest possible extent, within the framework of the Annual Accounts Act and taking into consideration the relationship between accounting and taxation. The recommendation specifies the exceptions and supplements that are permissible in relation to IFRS. The most important differences between the Group's and the Parent Company's accounting policies are presented below.

Leasing agreements
All leasing agreements in the Parent Company are recognized as rental agreements, irrespective of whether they are financial or operational.

Taxes
In the Parent Company, as a result of the relationship between reporting and taxation, the deferred tax liability on untaxed reserves is recognized as part of untaxed reserves. However, in the consolidated financial statements, untaxed reserves are divided into deferred tax liabilities and equity.

Shareholder contributions and Group contributions
The Parent Company recognizes Group contributions in accordance with RFR 2, IAS 18 paragraph 3, entailing that Group contributions received are recognized as financial income through profit or loss. Group contributions paid are recognized in accordance with RFR 2, IAS 27 paragraph 2, which, as a result of the link between accounting and taxation, entails that Group contributions paid are recognized as a financial expense through profit or loss.

Shareholder contributions received are recognized directly in the recipient's shareholders' equity and shareholder contributions paid are recognized as investments in participations in Group companies. Insofar as impairments are required, the impairment is recognized as a cost through profit or loss under the heading "Profit from participations in Group companies."

Participations in subsidiaries
Participations in subsidiaries are recognized in the Parent Company in accordance with the cost method. All dividends received from subsidiaries are recognized as income through profit or loss under the header "Profit from participations in Group companies." The balance-sheet item "Participations in subsidiaries" is tested for impairment insofar as there are indications or reasons to assume that the recoverable amount is below the carrying amount.

Note 2 Critical estimates and assessments

When preparing the financial statements, certain accounting methods and accounting policies are used whose application could be based on difficult, complex and subjective assessments on the part of company management. Company management makes its assessments on the basis of previous experience and assumptions that, taking the present circumstances into account, are considered reasonable and realistic. The use of such estimates and assumptions influences carrying amounts. Using other assumptions and under different circumstances, the actual outcome could differ from these estimates. According to company management, critical assessments have been made pertaining to applied accounting policies and sources of uncertainty pertain to estimates, related primarily to the valuation of goodwill, brands, taxes, doubtful accounts receivable and the recognition of inventories.

Goodwill and trademarks
In accordance with what is stated in Note 13, RNB conducts impairment tests, each year or more often in the event of an impairment indication, to determine the value of goodwill and brands. Goodwill is attributable to the following operating segments: Department Stores, SEK 233,445,000 (233,445,000); Polarn O. Pyret, SEK 1,660,000 (1,660,000); and Brothers & Sisters, SEK 248,569,000 (450,000,000). The value of brands, SEK 259,712,000 (259,712,000), is attributable entirely to the operating segment JC. In order to calculate recoverable value, value in use is used. For these calculations, certain estimates must be made. The principal assumptions pertain to the discount interest rate, the cash flow forecast for the 2012/13-2017/18 period and for the period thereafter and assumptions concerning growth following the forecast period. See Note 13, for an overview of the sensitivity analysis performed of the assumptions made.

Taxes
When preparing the financial statements, RNB conducts a calculation of the income tax applicable in each tax jurisdiction in which RNB is active, as well as of deferred taxes attributable to temporary differences. Deferred tax assets are recognized insofar as it is probable that future taxable surpluses will be available against which the temporary differences can be offset. Changes in assumptions concerning forecast future taxable income, as well as changes in tax rates and actual future outcomes, could result in significant differences in the measurement of deferred taxes. RNB has recognized and unrecognized deferred tax assets attributable to tax-loss carryforwards in both Swedish and foreign entities. An additional description of the Group's deferred tax assets is provided in Note 11.

Accounts receivable
Accounts receivable are recognized net after provisions for bad debts. The provision pertaining to accounts receivable is based mainly on receivables from franchisees. In-store sales take the form of payment in cash or by credit card, whereby the bank accounts for the risk. The net value corresponds to the value expected to be received. In RNB's assessment, the current provision is sufficient. At year-end, the total provision for bad debts amounted to SEK 52,165,000 (56,321,000) and accounts receivable, net after the reserve, amounted to SEK 150,707,000 (191,589,000), of which SEK 16,364,000 (0) was recognized as long-term receivables taking into account the agreed terms of payment.

Inventories
Inventories have been measured at the lower of cost and net realizable value. The amount of net realizable value reflects calculations of such factors as future selling prices, in which anticipated discounts are taken into account. The actual outcome of future selling prices could deviate from the assessments made.

Note 3 Segment and revenue reporting by country

Sep 11–Aug 12	Polarn O. Pyret	Department Stores	JC	Brothers & Sisters	Other	Eliminations	Total
Revenues							
External sales	510,664	957,120	775,603	547,644	–	–	2,791,031
Internal sales	4,372	139	3,266	1,793	145,538	-155,108	0
Interest income	196	7	2,868	1,699	–	–	4,770
Other revenues	7,793	753	9	–	14,720	-13,198	10,077
Total	**523,025**	**958,019**	**781,746**	**551,136**	**160,258**	**-168,306**	**2,805,878**
Earnings							
Operating profit/loss	32,772	58,431	-110,610	-244,150	-39,726	–	-303,283
Profit after financial items	**32,829**	**57,527**	**-120,789**	**-243,719**	**-85,360**	**–**	**-359,512**
Other disclosures							
Assets	146,181	477,520	583,426	483,057	353,913	-212,469	1,831,628
Liabilities and provisions	106,680	174,845	226,706	131,289	746,702	-212,469	1,173,753
Investments	15,501	8,592	40,339	24,216	40,035	–	128,683
Depreciation, amortization and impairments	4,075	10,151	25,684	10,210	36,933	0	87,053
Fixed assets by country							
Sweden	21,711	258,440	320,194	289,539	121,535	–	1,011,419
Norway	–	–	–	–	–	–	0
Finland	–	–	8,733	3,742	–	–	12,475
Denmark	–	–	–	–	–	–	0
Hong Kong	–	–	–	–	1,940	–	1,940

Sep 10–Aug 11	Polarn O. Pyret	Department Stores	JC	Brothers & Sisters	Other	Eliminations	Total
Revenues							
External sales	477,010	1,027,497	877,050	584,113	–	–	2,965,670
Internal sales	3,686	392	1,849	1,886	100,585	-108,398	0
Interest income	116	31	5,659	1,029	4,199	-2,128	8,906
Other revenues	7,084	15,280	151	–	5,682	-6,632	21,565
Total	**487,896**	**1,043,200**	**884,709**	**587,028**	**110,466**	**-117,158**	**2,996,141**
Earnings							
Operating profit/loss	69,408	73,718	-586,723	5,876	-71,843	–	-509,564
Profit after financial items	**67,227**	**73,531**	**-588,906**	**7,328**	**-93,833**	**–**	**-534,653**
Other disclosures							
Assets	162,679	466,964	656,912	690,536	398,956	-296,956	2,079,091
Liabilities and provisions	122,160	185,045	310,416	99,634	699,440	-296,956	1,119,739
Investments	7,033	7,963	26,125	12,753	48,611	–	102,485
Depreciation, amortization and impairments	2,914	12,755	448,040	10,522	53,071	0	527,302
Fixed assets by country							
Sweden	14,048	264,850	296,044	478,202	96,374	–	1,149,518
Norway	–	–	15,748	–	–	–	15,748
Finland	–	–	4,474	1,917	–	–	6,391
Denmark	–	50	–	–	–	–	50

Central administration is recognized under the header "Other" in the financial statements for the operating segments.

Note 3 Cont.

Net sales per country

Group	Sep 11-Aug 12	Sep 10-Aug 11
Net sales in Sweden	2,419,909	2,551,449
Net sales in Norway	104,288	141,607
Net sales in Denmark	22,162	62,730
Net sales in Finland	194,733	176,693
Net sales in other countries	49,939	33,191
Total	**2,791,031**	**2,965,670**

No individual customer represents more than 10% of total revenues.

Note 4 Personnel and personnel costs

Average number of employees distributed among women and men

	Sep 11–Aug 12		Sep 10–Aug 11	
Group	Total	Of whom, men	Total	Of whom, men
Sweden	1,231	230	1,233	232
Norway	31	5	66	11
Finland	145	19	104	16
Denmark	12	1	32	2
	1,419	**255**	**1,435**	**261**

	Sep 11–Aug 12		Sep 10–Aug 11	
Parent Company	Total	Of whom, men	Total	Of whom, men
Sweden	88	26	48	25
	88	**26**	**48**	**25**

Distribution between women and men in the Board of Directors and Management Group at August 31

	31 Aug 12		31 Aug 11	
Group	Total	Of whom, men	Total	Of whom, men
Board of Directors	7	6	7	6
Management Group excl. President	10	5	7	5

Wages, salaries, other remuneration and social security costs

	Sep 11–Aug 12			Sep 10–Aug 11		
Group Total	Board Members and President	Other employees	Total	Board Members and President	Other employees	Total
Wages, salaries and other remuneration	11,875	469,040	480,915	11,299	483,591	494,890
Social security costs	4,817	119,400	124,217	4,673	121,483	126,156
Pension costs	2,985	30,036	33,021	1,503	28,665	30,168
	19,677	**618,476**	**638,153**	**17,475**	**633,739**	**651,214**

	Sep 11–Aug 12			Sep 10–Aug 11		
Parent Company	Board Members and President	Other employees	Total	Board Members and President	Other employees	Total
Wages, salaries and other remuneration	4,170	41,965	46,135	6,014	25,663	31,677
Social security costs	1,641	12,648	14,289	2,307	8,723	11,030
Pension costs	1,017	4,427	5,444	1,422	2,996	4,418
	6,828	**59,040**	**65,868**	**9,743**	**37,382**	**47,125**

Note 4 Cont.

Remuneration of Board Members and senior executives

Principles

The Chairman and Members of the Board receive director fees in accordance with resolutions by the Annual General Meeting. A special fee is paid to the Chairman of the Audit Committee. Remuneration of the President and other senior executives consists of basic salary, variable compensation and a provision for pensions. Other senior executives are defined as those persons who together with the President are the members of Group Management.

Guidelines for remuneration of senior executives

On January 19, 2012, the Annual General Meeting resolved on the guidelines below for remuneration and other terms of employment for company management.

The company offers total remuneration at market rates to encourage the recruitment and retention of senior executives. Remuneration of company management consists of fixed salary, variable salary, pension and other remuneration. These parts jointly represent the individual's total remuneration. Fixed salary and variable salary components jointly represent the employee's salary.

The basic salary, in SEK per month, is based on the individual's areas of responsibility and experience. The variable salary is to be related to the outcome of the subsidiaries' operating result and/or the Group's result after financial items compared with the established targets.

To receive a 12-month bonus, the company's cost for the variable salary in the event of a maximum outcome, which implies fulfillment of all bonus-based targets and that the bonus to be paid is fully financed by the surplus generated, may not exceed SEK 4,050,000 (excluding social security contributions), of which SEK 750,000 to the President. The calculation is based on the nine people who currently comprise company management. The bonus will be evaluated annually and the bonus structure will be re-established each year based on budgeted earnings as the target.

The bonus does not qualify for vacation or pension. The variable salary in the one-year program may not exceed 40% of the fixed salary.

The two-year program encompasses the 2010/2011 and 2011/2012 fiscal years. The bonus in this program is also cash based, but must be invested in company shares. The bonus will be payable after two years based on accumulated profit after financial items compared with the target. The calculated cost, at maximum outcome, which implies fulfillment of all bonus-based targets and that the bonus to be paid is fully financed by the surplus generated, may not exceed SEK 2,771,000 (excluding social security contributions), of which SEK 500,000 to the President. The calculation is based on the six people who currently form company management. The bonus does not qualify for vacation or pension. For the two-year program, the variable salary may not exceed 20% of the total fixed salary for the two-year period.

The President is entitled to an occupational pension corresponding to a premium amounting to 30% of his current annual salary. Other members of company management are entitled to pensions in accordance with the ITP plan or equivalent. The retirement age is 65.

Other remuneration and benefits must be at market rates and contribute to the ability of executives to fulfill their work assignments.

Company management's terms of employment include regulations governing termination notice. According to these agreements, employment may normally be terminated by the employee subject to a notice period of three to six months and, if termination is initiated by the company, a notice period of six to 12 months.

Unchanged salary is paid during the notice period. The notice period for the President is 12 months if termination is initiated by the company.

The Board is entitled to deviate from the aforementioned guidelines if the Board deems that particular grounds exist that motivate doing so in an individual case.

Preparation and decision-making process

The Board of Directors has appointed a Remuneration Committee that addresses the matter of remuneration paid to the President and other executives who report directly to the President.

Board of Directors

During the 2011/2012 fiscal year, Board Members received total directors fees of SEK 1,061,000, of which SEK 300,000 was paid to the Chairman of the Board, SEK 200,000 to the Deputy Chairman of the Board who was also Chairman of the Audit Committee and SEK 138,000 to each of the other non-executive Board Members, except for Board Members who stepped down or joined the Board during the year one of whom received SEK 80,000 and three of whom received SEK 69,000 (refer to the table below). The Chairman of the Board and the other non-executive Board Members received no other remuneration or benefits during the year and no pension costs were charged against consolidated earnings.

