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ANNUAL REPORT 2008

BJORNBORG.COM

Björn Borg in brief

About the Group

Björn Borg owns the Björn Borg trademark and currently has operations in five product areas: clothing, footwear, bags, eyewear and fragrances. Björn Borg products are sold in around 15 markets, the largest of which are the Netherlands and Sweden.

Operations are conducted through a network of product companies and distributors which are either part of the Group or independent companies with licenses for product areas and geographical markets. The network also includes both Group-owned and franchised Björn Borg stores.

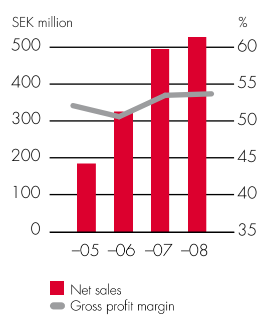
The Group has operations at every level from brand development to sales in its own stores. The strategically important product companies for clothing and footwear are owned by the Group. Björn Borg's business model with external distributors facilitates geographical and product expansion with limited risk and capital investment, at the same time that control of the brand rests with the Group.

Björn Borg's largest product group, underwear, has a strong foothold in established markets. The Group has extensive know-how and experience in this area. As part of an ongoing strategy process to set the direction for further expansion of the brand, the emphasis will be shifted more toward underwear going forward.

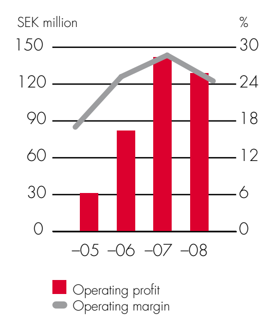
The year in numbers

- The Group's net sales rose by 6 percent to SEK 526.6 million (494.9).
- The gross profit margin was 53.8 percent (53.6).
- Operating profit decreased by 9 percent to SEK 128.8 million (142.1). Before non-recurring costs, operating profit was SEK 133.8 million.
- Profit after tax decreased by 3 percent to SEK 99.2 million (102.1).
- Earnings per share decreased by 5 percent to SEK 3.96 (4.18). Fully diluted earnings per share amounted to SEK 3.96 (4.17).
- The Board of Directors has proposed that the Annual General Meeting approve a dividend of SEK 1.50 (1.50) per share.

Net sales and gross profit margin



Operating profit and operating margin



The Björn Borg brand

The Björn Borg brand was established in the Swedish fashion market in the first half of the 1990s. Continuity has given the brand a distinct identity and strong position in its established markets, particularly for its largest product group, underwear. In the last three years Björn Borg has expanded to several new markets where the brand is in a start-up phase.

The brand is recognized for quality products and creative, innovative design influenced by the sporting heritage associated with the Björn Borg name. A distinctive brand platform serves as the basis for Björn Borg's positioning and all development of the brand, from design and product development to marketing communications. The platform summarizes the essence of the Björn Borg brand with four ideals: Sporty, Stylish, Sexy and Comfortable.

New markets

- In 2008 Björn Borg was launched in three new markets: in Spain and Canada through external distributors and in the U.S. through a subsidiary.
- In early 2009 agreements were reached with distributors in Italy and Greece to introduce the brand in these markets by fall 2009.
- At the same time the current agreements with the distributors in Germany, France and Switzerland have been terminated.

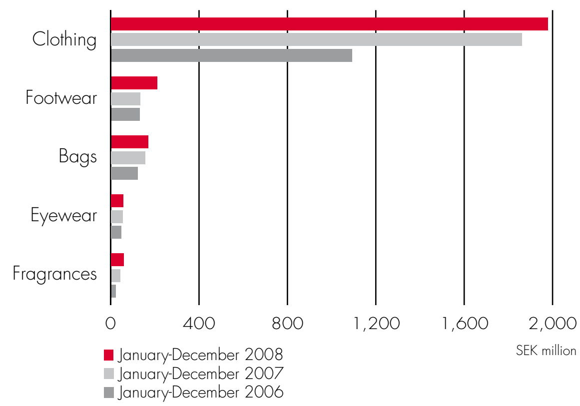
New stores

A total of eight new Björn Borg stores were opened during the year, including one Group-owned store in Sweden, six franchised stores in the Netherlands and one franchised store in Spain. At year-end there were a total of 44 Björn Borg stores, eleven of which are Group-owned.

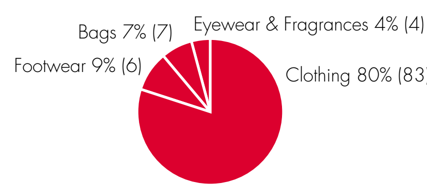
Brand sales

Total brand sales increased by 10 percent during the year to SEK 2,463 million (2,237).

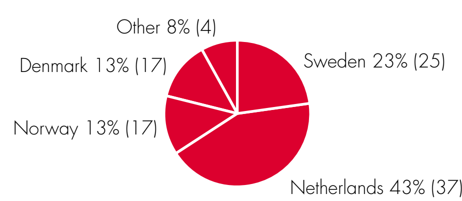
Brand sales by product area



Product areas



Countries




BORG

Focus on underwear

After a few months as President of Björn Borg, I would say that the impression of the brand and the Group I had from the outside was correct. Björn Borg is a strong, successful and profitable company. We have an established brand with a strong position, especially in underwear, and the potential to grow internationally. The brand and its development lie in our hands, and we have stable owners who are willing to invest long-term.

Growth with underwear as a base

Björn Borg is in essence a growth company, which will continue to grow by expanding internationally, primarily in new markets. Although the countries where we are well-established still account for a larger share of sales and growth, it is our newer markets that will eventually take over that role. To ensure that our resources, know-how and potential are utilized in the best way to get us there, we are now conducting a review of the Group's future strategy. The assumption in this strategy process is clear: we will focus even more on the Group's largest product group, underwear, which is where we are at our best.

There are several factors that favor a clearer focus on underwear. Björn Borg has a strong market position in the product group, which accounted for 62 percent of total brand sales last year and an even larger share of the Group's revenue. The organization has unique competence in the design, development and distribution of underwear. This is something we should be proud of and make sure we build on.

Easy to sell, fun to buy

In some respects, selling underwear is more like selling fast-moving consumer goods than fashion – even though Björn Borg's products are always fashionable. Underwear is the kind of product people buy fairly often. With our range of both basic and trendy products, we can satisfy demand from customers who want classics in the same size and cut year after year, and those who want to buy new and exciting fashions.

Our products should get exposure and frequently be replenished. Well-managed distribution of underwear offers retailers attractive opportunities for higher sales. This is something we are already good at, and our aim is to be even better. In new agreements with distributors on geographical markets, we are putting more emphasis on experience in underwear or fast-moving consumer goods, established distribution networks and the resources for marketing investments. Taken together, this creates better prospects of the brand's successful launch in new markets going forward.

We are now in the midst of an intense, creative process to find the best form for our business as we continue to expand Björn Borg internationally. We are doing so in a tough market climate that we, too, are affected by. We are fully aware of this, but we have to look beyond the recession. Our mission is to pave the way for growth and profitability in the long term. And with a strong – and proud – team, a committed network and long-term owners we are determined to succeed.

Arthur Engel
President and CEO

"The organization has unique competence in the design, development and distribution of underwear. This is something we should be proud of and build on."

Vision, business concept, goals and strategy

Vision
Our vision is to solidify Björn Borg as a global fashion brand.

Business concept
The Company's business concept is to develop, drive and capitalize on the strength of the Björn Borg brand in the international fashion market.

Goals
The Board of Directors updated the Company's operating and financial goals in connection with the listing on Nasdaq OMX Stockholm in May 2007. The goals are as follows:

Operational goal
To strengthen the brand's position and establish Björn Borg in three to five new markets during the period 2007–2009, and then accelerate the rate of international expansion.

Financial goals
- Annual sales growth of at least 20 percent for the Group during the period 2007–2009.
- An annual operating margin of at least 15 percent during the period 2007–2009.
- An equity/assets ratio not below 40 percent.

Key ratios for 2008 related to the financial goals:

• Sales growth	6 percent
• Operating margin	24.5 percent
• Equity/assets ratio	69.0 percent

Dividend policy
The long-term objective of the Board of Directors of Björn Borg is to distribute approximately one third of after-tax profit to Björn Borg's shareholders.

- For 2008 the Board of Directors has proposed that the Annual General Meeting approve a dividend of SEK 1.50 (1.50) per share corresponding to 38 percent of after-tax profit.

Strategy
Björn Borg will grow in new and recently established markets and further improve its strong position in established markets by:

- focusing on its largest product group, underwear, and offering an attractive, complementary range of Björn Borg products, with sales through both independent retailers and Björn Borg stores,
- utilizing the broad-based competence and experience within the Company to further strengthen its position in fashionable underwear,
- working closely with strong local distributors with an established distribution network, experience in underwear or fast-moving consumer goods and the resources for marketing investments,
- implementing the current business model, which facilitates a geographical and product expansion with limited operating risk and capital investment.


BORG

The brand

The brand

Stronger position with a wholly owned brand

The Björn Borg brand is the core of the Group's operations. The Group has been developing the brand since 1997 on the basis of a license granting exclusive rights to manufacture, market and sell products under the Björn Borg name. In December 2006 the Group acquired the Björn Borg trademark and obtained exclusive global rights to its use for all categories of products and services. By owning the trademark, the Björn Borg Group can operate from a strong position internationally, at the same time that ownership provides long-term security to the entire network.

The Björn Borg trademark covers all versions of the well-known Björn Borg signature and other logos the Group uses.

Positioning

Distinct identity and strong position

The Björn Borg trademark in its present form was registered in the late 1980s and established in the Swedish fashion market in the first half of the 1990s. New product areas and geographical markets have been established since then, and the Company has experienced stable growth in recent years.

Continuity has given the brand a distinctive identity and strong position in established markets in its dominant product area, underwear. The brand is characterized by quality products with creative, innovative design influenced by the sporting heritage associated with the name Björn Borg. Today the brand increasingly stands on its own merits, distinct from Björn Borg as a person, a growing share of consumers associate the name with the brand rather than Björn Borg himself. The legacy of Björn Borg's success as a tennis player and his superstar status in large parts of the world still provide the brand with a strong platform for international expansion. The brand's positioning in relation to a number of competitors is illustrated in the figure on page 11.

Brand platform

Four ideals

Björn Borg's positioning and all brand development, from design and product development to store layouts and marketing communications, are based on a distinctive brand platform. This platform stresses four ideals that capture the essence of the Björn Borg brand: Sporty, Stylish, Sexy and Comfortable. Sportiness is naturally associated with the brand through Björn Borg the athlete. Sexiness and style are reflected in the design and attitude. And, of course, Björn Borg products are always comfortable and easy to wear.

Brand development

Positive impact of improved control

Björn Borg actively manages the entire chain from brand identity to finished product to ensure that the brand follows the defined strategy every step of the way. This can be seen in the guidelines and support provided to companies in the network to create coherent and consistent branding. The Company has gradually improved service and control in product development, marketing campaigns and graphic identity with positive results.

