RNB RETAIL AND BRANDS

CASH MANAGEMENT FOCUS RESULTS IN SHORT TERM NEGATIVE IMPACT ON GROSS MARGINS

RNB RETAIL AND BRANDS communicated in the year-end report on the 27th of October 2011 that a *significant profit improvement* would be attained during the current fiscal year. During the second quarter full focus has been set on reducing inventory levels with the aim to achieve a positive cash flow for the year. This focus has led to certain negative effects on gross margins. In conclusion this means that a significant profit improvement during the current fiscal year will not be attained. The new management estimate is that the group´s profit will be marginally improved in comparison with previous year.

"During the second quarter we have focused on reducing inventory levels and carried out activities with an aim to strengthen the cash position. As a result of these activities we have seen significantly reduced inventory and also an improved cash position of 25 MSEK in spite of a weak profit development. These activities have also led to a natural decrease in turnover and a downward pressure on gross margins. The weak development in our main markets has continued to prevail during the second quarter which has put additional pressure on margins. We expect improved margins for the two final quarters of the current fiscal year," says Magnus Håkansson, CEO of RNB Retail and Brands.

The cash improving activities have also led to that the operating financing from Konsumentföreningen Stockholm of 150 MSEK still is not drawn at all and will not be near term. During the first two quarters the termination of the Norwegian JC operation has almost been finalized. This has burdened the group´s profit with costs amounting to 55 MSEK. Remaining costs for the termination consists of operating losses for April and May which will amount to approximately 4 MSEK and be included in the profit shown for the third quarter. The business area Brothers & Sisters showed a significantly negative development in sales during February which to a major part is attributable to supply problems as well as a margin pressure resulting from increased discounting.

"The reduction in sales in the Brothers & Sisters business area during the second quarter is to a significant part attributable to problems of a nonrecurring nature and we already see that supply to the Brothers outlets now again is working as normal. The extensive and group wide change program which aims to improve profit proceeds according to plans," says Magnus Håkansson.

Other information regarding the second quarter 2011/2012 will be presented in the quarterly report on the 30th of March 2012.

For further questions please contact:

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