President

During the preceding fiscal year, Magnus Håkansson succeeded Mikael Solberg as President and CEO. Prior to assuming this position, Magnus Håkansson was the company's Chairman. After stepping down as President and CEO, Mikael Solberg served as a Board Member of the company. During the 2011/2012 fiscal year, President and CEO Magnus Håkansson received salary and other remuneration totaling SEK 3,211,000, excluding bonus. The President is entitled to a maximum bonus of SEK 750,000 based on the Group's pretax earnings and the Group's cash flow. The President received a bonus of SEK 250,000 for the 2011/2012 fiscal year. For former President and CEO Mikael Solberg, no salary or other remuneration was expensed for the 2011/2012 fiscal year, other than the SEK 80,000 that he received as a director's fee for his current role as a Board member.

RNB's pension costs for President and CEO Magnus Håkansson amounted to SEK 1,017,000 during the fiscal year. The President is covered by an occupational pension plan corresponding to a premium of 30% of his current annual salary. No restrictions apply to the President's choice of pension solution. The parties agree that the pension provision selected must, under all circumstances, be tax deductible for the company. The ordinary age of retirement is 65 years. No pension costs for former President and CEO Mikael Solberg were expensed during the fiscal year.

The President is subject to a notice period of up to 12 months applies if termination is initiated by the company, and six months if termination is initiated by the President. Unchanged salary is paid during the notice period for the President.

Other senior executives

Other senior executives are defined as those persons who, apart from the President, are members of the Management Group.

During the 2011/2012 fiscal year, the following individuals, in addition to the President, were members of the Management Group: Gunnar Bergquist, Maria Öqvist, Amelie Söderberg, Marthyn Inghamn, Yongan Kim, Anders Wiberg, Oscar Edholm, Madelene Granath and Sarah König.

Remuneration of other senior executives comprises fixed salary, variable salary, pension and other remuneration. Fixed salary and variable salary jointly represent the employee's salary. The variable salary is related in part to the outcome of the Group's operating profit and the Group's cash flow.

Salary and other payments totaling SEK 11,703,000 were paid to senior executives in the 2011/2012 fiscal year. Bonus amounts totaling SEK 1,211,000 were paid to senior executives during the 2011/2012 fiscal year.

Other senior executives are subject to six to 12 months' employment termination notice if their employment is terminated by the company and three to six months if it is terminated by the executive. Unchanged salary will be paid during periods of notice.

The age of retirement for other senior executives is 65. Pension fees are payable either in accordance with the ITP plan or in amounts corresponding to 20-25% of the gross salary of the senior executives. RNB's pension costs for the other senior executives amounted to SEK 3,060,000 for the 2011/2012 fiscal year.

Related-party transactions

In January 2005, Polarn O. Pyret signed an agreement pertaining to a

Note 4 Cont.

purchasing joint venture with the New Wave Group for the Chinese market. Since then, the joint venture has developed through RNB establishing an outlet store in Kosta. RNB's Board Member Torsten Jansson is the President of New Wave Group AB. The joint venture commenced before Torsten Jansson was elected to RNB's Board of Directors. Total procurement from affiliated companies to Torsten Jansson amounted to SEK 6,940,000. Pricing of the products was based on normal commercial terms. At August 31, 2012, the RNB Group's outstanding liability to these closely related companies totaled SEK 734,000.

During the fiscal year, the Department Stores concept procured and sold goods to and from companies in which Nils Vinberg is a Board member. Pricing of the products was based on normal commercial terms. Total procurement from affiliated companies to Nils Vinberg amounted to SEK 1,901,000. At August 31, 2012, the RNB Group's net debt to the related companies amounted to SEK 0.

During the 2009/2010 fiscal year, the RNB Group signed a three-year loan agreement with Konsumentföreningen Stockholm at normal market terms. This agreement was extended during the 2011/2012 fiscal year, and a new loan agreement was also signed during the year. Further information about both agreements is provided in Note 37. During the year, interest charges amounted to SEK 37,147,000 for loan one and SEK 2,023,000 for loan two, equivalent to an average interest rate of 9.3% for loan one and 10.9% for loan two. At August 31, 2012, the outstanding liability amounted to SEK 500 M and accrued interest to SEK 8,482,000.

Remuneration to the Board of Directors and President

	Sep 11–Aug 12			Sep 10–Aug 11		
	Salary and directors fees	Of which, bonus	Pension cost	Salary and directors fees	Of which, bonus	Pension cost
Chairman of the Board, Laszlo Kriss	300.0			172.0		
Board Member /President and CEO Mikael Solberg	80.2			3,739.0	0	1,093.0
Board Member, Jan Carlzon	137.5			131.0		
Board Member, Torsten Jansson	137.5			131.0		
Board Member, Lilian Fossum Biner	200.0			194.0		
Board Member, John Wallmark	–			63.0		
Board Member, Nils Vinberg	68.8			131.0		
Board Member, Ivar Fransson	68.8					
Board Member, Per Thunell	68.8					
President and CEO/Board Member Magnus Håkansson	3,210.7	250.0	1,017.0	1,453.0	0	329.0
	4,272.3	**250.0**	**1,017.0**	**6,014.0**	**0**	**1,422.0**

Note 5 Remuneration to auditors

	Group		**Parent Company**	
	Sep 11– Aug 12	Sep 10– Aug 11	**Sep 11– Aug 12**	Sep 10– Aug 11
Ernst & Young AB				
Audit assignments	2,674	2,530	790	664
Audit activities in addition to the audit assignment	280	408	236	234
Tax consultancy services	587	518	287	368
Other services	236	331	115	206
	3,777	**3,787**	**1,428**	**1,472**

Audit assignments comprise the examination of the annual report and the financial accounts, as well as the management by the Board of Directors and President, and advisory services or other assistance resulting from observations made during such examinations or the implementation of such duties. Audit activities beyond audit assignments comprise various forms of quality assurance services that result in reports or certificates etcetera and include review of the interim report. Tax consultancy services include advice relating to tax, VAT and private taxation. Everything else is regarded as other assignments.

Note 6 Other operating revenues

	Group		**Parent Company**	
	Sep 11– Aug 12	Sep 10– Aug 11	**Sep 11– Aug 12**	Sep 10– Aug 11
Capital gain on the divestment of tangible and intangible fixed assets	–	14,182	–	168
Forwarding other expenses to franchisees	7,793	6,843	–	–
Forwarding other expenses to subsidiaries	–	–	5,822	5,514
Other revenues	2,284	540	–	–
	10,077	**21,565**	**5,822**	**5,682**

Note 7 Other external expenses

	Group		Parent Company	
	Sep 11– Aug 12	Sep 10– Aug 11	**Sep 11– Aug 12**	Sep 10– Aug 11
Expenses for premises	416,799	420,010	18,939	30,076
Marketing	106,649	143,167	174	195
Other	208,045	202,709	96,420	71,958
	731,493	**765,886**	**115,533**	**102,229**

Note 8 Exchange-rate differences

Exchange-rate gains of SEK 15,345,000 (gain: 23,317,000) had an impact on the Group's operating result during the fiscal year. The exchange-rate gains were attributable to the Group's purchases of goods and recognized through profit or loss under "Goods for resale."

Note 9 Interest income and similar profit/loss items

Group
Interest income for 2011/2012 included SEK 0 (2,071,000) for the recalculation of currency forward contracts at fair value

Parent Company
Interest income for 2011/2012 included interest income from Group companies amounting to SEK 1,852,000 (2,128,000).

Note 10 Interest expenses and similar profit/loss items

Group
Interest expense for 2011/2012 included SEK 2,141,000 (0) for the recalculation of currency forward contracts at fair value.

Parent Company
Interest expense for 2011/2012 included interest expense from Group companies amounting to SEK 312,000 (0).

Note 11 Taxes

Tax on net profit/loss for the year

	Group		Parent Company	
	Sep 11– Aug 12	Sep 10– Aug 11	**Sep 11– Aug 12**	Sep 10– Aug 11
Current tax	-47	-80	-	-
Current tax attributable to prior years	-54	-416	-	-
Deferred tax	30,696	89,983	22,477	17,801
	30,595	**89,487**	**22,477**	**17,801**

Deferred tax for the year

	Group		Parent Company	
	Sep 11– Aug 12	Sep 10– Aug 11	**Sep 11– Aug 12**	Sep 10– Aug 11
Deferred tax pertaining to change in untaxed reserves	8,758	9,691	-	-
Deferred tax pertaining to loss carry-forwards	21,538	18,739	22,477	17,801
Deferred tax revenue attributable to impairment of brand	-	63,196	-	-
Deferred tax costs pertaining to other temporary differences	1,130	133	-	-
Deferred tax revenue pertaining to other temporary differences	-730	-1,776	-	-
	30,696	**89,983**	**22,477**	**17,801**

Tax pertaining to items recognized directly against shareholders' equity

	Group		Parent Company	
	Sep 11– Aug 12	Sep 10– Aug 11	**Sep 11– Aug 12**	Sep 10– Aug 11
Other tax effects	-	-	-	-
	0	**0**	**0**	**0**

Difference between the Group's tax costs and tax costs based on the current tax rate Group

	Group		Parent Company	
	Sep 11– Aug 12	Sep 10– Aug 11	**Sep 11– Aug 12**	Sep 10– Aug 11
Recognized pretax loss	-359,512	-534,653	-308,801	-489,580
Tax according to current tax rate, 26.3%	94,552	140,614	81,215	128,760
Tax effect of non-deductible items				
- Impairment of participations in subsidiaries	-	-	-52,977	-114,826
- Impairment of goodwill	-52,977	-50,209	-	-
- Profit/loss on sale of subsidiaries	-	-25	-	18
-Other, non-deductible	-363	-746	-51	-96
Tax effect of non-taxable items				
-Dividends received	-	-	-	3,945
-Other non-taxable	6	762	-	-
Effect of tax change attributable to prior years	-54	-416	-	-
Effect of other tax rates in foreign subsidiaries	131	176	-	-
Unutilized and reassessed items *	-10,700	-669	-5,710	-
	30,595	**89,487**	**22,477**	**17,801**

* The tax effect of unutilized and tested loss carry-forwards.

Temporary differences pertaining to the following items resulted in deferred tax liabilities and deferred tax assets:

	Group		Parent Company	
	Aug 31, 12	Aug 31, 11	**Aug 31, 12**	Aug 31, 11
Deferred tax liabilities				
Untaxed reserves	-	-8,758	-	-
Fixed assets				
-Rental rights	-280	-320	-	-
-Trademarks	-68,304	-68,304	-	-
-Equipment	-	-	-	-
Deferred tax assets				
Fixed assets				
-Rental rights	-	370	-	-
-Equipment	1,224	1,584	-	-
Provisions for pensions	2,018	1,491	-	-
Derivative liabilities	1,232	669	-	-
Loss carry-forwards in Sweden	63,900	42,362	63,900	41,423
Loss carry-forwards in foreign subsidiaries	-	-	-	-
	-210	**-30,906**	**63,900**	**41,423**

In view of anticipated future taxable surpluses during the years ahead, RNB expects to be able to benefit from certain recognized loss carry-forwards, whereby the related deferred tax assets have been recognized. This assessment also reflects the possibility, in the right circumstances, of the Group internally utilizing and offsetting deferred tax liabilities against deferred tax assets attributable to the loss carry-forwards. However, given the past earnings trend, deferred tax assets attributable to loss carry-forwards are recognized only insofar as deferred tax liabilities exist against which to offset them. All recognized deferred tax assets attributable to loss carry-forwards pertain to loss carry-forwards that have arisen in Sweden, the use of which is not subject to any time limitations. Unutilized, unrecognized loss carryforwards are found in the both Group's foreign and Swedish units.

Deferred tax assets and tax liabilities are offset against each other if there is a legal right to offset the particular tax assets and tax liabilities and if the deferred taxes pertain to the same tax authority. After such offsetting, the following amounts arose and were recognized in the balance sheet:

	Group		Parent Company	
	Aug 31, 12	Aug 31, 11	**Aug 31, 12**	Aug 31, 11
Deferred tax assets	-	-	63,900	41,423
Deferred tax liabilities	-210	-30,906	-	-
	-210	**-30,906**	**63,900**	**41,423**

Note 12 Earnings per share

RNB has no outstanding equity instruments that imply a dilutive effect. With this in mind, earnings per share and the average number of shares refers to before and after dilution.

Calculation of the average number of shares was based on the following reconciling items.

	No. of shares at the end of the period	
Period	**Sep 11–Aug 12**	Sep 10–Aug 11
September 1 - August 31	165,425,251	165,425,251

The average number of shares for the year based on the above amounted to 165,425,251 (165,425,251).

Earnings per share are obtained by dividing the net profit for the year by the average number of shares.

Note 13 Intangible fixed assets

The Group has significant values of goodwill and trademarks.

Goodwill

The goodwill that resulted from the implemented acquisition of subsidiaries during the year pertained to synergies that became available as a result of the acquisitions. The anticipated synergies pertain to more effective logistics, mergers and more favorable purchasing terms from external suppliers. The carrying amount for the Group's goodwill at August 31, 2012 was SEK 483,673,000 (685,105,000), following impairment losses of SEK 201,432,000 (190,908,000) for the year. Goodwill is allocated among the operating segments as follows: Polarn O. Pyret SEK 1,660,000 (1,660,000), Department Stores SEK 233,445,000 (233,445,000) and Brothers & Sisters SEK 248,568,000 (450,000,000). The impairments in 2011/2012 were based on the impairment tests conducted in accordance with the conditions described below.