Björn Borg's guidelines for product companies and distributors cover a number of areas:

Product development
- Trend information
- Design
- Quality
- Product range and product volume

Marketing concept
- Campaigns
- Graphic identity
- Packaging
- Store concept
- Franchise management

Brand and products

At the fashion forefront

Every detail of Björn Borg products and every collection expresses the values synonymous with the brand. Björn Borg spotlights the product range's positioning in the trend and design information provided to every part of the network prior to each season. One of the reasons for the brand's success has been the ability to keep the collections on the forefront of fashion and trends. In the largest product area, underwear, the Company believes its innovative design, unique patterns and bold colors have helped to make underwear a fashion product. Björn Borg offers the same collections in all markets, but with the breadth of the product range it can satisfy a variety of preferences.

In the clothing product group, a decision was made in late 2008 to focus the Björn Borg line on a collection of attractive basics. Due to this change, the more tailored White collection has been discontinued.

International campaigns that stand out

Björn Borg's marketing stands out thanks to integrated campaigns in which the web site, bjornborg.com, plays a pivotal role and where digital and social media are important channels. The aim is to build the brand among the target audience and cost-effectively drive sales.

In a popular campaign called "Peace on Earth," Björn Borg tried to create peace with "unsexy" underwear. Visitors to the web site were asked to vote for a warmonger somewhere in the world worthy of a load of old, worn-out underwear. "This is a way to bring up an important issue, but with a sense of humor," says Björn Borg Marketing Manager Jimmy Johansson.

In April 2008 the first load of underwear was dumped in front of the White House after George W. Bush was chosen, as well-documented on bjornborg.com. The international campaign generated a tremendous response among the target audience and in the media.

Marketing communications

Innovative and integrated activities

The Company showcases the Björn Borg brand through innovative, image-building marketing activities. The strategy is designed to consistently reinforce the brand image and drive sales long-term. To achieve cost efficiencies and a broad impact, the Group focuses on integrated campaigns utilizing multiple channels such as the web site, PR and trade shows. Björn Borg stores play an important role as a marketing channel and to expose the brand. Investments in marketing communications in the network as a whole have increased in recent years, which is an important reason for the brand's successful development.

Web site is a key to brand building

Björn Borg's web site is an important channel for international branding and to communicate with target audiences. Interactive campaigns that get visitors to participate create a sense of belonging and increase traffic to the site. The design and content of the campaigns are integrated with marketing communications in other channels – in stores, advertising, PR and events – to achieve a greater impact. The web site and campaigns generated a very positive response in 2008, with high visitor frequency and attention from the media.

Launched in select markets in fall 2007, the web shop selling underwear will be open in all markets in the first quarter of 2009, giving customers greater access and service.

PR and events grow in importance

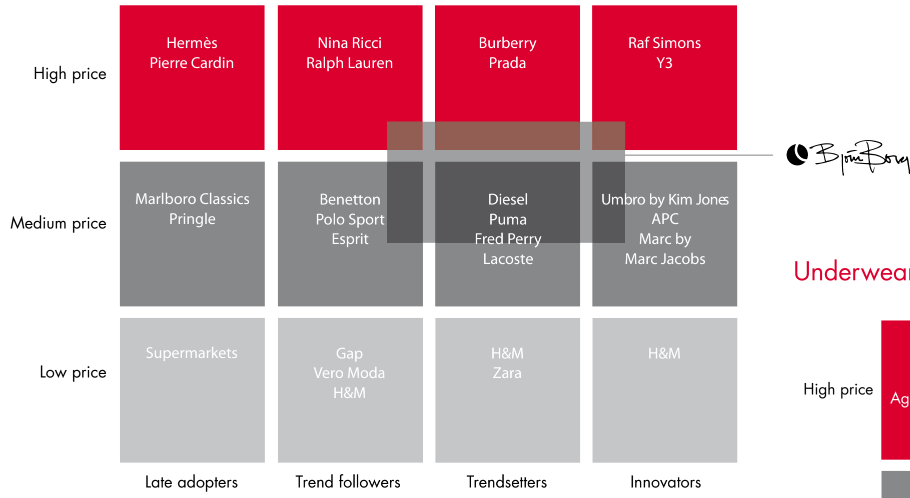
Distributors, which commit to a specific level of marketing investment in each market, use centrally produced campaigns but are responsible for the choice of media and implementation. PR and events have become increasingly important to the mix of activities, as has participation in international fashion shows. Private showings and displays in Björn Borg stores have also been crucial in positioning and strengthening the brand.

Launches in new markets

Responsibility for implementing marketing activities rests with the distributor in each market. The brand's successful introduction in the Spanish market early in the year was supported by PR measures and trade shows. In 2008 Björn Borg was launched in two new markets – the U.S. and Canada. In the U.S., the launch is being handled through a subsidiary. Responsibility for marketing activities and sales therefore rests within the Group.

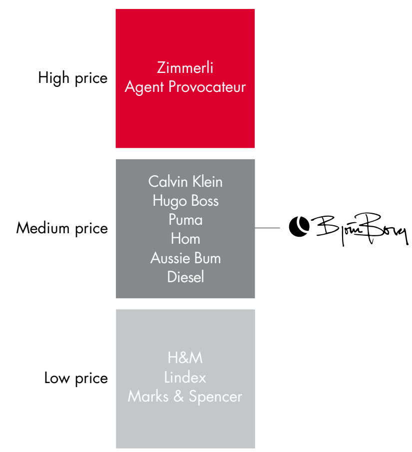
In 2008 investments were made in sales and warehousing functions as well as a showroom in New York. Additional measures are planned in the American market in 2009.

Market segmentation and positioning



Björn Borg's analysis of market segmentation and positioning.

Underwear



Further brand building

Björn Borg's international presence is expected to continue to grow in 2009 as part of the geographical expansion of the brand, with participation in fashion shows and other industry events, including in two new markets, Italy and Greece.

Marketing investments within the network as a whole have increased because of the international expansion. Björn Borg expects them to continue to rise in the form of showings and more expansive campaigns in pace with a growing international presence. Moreover, the Company has seen a willingness among distributors to invest in further marketing activities.

In spring 2009 the Group plans to establish a strategy for the brand's continued development. The emphasis will be on the core business – underwear – where Björn Borg's position is strongest and where it has unique competence. Certain operational changes necessitated by the focus on underwear have already begun, including in the form of new requirements on distributors.

Market position and competition

Björn Borg today is a strong, well-known brand in its established markets thanks to consistent, long-term branding from a clearly defined platform and focused marketing. The brand has an especially strong position in men's underwear, where Björn Borg is considered a market leader in terms of quality and design in its established markets. Based on its established position in underwear, Björn Borg is working actively to strengthen its position in clothing as well as shoes and accessories.

In its main product group, underwear, Björn Borg competes with well-known international brands such as Calvin Klein, Hugo Boss and Hom, in addition to local players. Competition is generally expected to grow as more major fashion brands such as Diesel and Puma introduce their own underwear collections and new companies enter the market.


BORG BJÖRN

Operations

Business model

The Group's substantial growth and high profitability in recent years – and its success in positioning the Björn Borg brand – has largely been achieved thanks to its business model. The model facilitates expansion geographically and in terms of product range with limited operational risk and capital investment, while retaining control over the brand.

Björn Borg's business model utilizes a network of product companies and distributors which are either part of the Group or independent companies and have been granted licenses to one or more product areas or geographical markets. The network also includes Björn Borg stores operated by the Group or as independent franchisees.

By utilizing its own network as well as independent companies, Björn Borg can be involved in every part of the value chain and develop the brand internationally with a compact organization and minimal financial investment and risks. The business model requires little capital investment by the Company, since the distributors in the network are responsible for marketing, including investments and inventory. The model generates substantial consumer sales with limited risk and investment for Björn Borg. The Company owns the strategically important companies in the network.

Another positive effect of the business model and the network's use of a number of independent distributors is that the competence and local expertise of these enterprising entrepreneurs can be put to use. In early 2009 the criteria for distributors in each geographical market were revised. Björn Borg's partners in the network must be established players with experience in underwear and fast-moving consumer goods rather than fashion, and they must have an extensive distribution network in their local market and the resources for investment.

Brand development

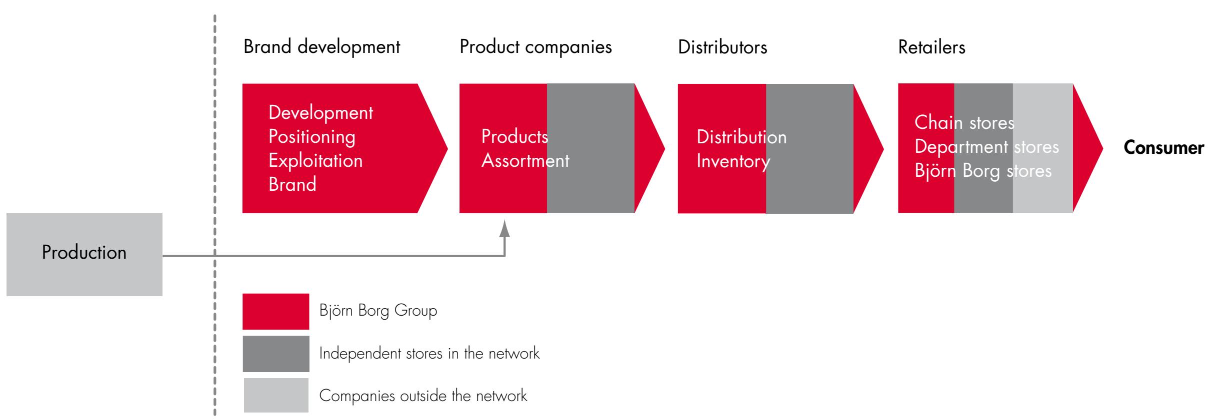
Björn Borg provides the expertise in brand building and management. It is responsible for the development of the Björn Borg brand and for implementing the brand strategy and ensuring compliance within the network. Through guidelines, support and service for companies in the network, Björn Borg can be sure the brand is managed according to the established platform at every level.

In a network encompassing both the Group's own entities and independent companies, tight control over the brand is essential.

With the exception of production, which is handled outside the Group, Björn Borg has its own operations at every level from product development to distribution and consumer sales. This gives the Group the best chances of ensuring the further development and correct positioning of the Björn Borg brand.

Since it owns the Björn Borg trademark as of December 2006, the Group is responsible for ensuring that proper trademark registration and protection are in place.

The network's value chain



Underwear – a fast-moving fashion product

Underwear from Björn Borg is often prominently displayed in department stores, major retail chains and fashion boutiques. From well-stocked stands, these products attract the attention of customers with their distinctive patterns and bold colors. The design of the packaging ensures that the brand is quickly recognized.

Björn Borg offers stores flexible display solutions for small spaces, along with fast service and replenishment. This facilitates sales at the retail level – a strong sales argument for Björn Borg's distributors.

