

## **Coordinated production based in Hong Kong will yield higher gross margin**

***RNB is continuing its Group-wide program of change and will be opening a production office in Hong Kong on November 1, 2011. The office will coordinate production for the Polarn O. Pyret, Brothers & Sisters and JC subsidiaries, supported by satellite offices that will be opened in Shanghai and Dacca. The coordinated work method will have a positive impact of two to three percentage points on the gross margin.***

The newly opened production office in Hong Kong will employ approximately 20 individuals to coordinate and manage all production issues for the three concepts: Polarn O. Pyret, Brothers & Sisters and JC. Ida Gullbrandson, former Manager for Kapp Ahl's purchasing office in Turkey, will become the Manager of RNB's production office. The efficiency enhancement resulting from the coordinated production will enable RNB to achieve the following positive effects:

- increased significance among key suppliers and resulting economies of scale entailing lower production costs.
- better production planning, which will lead to shorter lead times, thus ensuring high capacity and quality at an earlier phase, while volumes are fixed at a later phase.
- a higher degree of procurement flexibility, which will generate opportunities to relocate production in Far Eastern countries that offer the best cost efficiency.

"We are delighted with the recruitment of Ida Gullbrandson as Head of the production office and leader of our team in the Far East. Ida's extensive experience in purchasing, in China and Turkey, represents an important part of the puzzle to ensure efficient production in RNB," says Anders Wiberg, Supply Chain Director RNB.

The purchasing departments for Polarn O. Pyret, Brothers & Sisters and JC have been reorganized and joint goods-supply processes have been established to capitalize on the full potential of a central production office.

"The higher costs that will result from establishing the production office will be fully offset by reduced agent commissions. An experienced team has been on location in the Far East during the summer months and has already initiated the development of new work processes. The total synergies achieved are expected to have a positive impact of about two to three percentage points on the gross margin. The favorable earnings effect will become visible initially already during the 2011/2012 fiscal year, with the full impact achieved in 2012/2013," says Magnus Håkansson, CEO of RNB.

The production office in Hong Kong will be supported by satellite offices in Shanghai and Dacca, which will primarily function as the base for local quality-control efforts.

"As a step in increasing production in Asia, RNB has closed its production office in Turkey. RNB will continue to work with local markets when rapid repurchasing and other needs arise during the season but future efforts will focus on a smaller number of suppliers and markets," says Anders Wiberg.

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