Trademarks

In addition to goodwill, the Group has the strategic JC brand, which is estimated to have an indefinite useful life. The JC brand is well established in its market and, going forward, the Group intends to retain and enhance it. The JC brand has existed for 50 years since its creation in 1962. At August 31, 2012, the carrying amount for brands amounted to SEK 259,712,000 (259,712,000), which was attributable entirely to the JC brand. The impairment test of the brand's carrying amount was conducted in accordance with the conditions described below.

Impairment testing

Goodwill and the trademarks associated with the Group's segments that are deemed to be cash-generating units are impairment tested every year. The Group has considerable values in the form of goodwill and trademarks and the recoverable amount of both of these items is based on the same major assumptions.

Impairment testing is based on calculations of future values in use. The calculations are based on forecasts of cash flows over the 2012/2013-2017/2018 period, linked to the Group's strategic plans, and, thereafter, on a perpetual flow (terminal period), since it is not possible to establish a limited useful life for these assets.

The cash flows of the operating segments are affected by such commercial factors as market growth, competitiveness, margins, cost trend, investment levels and working capital tied up. An additional assessment of such factors as interest rate, borrowing costs, market risk, beta values and tax rates is performed for discounting. Refer also to the comments below regarding important assumptions.

The cash flows forecast during the terminal period are based on an annual growth rate of 3% (3), which corresponds to the long-term growth rate in the market. The forecast cash flows have been calculated at present value based on a discount interest rate of 9.7% (9.65) after tax corresponding to approximately 11.3% (12) before tax. The discount rate is calculated as a weighted average between the required yield and the cost of capital (WACC). The forecast corresponds to prior experiences and external sources of information. All operating segments are deemed to have a similar risk profile, which is why the same discount rate is used.

As a result of the trend and performance of the Brothers & Sisters operating segment to date, the impairment tests conducted in 2011/2012 encompassed a revision of future expectations, which resulted in the prior carrying amount for the goodwill and brand value being indefensible.

Note 13 Cont.

Accordingly, as described above, an impairment of SEK 201,432,000 was applied to goodwill related to the Brothers & Sisters operating segment. Following the impairment, the remaining carrying amount of the goodwill is SEK 248,568,000 for the Brothers & Sisters operating segment and totals SEK 483,673,000 for all of the operating segments.

Sensitivity analysis

A general analysis of the sensitivity of the variables utilized has been performed.

Assuming a decline in the annual growth rate from 3% to 2% entails no need for impairment of the carrying amounts of either the goodwill or brands for the Polarn O. Pyret, Department Stores and JC operating segments. (Nor does a decline of 1% entail a need for impairment.) A corresponding decline for the Brothers & Sisters operating segment would entail an additional need to impair the goodwill by SEK 34 M (SEK 61 M in the event of a decline of 1%).

A pretax increase in the discount rate from 11.3% to 12.3% or 13.3% entails no need for impairment of the Polarn O. Pyret and Department Stores operating segments. A corresponding pretax increase from 11.3% to 12.3% for the JC operating segment would not entail an additional need to impair the brand, whereas a pretax increase from 11.3% to 13.3% would entail a need to impair the brand by SEK 27 M. For the Brothers & Sisters operating segment, a pretax increase from 11.3% to 12.3% would entail an additional need to impair goodwill by SEK 47 M (SEK 84 M in the event of an increase of 13.3%).

For the Polarn O. Pyret and Department Stores operating segments, the above scenario would not entail a need for impairment either.

Deviations to the forecast cash flows during individual years affect the impairment test, although the decisive factor for the model is the expected sustainable operating profit and cash flow. To warrant the carrying amounts of the brand and goodwill, both the JC and Brothers & Sisters operating segments must operate on the basis of sustainable operating profit of about SEK 45 M, corresponding to a basis of a sustainable pretax cash flow of about SEK 33 M. A deviation of SEK 10 M from the sustainable pretax operating profit and cash flow for the JC and Brothers & Sisters operating segments would have an impact of about SEK 80-90 M on both the value of the brand and goodwill.

Other important assumption

In addition to the above, comments are provided below on a number of assumptions linked to the assessment of future cash flows.

Market share and growth

In the most recent fiscal year, the company lost market shares since the product range did not match customer expectations. It is a natural part of all fashion retail operations that collection outcomes vary. The company's assessment is based on the downturn not being structural and on recapturing at least some of the market shares by performing "normally" in terms of range creation. Accordingly, sales in comparable stores are expected to be positive during the forecast period. A natural part of value of the company's goodwill and trademarks is the opening of new stores.

Gross margins

During the most recent fiscal year, the gross margin declined slightly, primarily due to higher inventory levels resulting in a larger portion of discount sales. The inventory is now satisfactory in terms of both level and composition. In light of this and certain other measures that have been taken, the assessment has been made that the gross margin will increase.

Overhead expenses

Overhead expenses are essentially expected to grow with sale except certain joint costs that are expected to grow with inflation.

Personnel costs

The forecast for personnel costs is based on expected inflation, a certain increase in real salaries and planned efficiency enhancements.

Actions have been taken to improve the trend/performance, such as improving the product range, optimizing inventories, process efficiency enhancements and cost savings.

Note 14 Trademarks

Group	Aug 31, 12	Aug 31, 11
Opening costs	500,000	500,000
Closing accumulated cost	**500,000**	**500,000**
Opening impairments	-240,288	-
Impairment losses for the year	-	-240,288
Closing accumulated impairment	**-240,288**	**-240,288**
Closing residual value	**259,712**	**259,712**

Note 15 Software

Group	Aug 31, 12	Aug 31, 11
Opening cost	124,054	111,332
Acquisitions for the year	38,302	47,848
Disposals for the year	-	-35,126
Closing accumulated cost	**162,356**	**124,054**
Opening amortization	-44,606	-45,111
Disposals for the year	-	21,431
Amortization for the year	-23,900	-20,926
Closing accumulated amortization	**-68,506**	**-44,606**
Opening impairment	0	-
Disposals for the year	-	14,000
Impairment losses for the year	-	-14,000
Closing accumulated impairments	**0**	**0**
Closing planned residual value	**93,850**	**79,448**

The Group's fixed assets include lease items pertaining to IT platforms held on the basis of financial leasing contracts with a cost of SEK 54,007,000 (47,654,000) and accumulated amortization amounting to SEK 47,892,000 (30,011,000). The carrying amount is SEK 6,115,000 (11,643,000).

Note 15 Cont.

Parent Company	Aug 31, 12	Aug 31, 11
Opening cost	72,341	61,483
Disposals for the year	-	-35,126
Acquisitions for the year	31,725	45,984
Closing accumulated cost	**104,066**	**72,341**
Opening amortization	-6,659	-17,904
Disposals for the year	0	21,430
Amortization for the year	-11,038	-10,185
Closing accumulated amortiza-tion	**-17,697**	**-6,659**
Opening impairments	0	-
Disposals for the year	-	14,000
Impairment losses for the year	-	-14,000
Closing accumulated impairments	**0**	**0**
Closing planned residual value	**86,369**	**65,682**

In the Parent Company, all leasing agreements, regardless of whether they are financial or operational, are recognized as operational.

Note 16 Rental rights

Group	Aug 31, 12	Aug 31, 11
Opening cost	188,157	187,396
Acquisitions for the year	15,861	3,300
Divestments and disposals for the year	-12,498	-2,649
Translation differences	390	110
Closing accumulated cost	**191,910**	**188,157**
Opening amortization	-153,926	-152,665
Divestments and disposals for the year	7,863	1,526
Amortization for the year	-3,744	-2,817
Translation differences	-281	30
Closing accumulated amortization	**-150,088**	**-153,926**
Opening impairments	-18,730	-18,692
Translation differences	4,605	-
Impairment losses for the year	-77	-38
Closing accumulated impairments	**-14,202**	**-18,730**
Closing planned residual value	**27,620**	**15,501**

Note 17 Goodwill

Group	Aug 31, 12	Aug 31, 11
Opening cost	685,105	876,013
Impairment losses for the year	-201,432	-190,908
Closing accumulated cost	**483,673**	**685,105**

Goodwill item distributed by segment:

	Aug 31, 12	Aug 31, 11
Polarn O. Pyret	1,660	1,660
Department Stores	233,445	233,445
JC	0	0
Brothers & Sisters	248,568	450,000
Closing accumulated cost	**483,673**	**685,105**

Note 18 Equipment and store furnishings

Group	Aug 31, 12	Aug 31, 11
Opening cost	570,206	539,433
Acquisitions for the year	74,520	51,453
Divestments and disposals for the year	-93,606	-16,078
Translation differences	-6,410	-4,602
Closing accumulated cost	**544,710**	**570,206**
Opening depreciation	-437,807	-399,537
Divestments and disposals for the year	91,790	14,143
Depreciation for the year	-59,409	-56,905
Translation differences	5,331	4,492
Closing accumulated depreciation	**-400,095**	**-437,807**
Opening impairments	-458	-
Disposals for the year	458	1,000
Impairment losses for the year	-	-1,458
Closing accumulated impairments	**0**	**-458**
Closing planned residual value	**144,615**	**131,941**

The Group's fixed assets include leased items pertaining to store furnishings held on the basis of financial leasing contracts with a cost of SEK 51,593,000 (39,836,000) and accumulated depreciation amounting to SEK 24,568,000 (26,396,000). The carrying amount is SEK 27,025,000 (13,440,000).

Note 18 Cont.

Parent Company	Aug 31, 12	Aug 31, 11
Opening cost	57,506	60,620
Purchases for the year	19	885
Divestments and disposals for the year	-2,533	-3,999
Closing accumulated cost	**54,992**	**57,506**
Opening depreciation	-51,897	-46,063
Divestments and disposals for the year	2,533	2,803
Depreciation for the year	-3,691	-8,637
Closing accumulated depreciation	**-53,055**	**-51,897**
Opening impairments	0	–
Disposals for the year	–	1,000
Impairment losses for the year	–	-1,000
Closing accumulated impairments	**0**	**0**
Closing planned residual value	**1,937**	**5,609**

In the Parent Company, all leasing agreements, regardless of whether they are financial or operational, are recognized as operational agreements.

Note 19 Shares in subsidiaries

Company	Corp. Reg. Number	Head office	Number	Share of equity (%)	Carrying amount
Ängsviol Blomstern AB	556539-1926	Stockholm	1,000	100	–
Polarn O. Pyret AB	556235-7383	Stockholm	10,000	100	21,000
PO.P International NO AB	556889-3662	Stockholm	500	100	–
PO.P International IP AB	556889-3704	Stockholm	500	100	–
PO.P International OTH AB	556889-3613	Stockholm	500	100	–
PO.P International Suomi AB	556890-1630	Stockholm	500	100	–
PO.P International UK AB	556899-3654	Stockholm	500	100	–
Portwear AB	556188-7513	Stockholm	1,911,680	100	233,593
Departments & Stores Europe AB	556541-8778	Stockholm	810,000	100	–
Departments & Stores Denmark AS	30 27 43 18	Copenhagen	1	100	–
Kosta Outlet Mode AB	556448-7980	Stockholm	1,000	100	–
JC AB	556468-8991	Stockholm	37,147,880	100	690,633
JC Sverige AB	556308-6734	Stockholm	1,000	100	–
Brothers & Sisters Sverige AB	556513-6826	Stockholm	1,000	100	–
JC Jeans & Clothes AS	961 313 880	Oslo	500	100	–
JC Jessheim AS	985 548 307	Oslo	100	100	–
Nordic Textile Grosshandels GmbH	HR B 52245	Köln	1	100	–
JC Jeans & Clothes Oy	760.404	Helsinki	4,000	100	–
Carrying amount					**945,226**

The shareholding and proportion of voting rights are the same in all companies.

Parent Company	Aug 31, 12	Aug 31, 11
Opening carrying amount	1,146,658	1,517,258
Acquisitions for the year	250	–
Shareholders' contribution paid	-250	-2,600
Impairment losses for the year	–	68,600
Closing carrying amount	-201,432	-436,600
Utgående bokfört värde	**945,226**	**1,146,658**

Impairment losses for the year are attributable, in their entirety, to JC AB. Impairment losses of SEK 368,000,000 in the preceding year were attributable to JC AB and to impairment losses attributable to the shareholders' contributions paid from the Parent Company to the subsidiaries, which were impairment tested.

Note 20 Inventories

SEK 56,589,000 (88,832,000) has been recognized at fair value less retail costs totaling SEK 483,763,000 (573,116,000) recognized under inventories; the remainder is recognized at historical cost. Inventories exclusively comprise goods for resale.

Note 21 Other receivables

Group	Aug 31, 12	Aug 31, 11
Other receivables	20,679	11,930
	20,679	**11,930**

Parent Company	Aug 31, 12	Aug 31, 11
Other receivables	365	198
	365	**198**

Other receivables are expected to be received within 12 months.