Product companies

The network currently comprises one product company for each product area: clothing, footwear, bags, eyewear and fragrances. In addition, the Dutch distributor is a product company for the Dutch womenswear collection. The product companies for clothing and footwear are wholly owned Group subsidiaries. These two product areas accounted for 89 percent of brand sales in 2008.

The product companies, both Group-owned and independent, are specialists in their respective product areas. They are responsible within these areas for the design and development of collections for every market, and position different products based on Björn Borg's guidelines. The collections are displayed and sold to distributors in the various geographical markets for further sale to retailers. The product companies also play a supporting role for distributors and retailers in the network.

Production of clothing and footwear for the Group-owned product companies is outsourced to Asia, exclusively China, and to a lesser extent Europe. High demands are placed on quality and reliability relative to price, and the performance of suppliers is continuously evaluated. In both production and logistics, Björn Borg tries to increase flexibility and efficiency, two factors that have grown in importance in recent years in pace with the need for a responsive supply chain and ability to adapt production to shifting fashions. The Company also looks for suppliers that can guarantee that Björn Borg's guidelines on working conditions and the environment are met. Read more about Björn Borg's corporate responsibility and environmental work on page 22.

Distributors

Distribution is normally handled by distributors with established distribution networks and experience in underwear or fast-moving consumer goods, which are granted a license to use the trademark in the marketing and sale of Björn Borg products. The distributors sell and distribute the products to retailers by building the brand regionally through their sales force. They are responsible for purchasing, sales support, inventory, regional marketing, media planning and training.

The challenge for distributors, in the face of tight competition, is to establish and maintain their position as a supplier to chains and department stores as well as independent retailers. Success factors include a high level of service in the form of fast replenishment of sought-after products, attractive promotional materials and effective marketing activities. The ability to contribute to higher retail sales through such measures is considered a key success factor.

Marketing and sales feedback from distributors to Björn Borg and the product companies is an important element in order to continuously develop and fine-tune the collections and marketing activities. Twice a year the Company brings together all its distributors to showcase its new collections and marketing materials as well as discuss strategies and planning, in addition to which an open dialogue is maintained on developments in each market. Distributors pledge to a certain level of investment in their market and can be terminated if they do not meet predetermined requirements.

Distributors pay a royalty to the Group based on a percentage of their sales to retailers. Björn Borg owns the distributors for clothing and footwear in the Swedish market, with around 900 points of sale in addition to the Group-owned Björn Borg stores.

Retailers

Björn Borg products are sold at the retail level through department stores, chains and independent retailers, as well as through Group-owned and franchised Björn Borg stores and factory outlets. This mix creates the right positioning in the upper mid-price segment while generating high sales volume.

With a total of around 4,400 points of sale, external retailers represent an important interface with consumers. Unlike Björn Borg's own stores, independent retailers sell Björn Borg products in competition with other brands.

Chains and department stores – some with shop-in-shops – are becoming increasingly important to the sale of Björn Borg products, accounting for over half of brand sales, while independent retailers are shrinking in number. For the Company, this offers a more efficient selling-in process and leads to greater exposure in areas with high customer turnover.

Björn Borg stores

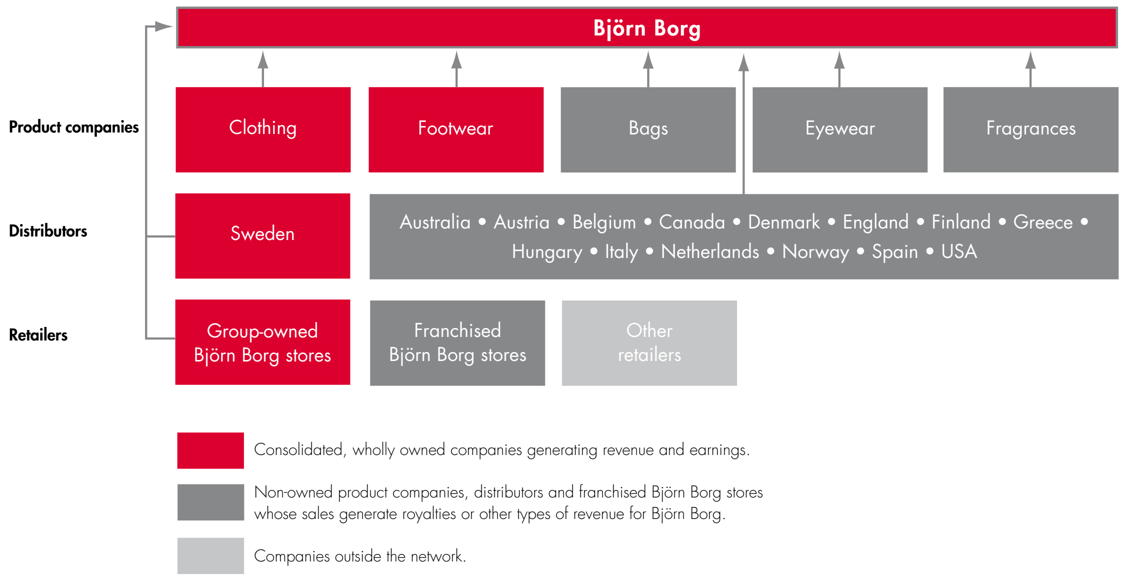
Björn Borg stores are important to the brand's exposure, marketing and direct contacts with consumers. At the same time they are a valuable source of sales, currently accounting for about 10 percent of total Group sales. Björn Borg stores are either wholly owned or franchised. The network also includes four factory outlets, two of which are run by the Björn Borg in Sweden. Björn Borg's eleven stores of its own are located in Stockholm, Göteborg, Malmö and Linköping. The 33 franchised stores are in the Netherlands, Norway, Finland, Belgium and Spain.

Björn Borg stores

	Group-owned	Franchises
Sweden	11	–
Netherlands	–	28
Norway	–	2
Finland	–	1
Belgium	–	1
Spain	–	1
Total	11	33

Sales locations by retailer category

Revenue and earnings business model



Business segments and revenue

Björn Borg reports revenue for four business segments.

Brand and other

Net sales in the Brand and Other segment mainly consist of royalty revenue, as well as invoicing of internal Group services. Royalties are generated through wholesale sales of Björn Borg products through distributors (Group-owned and independent) to retailers and are calculated as a share of these sales. Royalties are paid monthly, quarterly or in arrears. In 2008 net sales amounted to SEK 142.3 million (126.6) with operating profit of SEK 42.7 million (46.1).

Product development

Sales for the Product Development business segment are generated by the Group-owned product companies for clothing and footwear through product sales to distributors in all markets. In 2008 net sales amounted to SEK 337.2 million (300.7) with operating profit of SEK 50.0 million (38.4).

Distribution

Sales for the Distribution product segment are generated by the Group-owned distribution companies for clothing and footwear in the Swedish market, where Björn Borg is the exclusive distributor in these areas. In 2008 net sales amounted to SEK 197.0 million (184.7) with operating profit of SEK 27.5 million (39.7).

Retail

Sales for the Retail product segment are currently generated through Group-owned Björn Borg stores. Net sales in Retail amounted to SEK 55.0 million (60.3) in 2008 with operating profit of SEK 8.6 million (17.9).

Net sales, SEK m

Business segment	2008	2007
Brand and Other	142.3	126.6
Product Development	337.2	300.7
Distribution	197.0	184.7
Retail	55.0	60.3
Intra-Group sales	–204.9	–177.4
Group	526.6	494.9

Operating profit, SEK m

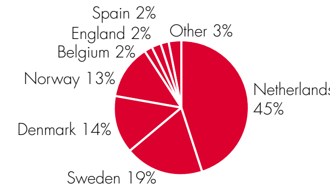
Business segment	2008	2007
Brand and Other	42.7	46.1
Product Development	50.0	38.4
Distribution	27.5	39.7
Retail	8.6	17.9
Group	128.8	142.1

Clothing

The brand's largest product area comprises clothing, underwear and swimwear. In underwear, the largest product group, Björn Borg offers men's and women's products in a trendy, fashionable line and a basics line with classic models. The men's collection accounts for about 70 per cent of underwear sales. In 2009 the focus on the core business, underwear, will be intensified. In clothing, the emphasis will be on a coordinated basics collection.

Sales are made through independent retailers, retail chains, department stores and Björn Borg stores. The product company for clothing is owned and operated by the Björn Borg Group. The distributor in the Netherlands is licensed to manufacture a women's collection.

Brand sales 2008
Clothing

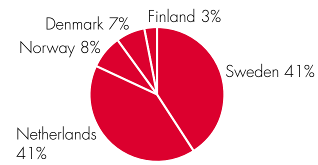


Footwear

The footwear product area offers a range of fashion products and timeless classics such as men's and women's casual shoes. Sales are divided fairly equally between athletic and leisure shoes on the one hand, and fashion/trendy footwear on the other.

In recent years footwear operations have expanded internationally to several of Björn Borg's markets. Sales were launched in Denmark and the Netherlands in 2007 and rose significantly last year. Sales are made through independent retailers, footwear chains and department stores. The product company for footwear is owned and operated by the Björn Borg Group.

Brand sales 2008
Footwear

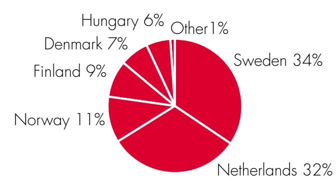


Bags

The bags product area falls in the fashion/trend segment and comprises handbags, wallets, gloves and belts. Bags are sold in Björn Borg's established markets in Europe through luggage and sporting goods shops, retail chains, department stores and Björn Borg stores.

Further efforts were made during the year to improve the stylishness, quality and price point of Björn Borg's bags as part of an effort to better adapt the product range to the brand's overall positioning. The external product company for bags is licensed to use the trademark and is part of the Björn Borg network.

Brand sales 2008
Bags

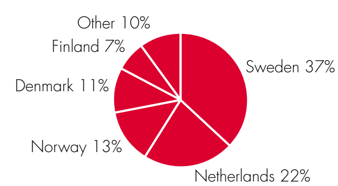


Eyewear

Björn Borg eyeglass frames belong to the trendy segment of the market and are sold to retailers through the licensee's distribution organization. In spring 2008 the product line was expanded to include sunglasses, allowing the Company to branch out from opticians to other retail outlets such as clothing stores and Björn Borg stores.

In recent years the product line has been expanded and efforts made to further strengthen the collection. A design office is located in Italy. At the same time distribution has been broadened to more markets with positive results. The external product company for eyewear is licensed to use the trademark and is part of the Björn Borg network.

Brand sales 2008
Eyewear

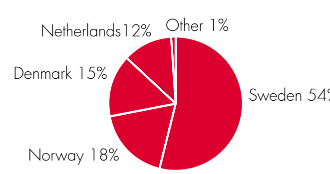


Fragrances

The product area offers a range of fragrances and skincare products for both men and women, with Sweden as the largest market. Advantage, a new fragrance and skincare line launched in spring 2007, has been very positively received and continued to report strong development in 2008. The line includes products for both women and men. Another line of fragrances and skincare products, Björn Borg Off Course, is available for men.

