RNB RETAIL AND BRANDS

Press release Stockholm, 22 February 2013

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RNB RETAIL AND BRANDS announces a fully underwritten share issue of approximately SEK 450 million, renegotiated debt financing with significantly reduced interest expenses, conducts strategic review of JC and enables business development efforts primarily in the business areas Departments & Stores and Polarn O. Pyret

SUMMARY

- The Board of Directors of RNB RETAIL AND BRANDS has resolved to conduct a fully underwritten share issue of approximately SEK 450 million with preferential rights for existing shareholders in RNB RETAIL AND BRANDS.
- Existing shareholders representing 31 per cent of the share capital have undertaken to subscribe for shares in the rights issue. In addition, existing shareholders have undertaken to guarantee an amount corresponding to approximately 40 per cent of the rights issue, meaning that shareholders have granted subscription undertakings and guarantee undertakings in respect of approximately 71 per cent of the total rights issue. Additionally, guarantee undertakings have been received from an external consortium including Carnegie Investment Bank, making the rights issue fully underwritten.
- The proceeds will be used to i) strengthen the balance sheet through repayment of debt, ii) enable business development efforts, primarily within the business areas Polarn O. Pyret and Departments & Stores, and also iii) carry out further rationalisation of operational activities and a strategic review of JC.
- Renegotiated long-term debt financing structure, including substantially reduced interest expenses, has been secured until 2016, part of which can be extended to 2017. Annual interest expenses, which during the last twelve month period totalled SEK 62 million, are in the new loan structure expected to be approximately SEK 10 million.
- JC has been loss-making for a number of years, and despite several attempts, RNB has not succeeded to stop this negative profitability situation. RNB has therefore decided to write off the entire SEK 260 million book value of the JC trademark. RNB has also decided to conduct a strategic review of JC to examine the potential to quickly achieve a satisfactory level of profitability. This includes an evaluation of all possible alternatives.
- For Q2 2012/2013, operating profit before write-downs is expected to be in line with the same period last fiscal year. Announcement of the second quarter results for the fiscal year 2012/2013 will be moved forwards to 25 March 2013.
- The rights issue is subject to approval by the Extraordinary General Meeting, scheduled to be held on 27 March 2013. The subscription price and offer ratio are expected to be announced on 26 March 2013. Trading in subscription rights is expected to take place as from the 8 April 2013 up to and including 17 April 2013. The subscription period is expected to run from and including 8 April 2013 up to and including 22 April 2013.
- A conference call will be held today at 10.00 CET.

Conference call today at 10.00 CET
A conference call will be held for investors, analysts and media today at 10.00 CET, where CEO Magnus Håkansson will comment on the contemplated transaction and the Company's progress.
The conference call can be accessed through: +46 8 50556484. The presentation can be viewed via a webcast available through this link: http://financialhearings.nu/130222/presskonferens/

BACKGROUND AND REASONS

RNB RETAIL AND BRANDS AB (publ) (”RNB”, “the Company” or ”the Group”, depending on context) owns, operates and develops fashion, clothing, accessories, jewelry and cosmetics stores through the store concepts Brothers, Sisters, JC, Polarn O. Pyret as well as through shops in the department stores NK in Stockholm and Gothenburg.

- The business area Departments & Stores, i.e. primarily the shops in the NK department stores, has had stable revenue and profit development with strong cash flows.
- Polarn O. Pyret has had growing revenue during several years and shown strong profitability. However, like-for-like sales has decreased recently due to a more challenging market environment and intensified competition from e.g. sport retailers, resulting in lower EBIT margins.
- Within the Brothers business area, the concept has historically had a stable market share due to a clear market position; however the business has been loss-making. The Sisters concept has struggled with decreasing revenues and difficulties in becoming profitable and is to be discontinued.
- JC has, despite a very strong market position within jeans, for a long time had a negative revenue development and made large losses. As a first step in the on-going rationalisation programme, the Norwegian operations were closed down during the previous fiscal year. The Norwegian operations had a negative EBIT of SEK 63 million (during 2011/2012 fiscal year).

<u>Strategy and rationalisation programme</u>

As previously announced, the Company has launched a number of Group-wide rationalisation programs. These include a comprehensive review and coordination of all core functions within JC and Brothers in order to implement the rationalisation of these positions as well as an additional ten central Group FTEs. Furthermore, the closure of Sisters has been initiated as well as a discontinuation/divestment of the Kosta Outlet operations. These measures are expected to be completed in the current calendar year and to have positive impact on both earnings and cash flow of at least SEK 40 million from fiscal year 2013/2014 onwards.