Note 22 Prepaid expenses and accrued income

Group	Aug 31, 12	Aug 31, 11
Prepaid rent	34,445	29,218
Prepaid other costs	42,697	23,621
Derivative asset	-	-
Accrued income	21,062	10,816
	98,204	**63,655**

Parent Company	Aug 31, 12	Aug 31, 11
Prepaid rent	471	1,579
Prepaid leasing	696	1,090
Other prepaid expenses	7,868	1,603
	9,035	**4,272**

In accordance with IAS 39, derivative assets are classified in the category financial assets measured at fair value through profit or loss and accrued income is classified in the loan receivables; read more in Note 37.

Note 23 Cash and cash equivalents

Cash and cash equivalents are held in the following currencies.

Group	Rate Aug 31, 12	Rate Aug 31, 11	Aug 31, 12	Aug 31, 11
SEK			1,995	2,974
NOK	1.15	1.19	899	16,508
DKK	1.12	1.23	162	2,731
USD	6.68	6.35	3,284	5,054
EUR	8.35	9.17	21,868	26,227
HKD	0.86	0.82	1,503	1
			29,711	**53,495**

Parent Company	Rate Aug 31, 12	Rate Aug 31, 11	Aug 31, 12	Aug 31, 11
EUR	8.35	9.17	78	-
			78	**0**

Note 24 Provisions for pensions

The Group's net obligation pertaining to defined-benefit plans is calculated by means of an estimation of the future payments vested to employees through their employment during both the current and prior periods. This amount is discounted to present value and the fair value of any plan assets is deducted.

For actuarial gains and losses that arise in the calculation of the Group's commitments for various plans, the so-called corridor rule is applied. The corridor rule means that the portion of the accumulated actuarial gains and losses that exceeds 10% of the larger of the commitment's present value and the fair value of the planned assets is recognized through profit or loss during the anticipated average remaining period of service of the employees covered by the plan. Otherwise, actuarial gains and losses are not taken into account.

The defined-benefit pension plans are unfunded, which is why no planned assets are recognized. All defined-benefit plans refer to Sweden. As shown in Note 1 Accounting policies, the pension plans are treated in Alecta as defined-contribution plans.

Pensions and other remuneration, post-employment Defined-benefit plans

Group	Aug 31, 12	Aug 31, 11
Present value of unfunded obligations	9,626	20,627
Unrecognized actuarial gains (+) and losses (-)	2,683	-4,990
	12,309	**15,637**

Historical development of current value of unfunded obligations

Group	Aug 31, 12
Augusti 31, 2010	24,050
Augusti 31, 2009	27,131
Augusti 31, 2008	29,423

Note 24 Cont.

Change in net obligation for defined-benefit plans recognized in the balance sheet

Group	Aug 31, 12	Aug 31, 11
Net obligation for defined-benefit plans, September 1	15,637	21,270
Paid remuneration	-	-
Costs recognized through profit or loss	5,930	2,340
Redemption of obligation	-9,258	-7,973
Net obligation for defined-benefit plans, August 31	**12,309**	**15,637**

Assumptions underlying defined-benefit obligations
Principal actuarial assumptions on the balance-sheet date

Group	Aug 31, 12	Aug 31, 11
Discount rate on August 31, %	3.7	3.7
Future increase in pensions, %	1.5	2.0

Costs recognized through profit or loss

Group	Sep 11–Aug 12	Sep 10–Aug 11
Adjustments to unrecognized actuarial gains/losses due to redemption	2,240	921
Actuarial gains/losses through profit or loss for the period	2,927	375
Interest	763	1,044
	5,930	**2,340**

Costs recognized under the following items through profit or loss

Group	Sep 11–Aug 12	Sep 10–Aug 11
Personnel expenses	5,167	1,296
Interest expense and similar profit/loss items	763	1,044
	5,930	**2,340**

For the 2011/2012 fiscal year, the Group's expenses for defined-contribution pension plans amounted to SEK 27.9 M (28.9).

For the 2011/2012 fiscal year, redemption of pension liabilities is estimated to match the amount redeemed in fiscal year 2011/2012.

Note 25 Liabilities to credit institutions and other liabilities

Liabilities to credit institutions

The Group has raised loans from KfS (refer to Notes 26 and 37).

Remaining liabilities to credit institutions pertain to financial leasing agreements. The present value of future repayment obligations resulting from these financial leasing agreements is recognized as "liabilities to credit institutions" in the amount of SEK 37,357,000 (30,156,000), including a short-term portion of SEK 15,423,000 (20,150,000). The entire liability is due for repayment within five years.

The Group's average interest rates on loans and overdraft facilities amount to:

Group	Sep 11–Aug 12	Sep 10–Aug 11
Konsumentföreningen Stockholm, loan one	9.29%	5.40%
Konsumentföreningen Stockholm, loan two	10.86%	-
Overdraft facilities with SEB	3.20%	3.79%

Note 26 Other long-term liabilities

The Parent Company has raised two loans with Konsumentföreningen Stockholm. Loan one amounts to SEK 400 M and loan two to SEK 100 M. The loans are repayment-free until June 2015 in accordance with the current agreement. Note 37 describes the covenants of the loans.

Note 27 Overdraft facilities

Group

On August 31, 2012, overdraft facilities granted amounted to SEK 200 M (200).

Parent Company

On August 31, 2012, overdraft facilities granted amounted to SEK 200 M (200).

Note 28 Accounts payable

Accounts payable are held in the following currencies.

Group	Rate Aug 31, 12	Rate Aug 31, 11	Aug 31, 12	Aug 31, 11
SEK			266,175	216,354
NOK	1.15	1.19	-613	5,453
DKK	1.12	1.23	49	3,501
USD	6.68	6.35	23,664	36,907
EUR	8.35	9.17	36,816	50,363
HKD	0.86	0.82	5,137	5,987
GBP	10.54	10.36	110	564
			331,338	**319,129**

Accounts payable fall due in ten to 90 days.

Parent Company	Rate Aug 31, 12	Rate Aug 31, 11	Aug 31, 12	Aug 31, 11
SEK			16,123	11,541
NOK	1.15	1.19	7	2
USD	6.68	6.35	1	-
EUR	8.35	9.17	5	4
			16,136	**11,547**

Accounts payable fall due in ten to 90 days.

Note 29 Other liabilities

Group	Aug 31, 12	Aug 31, 11
VAT	9,063	18,212
Personnel-related taxes	16,263	16,060
Gift vouchers	21,972	19,826
Other	4,753	4,815
	52,051	**58,913**

Parent Company	Aug 31, 12	Aug 31, 11
VAT	2,489	59
Personnel-related taxes	2,382	1,629
Gift vouchers	-	-
Other	-	11
	4,871	**1,699**

Note 30 Accrued expenses and prepaid income

Group	Aug 31, 12	Aug 31, 11
Accrued vacation and payroll liabilities	67,561	66,922
Accrued social security contributions	36,410	39,207
Derivative liabilities	4,685	2,544
Accrued interest	8,991	6,299
Other accrued expenses	37,470	31,709
Prepaid income	1,688	3,430
	156,805	**150,111**

Parent Company	Aug 31, 12	Aug 31, 11
Accrued vacation and payroll liabilities	4,314	3,720
Accrued social security contributions	3,660	3,266
Accrued interest	8,991	6,299
Other accrued expenses	17,922	11,992
	34,887	**25,277**

In accordance with IAS 39, derivative assets are classified in the category financial assets measured at fair value through profit or loss and accrued income is classified in the loan receivables; read more in Note 37.

Note 31 Pledged assets

For liabilities to credit institutions and overdraft facilities

Group	Aug 31, 12	Aug 31, 11
Chattel mortgages	175,790	182,790
Leased fixed assets	33,140	25,083
Shares in subsidiaries	613,639	314,728
	822,569	**522,601**

Parent Company	Aug 31, 12	Aug 31, 11
Shares in subsidiaries	254,593	254,593
	254,593	**254,593**

Note 32 Contingent liabilities

Group	Aug 31, 12	Aug 31, 11
Other guarantees	219	1,392
	219	**1,392**

Parent Company	Aug 31, 12	Aug 31, 11
Guarantees for subsidiaries	46,465	63,638
	46,465	**63,638**

Note 33 Rental and leasing agreements

Group and Parent Company

The Group and the Parent Company have entered into operational lease agreements regarding stores and offices subject to the following non-cancellable rental commitments.

Payments during the fiscal year	Group	Parent Company
September 2011 – August 2012	412,437	26,824

Detta avser endast de fasta minimiavgifterna. Utöver detta finns antaganden avseende omsättningsbaserad hyresersättning som är rörlig.

saknar översättning

The Group's future commitments for leasing and rental agreements amount to the following:

Payments due	Group	Parent Company
September 2012 – August 2013	390,393	33,473
September 2013 – August 2014	251,555	13,566
September 2014 – August 2015	123,997	4,808
After August 2015	86,297	9,288

Of the future rental commitments listed above, SEK 43,011,000 (30,857,000) comprises financial leasing agreements in the Group.

Note 34 Cash-flow statement

Adjustment for non-cash-flow items

Group	Aug 31, 12	Aug 31, 11
Depreciation, amortization and impairments	87,054	96,106
Impairment of goodwill and brand	201,432	431,196
Capital gain/loss on the sale of fixed assets	-	-14,182
Other adjustments	-23,544	-18,118
	264,942	**495,002**

Note 34 Cont.

Parent Company	Aug 31, 12	Aug 31, 11
Depreciation, amortization and impairments	14,729	33,822
Capital gain/loss on the sale of dormant companies	-	-168
	14,729	**33,654**

Cash and cash equivalents in the cash-flow statement comprise cash and bank balances amounting to SEK 29,711,000 (53,495,000) for the Group and SEK 78 (0) for the Parent Company at August 31, 2012.

Note 35 Acquisition and divestment of subsidiaries

saknar översättning

No company was sold during the year. During the comparative year 2010/2011, the dormant companies C/O Departments & Stores Nordic AB, Skandinaviskt Herrmode AB, Skandinaviskt Dammode AB and Meijer & Meijer AB were sold. During the 2011/2012 fiscal year, PO.P International UK AB, PO.P International NO AB, PO.P International Suomi AB, PO.P International IP AB, PO.P International OTH AB and RNB Far East Ltd were formed. These five PO.P companies were formed through rights issues of SEK 50,000 per company. RNB Far East Ltd. was formed through a capital contribution of HKD 1. Accordingly, the formation of these companies did not have any impact on the Group's cash and cash equivalents.

During the fiscal year, 27 stores were taken over from franchisers into proprietary ownership. Of these, 20 were in the JC segment and seven in the Brothers & Sisters segment. The acquisitions took place by settling outstanding receivables and thus no real cash-flow changes took place. No acquisitions were made during the 2010/2011 fiscal year.

Verkligt värde av de under räkenskapsåret 2011/2012 förvärvade tillgångarna och skulderna framgår nedan:

Post	Butiker förvärvade av JC segmentet	Butiker förvärvade av Brothers & Sisters segmentet
Hyresrätter	8,360	3,800
Butiksinventarier	9,650	7,750
Erlagd köpeskilling	**18,010**	**11,550**
Kvittning mot utestående fordringar	-18,010	-11,550
Påverkan på koncernens likvida medel	**0**	**0**

The fair value of assets and liabilities divested during the 2011/2012 fiscal year was as follows:

Item	C/O Departments & Stores Nordic AB	Skandinaviskt Herrmode AB	Skandinaviskt Dammode AB	Meijer & Meijer AB	Total
Cash and cash equivalents	321	1,755	676	127	2,879
Current liabilities	-12	-48	-24	-11	-95
Purchase consideration paid	**309**	**1,707**	**652**	**116**	**2,784**
Cash and cash equivalents in companies sold	-321	-1,755	-676	-127	-2,879
Impact on the Group's cash and cash equivalents	**-12**	**-48**	**-24**	**-11**	**-95**

Note 36 Results from participation in Group companies

Parent Company	Aug 31, 12	Aug 31, 11
Sale of shares in subsidiaries	-	67
Dividends from subsidiaries	-	15,000
Impairment of shares in subsidiaries	-201,432	-436,600
Group contributions received	101,150	173,450
Group contributions paid	-136,400	-145,700
	-236,682	**-393,783**

Note 37 Financial instruments

Financial assets

The financial assets that are available for utilization by the Group comprise cash and cash equivalents, accounts receivable, loan receivables, accrued income and financial assets measured at fair value in net profit for the year. All amounts stated below under cash and cash equivalents, loan receivables, accounts receivables, accrued income and currency forward contracts correspond to the carrying amounts in the Group. The carrying amounts correspond to the fair values of each particular asset.

Cash and cash equivalents

Cash and cash equivalents are deposited in bank accounts at standard rates of interest. On August 31, 2012, cash and cash equivalents amounted to SEK 29,711,000 (53,495,000) for the Group and SEK 78,000 (0) for the Parent Company.

Loan receivables and accounts receivables

The terms and conditions for payment of accounts receivables normally allow ten to 30 days of credit. Certain customers benefitted from extended repayment plans. On August 31, 2012, accounts receivable falling due within one year amounted to SEK 134,343,000 (191,589,000) for the Group and SEK 0 (93,000) for the Parent Company. In addition, long-term receivables, which are interest-based, amounted to SEK 16,364,000 (0).