Sales are currently made through major cosmetic chains such as Kicks and department stores such as Åhléns and NK, but also through independent retailers and Björn Borg stores. The external product company for fragrances is licensed to use the trademark and is part of the Björn Borg network.

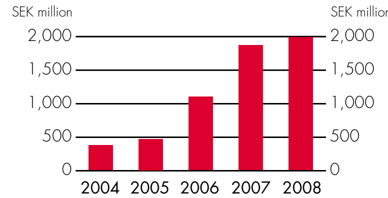
Brand sales 2008
Fragrances



Brand sales for clothing and underwear rose by 6 percent to SEK 1,977 million in 2008. The largest market, the Netherlands, accounted for the year's highest growth in volume at 18 percent. Sales decreased in Denmark and Norway, while Sweden reported an increase of 4 percent. Underwear accounted for approximately 80 percent of sales in the clothing product area during the year.

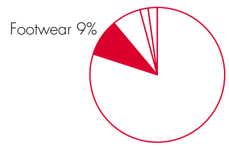
Share of brand sales 2008

Trend in brand sales 2004–2008

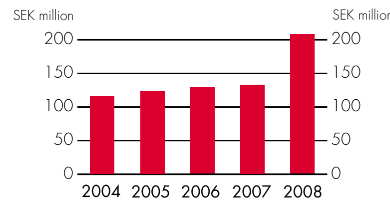


Brand sales in the footwear product area amounted to SEK 208 million during the year, an increase of 58 percent compared to 2007. Sales in the Netherlands rose substantially, from SEK 12.6 million to SEK 84 million. Denmark also posted strong growth. Sweden reported sales of approximately SEK 86 million, a decrease of about 6 percent.

Share of brand sales 2008

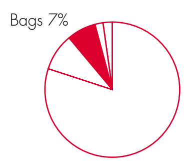


Trend in brand sales 2004–2008

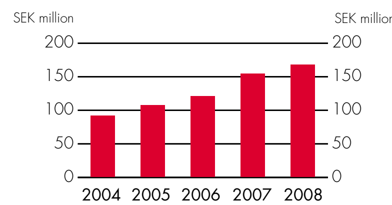


Brand sales in the bags product area amounted to SEK 167 million in 2008, an increase of 8 percent compared to the previous year. Geographically, bags sales are more evenly distributed than other product areas. The two largest markets, Sweden and the Netherlands, reported growth of 10 and 2 percent, respectively.

Share of brand sales 2008

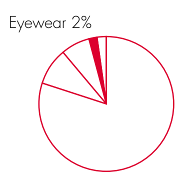


Trend in brand sales 2004-2008

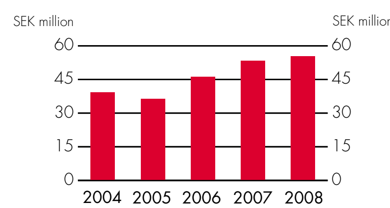


Brand sales in the eyewear product area rose by 5 percent to SEK 55 million in 2008. The highest growth was in the Netherlands. Sweden is the largest market for eyewear, accounting for approximately 37 percent of sales in the product area.

Share of brand sales 2008

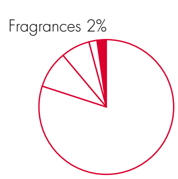


Trend in brand sales 2004–2008

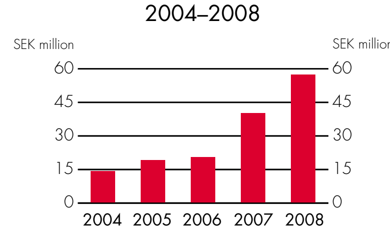


Brand sales in the fragrances product area rose by 59 percent to approximately SEK 57 million in 2008. Sweden is the dominant market, accounting for slightly over half of sales, but other markets – particularly Norway, Denmark and the Netherlands – grew strongly during the year and account for an increased share of the product area.

Share of brand sales 2008



Trend in brand sales 2004–2008



Geographical markets

Björn Borg currently has operations in two of its own product areas – clothing and footwear – as well as in bags, eyewear and fragrances through external product companies. Björn Borg is represented in a total of 15 markets, the largest of which are the Netherlands and Sweden. Other more established markets include Norway, Denmark, Finland, Belgium and Hungary.

Among Björn Borg's newer markets, where the brand has been introduced in the last three years, are England, Australia, Austria, Spain, Canada and, through a subsidiary, the U.S. In fall 2009 the brand will be also launched in Italy and Greece.

Established markets

Sweden

The Björn Borg trademark was registered in Sweden in 1989 and established in the Swedish apparel market in the first half of the 1990s. In 1994 the first Björn Borg store was opened in Stockholm. Today Sweden accounts for slightly over 23 percent of total brand sales. Björn Borg products are sold through the Group's own Björn Borg stores and a total of around 1,000 retailers. Björn Borg today has broad distribution in the Swedish market. Further expansion will be achieved selectively. Brand sales in Sweden amounted to approximately SEK 566 million in 2008, an increase of 1 percent compared to the previous year.

Netherlands

The Netherlands was the largest market for the Björn Borg brand in 2008, with 43 percent of total brand sales. Operations in the country date back to 1993, and the brand quickly established a position in the Dutch market through growing volumes and a broad-based presence. Björn Borg products are sold in franchised stores and around 1,300 retailers. The Netherlands reported the highest volume growth of any market during the year, increasing by slightly over 27 percent from the previous year to SEK 1,051 million.

Denmark

Björn Borg was launched in Denmark in 1992, and today it accounts for 13 percent of total brand sales. In the Danish market, Björn Borg products are sold through a wide network of around 670 retailers. There are currently no Björn Borg stores in Denmark. In 2008 brand sales in Denmark totaled approximately SEK 314 million, a decrease of 15 percent compared to 2007 after several years of strong growth.

Norway

The brand was launched in the Norwegian market in the early 1990s. Sales in Norway have developed very strongly in recent years, but fell in 2008. Norway today accounts for 13 percent of total brand sales. Products are sold through the two Björn Borg stores in Oslo and around 350 retailers around the country. In Norway, brand sales totaled approximately SEK 315 million in 2008, a decrease of 19 percent compared to the previous year.

Finland, Belgium and Hungary

Finland, Belgium and Hungary are markets where the Björn Borg brand was established during the second half of the 1990s. Operations are managed by local distributors. In Finland and Belgium, underwear is the dominant product area, while in Hungary it is bags. Björn Borg products are sold through a total of around 350 points of sale in the three markets. There are two Björn Borg stores in these countries, in Antwerp and Helsinki. Belgium and Finland both reported strong growth in 2008 – at 75 percent and 31 percent, respectively – though from relatively low levels. Brand sales amounted to SEK 48 million in Finland and SEK 36 million in Belgium in 2008.

Newly established markets

England

In 2006 Björn Borg expanded its operations to England. The launch took place at the department store Selfridges in London. Distribution has since been broadened to include several other well-known retailers, including the department stores Harvey Nichols and Harrods, which are important to the continued international expansion. In total, Björn Borg products are sold through 70 retailers in England. Brand sales in England amounted to approximately SEK 33 million in 2008.

Spain

Björn Borg signed an agreement with a Spanish distributor in 2007 to introduce the brand in Spain. Consumer sales began in January 2008. A fashion show and PR activities in Barcelona in connection with the launch generated a positive response from the media and the industry. The number of retailers and sales increased quickly during the year. In total, brand sales in Spain amounted to SEK 45 million in 2008.

USA and Canada

In 2007 the Board of Directors resolved to introduce the Björn Borg brand in the U.S. through a subsidiary. The work began in 2008 with the establishment of sales and warehousing functions

Björn Borg in Belgium – a growing business

Although Björn Borg was introduced in Belgium at a limited number of stores in 1998, it wasn't until 2007 that sales really took off. A new distributor had taken over by then and begun to give the brand the attention it deserved. Expanded marketing, higher sales activity at the retail level and improved service for retailers all contributed to the strong growth. In 2008 consumer sales rose by 75 percent to approximately SEK 36 million through around 170 retailers. Since 1999 Björn Borg products are also sold at a franchised store in Antwerp. The upswing in the Belgian market is an example of how a driven, experienced distributor that invests in the brand can impact its development and growth.

as well as a showroom in New York. Consumer sales started in New York at the end of the year, including at Nordstrom department stores. There are currently around 60 retailers. After an evaluation of the initial measures and sales work, a decision will be made whether to continue operations in the country.

In Canada, Björn Borg launched its sales in late 2008 on a limited scale through an external distributor.

Australia and Austria

Björn Borg has operated on a limited scale through external distributors in Australia/New Zealand and Austria since 2007. These cooperations will be evaluated as part of the ongoing review of the Björn Borg network.

Italy and Greece

In early 2009 agreements were signed with external distributors to launch Björn Borg in Italy and Greece. Both distributors have experience in fashion brands with sales methods similar to Björn Borg's. They each have a broad network of contacts in their respective markets and the resources to invest in the brand. A sales launch to consumers is scheduled for fall 2009.

Terminated distributor agreements

As an element in Björn Borg's focus on underwear, an evaluation of the current distribution network has begun. As a result, the agreements with the distributors in France, Germany and Switzerland have been terminated.

Corporate responsibility and environment

Corporate responsibility

Björn Borg is a Swedish company operating in an international market. Taking responsibility for its impact on people and the environment is one of Björn Borg's core values and is crucial to cooperations in the Group's network. Björn Borg's aim is to increase efforts in this area, and since 2007 a function is responsible for this work, primarily environmental issues and working conditions in production.

Björn Borg maintains a close cooperation with its suppliers and in many cases has longstanding relationships, which generally gives it good insight into production conditions. The limited number of principal suppliers facilitates dialogue and oversight. Björn Borg works continuously with corporate responsibility issues, including by specifying requirements that must be met in the Group's supplier agreements, code of conduct and chemical restrictions.

Social responsibility

Björn Borg has been a member of the Business Social Compliance Initiative, BSCI, since January 2008 and has since adapted its Code of Conduct to the organization's guidelines. BSCI is a European non-profit organization dedicated to helping its members improve working conditions in the supply chain. Members apply the same requirements regarding production conditions, etc., which makes it easier for companies and suppliers to make improvements.

All of Björn Borg's suppliers pledge to abide by the Company's Code of Conduct and are successively undergoing independent audits and re-audits; this includes subcontractors. Supplier audits according to the new BSCI-modified Code of Conduct and the drafting of action plans began in 2008. Around 75 percent of production is expected to be audited by year-end 2009. These suppliers will then mitigate any deficiencies according to the plan that has been prepared and will be fully approved by 2011. Several of Björn Borg's suppliers participated during the year in a workshop arranged by BSCI, which is an important part of the effort to help suppliers understand the rules.