- The business area Polarn O. Pyret is deemed to have a significant potential to expand, both through its network of stores internationally, as well as through ecommerce. Prioritised growth markets for Polarn O. Pyret are the UK and the Netherlands. International expansion will be driven by master franchise agreements, owned stores or ecommerce. Furthermore, the business area has large potential to restore its operating margin by means of sourcing improvement, continuous development of assortment as well as achieving further economies of scale through expansion.
- Within the Departments & Stores business area, the Company expects continued stable cash flow generation and further opportunities to develop the department store platform with several strong brands within the premium segment as well as acquiring additional retail space within the NK department stores in Stockholm and Gothenburg. Furthermore, early stage discussions are being held with different developers regarding expansion of the concept to department stores other than NK.
- Within the business area Brothers, there is further potential to enhance the concept’s stable market position. The discontinuation of Sisters will make additional resources available to develop Brothers.

<u>Strategic review of JC</u>

RNB acquired JC in 2006 with an ambition to develop the operations and realise synergies with the other RNB businesses. JC has been loss-making for a number of years, and despite several attempts, the Company has not succeeded to stop this negative profitability situation. RNB has therefore decided to write off the entire book value of the JC trademark, which will have a negative effect of SEK 260 million on equity. RNB has also decided to initiate a strategic review of the operations within the

JC business area. The purpose of this review is to examine the potential to quickly achieve a satisfactory level of profitability. The strategic review includes an evaluation of all possible alternatives. The Company's plan is to communicate the result of the strategic review in conjunction with the Q1 2013/2014 report at the latest. An update of the strategic review progress is intended to be provided in conjunction with the 2012/2013 year-end report at the latest.

Balance sheet restructuring

The Board of Directors of RNB has resolved to conduct a share issue of approximately SEK 450 million, before transaction costs, with preferential rights for existing shareholders. The proceeds will be used to repay debt, enable business development efforts, primarily within the business areas Polarn O. Pyret and Departments & Stores, and carry out further rationalisation of operational activities and the strategic review of JC.

Additionally, and as part of the overall balance sheet restructuring, the Company has obtained new loan financing from Konsumentföreningen Stockholm ("KFS") as detailed below:

- New SEK 200 million long-term loan maturing in May 2016, with an extension possibility to May 2017.
- New SEK 200 million revolving credit facility, maturing in May 2016.
- Neither of the credit facilities above have any financial covenants.
- In addition, the credit line of SEK 100 million from the Company's main bank is renewed annually as before.
- Annual interest expenses, which during the last twelve month period totalled SEK 62 million, are in the new loan structure expected to be approximately SEK 10 million. The decrease in interest expenses is mainly attributed to significantly lower interest rates.
- Furthermore, certain accrued interest expenses of approx. SEK 9 million relating to loans from KFS will not be charged.

Net debt per 28 November 2012 was SEK 681 million. Pro forma for the rights issue, net debt would be SEK 231 million, assuming an issue size of SEK 450 million and excluding transaction costs.

New financial targets and outlook

The Company has in connection to the restructuring of the balance sheet and the strategic review of JC decided upon the following new financial targets.

- **RNB Group**: The Group shall have a long term EBIT margin of 5 per cent and positive EBIT result for the fiscal year 2013/2014. Short to medium term, the clear focus is on profitability before growth. For Q2 2012/2013, operating profit before write-downs is expected to be in line with the same period last fiscal year. Adjusted for the closed operation in JC Norway and Sisters, that are to be discontinued, operating profit is expected to be lower for Q2 2012/2013.
- **Departments & Stores:** Long term EBIT margin target of 6-7 per cent. For Q2 2012/2013, operating profit is expected to be slightly lower than the same period last fiscal year.
- **Polarn O. Pyret**: Long term EBIT margin target of 10 per cent. In addition, the target is to expand the business, mainly internationally, with about 15-20 stores annually. For Q2 2012/2013, operating profit is expected to be in line with the same period last fiscal year.
- **Brothers**: Long term EBIT margin of 4-6 per cent. For Q2 2012/2013, operating profit is expected to be in line with the same period last fiscal year, adjusted for Sisters that are to be discontinued.

For the business area JC, financial targets will be set in connection with the strategic review and communicated in connection to the Q1 2013/2014 report at the latest. For Q2 2012/2013, operating profit, before write-offs, is expected to be slightly lower than the same period last fiscal year

The Company has in connection with the rights issue decided to publish the report for Q2 2012/2013 on 25 March 2013, which is earlier than previously communicated.

THE RIGHTS ISSUE

The Board of Directors of RNB resolved on 21 February 2013, subject to approval by the Extraordinary General Meeting, to be held on 27 March 2013, raise approximately SEK 450 million, before transaction costs, through an issue of shares with preferential rights for the Company's existing shareholders. In the event that all shares are not subscribed for with subscription rights, the Board of Directors will decide upon allotment of shares, within the maximum size of the rights issue, to those who have subscribed for shares without subscription rights. If allotment cannot be made in full, allotment will made pro rata to the number of subscription rights used for subscription of shares and, in the event such allotment cannot be made, through drawing of lots. In the event all shares cannot be allotted according to above, allotment of remaining shares will be made firstly to those who have subscribed for shares without subscription rights, and in case of oversubscription pro rata to the number of shares subscribed for and, in the event such allotment cannot be made, through drawing of lots. Ultimately, allotment of shares will be made to the guarantors with which the Company has entered into agreements and in accordance with the terms and conditions of each underwriter's underwriting undertaking.