Note 37 Cont.

Age analysis, accounts receivable	Aug 31, 12	Aug 31, 11
Not due	73,493	124,914
< 60 days	18,148	21,160
60 - 90 days	4,449	6,381
90 - 180 days	16,564	34,870
> 180 days	73,854	60,585
Total accounts receivable	**186,508**	**247,910**
Provision for depreciation/amortization	-52,165	-56,321
Total	**134,343**	**191,589**

Age analysis other long-term receivables	Aug 31, 12	Aug 31, 11
Not due	16,364	0
Total other long-term receivables	**16,364**	**0**
Provision for depreciation/amortization	0	0
Total	**16,364**	**0**

The need for impairment concerning accounts receivable is tested on an individual basis. Receivables from customers benefitting from extended repayment plans are not recognized as due in the above age analysis as long as the repayment plans are followed.

Provisions for doubtful receivables have been changed as follows:

	Aug 31, 12	Aug 31, 11
Opening provisions	56,321	33,970
Provisions for probable losses	16,292	27,114
Confirmed losses	-20,448	-4,763
Closing provisions	**52,165**	**56,321**

Accrued income

Accrued income amounted to SEK 21,062,000 (10,816,000).

Financial liabilities

The financial liabilities that are available for utilization by the Group comprise accounts payable, overdraft facilities, loans from credit institutions, other loan liabilities, accrued costs and financial liabilities measured at fair value in net profit for the year. All amounts stated below under financial liabilities correspond to the carrying amounts in the Group. The carrying amounts match the fair values of each particular asset.

Accounts payable

The Group's accounts payable consist mainly of liabilities in SEK, EUR and USD. The terms and conditions for payment of accounts payable allow ten to 90 days of credit. Also refer to Note 28, for a description of the composition of accounts payable by currency.

Financial liabilities measured at fair value through profit or loss

Outstanding transaction hedges and value on August 31, 2012:

Currency	Hedged volume	Fair value	Number of hedged months
USD	7,000	-2,033	0-6 months
EUR	11,000	-2,652	0-6 months
Total		**-4,685**	

Changes in fair value regarding forward contracts are recognized through profit or loss; also refer to Notes 9 and 10. The item is recognized in the balance sheets under "Prepaid expenses and accrued income." All currency hedges mature within 12 months.

Overdraft facilities

The Group and Parent Company have an overdraft facility with SEB totaling SEK 200 M (200) at August 31, 2012. Utilized amounts at August 31, 2012 amounted to SEK 83.7 M (114.9) and were recognized as current liabilities.

The overdraft facility is subject to a variable interest rate and the rate during the 2011/2012 fiscal year was 3.79% (3.43). The overdraft facility is raised with SEB and the credit agreement contains covenants, of which the key financial covenant is that the Group's net debt with SEB must have a clean down period of three days in the first quarter and of three days in the fourth quarter. In accordance with an agreement between the company and SEB, the company does not need to meet this covenant for the second quarter of 2012/2013.

The interest rate on the overdraft facility is variable and the average interest rate in 2011/2012 was 3.20% (3.79).

Other loan liabilities

In a prior fiscal year, the Group had raised a loan of SEK 400 M (loan number one) with Konsumentföreningen Stockholm, which is also a principal owner of the company. In the 2011/2012 fiscal year, the company raised another loan of SEK 100 M (loan number two) from Konsumentföreningen Stockholm. Both of these loans were raised on market terms. After the balance-sheet date, the loans were renegotiated so that the terms for both loans were extended until June 30, 2015. In addition, it was agreed that both of the loans (loans one and two) would be repayment-free until the maturity date of June 30, 2015 and recognized as long-term liabilities. The entire liability falls due for repayment within five years.

The credit agreements with Konsumentföreningen Stockholm contain covenants, of which the key financial covenants comprise a quarterly reconciliation of the company's debt ratio (defined as net debt/EBITDA) and the company fulfilling the requirements tied to the overdraft facility as stipulated by SEB. In conjunction with the renegotiation of the agreements, these covenants were changed to the effect that they expire on June 30, 2015. Subsequently, the remaining financial covenant primarily pertains to commitments in respect of the ratio between the Group's net debt and the Group's equity.

As stated in the Board of Directors' Report, the company entered into an agreement with Konsumentföreningen Stockholm after the balance-sheet date regarding refinancing SEK 100 M of a previous overdraft facility to SEK 200 M. In addition, the company obtained financing of an additional SEK 50 M. The new credit line of SEK 150 M is available based on the Group's requirements. The total credit commitment with Konsumentföreningen Stockholm subsequently amounts to a maximum of SEK 650 M. The additional financing of SEK 150 M contains certain financial covenants, the most important being the covenant regarding minimum liquidity and, for a portion of the credit amount being subject to the company's debt ratio (defined as adjusted net debt/EBITDA).

The current interest rate on August 31, 2012 was 9.36% (7,87) for loan number one and 10.77% for loan number 2. The average interest rate in 2011/2012 was 9.29% (5.40) for loan number one and 10.86% for loan number two. The interest rates for the loans are variable and are based on Stibor, including an additional margin.

Loans from credit institutions

The present value of future repayment obligations resulting from these financial lease contracts is recognized as liabilities to credit institutions in the amount of SEK 37,357,000 (30,156,000), including a short-term portion of SEK 15,423,000 (20,150,000). The entire liability is due for repayment within five years.

Accrued expenses

Accrued expenses primarily comprise employee-related items; see Note 30.

Note 37 Cont.

Group, August 31, 2012

Financial assets	Assets measured at fair value through profit or loss	Loan receivables and accounts receivable	Other financial assets	**Total**
Accounts receivable		134,343		134,343
Other receivables		46,137		46,137
Accrued income		21,062		21,062
Derivatives	0			0
Cash and cash equivalents			29,711	29,711
				231,253

Financial liabilities	Liabilities measured at fair value through profit or loss	Other financial liabilities	**Total**
Accounts payable		331,338	331,338
Derivatives	4,685		4,685
Loans from credit institutions		37,357	37,357
Overdraft facilities		83,683	83,683
Other loan liabilities		500,000	500,000
Other liabilities		52,051	52,051
Accrued expenses		152,120	152,120
			1,161,234

Koncernen den 31 augusti 2011

Financial assets	Assets measured at fair value through profit or loss	Loan receivables and accounts receivable	Other financial assets	**Total**
Accounts receivable		191,589		191,589
Other receivables		25,529		25,529
Accrued income		10,816		10,816
Derivatives	0			0
Cash and cash equivalents			53,495	53,495
				281,429

Financial liabilities	Liabilities measured at fair value through profit or loss	Other financial liabilities	**Total**
Accounts payable		319,129	319,129
Derivatives	2,544		2,544
Loans from credit institutions		30,156	30,156
Overdraft facilities		114,887	114,887
Other loan liabilities		400,000	400,000
Other liabilities		56,406	56,406
Accrued expenses		146,644	146,644
			1,069,766

Note 38 Receivables/liabilities from Group companies

Parent Company
The subsidiaries' share of liabilities/receivables in the Group's central account system with banks is recognized among current liabilities/receivables from Group companies.

	Receivables		Liabilities	
Parent Company	**Aug 31, 12**	Aug 31, 11	**Aug 31, 12**	Aug 31, 11
JC AB	55,418	54,198	–	–
JC Sverige		87,632	1,457	–
JC AS	–	–	936	8
JC Oy	–	–	7	28
Portwear AB	89,960	75,242	–	–
Polarn O. Pyret AB	36,749	38,678	–	–
Departments & Stores Europe AB	–	–	20,981	22,382
Kosta Outlet Mode AB	–	–	397	7,348
Brothers & Sisters Sverige AB	3,740	–		6,037
Ängsviol Blomstern AB	–	–	219	219
Far East Ltd.	2,505	–	–	–
	188,372	**255,750**	**23,997**	**36,022**

Note 39 Intra-Group purchases and sales

The Parent Company's net sales of SEK 145,538,000 (100,585,000) are entirely attributable to internally debited services provided to subsidiaries. The Parent Company also recognizes other expenses of SEK 5,822,000 (5,514,000) that were reinvoiced under the Other operating expenses item. The Parent Company has purchased services from subsidiaries amounting to SEK 2,991,000 (40,000).

Note 40 Risks and risk management

Exchange-rate risks
The RNB Group's exchange-rate exposure consists of the 30-35% of the Group's purchases of products that are implemented in foreign currency. The Board of Directors has established a Group policy in the form of a framework for managing exchange-rate risks. The main focus is that 70-80% of the anticipated net flows in foreign currency for each season must be hedged using forward contracts. The two principal foreign currencies in which products are purchased are EUR and USD. A sensitivity analysis shows that a change in the exchange rate has the following impact on earnings:

Currency	Change	Impact, SEK M
EUR	+/– 10 %	–/+ 21
USD	+/– 10 %	–/+ 24

Credit and liquidity risks
RNB's credits consist of loans and overdraft facilities. Available cash and cash equivalents are used to reduce the utilization of overdraft facilities, thereby reducing interest expense. RNB limits its interest-rate risks by endeavoring to have short periods of fixed interest.

Liquidity risks refer to the risk that financing cannot be obtained or can be obtained only at significantly increased costs. The Group's goal is to maintain a balance between continuity and flexibility regarding its financing through loans and overdraft facilities. Credit to customers, the degree of past due receivables, credit from suppliers and capital tied-up in inventories affect the need for cash and cash equivalents. In conjunction with the raising of long-term loan liabilities, the company signed special covenants. The covenants for the signed loan agreement are described in Note 37. It is also stated in this Note and in the Board of Directors' Report that, following the balance-sheet date, the company signed an agreement with Konsumentföreningen Stockholm for extended financing.

Cyclicity
Demand for RNB's products, like general demand in the retail sector, is affected by changes in the overall economy. A positive economic trend normally has a favorable effect on RNB's sales and earnings trend. An economic downturn could have an adverse effect on RNB's sales and earnings trends, if disposable household income declines simultaneously. Demographics are another factor that impact demand. A gradual shift toward older age groups during an extended period is causing individuals between the ages of 30 and 60 to gradually comprise a relatively large proportion of the population, thus also increasing the significance of this age group for RNB.

Weather and seasonal variations
It is generally stated that the retail sales trend varies with the seasons. Sales are at their strongest during the autumn and winter, peaking in December when Christmas shopping is a powerful drive. The beginning of the school year in August has historically proved to be a strong sales month during which sales of children's clothes increase. The price level is generally higher for autumn and winter collections, which also has a positive impact on gross profit during the first quarter (September-November) of the split fiscal year. The major discount months of January, February and July have an adverse impact on both gross margins and operating margins during these periods.

Weather is another factor that affects sales. A mild autumn and winter generally tends to have an adverse impact on sales, and a cold and rainy summer has historically proven to have a positive impact on sales.

Fashion risks
RNB is dependent on consumer preferences in terms of the design, quality and price of clothing, accessories, cosmetics, jewelry and clocks and watches. RNB's own brands, combined with the distribution of other national and international brands, provide an extensive decision-making base in respect of discerning fashion trends and adapting products to demand. RNB endeavors to limit dependence on fashion trends by having a basic range of classic designs included in the proprietarily developed collections. However, since the fashion industry is subject to rapid changes, the possibility of temporary declines in sales of certain collections cannot be excluded.

Distribution centers
Most of the goods sold in RNB's stores pass through one of the company's distribution centers in Slagsta or Borås. If one of the distribution centers or its equipment is damaged or needs to be shut down, the company may experience problems with deliveries to stores. If these conditions are not rectified rapidly and cost effectively, it could impact the operations. Insurance policies cover property and production interruptions, but there are no guarantees that the amounts are sufficient or that this damage can be completely recovered.

Information systems
RNB depends on information systems to monitor the flow of goods from purchasing to sales in stores, and to coordinate operational and statistical information. The risks comprise both the suitability of existing systems and the assurance of operations-sensitive information. Each long-term interruption, or inadequate functionality in information systems, may result in the loss of important information or in actions being delayed, particularly if the problems occur during a peak season, for example, during the Christmas season.

Note 40 Cont.

Franchise agreements
RRNB's operations are conducted in part through franchise agreements. Despite extensive and well-functioning cooperation with franchisees, agreements can be terminated with negative consequences for the company's operations.

Competitive situation
The market for RNB's products is exposed to strong competition in terms of products and markets. RNB's market position is dependent on the company's own and its competitors' resources for marketing, investments and product development, and the ability to adapt to the changing preferences of consumers. Increased competition could exacerbate pressure on prices and reduce market shares.

Supplier risks
RNB is highly dependent on suppliers for delivery of their products. Approximately 50% of purchases are from suppliers in China. Companies in Turkey, Bangladesh, Pakistan and the Baltic region represent a major portion of other deliveries. Consequently, disruptions in the suppliers' operations could have an impact on RNB's sales and earnings. Any trade restrictions on national or international levels, such as EU restrictions on textile imports from China, could result in the company changing its purchasing procedures, which could in turn have a negative impact on operations. Similar measures, or other restrictions in the suppliers' ability to deliver goods, could have negative consequences on the company's earnings. RNB works actively to ensure that the suppliers with which it cooperates comply with specific ethical guidelines, including bans on child labor.