The Code of Conduct for BSCI's members includes the following areas:

- Legal compliance
- Freedom of association and the right to collective bargaining
- Prohibition of discrimination
- Compensation
- Working hours
- Workplace health and safety
- Prohibition of child labor
- Prohibition of forced labor

Environmental responsibility

The products Björn Borg sells must be safe for customers and the environment and free from hazardous substances. At the same time, the Group tries to minimize the environmental impact from the production of Björn Borg's products, which is handled exclusively by outside manufacturers. This is done in a number of ways, including by encouraging suppliers to switch to production methods that have less impact on the environment and are safer for their employees. In addition, evaluations are under way to identify ways to reduce water, energy and chemical consumption in suppliers' production.

Aside from production, transports are an area that impacts the environment. Björn Borg's products are transported primarily by sea from suppliers in China and only in rare cases by air. A small share of products manufactured in Europe is transported by truck. Goods are shipped directly from the country of production to distributors' warehouses instead of through a central warehouse, thereby reducing carbon emissions and lowering costs.

Chemical restrictions

Björn Borg has clear guidelines on the use of chemicals that follow the chemical guide of Sweden's Textile Importers' Association and the EU's chemical regulation. In some cases Björn Borg's own recommended limits are lower than the Textile Importers' Association's, including with respect to nonylphenol oxylates. Björn Borg's suppliers and their textile sources pledge to follow the Company's chemical restrictions. Certified textile and leather laboratories test samples of materials from every shipment. In addition, at least 30 random samples of articles are taken each year to verify that their chemical levels are below allowable limits. Around 60 random samples will be taken from the 2009 collections. Björn Borg's own staff regularly visits production facilities as well.

Organic products

Björn Borg launched its first organic clothing line in its men's segment during the holiday 2008 season. The aim was to satisfy the growing demand for organic products, while taking another step toward environmentally safe production. Interest in the organic collection has been high. Sales information has not yet been compiled, however. A continuation of the men's line is being evaluated, as is the introduction of a similar organic line for women.

To learn more about Björn Borg's corporate responsibility work, visit bjornborg.com

Employees

The competence, creativity and drive of Björn Borg's employees are important factors behind the development of the brand and the Group and are seen as decisive to their future success. Retaining employees, offering them opportunities to grow and attracting new professionals are a priority that Management satisfies by building an open and stimulating corporate culture where employees can grow and further develop. In a growing organization focused on international expansion of the brand, increasing demands are placed on structure and efficient working methods – while still maintaining creativity.

Björn Borg's employees generally have extensive industry experience, including from large international fashion and retail companies, as well as unique competence in underwear. Continuous competence development is important for both new hires and employees who have spent years with the Company. Björn Borg provides internal training and closely follows developments in the industry.

The compensation system currently used by the Company utilizes base salaries and an individual bonus system for key employees, which pays out when individual targets are met. In addition, incentive schemes are in place for all employees based on warrants. They are described in more detail in Note 7 on page 40.

Organization during the year

During the year the organization was strengthened through the addition of new employees, including for the U.S. launch of the brand, though also in other areas to meet the requirements of a larger, publicly listed company. A review of the Group's strategy was initiated early in 2009 based on the increased focus on the largest product group, underwear. The increased emphasis on underwear impacted the organization to a certain degree at the beginning of the year.

The organization in figures

The average number of employees in the Group was 88 in 2008. Their average age was 34, and 33 percent were male. Among the Group's employees, 27 percent have a post-secondary education. Average industry experience among employees is slightly over ten years. Employee turnover in 2008 was 8 percent and sick leave 1.9 percent, against 1.0 percent in 2007.

Five-year summary

SEK thousands	2008[1]	2007[1]	2006[1]	2005[1]	2004[2]
Income statement					
Net sales	526,556	494,886	324,555	183,639	121,649
Operating profit	128,751	142,075	81,864	31,275	12,149
Profit after financial items	134,822	142,227	81,400	32,856	14,368
Profit for the year	**99,210**	**102,091**	**58,485**	**23,499**	**10,069**
Balance sheet					
Intangible assets	203,172	202,417	202,426	13,944	13,944
Tangible non-current assets	15,366	17,817	6,331	2,068	2,431
Financial non-current assets	–	–	45	45	1,296
Inventories, etc.	33,752	24,640	22,036	15,716	21,087
Current receivables	106,197	77,093	58,194	33,772	23,348
Cash & cash equivalents	241,498	187,423	59,544	58,080	39,571
Total assets	**599,985**	**509,390**	**348,576**	**123,625**	**101,677**
Equity	413,803	342,943	138,054	82,851	58,944
Other non-current liabilities	46,816	52,515	95,465	–	–
Deferred tax liabilities	32,884	28,607	17,141	2,794	6,000
Current liabilities	–	–	10,000	–	4,000
Other current liabilities	106,482	85,325	87,916	37,980	32,733
Total equity and liabilities	**599,985**	**509,390**	**348,576**	**123,625**	**101,677**
Key figures					
Gross profit margin, %	53.8	53.6	50.7	52.2	51.6
Operating margin, %	24.5	28.7	25.2	17.0	10.0
Profit margin, %	25.6	28.7	25.1	17.9	11.8
Return on capital employed, %	28.8	40.9	48.6	42.7	30.4
Return on average equity, %	26.2	42.4	53.0	33.1	23.3
Profit for the year after tax	99,202	102,062	58,485	23,449	10,069
Equity/assets ratio, %	69.0	67.3	39.6	67.0	58.0
Equity per share, SEK	16.51	13.70	5.95	3.62	2.57
Investments in tangible non-current assets	2,200	225	188,532	–	–
Investments in intangible non-current assets	2,873	15,290	5,542	728	650
Depreciation/amortization for the period	–6,976	–4,121	–1,329	–2,609	–2,029
Average number of employees	88	76	52	49	42
Data per share					
Earnings per share, SEK	3.96	4.18	2.55	1.03	0.92
Earnings per share (after full dilution), SEK	3.96	4.17	2.53	1.02	0.92
Number of shares	25,059,184	25,036,984	23,207,376	22,896,576	22,896,576
Weighted average number of shares	25,041,134	24,406,699	22,954,076	22,896,576	22,896,576
Effect of dilution	34,366	83,461	127,524	89,856	0.00
Weighted average number of shares (after full dilution)	25,075,500	24,490,160	23,081,600	22,986,432	22,896,576

[1] The years 2008, 2007, 2006 and 2005 are prepared according to IFRS, and 2004 according to the Annual Accounts Act and the Swedish Accounting Standards Board.

[2] Pro forma accounts have been prepared as if the acquisition of the Björn Borg Group by the Parent Company, Björn Borg AB, had taken place on January 1, 2004 and the issue in kind to settle the acquisition had been implemented on the same date. A pro forma balance sheet and income statement have been prepared to illustrate the Björn Borg Group's financial development and position and are not intended to show the actual position or results of the Björn Borg Group had the Group been established other than at the end of the second quarter 2004.

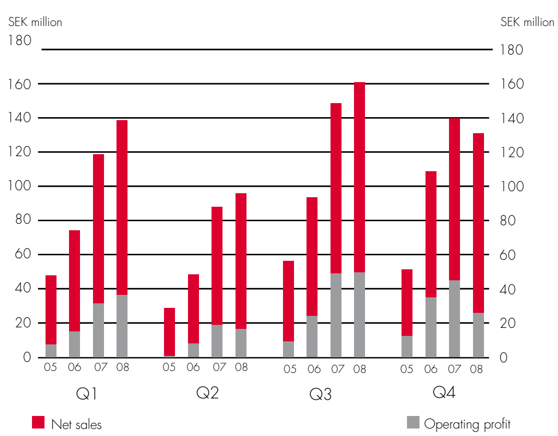
Quarterly data

SEK thousands	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Brand sales	594,222	703,544	476,558	688,828	650,862	659,120	414,058	513,345
Net sales	131,233	160,762	95,813	138,748	139,795	148,597	87,844	118,650
Gross profit margin, %	54.1	54.1	55.9	51.9	53.8	54.6	55.6	50.4
Operating profit	26,049	49,688	16,493	36,521	42,258	49,238	19,188	31,390
Operating margin, %	19.8	30.9	17.2	26.3	30.2	33.1	21.8	26.5
Profit after financial items	28,693	52,277	16,594	37,258	42,719	48,920	19,139	31,448
Profit margin, %	21.9	32.5	17.3	26.9	30.6	32.9	21.8	26.5
Earnings per share, SEK	0.91	1.50	0.48	1.07	1.22	1.42	0.57	0.96
Earnings per share after dilution, SEK	0.91	1.50	0.48	1.07	1.22	1.41	0.56	0.94
Number of Björn Borg stores								
at end of period	44	41	39	36	36	33	29	26
of which Group-owned Björn Borg stores	11	11	10	10	10	10	9	9

Seasonal variations

The Björn Borg Group is active in an industry with seasonal variations. The different quarters vary in terms of sales and earnings. With the current product mix, the second quarter is generally the weakest profit-wise.

Net sales and operating profit by quarter



Board of Directors' report

The Board of Directors and the President of Björn Borg AB (publ), company registration number 556658-0683, herewith present the annual report and consolidated financial statements for the financial year 2008.

Operations

Björn Borg AB owns the Björn Borg trademark and currently has operations in five product areas: clothing, footwear, bags, eyewear and fragrances. Björn Borg products are sold in 15 markets, the largest of which are Sweden and the Netherlands. Operations are conducted through a network of product and distribution companies which are either formally part of the Group or independent companies with licenses for product areas and geographical markets. The Björn Borg Group has its own operations at every level from brand development to consumer sales in its own Björn Borg stores. Björn Borg's business model facilitates geographical and product expansion with minimal operational risk and capital investment, at the same time that control over the brand rests with the Company.

Björn Borg share and ownership structure

Björn Borg is listed on Nasdaq OMX Nordic's Mid Cap list. The total number of shares in Björn Borg is 25,059,184. There is one class of share. The share capital amounts to SEK 7,830,995 and the quota value per share is SEK 0.3125. Each share carries one vote at the Annual General Meeting (AGM) and there are no limitations on how many votes each shareholder may cast at the AGM. Björn Borg had 6,166 shareholders at year-end. The largest shareholder is Swedbank Robur Fonder AB. No shareholder directly or indirectly owns more than ten percent of the shares in Björn Borg.

There are no limitations on the right to transfer the Björn Borg share according to current laws or Björn Borg's Articles of Association. Nor is Björn Borg aware of any agreements between shareholders that could infringe upon the right to transfer Björn Borg shares. There are no material agreements in which Björn Borg is a party which take effect, are amended or cease to apply if control over the Company changes as a result of a public takeover offer.

The Board of Directors and any deputies are appointed by the AGM for a period concluding with the following AGM. Björn Borg's Articles of Association contain only the usual provisions on board elections and no rules on special majority requirements to appoint and dismiss Board members.

Annual General Meeting

Björn Borg's Annual General Meeting was held on April 10, 2008. The AGM re-elected all Board members and resolved to issue warrants for an incentive program. Further, the Board was authorized to resolve to issue new shares, warrants and/or convertibles, and to resolve to acquire and transfer the Company's own shares.