The Board of Directors will no later than the 26 March 2013 resolve on, and announce, the amount of the share capital increase, the number of subscription rights received per share, the number of subscription rights required for subscription of one new share, the number of shares to be issued and the subscription price to be paid for each new share.

The record date for participation in the rights issue is on 3 April 2013 and the subscription period (subscription through payment) runs as from 8 April 2013 up to and including 22 April 2013.

The rights issue is subject to approval by the Extraordinary General Meeting, which will be held on 27 March 2013, at 17.00 CET and will be held at the Company's offices at Regeringsgatan 29 in Stockholm. The notice of the Extraordinary General Meeting will be announced through press release and is expected to be published on 26 February 2013 in "Post- och Inrikes Tidningar" and on the Company's website www.rnb.se. Announcement of the notice will also be made in Svenska Dagbladet.

In connection with the rights issue, the Board of Directors has also decided to put forward a proposal to the Extraordinary General Meeting regarding necessary amendments to the articles of association and a decrease of the share capital as a result of the rights issue. Furthermore, the Board of Directors have proposed a reversed split of the Company's shares, in which 200 of existing shares would be aggregated into one new share.

SUBSCRIPTION AND GUARANTEE UNDERTAKINGS

Shareholders together representing approximately 31 per cent of the capital in the Company have declared their support for the rights issue and have undertaken to vote for the rights issue at the Extraordinary General Meeting.

Shareholders have undertaken to subscribe for shares corresponding to approximately 31 per cent of the rights issue. Furthermore, existing shareholders have undertaken to guarantee an amount corresponding to approximately 40 per cent of the rights issue, meaning that shareholders have granted subscription undertakings and guarantee undertakings in respect of approximately 71 per cent of the total rights issue.

The Company has in addition received guarantee undertakings from an external consortium, including Carnegie Investment Bank, making the rights issue fully underwritten.

PRELIMINARY TIMETABLE FOR THE RIGHTS ISSUE

25 March 2013	Announcement of the Q2 2012/2013 report
26 March 2013	The subscription price and offer ratio are announced in a press release
27 March 2013	The Extraordinary General Meeting resolves on approval of the Board of Directors' rights issue resolution
28 March 2013	The RNB-share is traded excluding subscription rights
3 April 2013	Record date for allotment of subscription rights
5 April 2013	Estimated date for publication of the prospectus
8-17 April 2013	Trading in subscription rights
8-22 April 2013	Subscription period (subscription through payment)
25 April 2013	Announcement of the outcome

ADVISORS

Ovington Financial Partners and Carnegie are acting as financial advisors, Carnegie is sole manager and Advokatfirman Törngren Magnell is acting as legal advisor to RNB and Gernandt & Danielsson is acting as legal advisor to Carnegie in connection with the rights issue.

For further information, please contact:

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RNB RETAIL AND BRANDS AB (publ) discloses the information provided here pursuant to the Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication on February 22, 2013 07.00 CET.

RNB RETAIL AND BRANDS owns, operates and develops fashion, clothing, accessories, jewelry and cosmetics stores that focus on providing excellent service and a world-class 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. RNB RETAIL AND BRANDS has operation in 11 countries. RNB RETAIL AND BRANDS has been listed on the OMX Nordic Exchange since 2001.

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The rights issue is not intended for the public in or shareholders resident in the United States, New Zealand, Australia, Hong Kong, Japan, Canada, Singapore or South Africa or any other jurisdiction where such persons participation is subject to any prospectus, registration or any other requirement than those applicable pursuant to Swedish law, or would violate applicable law or regulation in such jurisdiction. The subscription rights, the BTAs (interim shares) or the new shares relating to the rights issue have not been and will not be registered in accordance with United States Securities Act of 1933 (as amended), any United

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This press release contains forward-looking statements, which are statements related to future events. In this context, forward-looking statements often address RNB's expected future business and financial performance, and often contain words such as "expect", "anticipate", "intend", "plan", "believe", "seek", or "will".
Forward-looking statements by their nature address matters that are, to different degrees, uncertain and can be influenced by many factors, including the behaviour of financial markets, fluctuations in interest and exchange rates, commodity and equity prices and the value of financial assets; the impact of regulation and regulatory, investigative and legal actions; strategic actions; and numerous other matters of national, regional and global scale, including those of a political, economic, business and competitive nature. These factors may cause RNB's actual future results to be materially different than those expressed in its forward-looking statements. RNB does not undertake to update its forward-looking statements.