Brands
RNB's policy is to register and protect its brands and names. No guarantees exist that these measures will prove sufficient to protect the brands and other intellectual property.

In addition, unpermitted use of the brand on pirate copies or the copying of RNB's stores could damage the company's image and reputation.

Risk of bad-debt losses
The risk of bad-debt losses pertains to the risk of franchisees not being able to pay for delivered products due to their financial situation.

Translation exposure
RNB reports items in income statements and balance sheets in SEK. Parts of the Group report in currencies other than SEK, which result in RNB's consolidated earnings and shareholders' equity being exposed to exchange-rate fluctuations. This currency risk is known as translation exposure and is not hedged.

The Board of Directors and the President provide their assurance that the Annual Report has been prepared in accordance with generally accepted accounting policies, provides a true and fair view of the Parent Company's financial position and results and that the Board of Directors' report provides a true and fair overview of the Parent Company's operations, financial position and results and also describes the material risks and uncertainties faced by the Parent Company. The Board of Directors and President also provide their assurance that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and provide a true and fair view of the Group's financial position and results and that the Board of Directors' report for the Group provides a true and fair overview of the Group's operations, financial position and results and also describes the material risks and uncertainties faced by the Group.

Stockholm, December 27, 2012

Laszlo Kriss
Chairman of the Board

Lilian Fossum Biner
Deputy Chairperson

Jan Carlzon
Board Member

Mikael Solberg
Board Member

Torsten Jansson
Board Member

Per Thunell
Board Member

Ivar Fransson
Board Member

Magnus Håkansson
President and CEO

Our audit report was submitted on December 27, 2012
Ernst & Young AB

Johan Eklund
Authorized Public Accountant

Audit report

To the Annual General Meeting of the shareholders of **RNB RETAIL AND BRANDS AB** (publ)
Corporate Registration Number 556495-4682

Report on the annual accounts and consolidated financial statements
We have audited the annual accounts, the consolidated financial statements, the accounting records and the administration of the Board of Directors and the President of RNB RETAIL AND BRANDS AB (publ) for the September 1, 2011 to August 31, 2012 fiscal year. The company's annual accounts and consolidated financial statements are included in the printed version of this document on pages 48-84.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated financial statements
The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these annual accounts and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of August 31, 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of August 31, 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory Board of Directors' Report is consistent with the other parts of the annual accounts and consolidated financial statements.

We therefore recommend that the Annual Meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the statement of comprehensive income and balance sheet for the Group.

Report on other legal and regulatory requirements
In addition to our audit of the annual accounts and consolidated financial statements, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of RNB RETAIL AND BRANDS AB (PUBL) for the September 1, 2011 – August 31, 2012 fiscal year.

Responsibilities of the Board of Directors and the President
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility
Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated financial statements, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions
We recommend to the Annual Meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory Board of Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Stockholm, December 27, 2012
Ernst & Young AB

Johan Eklund
Authorized Public Accountant

Corporate Governance Report

RNB RETAIL AND BRANDS AB (publ), RNB, is a Swedish public limited liability company listed on the Nasdaq OMX Stockholm.

The control of RNB is divided among the shareholders at the Annual General Meeting (AGM), the Board of Directors and the President in accordance with the Swedish Companies Act, the Articles of Association and the Swedish Code of Corporate Governance.

Swedish Code of Corporate Governance

This Corporate Governance Report was prepared in accordance with the provisions of the Swedish Code of Corporate Governance as well as with Chapter 6, sections 6 – 9 of the Annual Accounts Act and Chapter 9, section 31 of the Companies Act, and pertains to fiscal year 2011/2012. RNB's Articles of Association and other corporate-governance information about the company are available at www.rnb.se.

Shares and shareholders

At August 31, 2012, the share capital of RNB was SEK 165,425,251 represented by 165,425,251 shares with a quotient value of SEK 1. All of the shares are common shares. Each share entitles the holder to one vote at the AGM and all shares provide equal entitlement to shares in the company's assets and earnings.

At August 31, 2012, the number of registered shareholders was 9,807, of whom 9,515 were registered in Sweden. At August 31, 2012, the three major shareholders were Konsumentföreningen Stockholm (KfS) which held 21.7%, Axbrands AB which held 7.0% and Mikael Solberg, via companies, who held 10% of the voting rights. Further information is available in the section entitled "the RNB Share" on pages 94-95.

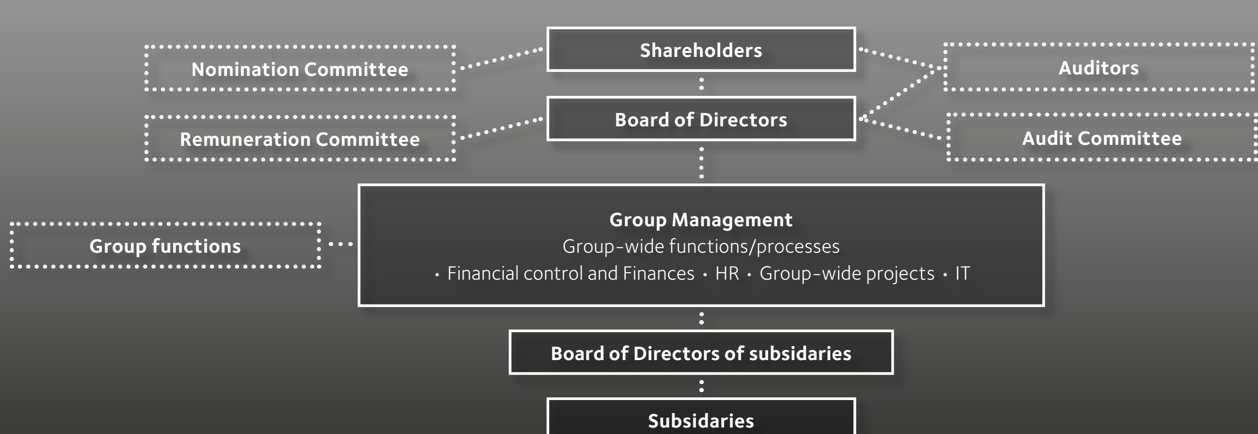
Annual General Meeting

The Annual General Meeting (AGM) is RNB's highest decision-making body. The AGM appoints the company's Board of Directors. It is also responsible for adopting the company's balance sheets and income statements, making resolutions concerning the disposal of profits from operations and discharging members of the Board and the President from personal liability. The AGM also elects RNB's auditors.

At RNB's AGM on January 19, 2012, 24 shareholders participated, representing 40.9% of the number of shares and voting rights in the company.

The AGM must be held no later than six months after the end of the fiscal year. Notification of the AGM and of general shareholder meetings convened to address a motion concerning amendment of the Articles of Association must take place no earlier than six weeks

Governance structure



before and no later than four weeks before the AGM. Notification of other general shareholder meetings must take place no earlier than six weeks before and no later than three weeks before the AGM. All shareholders registered in the share register and who have notified their attendance in time are entitled to attend and vote at the AGM. Those shareholders who are unable to attend in person may be represented by a proxy.

Minutes from previous AGMs and Extraordinary General Meetings are available on www.rnb.se.

Nomination Committee

The task of the Nomination Committee is to prepare and submit proposals to shareholders in the company pertaining to such matters as the nomination of Board members and, if applicable, auditors.

The Chairman of the Board shall annually, at least six months prior to the AGM, contact the four largest shareholders in the company who shall each appoint one member of the Nomination Committee. The Chairman of the Board is to be co-opted to the Nomination Committee but must not be its chairman. The Chairman of the Board shall also ensure that information on the composition of the Nomination Committee along with contact information is publicized in adequate time prior to the AGM. The Chairman of the Board shall also report to the Nomination Committee the current status of the Board's work, requirements for specialist expertise and other matters that may be significant to the Committee's work. It shall be possible for shareholders to submit proposals to the Nomination Committee for further evaluation within the parameters of its work. The Nomination Committee holds meetings as necessary, but at least once annually.

Prior to the AGM to be held on January 17, 2013, the Nomination Committee comprises the following members who were appointed in accordance with a resolution by the 2012 AGM: Sune Dahlqvist, Chairman of Konsumentföreningen Stockholm, Ulf Strömsten, Catella Fondförvaltning, Jan Litborn, representing Douglas Invest AS and John Wallmark, Spartoi AB.

Board of Directors

RNB's Board of Directors makes decisions on matters pertaining to RNB's strategic focus, investments, financing, organizational issues, acquisitions and divestments. The Board's work is governed by the Swedish Companies Act, the Articles of Association and the formal work plan established by the Board for its work.

In accordance with the Articles of Association, the Board shall consist of no fewer than five and no more than eight members, with no deputies. Members are elected at the AGM for the period up to the end of the following AGM. RNB's Articles of Association do not contain any stipulations concerning the appointment and dismissal of Board Members.

At the AGM on January 19, 2012, the following Board members were re-elected; Mikael Solberg, Torsten Jansson, Jan Carlzon, Lilian Fossum Biner and Laszlo Kriss. Per Thunell and Ivar Fransson were newly elected. Magnus Håkansson and Nils Vinberg declined re-election at the AGM, following which the Board comprised seven members. The President and CEO is co-opted to the Board. See pages 88–89 for further information regarding the Board of Directors.

Articles of Association

The Articles of Association may only be amended at the AGM or an Extraordinary General Meeting. The Articles of Association are available at www.rnb.se.

Remuneration of the Board of Directors

The director fees paid to the members of the Board, which were adopted by the 2012 AGM, total SEK 1,187,500, of which SEK 300,000 was to be paid to the Chairman of the Board and SEK 137,500 to each other non-executive Board member, as well as a fee of SEK 62,500 to the chairman of the Audit Committee.

Board of Directors' formal work plan

RNB's Board of Directors has a formal work plan that complies with the Swedish Companies Act in terms of work distribution and reporting. The formal work plan governs the Board's meetings, issues to be addressed at Board meetings, the Chairman's assignments, the President's assignments and certain other matters.

The Board holds six scheduled Board meetings during a fiscal year and, if necessary, three extraordinary meetings. Four of the scheduled meetings are held in connection with publication of each of the four quarterly reports, one is reserved for strategy issues and one scheduled meetings addresses the budget for the following fiscal year. In addition to the statutory meeting and scheduled meetings, the Board held five extraordinary meetings during the 2011/2012 fiscal year. The scheduled meetings focused primarily on earnings follow-ups, investment matters, external reporting, budgets and strategy issues. The extraordinary meetings addressed financing and liquidity issues, the establishment of a production organization in Asia, franchisee-related issues and the outsourcing IT activities.

Within the Board, there is a Remuneration Committee and an Audit Committee.

Participation in Board meetings during the fiscal year was as follows:

Board member	Present at scheduled meetings: Ordinary (6)	Present at scheduled meetings: Extra-ordinary (5)	Present at extraordinary meetings: Remuneration Committee (2)	Present at extraordinary meetings: Audit Committee (4)
Magnus Håkansson	2	5		
Jan Carlzon	6	5	2	
Lilian Fossum Biner	6	5		4
Torsten Jansson	4	4		
Laszlo Kriss	6	5		3
Nils Vinberg	2	5		2
Mikael Solberg	4	5	2	
Ivar Fransson	4		2	
Per Thunell	4			2

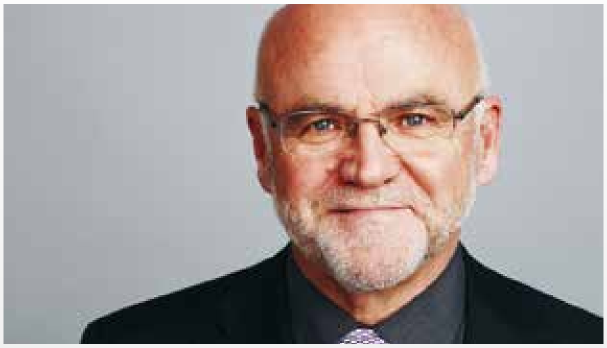
Note: Nils Vinberg and Magnus Håkansson declined re-election to the Board and were succeeded by Per Thunell and Ivar Fransson at the 2012 AGM.

RNB RETAIL AND BRANDS AB (publ) has determined that the Board fulfills the listing agreement of the Nasdaq OMX Nordic Stock Exchange and the Swedish Code of Corporate Governance pertaining to requirements concerning independent Board members.

Remuneration Committee

The task of the company's Remuneration Committee, which is appointed by the Board, is to review and provide the Board with recommendations concerning the principles for remuneration of the company's senior executives, including performance-based remuneration and pension benefits. Issues pertaining to the President's

Board of Directors



Laszlo Kriss, born 1946
Chairman of the Board; Member of the RNB Board since 2009.
Other Board assignments: Chairman of the Board of Blomsterfonden i Stockholm and Mentor Sverige.
Shareholding in RNB: August 31, 2012: 100,000 shares.

Lilian Fossum Biner, born 1962. Degree in business administration.
Deputy Chairperson, member of the RNB Board since 2010.
Other Board assignments: Member of the Boards of Oriflame Cosmetics S.A., Givaudan SA, Thule Group AB, Melon Fashion Group, Nobia AB and a-connect ag.
Shareholding in RNB: August 31, 2012: 100,000 shares.