Extraordinary General Meeting

The Extraordinary General Meeting on November 13, 2008 decided to adopt an incentive program for Björn Borg's new President and Vice President, totaling 1,250,000 warrants, each entitling the holder to subscribe for one (1) new share in Björn Borg AB.

Board work

In 2008 the Board held eight scheduled meetings, four of which were in connection with the quarterly financial reports, one in connection with the adoption of a budget, one in connection with the AGM and one in connection with the election of a new President. Specific strategic issues were treated at one of the meetings. Additional information on the Board's work and members' attendance at the meetings held during the year can be found on page 53.

Nomination Committee

According to the resolution of the AGM, Björn Borg's Nomination Committee shall be composed of the Chairman of the Board and one representative from each of the Company's three largest shareholders measured in terms of votes. For the AGM 2009 Björn Borg's Nomination Committee has the following members:

- Fredrik Lövstedt, Chairman of the Board
- Carl Rosvall, representing Martin Bjäringer (through Dirbal B.V.)
- Stefan Roos, representing SEB Funds
- Arne Lööw, representing the Fourth Swedish National Pension Fund

The Chairman of the Nomination Committee is Stefan Roos.

Capital management

In 2007 the Board of Directors of Björn Borg updated the Company's operational and financial goals, which apply through 2009. The goals are as follows:

Operational goals

- To strengthen the brand's position and establish the Björn Borg brand in 3–5 new markets during the period 2007–2009, and then to accelerate the rate of international expansion.

Financial goals

- Annual sales growth of at least 20 percent for the Group during the period 2007–2009.
- An operating margin of at least 15 percent annually during the period 2007–2009.
- An equity/assets ratio not below 40 percent.

Dividend policy

The Björn Borg Group's annual dividend is determined after taking into consideration the Group's results, financial position and capital requirements. The long-term objective of the Board of Directors is to distribute approximately one third of after-tax profit to the Company's shareholders.

For 2008 the Board proposes a dividend of SEK 1.50 per share, or a total of SEK 37,588,776, corresponding to 38 percent of after-tax profit.

Events during the year

New markets

In 2008 the Björn Borg branch was launched through external distributors in Spain and Canada, as well as through a subsidiary in the U.S. In Spain, consumer sales began in January, and in the U.S. and Canada in late 2008. The measures taken by the Group in the U.S. during the year included the establishment of sales and warehousing functions, a showroom in New York and marketing.

Björn Borg stores

In 2008 Björn Borg opened a new store in Stockholm. Further, the Dutch franchisee opened eight new stores and the Spanish distributor opened one. At the end of the period there were 44 (36) Björn Borg stores, of which 11 (10) were Group-owned. A decision has been made to dispose of the men's store on Grev Turegatan in Stockholm in 2009 as a result of an increased focus on the underwear product group.

Management changes

On November 3 Arthur Engel was named the new President of Björn Borg, while former President Nils Vinberg became Vice Chairman. At the same time Henrik Fischer was appointed Vice President and International Sales Director.

Strategic review

Björn Borg's largest product group, underwear, has a strong foothold in established markets, and the Group has extensive know-how and experience in this area. In the strategy process initiated to set the direction for the brand's further expansion, the emphasis will be shifted more toward underwear going forward.

As a result, the criteria for cooperations with external distributors have been revised. Björn Borg's partners in its geographical markets must be recognized players with experience in underwear or fast-moving consumer goods rather than fashion and must have an established distribution network in their local market and the resources for investment.

Licensed product groups

The agreements covering the licensed product groups bags, eyewear and fragrances expire on December 31, 2010. The agreements have been terminated pending renegotiation.

Events after the balance sheet date

After the conclusion of the year, the agreements with the distributors in Germany, France and Switzerland were terminated. At the same time agreements were reached with distributors in Italy and Greece to launch the brand in these markets.

The Group's development

Net sales

The Group's net sales for the full year amounted to SEK 526.6 million (494.9), an increase of 6 percent. The increase was mainly due to strong sales of clothing and footwear.

Profit

The gross profit margin was practically unchanged at 53.8 percent (53.6). Operating profit amounted to SEK 128.8 million (142.1). The lower profit is mainly due to cost increases for investments in the U.S., organizational reinforcements, marketing measures in new markets, and new properties and stores, but also to non-recurring costs of SEK 5 million. The latter include severance of SEK 3 million for the former president and SEK 2 million to close the men's clothing store in Grev Turegatan in Stockholm for write-downs of the lease and equipment. The operating margin decreased during the year from 28.7 percent to 24.5 percent, and the profit margin decreased to 25.6 percent (28.7)

Profit before tax amounted to SEK 134.8 million (142.2) during the year, a decrease of 5 percent. Increased operating expenses affected profit before tax negatively, while an improvement in net financial items had a positive effect.

The number of shares outstanding as of December 31, 2008 was 25,059,184. Björn Borg's earnings per share amounted to SEK 3.96 (4.18). Earnings per share after the exercise of the outstanding warrants amounted to SEK 3.96 (4.17).

Condensed income statement

	2008	2007
Net sales, SEK thousands	526,556	494,886
Operating profit, SEK thousands	128,751	142,075
Operating margin, %	24.5	28.7
Profit before tax, SEK thousands	134,822	142,227
Profit for the year, SEK thousands	99,210	102,062
Earnings per share, SEK	3.96	4.18
Earnings per share after full dilution, SEK	3.96	4.17

Investments and cash flow

Cash flow from operating activities in the Group amounted to SEK 87.0 million (107.7) in 2008. The changes in working capital are mainly due to increases in accounts receivable and inventories.

Total investments in tangible and intangible non-current assets amounted to SEK 5.1 million (15.6), the large part of which is attributable to the reconstruction of stores and leasing agreements.

Changes in financing activities are largely due to the dividend and a new share issue in 2007. For 2008 cash & cash equivalents increased by SEK 54.1 million (127.9).

Financial position and liquidity

The Björn Borg Group's cash & cash equivalents (net cash balance) amounted to SEK 241.5 million (187.4) at year-end. In addition, Björn Borg has unutilized bank overdraft facilities of SEK 120.0 million. The equity/assets ratio was 69.0 percent (67.3).

Personnel and remuneration guidelines

The competence, creativity and drive of Björn Borg's employees are important factors behind the development of the brand and the Group, and are decisive to their future success. Retaining employees and attracting new professionals to the organization is therefore a priority for Management. The compensation systems currently used by the Company comprise base salaries and an individual bonus system for certain key employees, which pays out when individual targets are met. The maximum bonus corresponds to three months' salary. In addition, Björn Borg has established an incentive scheme based on warrants for all employees.

Remuneration guidelines for the President and other senior executives

The AGM on April 10, 2008 resolved that remuneration for the President and six other members of Senior Management shall comprise a base salary, variable compensation, long-term incentive schemes and other benefits, including a pension. Total compensation must be competitive given current market conditions and reasonable relative to each individual's responsibilities and authority. Variable compensation will be based on performance in relation to defined, measurable goals and maximized relative to established targets. The variable compensation will never exceed base salary.

If terminated by the Company, the term of notice will not exceed twelve months. Severance is not paid. Pension benefits are either defined benefit or defined contribution, or a combination thereof, and entitle senior executives to receive a pension from age 65.

The Board proposes that the AGM 2009 keep the remuneration guidelines for the President and other senior executives unchanged.

The average number of employees for the full year was 88 (76), of whom 33 percent (37) are men and 67 percent (63) women.

Research and development

Although Björn Borg does not have any research operations of its own, development and design work is done in the clothing and footwear product areas, which is recognized as development costs through profit or loss.

Corporate responsibility and the environment

Taking responsibility for its impact on people and the environment is one of Björn Borg's core values and is crucial to cooperations in the Group's network.

Björn Borg maintains a close cooperation with its suppliers and in many cases has longstanding relationships, which generally gives it good insight into production conditions. The limited number of principal suppliers facilitates dialogue and oversight. Björn Borg works continuously with corporate responsibility issues, including by specifying requirements that must be met in the Group's supplier agreements, code of conduct and chemical restrictions.

Björn Borg has been a member of the Business Social Compliance Initiative, BSCI, since January 2008 and has since adapted the Group's Code of Conduct to the organization's guidelines. Members apply the same requirements regarding production conditions, etc., which makes it easier for companies and suppliers to make improvements.

All of Björn Borg's suppliers pledge to abide by the Company's Code of Conduct and are successively undergoing independent audits and re-audits; this includes subcontractors. With respect to the use of chemicals in textile production, Björn Borg follows the guidelines of the Textile Importers' Association in Sweden, which are based on Swedish legislation and EU regulations.

Risks, uncertainties and risk management

A number of operational and financial risks internally and externally could affect Björn Borg's results and operations.

Financial risks

Through its operations, Björn Borg is exposed to currency, interest rate, credit and counterparty risks, as well as liquidity and refinancing risks. The Board has decided how the Group will manage these risks. See also Note 3, page 38.

Market risks

Björn Borg is active in the highly competitive fashion industry. The Company's vision is to consolidate Björn Borg as a global fashion brand. Competitors control national and international brands, often focusing on the same markets. They often have substantial financial and human resources. While Björn Borg has so far managed to hold its own in competition with other players, there are no guarantees it will be able to continue to compete with current and future brands.

Expansion of operations

The Company's future growth is dependent on the network's ability to increase sales through existing channels, though also on finding new geographical markets for the Company's products. The opportunity to find new markets for Björn Borg is partly dependent on factors outside the Company's control, such as economic conditions, trade barriers and access to attractive store locations on commercially viable terms.

Network

The Company's position and future expansion are dependent in part on independent entrepreneurs that serve as product companies, distributors and franchisees in the network. Despite that Björn Borg generally has effective, extensive contractual relationships, directly or indirectly, with outside parties in the network, these agreements can be terminated and there are no guarantees that similar agreements can be signed. The termination of a cooperation with one or more entrepreneurs in the network could adversely impact the Company's growth and results.

Fashion trends

The Company's operations are affected by shifts in trends and fashions and consumer preferences with regard to design, quality and price. Positioning relative to various competitors' products is critical. There is generally a positive connection between fashion level and business risk, with higher fashion implying a shorter product life cycle and higher business risk. Sudden changes in fashion trends may reduce sales for some collections.

Cyclicality

Like all retail sales, the sale of the Company's products is affected by changes in economic conditions. A growing economy has a positive effect on household finances, which is reflected in spending patterns. A downturn in the economy has the opposite effect.

Protecting the Björn Borg trademark

The Björn Borg trademark is crucial to the Company's position and success. Copyright infringements and distribution of pirated copies damage the Björn Borg brand, the reputational capital of its products and Björn Borg's profitability. As the brand has become stronger and sales of its products have grown, the Company has noted an increase in pirated copies of its products. In addition to the risks associated with pirating, the opportunity to expand to new markets could be affected if, for example, a third party in another country has registered a trademark similar to Björn Borg. The Company works continuously with trademark protection. There are no guarantees, however, that the measures taken to protect the Björn Borg trademark are sufficient.

