

RNB RETAIL AND BRANDS

WEAK SALES IN THE FOURTH QUARTER BRING DOWN FULL-YEAR RESULTS

RNB RETAIL AND BRANDS sales in the fourth quarter were weak despite a favorable sales trend in June. In the light of the sales trend for the quarter, a marginal improvement in earnings will not be achieved for the current fiscal year compared with the preceding year. A preliminary assessment of full-year operating profit deviates by approximately SEK 25 M compared with the previous assessment.

In comparable stores in Sweden, Group sales declined 2.1% in the quarter. The two business areas that accounted for the sharpest deviations were Brothers & Sisters and Polarn O. Pyret. The restructuring of Brothers & Sisters continued during the quarter, which has had a negative impact on sales. Sales for Brothers & Sisters has furthermore been executed under margin pressure with an adverse impact on result as a consequence. Polarn O. Pyret reported the weakest sales trend for the quarter with a drop in sales, primarily in July, but also weak sales in June and August. However, healthy gross margins were maintained, particularly in August.

“The market trend was weak in the fourth quarter, particularly in June. Increased macroeconomic concerns in our business environment have made consumers more cautious. The entire clothing sector is still suffering the effects of surplus inventories, resulting in intensified competition for consumers’ money through increases in discount sales and more special offers to the customers. We are also experiencing more intense competition from traditional competitors as well as from new operators and e-commerce. The sportswear sector is an aggressive competitor of Polarn O. Pyret, particularly in certain segments. Taken together, this is resulting in either squeezed margins or reduced sales volumes, thus leading to lower-than-expected earnings for the fourth quarter,” says Magnus Håkansson, President and CEO of RNB Retail and Brands.

The trend in the Departments & Stores business area remained stable and favorable in terms of both sales and earnings. For the quarter JC continues to develop as planned and reported a stronger result year-on-year. The initial signs indicate that the repositioning of JC has been well-received by customers. The Group has a stable foundation to develop from, with secure financing combined with healthy inventories.

“Our assessment is that the market trend will remain challenging for the remainder of 2012 and in early 2013. As part of efforts to counter the tough climate and create long-term profitability, we will continue to focus on implementing efficiency-enhancing measures to realize operational synergies and to increase our cost-efficiency. Over the past year, we have implemented a number of activities under our program of change and are maintaining a high tempo in our change efforts. It is important to point out that the company has a well-balanced inventory, that the discontinuation of JC Norway has been completed and no longer negatively impacts Group earnings and that JC in Sweden is continuing to develop well. This bodes well for positive performance when the market does turn,” says Magnus Håkansson.

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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 10 countries. RNB RETAIL AND BRANDS has been listed on the OMX Nordic Exchange since 2001.