Mikael Solberg, born 1962. Degree in economics.
Member of the RNB Board since 1996.
Other Board assignments: Chairman of the Board of Douglas Invest AS, Angelstar AB, Solberg Holding BV and Cellcomb AB. Member of the Board of Campadre AB, among others.
Shareholding in RNB: August 31, 2012: 9,231,776 shares via companies.

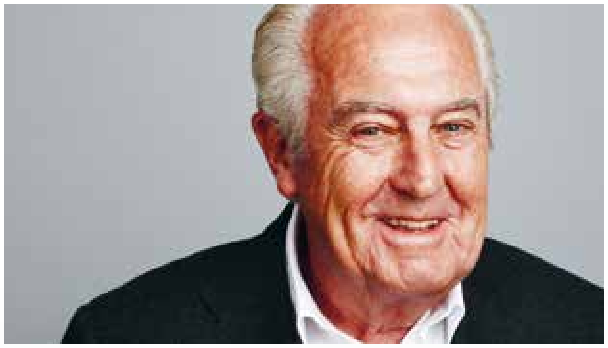
terms of employment, remuneration and benefits are prepared by the Remuneration Committee and resolved by the Board of Directors.

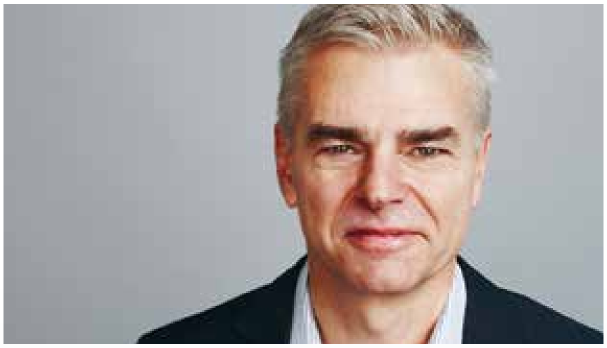
Since the 2012 AGM, the company's Remuneration Committee has comprised Ivar Fransson, Jan Carlzon and Mikael Solberg.

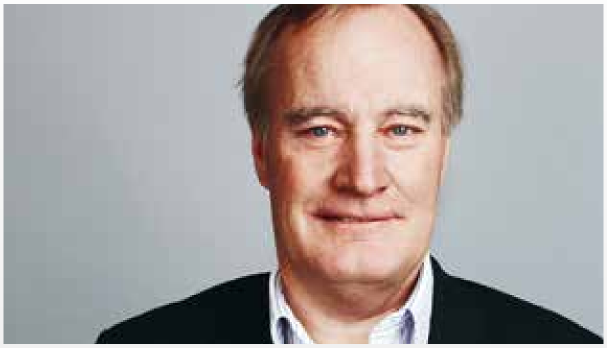
Audit Committee

The task of the Audit Committee, which is appointed by the Board, is to support the Board in fulfilling its responsibilities with respect to quality assuring the company's financial reporting. The Committee is responsible for continuous contact with the company's auditors to keep itself informed of the focus and scope of the audit and to discuss views on the company's risks. The Audit Committee shall also establish guidelines for the procurement of services other than audit-related activities from the company's auditors. The Committee is also responsible for examining the accounting records and providing this information to the Nomination Committee, and for assisting the Nomination Committee in the preparation of proposals for auditors and fees for audit work.

During the 2011/2012 fiscal year, the Audit Committee comprised Lilian Fossum Biner, Laszlo Kriss and Per Thunell.







Jan Carlzon, born 1941. Degree in business administration.
Member of the RNB Board since 2006. Other Board assignments: Chairman of the Board of Perfect Guide AB and Mentor Sverige. Member of the Board of Fyndig AB and Aviation Capacity Resource.
Shareholding in RNB: August 31, 2012: 7,284,943[1] shares in endowment policies.

Torsten Jansson, born 1962
Member of the RNB Board since 2007.
President and CEO of New Wave Group AB. Other Board assignments: Chairman of the Board of New Wave Group AB and Swedish Trade Federation.
Shareholding in RNB: August 31, 2012: 2,140,436 shares via companies.

saknar översättning

1 Innehav per 30 november 2012: 600 000 aktier i kapitalförsäkring.

Ivar Fransson, born 1957. Degree in economics.
Member of the RNB Board since 2012
Management consultant in Trinovo Consulting Group
Other Board assignments: Member of the Board of OKQ8 Bank AB and Campadre AB
Shareholding in RNB: August 31, 2012: 50,000 shares.

Per Thunell, born 1953. Degree in business administration.
Member of the RNB Board since 2012
CFO of Konsumentföreningen Stockholm
Other Board assignments: No other significant Board assignments
Shareholding in RNB: August 31, 2012: 0 shares.

External auditors

RNB's auditors are elected by the AGM. RNB's auditors are Ernst & Young AB, with johan Eklund as the Auditor in Charge. Ernst & Young AB has been RNB's auditor since 2004.

The auditors examine the Board's and the President's management of the company and the quality of the company's accounting documents. The auditors report the results of their examination to shareholders through the Audit Report, which is presented at the AGM. In addition, the auditors submit detailed reports to the Audit Committee at scheduled Audit Committee meetings and to the Board once annually.

In addition to the audit, Ernst & Young performs certain other services for RNB. RNB believes that the execution of these services does not compromise the independence of Ernst & Young. During the fiscal year, the services provided primarily comprised consultancy services pertaining to tax and accounting.

Internal audit

To date, RNB has not found any reason to establish a specific internal audit function. The company conducts ongoing work on internal control and a number of control activities have been implemented. The issue of a specific internal audit function will be assessed annually.

Group Management

Magnus Håkansson, born 1963,
President and Chief Executive Officer
Degree in economics and MBA
Employed since 2011
Shareholding in RNB: 300,000

Stefan Danieli, born 1965
CFO
Degree in business administration
Employed since 2012
Shareholding in RNB: 0

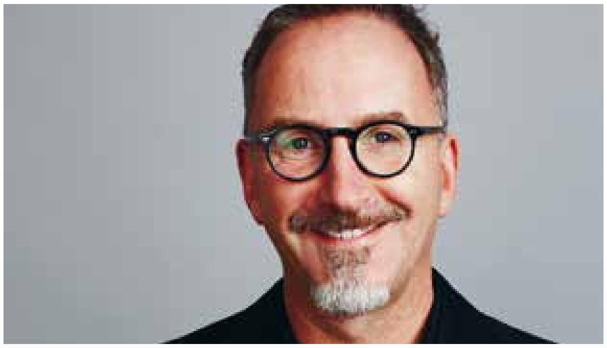
Amelie Söderberg, born 1969
President of Departments & Stores Europe AB
Degree in business administration
Employed since 2000
Shareholding in RNB: 0

President and Group Management

The President manages operations in accordance with the approved formal work division between the President and the Board as well as the Board's instructions. The President is responsible for keeping the Board informed and ensuring that the Board has the necessary information and as complete decision-making documentation as possible. The President also keeps the Chairman of the Board informed of the company's and Group's development and financial position.

The President and other members of Group Management hold meetings continuously during the year to review budget follow-ups and plans and to discuss strategic issues. RNB's Executive Group Management consists of seven members, of whom two are women. Since the end of the fiscal year, Group Management has been expanded and now consists of ten members, of whom five are women.

Control of the business areas is conducted via intra-Group Boards in the subsidiaries, on which the CEO, CFO and at least one president of a sister company are Board members. The boards have formal work plans that comply with the Companies Act regarding the division of duties and reporting. The work plans regulate meetings of the boards, the issues to be addressed at board meetings, the assignments of the chairmen, the assignments of the presidents and certain other matters. The boards have scheduled meetings every quarter with business including dealing with earnings follow-ups, action plans, investment matters and other matters.



Maria Öqvist, born 1968
President of Brothers & Sisters
Degree in business administration
Employed since 2010
Shareholding in RNB: 35,000

Marthyn Inghamn, born 1968
President of JC Sverige AB
Secondary education
Employed since 2011
Shareholding in RNB: 159,200

Anders Wiberg, born 1961
President of Polarn O. Pyret
Secondary education
Employed since 2009
Shareholding in RNB: 0

Peter Bondelid , born 1962
Global Supply Chain director
Degree in business administration
Employed since 2010
Shareholding in RNB: 0

Remuneration of the President and senior executives

Salaries for persons in company management comprise a fixed part in the form of basic salary, and a variable part, bonus. The bonus is dependent upon the achievement of goals set for the company and the individual. For members of company management, the bonus may not exceed SEK 750,000 for each person.

Internal control

The Board is responsible for the existence of an efficient system for internal control and risk management. The President has been delegated the responsibility of creating a solid basis for working on these issues. Both Group Management and managers at various levels in the company have this responsibility within their specific areas. Authority and responsibility are defined in guidelines, responsibility descriptions and authorization instructions.

The aim of the company's internal control is to create prerequisites for conducting operations an in which demands, goals and frameworks are distinctly defined. The control is ultimately aimed at protecting the company's assets and thereby the shareholders' investments. Internal control at RNB complies with an established framework and consists of the following components: Control environment, risk assessment, control activities, information and communication and follow-up.

Control environment

The control environment constitutes the foundation for the internal control. The control environment consists primarily of ethical values, integrity, expertise, management philosophy, organizational structure, responsibility and authority. RNB's internal work plans, instructions, policies, guidelines and manuals in this connection are important since they are used as guidelines for employees. In respect of operating activities, the President is responsible for the system of internal controls that is required to create a control environment for significant risks. The President reports regularly to the board in this respect.

Risk assessment and control activities

RNB also has guidelines and policies governing financial control and monitoring, communication issues and business ethics. Frameworks for credit and currency management, financial control and follow-ups are established through financial and accounting policies. The company takes out insurance policies tied to property values and loss of earnings based on analysis of need and risk.

In addition, RNB has a Code of Conduct that applies to the entire Group and all of the Group's suppliers. The Code of Conduct, which is based on internationally accepted conventions, is an expression of the values and guidelines that apply within the Group in terms of business ethics, freedom and rights.

The Board's opinion is that there is sufficient understanding among employees of the need for adequate control of financial reporting. In brief, RNB's internal control structure is based on work distribution between company bodies, reporting to the Board, established policies and guidelines, and the fact that employees comply with the policies and guidelines, thus ensuring adequate control of financial reporting.

RNB analyzes risk on an ongoing basis to identify potential sources of error within its financial reporting. The company has identified the processes in which the risks for significant errors in financial reporting may be supposed to exist, due to complexity in the business process, or due to high amounts or large transaction volumes. Among other areas, RNB has documented vulnerability in IT systems and identified the risk of incorrect valuations and slow-moving inventories, including assessments of obsolescence. The documentation and subsequent risk assessment have resulted in a number of countermeasures and control activities. Normal control activities comprise account reconciliations and support controls. The aim of all countermeasures and control activities is to prevent, discover and correct any mistakes or deviations in financial reporting.

Risks are deemed to exist regarding the valuation of goodwill and brands as well as for nonperforming receivables and deferred tax assets. On every balance-sheet date or if indications point to a decline in value, impairment tests of goodwill and brands are performed to calculate the fair value of the underlying assets. In this context, assumptions concerning the future, growth, profitability and financing are key parameters. These parameters are also important in assessments of going concerns. The counterparties' ability to meet their obligations for accounts receivables is assessed continuously. Deferred tax assets tied to loss carryforwards are recognized to the extent that future surpluses can be utilized against the deferred tax assets.

Information and communication

Correct internal and external information requires that all parts of the operations efficiently exchange and report relevant significant information on operations. To achieve this, RNB has issued policies and guidelines pertaining to the handling of information in the financial process, which have been communicated from Group Management to employees.

During the fiscal year or in the period thereafter, no infractions have occurred that have led to disciplinary measures from Nasdaq OMX or to a statement from the Swedish Securities Council.

Follow-ups

The Board continuously evaluates the information submitted by company management. The Board also monitors the efficiency of the work of company management. The Board's work includes ensuring that measures are implemented to address the inadequacies and suggestions for corrective measures that may have arisen from the external audit.

Stockholm, December 27, 2012

Laszlo Kriss
Chairman of the Board

Lilian Fossum Biner *Deputy Chairperson*	Jan Carlzon *Board member*	Torsten Jansson *Board member*
Mikael Solberg *Board member*	Per Thunell *Board member*	Ivar Fransson *Board member*

Magnus Håkansson
President and CEO and Board member

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Audit opinion concerning the corporate governance report in accordance with Chapter 6, Section 9 of the Annual Accounts Act (1995:1554)

To the Annual General Meeting of shareholders of RNB RETAIL AND BRANDS AB (publ), Corporate identity number 556495-4682

The Board of Directors and the Chief Executive Officer are responsible for the corporate governance report for the fiscal year September 1, 2011 to August 31, 2012 (pages 86-93) and for its preparation in accordance with the Annual Accounts Act.

We have read the corporate governance report and based on this reading and on our knowledge of the company and the Group, we believe we have a sufficient basis for our opinion. This means that our statutory review of the corporate governance report has a completely different focus and is substantially less extensive than an audit pursuant to International Standards on Auditing and generally accepted auditing practices in Sweden.In our opinion, a corporate governance report has been prepared and its statutory content complies with the Annual Accounts Act and the consolidated financial statements.