Furthermore, the Björn Borg trademark is associated with Björn Borg the person. The trademark's position is therefore dependent to some degree on whether Björn Borg himself is associated with the ideals in the brand's platform.

Reputational damage

The Company's reputation among customers is based on a consistent experience with Björn Borg products in the markets where they figure. Björn Borg products should be presented in a way that reflects the values Björn Borg represents. If the parties in the network should take any action that presents Björn Borg products in a way that conflicts with the Company's market positioning or the values the brand represents, Björn Borg's reputation would be damaged. In the long term damage to the Company's reputation will impact growth and earnings.

Form of association, etc.

Björn Borg AB (publ) was formed on February 20, 2004 and recorded in the register of companies on March 19, 2004. The Company's form of association is governed by the Swedish Companies Act (2005:551). The domicile of the Board of Directors is the municipality of Stockholm. The Company's registration number is 556658–0683.

Outlook for 2008

It is the Company's policy not to issue earnings forecasts.

The turmoil in the financial markets is expected to negatively impact consumer spending in the next twelve months.

For Björn Borg, 2009 will be distinguished by further investments in product development and new markets – and a focus on costs.

Parent Company

Björn Borg AB (publ) is mainly engaged in intra-Group activities. The Company also owns 100 percent of the shares in Björn Borg Brands AB and Björn Borg Footwear Holding AB. The Parent Company's net sales amounted to SEK 50.6 million (44.6). Profit before tax amounted to SEK –16.6 million (–6.9) in 2008.

Cash & cash equivalents amounted to SEK 220.3 million (180.8). In 2008 investments in tangible and intangible non-current assets amounted to SEK 0.8 million (6.8).

Proposed distribution of profit

The Board and the President propose that the unappropriated profit of SEK 107,343,795 be allocated as follows:

Retained earnings, SEK	107,343,795
Profit for the year, SEK	–12,209,903
	95,133,892
The Board proposes:	
that a dividend of SEK 1.50 per share be paid to shareholders	37,588,776
Carried forward, SEK	**57,545,116**

Based on the background information above, and considering current economic conditions, the Board considers the proposed dividend to be justifiable in view of the requirements which the nature, scope and risks of the Company's and the Group's operations place on the size of the equity, as well as the Company's and the Group's consolidation needs, liquidity and financial position in other respects.

Income statements

		Group		Parent Company	
SEK thousands		IFRS	IFRS	SCA	SCA
	Note	**2008**	**2007**	**2008**	**2007**
Net sales	4,5	526,556	494,886	50,630	44,595
Cost of goods sold		–243,058	–229,841	–6,975	–4,707
Gross profit		283,498	265,045	43,655	39,888
Distribution expenses		–105,380	–81,493	–40,235	–29,563
Administrative expenses		–37,133	–30,619	–15,475	–11,370
Development expenses		–12,234	–10,858	–6,190	–4,548
Operating profit	4, 6, 7, 8, 9, 10, 11	128,751	142,075	–18,245	–5,593
Interest income and similar income	26	13,472	7,403	6,487	3,425
Interest expenses and similar items	26	–7,401	–7,251	–4,772	–3,413
Profit after financial items		134,822	142,227	–16,529	–5,581
Appropriations	12	–	–	–104	–1 299
Profit before tax		134,822	142,227	–16,633	–6,880
Tax on profit for the year	13	–35,620	–40,136	4,424	1,785
Profit for the year		**99,202**	**102,091**	**–12,209**	**–5,095**
Minority share		8	–29	–	–
of which attributable to Parent Company's shareholders		99,210	102,062	–12,209	–5,095
Earnings per share, SEK	23	3.96	4.18	–	–
Earnings per share after full dilution, SEK	23	3.96	4.17	–	–

Balance sheets

		Group		Parent Company	
SEK thousands		IFRS	IFRS	SCA	SCA
	Note	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**
Assets					
Non-current assets					
Intangible assets	14				
Goodwill		13,944	13,944	–	–
Trademarks		187,532	187,532	–	–
Other intangible non-current assets		1,696	941	–	–
		203,172	202,417	–	–
Tangible non-current assets	15				
Property, plant and equipment		15,366	17,817	5,543	6,460
		15,366	*17,817*	*5,543*	*6,460*
Financial non-current assets					
Shares in Group companies	16	–	–	54,497	54,497
		–	–	54,497	54,497
Total non-current assets		218,538	220,234	60,040	60,957
Current assets					
Inventories					
Trading book	17	33,752	24,640	–	–
		33,752	24,640	–	–
Current receivables					
Accounts receivable	18	79,900	61,706	458	953
Due from Group companies		–	–	59,551	39,913
Tax assets		–	–	2,376	5,171
Other current receivables		5,335	2,691	59	23
Prepaid expenses and accrued income	19	20,962	12,696	4,078	2,619
		106,197	77,093	66,522	48,679
Cash & cash equivalents					
Cash and bank balances		241,498	187,423	220,348	180,269
		241,498	187,423	220,348	180,269
Total current assets		381,447	289,156	286,870	228,948
Total assets		**599,985**	**509,390**	**346,910**	**289,905**

		Group		Parent Company	
SEK thousands		IFRS	IFRS	SCA	SCA
	Note	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**
Equity and liabilities					
Equity					
					Restricted equity
Share capital		7,831	7,824	7,831	7,824
Other paid-in capital		179,177	169,435	–	–
Statutory reserve		–	–	46,817	46,817
				54,648	54,641
					Unrestricted equity
Retained earnings according to IFRS		226,716	165,597	–	–
Retained earnings		–		107,343	137,931
Profit for the year		–	–	–12,209	–5,095
				95,134	132,836
of which attributable to Parent Company's shareholders		413,724	342,856	–	–
Minority interests		79	87	–	–
Total equity		**413,803**	**342,943**	**149,782**	**187,477**
Untaxed reserves	12	–	–	7,359	7,254
Non-current liabilities					
Other liabilities to credit institutions	20	–	–	–	–
Deferred tax liabilities	13	32,884	28,607	–	–
Other non-current liabilities	20	46,816	52,515	–	–
		79,700	81,122	–	–
Current liabilities					
Due to credit institutions	20	–	–	–	–
Accounts payable		45,489	23,140	7,713	5,694
Due to Group companies		–	–	173,048	81,807
Current tax liabilities	13	19,274	25,772	–	–
Other current liabilities	20	11,350	9,474	1,324	340
Accrued expenses and deferred income	21	30,369	26,939	7,684	7,333
		106,482	85,325	189,768	95,174
Total liabilities		**186,182**	**166,447**	**189,768**	**95,174**
Total equity and liabilities		**599,985**	**509,390**	**346,910**	**289,905**
Memorandum items					
Pledged assets	22	18,000	18,000	–	–
Contingent liabilities	22	4,451	398	–	–

Change in shareholders' equity

Group

SEK thousands	Share capital*	Other paid-in capital	Retained ernings	Minority interest	Total equity
Opening balance, January 1, 2007	7,252	49,027	81,775	–	138,054
Revenue and expenses for the period recognized directly in equity:	–	–	–	–	–
Profit for the year	–	–	102,062	29	102,091
Total revenue and expenses for the year	–	–	102,062	29	102,091
New share issues	348	98,152	–	–	98,500
Incentive schemes, warrant premium	224	22,256	–	–	22,480
Dividend	–	–	– 18,241	–	–18,241
Business combinations	–	–	–	58	58
Closing balance, December 31, 2007	7,824	169,435	165,597	87	342,943
Translation difference	–	–	– 536	–	–536
Revenue and expenses for the period recognized directly in equity:	–	–	–536	–	–536
Profit for the year	–	–	99,210	–8	99,202
Total revenue and expenses for the year	–	–	98,674	–8	98,666
New share issues	7	687	–	–	694
Incentive schemes	–	9,055	–	–	9,055
Dividend	–	–	– 37,555	–	–37,555
Closing balance, December 31, 2008	7,831	179,177	226,716	79	413,803

Parent Company

SEK thousands	Share capital*	Statutory reserve	Retained earings	Total equity
Opening balance, January 1, 2007	7,252	46,817	31,174	85,243
Dividend	–	–	–18,241	–18,241
New share issues	348	–	98,152	98,500
Incentive schemes	224	–	22,256	22,480
Group contributions	–	–	6,375	6,375
Tax effect of Group contributions	–	–	–1,785	–1,785
Profit for the year	–	–	–5,095	–5,095
Closing balance, December 31, 2007	7,824	46,817	132,836	187,477
Dividend	–	–	–37,555	–37,555
New share issues	7	–	687	694
Incentive schemes	–	–	–	–
Group contributions	–	–	15,799	15,799
Tax effect of Group contributions	–	–	–4,424	–4,424
Profit for the year	–	–	–12,209	–12,209
Closing balance, December 31, 2008	7,831	46,817	95,134	149,782

Number of shares*	Number of votes	Number of shares	Share capital, SEK
Opening balance, January 1, 2007	5,801,844	5,801,844	7,252,305
New share issues	278,552	278,552	348,190
Increase in number of shares due to 4-for-1 split	18,241,188	18,241,188	–
Exercise of warrants	715,400	715,400	223,563
Closing balance, December 31, 2007	25,036,984	25,036,984	7,824,058
Exercise of warrants	22,200	22,200	6,938
Closing balance, December 31, 2008	25,059,184	25,059,184	7,830,995

*All shares are common shares and are fully paid-in. No shares are reserved for transfer according to warrant agreements or other agreements.

Cash flow statements

		Group		Parent Company	
SEK thousands		IFRS	IFRS	SCA	SCA
	Note	**2008**	**2007**	**2008**	**2007**
Operating activities					
Profit after tax		99,202	102,062	–12,209	–5,095
Income tax expensed in income statement		35,620	40,136	–4,424	–1,785
Financial expenses and income recognized through profit or loss		–6,071	–152	1,715	–12
Amortization/depreciation of intangible/tangible non-current assets		6,976	4,121	1,670	799
Appropriations		–	–	104	1,299
Other financial items		622	–	–	–
Interest paid		–1,996	–7,251	–6,487	–3,413
Interest received		6,702	7,403	4,772	3,425
Taxes paid		–17,841	–16,038	2,796	–10,320
Cash flow from operating activities before changes in working capital		123,214	130,281	–12,063	–15,102
Changes in working capital					
Change in inventories		–9,112	–2,604	–	–
Change in accounts receivable		–18,194	–19,051	495	–610
Change in other receivables		–10,910	151	–5,333	73,675
Change in accounts payable		22,349	2,449	2,019	1,809
Change in other current liabilities		–20,393	–3,525	92,576	38,415
Change in working capital		–36,260	–22,580	89,757	113,289
Cash flow from operating activities		86,954	107,701	77,694	98,187
Investing activities					
Acquisition of intangible assets	14	–2,200	–225	–	–
Acquisition of tangible non-current assets	15	–2,873	–15,290	–754	–6,793
Acquisition of shares in associated companies		–	–45	–	–
Sale of tangible non-current assets		–	–	–	–
Cash flow from investing activities		–5,073	–15,560	–754	–6,793
Financing activities					
Repayment of loans		–	–67,000	–	–50,000
New share issues		694	98,500	694	98,500
Paid-in and received warrant premiums		9,055	22,479	–	22,479
Dividend		–37,555	–18,241	–37,555	–18,271
Cash flow from financing activities		–27,806	35,738	–36,861	52,708
Cash flow for the year		**54,075**	**127,879**	**40,079**	**144,102**
Cash & cash equivalents at beginning of year		187,423	59,544	180,269	36,167
Cash & cash equivalents at year-end		241,498	187,423	220,348	180,269
Increase/decrease in cash & cash equivalents		54,075	127,879	40,079	144,102

Supplementary information

Note 1 • Accounting principles

General
Björn Borg owns the Björn Borg trademark and currently has operations in five product areas: clothing, footwear, bags, eyewear and fragrances. Björn Borg products are sold in fifteen markets, the largest of which are Sweden and the Netherlands. Operations are conducted through a network of product and distribution companies which are either part of the Group or independent companies with licenses for product areas and geographical markets. The Björn Borg Group has its own operations at every level from brand development to consumer sales in its own Björn Borg stores.