Stockholm, December 27, 2012

Ernst & Young AB

Johan Eklund
Authorized Public Accountant

The RNB share

Share capital

The RNB RETAIL AND BRANDS share has been listed on the Nasdaq OMX Nordic, Stockholm, Small Cap segment, since June 2001 under the ticker RNBS. The registered share capital in RNB on August 31, 2012 amounted to SEK 165,425,251, represented by 165,425,251 shares each with a quotient value of SEK 1. All of the shares are common shares.

According to Euroclear, the number of RNB shareholders on August 31, 2012 was 9,807, of whom 97.0% were registered in Sweden. RNB's ten largest owners held shares corresponding to 51.7% of both the share capital and the voting rights in the company. On the same date, the shares registered outside Sweden represented 3.0% of the total number of shares in the company.

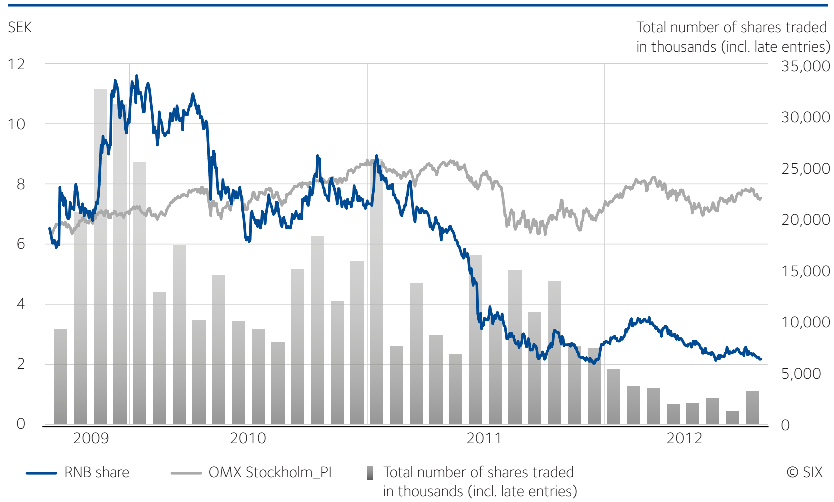
Share-price trend

The closing share price on August 31, 2012 was SEK 2.20, equal to market capitalization of SEK 363,935,552 for RNB RETAIL AND BRANDS. The highest price quoted during the year was SEK 3.65 on February 23, 2012 and the lowest price was SEK 2.02 on June 27, 2012.

Dividend policy

The Board of Directors' long-term objective is to distribute half of profit after taxes to shareholders. The Board proposes that no dividend be paid for the 2011/2012 fiscal year.

RNB share diagram



Analysts who monitor RNB

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SEB Enskilda	Nicklas Fhärm nicklas.fharm@enskilda.se +46 (0)8 52 22 96 31 or +46 (0)70 432 96 31
Nordea	Stefan Stjernholm stefan.stjernholm@nordea.com +46 (0)8 534 917 99 or +46 (0)72 241 21 00
Pareto Öhman	Simon Kjellström simon.kjellstrom@paretoohman.se +46 (0)8 402 53 01 or +46 (0)768 525 252

Shareholder structure at August 31, 2012

Size of shareholding by category	No. of shares	Share capital/ Voting rights, %
1–500	3,009	0.4
501–1,000	1,586	0.8
1,001–5,000	3,434	4.9
5,001–10,000	789	3.8
10,001–15,000	291	2.2
15,001–20,000	168	1.9
20,001 –	530	86.0
Total	**9,807**	**100.0**

Ownership structure at August 31, 2012

Major shareholders	No. of shares	Share capital/ Voting rights, %
Konsumentföreningen Stockholm	35,959,350	21.7
Axbrands AB	11,600,000	7.0
Douglas Invest AS	9,231,776	5.6
Avanza pension	7,481,140	4.5
Irish Life International Ltd.	4,310,704	2.6
Catella Fondförvaltning	3,753,113	2.3
Nordnet Pensionsförsäkring AB	3,489,761	2.1
Handelsbanken fonder	3,475,573	2.1
Spartoi AB	3,279,396	2.0
Löfman Michael	2,933,160	1.8
Total, major shareholders	**85,513,973**	**51.7**
Others	79,911,278	48.3
Total	**165,425,251**	**100.0**

Ownership structure at November 30, 2012

Major shareholders	No. of shares	Share capital/ Voting rights, %
Konsumentföreningen Stockholm	42,562,054	25.7
Douglas Invest AS	9,231,776	5.6
Axbrands AB	8,400,000	5.1
Avanza pension	7,385,443	4.5
Catella Fondförvaltning	7,015,213	4.2
JPMEL RE DEPOSITORY FOR	3,459,469	2.1
Spartoi AB	3,279,396	2.0
Nordnet Pensionsförsäkring AB	2,991,270	1.8
Löfman Michael	2,983,160	1.8
Torsten Jansson and companies	2,140,436	1.3
Total, major shareholders	**89,448,217**	**54.1**
Others	75,977,034	45.9
Total	**165,425,251**	**100.0**

Key data per share

SEK per share	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	**2011/ 2012**
Earnings per share	-1.11	-6.12	0.18	-2.69	-1.99
Dividend per share	0	0	0	0	0
Bid price for share on OMX Nordic Exchange at year-end	12.95	6.54	6.7	3.03	2.2
Shareholders' equity per share	24.60	9.38	8.49	5.80	3.80
Dividend yield, %	0	0	0	0	0
P/E ratio, (share price/earnings per share)	neg.	neg.	37.2	-1.1	-1.1

Trend of share capital

Year, Transaction	Increase in no. of shares	Accumulated no. of shares	Increase in share capital	Accumulated share capital	Quotient value per share, SEK
1997, Opening balance		90,000		9,000,000	100
1998, New share issue	11,250	101,250	1,125,000	10,125,000	100
2000, New share issue	106,125	207,375	10,612,500	20,737,500	100
2001, Split 25-for-1	4,977,000	5,184,375		20,737,500	4
2001, New share issue	150,000	5,334,375	600,000	21,337,500	4
2001, New share issue	253,740	5,588,115	1,014,960	22,352,460	4
2001, New share issue	2	5,588,117	8	22,352,468	4
2001, New share issue	1,916,320	7,504,437	7,665,280	30,017,748	4
2005, New share issue	800,000	8,304,437	3,200,000	33,217,748	4
2005, Split 2-for-1	8,304,437	16,608,874		33,217,748	2
2006, Split 2-for-1	16,608,874	33,217,748		33,217,748	1
2006, New share issue	20,871,016	54,088,764	20,871,016	54,088,764	1
2006, New share issue	1,083,562	55,172,326	1,083,562	55,172,326	1
2006, New share issue	755,286	55,927,612	755,286	55,927,612	1
2006, New share issue	151,220	56,078,832	151,220	56,078,832	1
2006, Conversion of debentures	1,000,000	57,078,832	1,000,000	57,078,832	1
2008, New share issue	57,078,832	114,157,664	57,078,832	114,157,664	1
2009, New share issue	34,959,350	149,117,014	34,959,350	149,117,014	1
2009, New share issue	16,308,237	165,425,251	16,308,237	165,425,251	1

Five-year summary

Income statement items

SEK M	Sep 07–Aug 08	Sep 08–Aug 09	Sep 09–Aug 10	Sep 10–Aug 11	**Sep 11–Aug 12**
Revenues	3,439.7	3,212.0	3,072.3	2,987.2	2,801.1
Operating profit/loss	1.8	-636.0	48.0	-509.5	-303.3
Net financial items	-53.5	-52.6	-26.3	-25.1	-56.2
Profit/loss after financial items	-51.7	-688.6	21.7	-534.7	-359.5
Net profit/loss for the year	**-63.2**	**-662.8**	**28.9**	**-445.2**	**-328.9**

Balance-sheet items

SEK M	Sep 07–Aug 08	Sep 08–Aug 09	Sep 09–Aug 10	Sep 10–Aug 11	**Sep 11–Aug 12**
Fixed assets	2,193.5	1,660.9	1,605.8	1,171.7	1,025.8
Inventories	672.0	590.6	563.2	573.1	483.8
Accounts receivable	291.0	222.1	201.8	191.6	134.3
Other current assets	140.1	112.0	97.5	89.2	128.0
Cash and cash equivalents	31.6	15.3	49.5	53.5	29.7
Total assets	**3,328.2**	**2,600.9**	**2,517.8**	**2,079.1**	**1,801.6**
Shareholders' equity	1,404.1	1,071.3	1,404.5	959.4	627.9
Long-term liabilities	717.4	590.5	571.1	456.5	534.4
Current liabilities	1,206.7	939.1	542.2	663.2	639.3
Total shareholders' equity and liabilities	**3,328.2**	**2,600.9**	**2,517.8**	**2,079.1**	**1,801.6**

Key data

	Sep 07–Aug 08	Sep 08–Aug 09	Sep 09–Aug 10	Sep 10–Aug 11	**Sep 11–Aug 12**
Gross profit margin, %	43.3	43.0	48.4	46.9	47.7
Operating margin, %	0.1	neg	1.6	neg	neg
Profit margin, %	neg	neg	0.9	neg	neg
Risk-bearing equity, SEK M	1,563.5	1,187.5	1,525.4	990.3	628.1
Share of risk-bearing equity, %	47.0	45.7	60.6	47.6	34.9
Equity/assets ratio, %	42.2	41.2	55.8	46.1	34.9
Capital employed, SEK M	2,427.1	1,913.2	1,882.5	1,520.1	1,261.2
Return on capital employed, %	0.6	neg	3.5	neg	neg
Return on equity, %	neg	neg	2.3	neg	neg
Number of annual employees	1,430	1,451	1,442	1,435	1,419
Number of proprietary stores at year-end	242	243	218	215	228
Number of franchise stores at year-end	187	192	184	177	151

Data per share[1]

	Sep 07–Aug 08	Sep 08–Aug 09	Sep 09–Aug 10	Sep 10–Aug 11	**Sep 11–Aug 12**
Profit/loss after tax, SEK	-1.11	-6.12	0.18	-2.69	-1.99
Shareholders' equity, SEK	24.60	9.38	8.49	5.80	3.80
Share price, August 31, SEK	12.95	6.54	6.70	3.03	2.20
Average number of shares (thousands)	57,079	108,371	161,052	165,425	165,425
Number of shares at year-end, thousands	57,079	114,158	165,425	165,425	165,425

1 Data per share pertains to the situation prior to the rights issue in September 2009.

Definition of key data

Share of risk-bearing equity
Risk-bearing shareholder's equity in relation to total assets.

Number of annual employees
Total number of hours of attendance during the past 12-month period divided by the normal hours worked per year in each country.

Return on equity
Profit after tax as a percentage of average shareholders' equity. Average shareholders' equity is calculated as shareholders' equity at the beginning of the year plus shareholders' equity at year-end divided by two.

Return on capital employed
Profit after financial items plus financial expenses as a percentage of average capital employed. Average capital employed is calculated as capital employed at the beginning of the year plus capital employed at year-end divided by two.

Gross profit margin
Net sales minus cost of goods sold in relation to net sales.

Dividend yield
Dividend as a percentage of the share price on the balance-sheet date.

Equity per share
Equity divided by the number of shares at fiscal year-end.

Comparable sales trends
Sales trend for comparable months in proprietary stores that have been open for more than 12 months.

Cash flow per share
Cash flow after investments divided by number of shares.

Operating capital
Total assets less cash and cash equivalents, other interest-bearing assets and non-interest-bearing liabilities

Earnings per share
Profit after full tax divided by the weighted average number of shares.

Earnings per share after dilution
Profit after full tax divided by the weighted average number of shares after conversion of the convertible debenture loan.

Risk-bearing equity
Total of reported shareholders' equity, minority interest and deferred tax liabilities.

Operating margin
Operating profit in relation to net sales.

Equity/assets ratio
Shareholders' equity in relation to total assets.

Capital employed
Total assets less non-interest-bearing liabilities.

Profit margin
Net profit in relation to net sales.

Annual General Meeting

The Annual General Meeting will be held at 5 p.m. on January 17, 2013 at the company's premises at Regeringsgatan 29, Stockholm, Sweden.

Participation

Shareholders wishing to participate in the business of the Meeting must be recorded in the Securities Register maintained by Euroclear Sweden AB no later than Friday, January 11, 2013, and notify the company of their intention to participate no later than Monday, January 14, 2013 at the address RNB RETAIL AND BRANDS AB, PO Box 161 42, SE-103 23 Stockholm, Sweden by telephone to +46 8 410 520 00 or by e-mail to ann-charlotte.rudels@rnb.se.

Trustee-registered shares

To be entitled to vote at the Meeting, shareholders whose shares are registered in a nominee's name must temporarily register their shares in their own names with Euroclear Sweden AB. Shareholders requiring such registration must so inform their trustee well in advance of this date and no later than January 10, 2013.

Dividend

The Board proposes that no dividend be paid for the 2011/2012 fiscal year.

Financial calendar

January 16, 2013	First quarter interim report
January 17, 2013	Annual General Meeting, 5:00 p.m.
April 10, 2013	Second quarter interim report
June 27, 2013	Third quarter interim report
October 24, 2013	Fourth quarter, Year-end report

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