The Parent Company operates as a limited liability company with its registered address in Stockholm. The address of the head office is Götgatan 78, 28th floor, SE-118 30 Stockholm, Sweden. The Parent Company's share is listed on Nasdaq OMX Stockholm. A list of the largest individual shareholders as of December 31, 2008 is provided on page 49 of this annual report.

Accounting and valuation principles
The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the EU and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2008. The Group also applies the Swedish Financial Reporting Board's recommendation RFR 1.1 Supplementary Accounting Regulations for Groups, which specifies the additional disclosures required besides IFRS according to the provisions of the Annual Accounts Act. The Parent Company's functional currency is Swedish krona, which is also the Group's reporting currency. All amounts are in SEK thousands unless indicated otherwise. The Group's critical accounting policies are described below.

New standards and interpretations
Revised standards and interpretations that entered into force in 2008 are not applicable to the Group. The International Accounting Standards Board (IASB) has issued a number of new and revised standards which will be applied as of January 1, 2009. The standards that could impact Björn Borg's future financial reporting are described below.

IFRS 8 Operating Segments replaces IAS 14 Segment Reporting. Aside from a number of additional disclosure requirements, the standard may affect segment reporting going forward. Björn Borg has not yet completed its evaluation whether this affects the reporting of segments. IAS 1 Presentation of Financial Statements has been updated. According to the revised standard, only transactions with owners will be presented in the statement of changes in equity, while other transactions that are currently presented in equity will instead be presented in a statement of comprehensive income. These standards have been adopted by the EU. Other new and revised standards at present are not expected to be of significance to Björn Borg's accounting and financial reporting.

The IASB has also issued a revised standard, IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements. For Björn Borg, they apply as of January 1, 2010. IFRS 3 and IAS 27 will affect the reporting of any acquisitions from this date. IFRS 3 and IAS 27 have not yet been adopted by the EU.

The International Financial Reporting Interpretation Committee (IFRIC) has issued the following interpretations: IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 16 Hedges of a Net investment in a Foreign Operation, IFRIC 17 Distribution of Non-cash Assets to Owners and IFRIC 18 Transfer of Assets from Customers. According to Björn Borg's preliminary assessment, these new standards will not affect the Group's accounting and financial reporting.

Consolidation
The consolidated financial statements include the Parent Company and all entities over which the Parent Company exercises control. These are companies in which Björn Borg has the right to formulate financial and operational strategies, generally through a shareholding of more than 50 percent of the capital and votes. The existence and effect of potential voting rights which are currently exercisable or convertible are taken into account when determining whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained and are no longer consolidated from the date on which control ceases.

The acquisition method is used to report the Group's acquisitions of subsidiaries. The cost of an acquisition consists of the fair value of the assets paid as consideration, equity instruments in issue and liabilities that have arisen or been assumed as of the closing date, plus expenses directly attributable to the acquisition. Identifiable acquired assets and assumed and contingent liabilities are initially valued at fair value on the acquisition date, regardless of the scope of any minority interests. The surplus comprised of the difference between the acquisition value and fair value of the Group's share of identifiable acquired net assets is recognized as goodwill. If the cost of the acquired subsidiary's net assets is less than their fair value, the difference is recognized directly through profit or loss. The accounting principles used by subsidiaries are adjusted where necessary to ensure consistency with the principles applied by other Group entities. All inter-company transactions and balances are eliminated in the preparation of the consolidated financial statements. Unrealized losses are also eliminated unless the transaction provides evidence of impairment.

Associates
Associates are companies in which the Group holds at least 20 and not more than 50 percent of the votes or where the Group otherwise can exercise a significant influence. A significant influence means that the owner can participate in decisions concerning a company's financial and operational strategies, but does not allow it to decide on these strategies.

Associates are reported according to the equity method. Holdings in associates are initially recognized at cost. The carrying amount includes any goodwill. The equity method means that the Group's share of any profit generated by the associate after acquisition is recognized through profit or loss. Cumulative changes subsequent to acquisition are recognized as a change in the holding's carrying amount.

Unrealized gains and losses on transactions between an associate and the Parent Company are eliminated in proportion to the Group's holding in the associate.

Minority interests
The minority share in a subsidiary's net assets is reported as a separate item in the Group's equity. In the consolidated income statement, the minority share is included in reported income. Transactions with the minority are treated in the same way as transactions with external parties. The sale of shares to the minority results in a gain or loss that is recognized in the consolidated income statement. The acquisition of minority shares can result in goodwill if the cost exceeds the carrying amount of the acquired net assets.

Translation of foreign currency transactions
Transactions in foreign currency are translated to Swedish krona at the exchange rate on the transaction date. Monetary items (assets and liabilities) in foreign currency are translated to Swedish krona at the balance date exchange rate. Exchange gains and losses that arise on such translations are recognized through profit or loss as other operating income and/or other operating expenses.

Revenue recognition
Revenue comprises the fair value of goods and services sold, net of value-added tax, rebates and discounts and after eliminating intra-Group sales. Revenue is recognized as follows:

- Sales of goods are recognized when a product is delivered to the customer and the financial risks of ownership are transferred, which coincides with delivery (see points 2–4 below).
- Royalties are recognized in the period to which the underlying revenue refers.

Björn Borg's revenue is classified in the following four categories:

1. Royalty revenue
Royalty revenue is generated through wholesale sales of Björn Borg products by distributors (Group-owned and independent) to retailers, and is calculated as a percentage of these sales. Royalties are recognized through profit or loss at the same time as the distributor's wholesale sale.

2. Product company revenue
The product companies for clothing and footwear generate revenue for Björn Borg from product sales to distributors.

3. Distribution company revenue
The Group-owned distribution companies for the clothing and footwear product areas generate revenue for Björn Borg from product sales to retailers.

4. Björn Borg store revenue
The Group-owned Björn Borg stores generate revenue for Björn Borg from product sales to consumers.

Leasing
In a finance lease, the economic risks and benefits associated with ownership of an asset are transferred in all essential respects from lessor to lessee. Other leases are classified as operating.

The Group as lessee
Assets held according to finance leases are recognized as non-current assets in the consolidated balance sheet at fair value at the start of the lease term or at the present value of the minimum lease fees, whichever is lower. The corresponding liability is carried in the balance sheet as a liability to the lessor. Lease payments are distributed between interest and principal. Interest is distributed over the lease term so that every reporting period is charged with an amount corresponding to a fixed interest rate on the recognized liability for each period. Depreciation of financially leased assets is carried for owned assets, with the exception of lease assets where it is unlikely Björn Borg will redeem the asset in question. In such cases, the asset is depreciated over its period of use or the lease term, whichever is shorter, taking into account residual values at the conclusion of each period.

Lease fees paid for operating leases are expensed on a straight-line basis over the lease term unless another systematic approach better reflects Björn Borg's use of the leased asset.

Employee benefits
The Group has only defined contribution pension plans. A defined contribution plan is a pension plan where the Group pays fixed premiums to a separate legal entity. After it has paid the premium, Björn Borg has no further obligation to the Group's employees. The fees are recognized as staff costs in the period to which the fees relate.

Premiums received from employees for stock options in issue have been recognized as an increase in equity. If the Group receives market-rate consideration from employees for equity instruments in issue, no expense is recognized through profit or loss.

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy. The Group recognizes a liability and an expense in connection with a termination when Björn Borg is demonstrably committed to terminating employment before the normal retirement date or providing termination benefits as the result of an offer made to encourage voluntary redundancy.

Björn Borg recognizes a liability and an expense for bonuses when there is a legal or constructive obligation to pay such bonuses to employees as a result of past practice.

Taxes
The Group's total tax expense consists of current tax and deferred tax. Current tax is the tax paid or received for the current year and any adjustments for current tax in prior years. Deferred tax is calculated on differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is reported using the liability method. Deferred tax liabilities are normally recognized for all taxable temporary differences, while deferred tax assets are recognized to the extent it is probable that taxable profit will be available against which the amounts can be utilized.

The carrying amount of a deferred tax asset is tested at each balance sheet date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax is determined using the tax rates expected to apply when the asset is recovered or the liability settled. Deferred tax is recognized as income or expense through profit or loss, unless it is attributable to transactions or events recognized directly in equity, in which case it is recognized in equity.

Deferred tax assets are set off against deferred tax liabilities when they relate to income taxes levied by the same tax authority and the Group intends to make or receive a single net payment.

Intangible assets
Goodwill
Goodwill consists of the amount by which cost exceeds the fair value of the Group's share of an acquired subsidiary's identifiable net assets upon acquisition. If it is proven at the time of acquisition that the fair value of acquired assets, liabilities and contingent liabilities exceeds cost, the surplus is immediately recognized as revenue through profit or loss.

Goodwill has an indeterminate period of use and is recognized at cost less accumulated impairment losses. Goodwill is allocated to the smallest cash-generating units.

Tenancy rights
Tenancy rights are recognized at cost less depreciation. Depreciation is booked on a straight-line basis over the estimated period of use, i.e., the lease term, usually five years.

Trademarks
Trademarks are tested annually to identify any impairment loss and are recognized at cost less accumulated amortization. The Björn Borg trademark was established in the Swedish fashion market during the first half of the 1990s. Continuity has given the brand a distinct identity and strong position in its markets. It is characterized by quality products and creative, innovative design influenced by the sporting heritage associated with the Björn Borg name. Through consistent, long-term branding, Björn Borg has strengthened its role in the international fashion market. The trademark is considered to have a very strong market position and therefore has an indeterminate period of use.

Tangible non-current assets
Tangible non-current assets are recognized as assets in the balance sheet if it is probable that future economic benefits will accrue to the Company and their cost can be reliably measured. Tangible non-current assets, consisting mainly of equipment and computers, are carried at cost less accumulated depreciation and impairment losses. Depreciation of tangible non-current assets is expensed in a way that the asset's value is depreciated on a straight-line basis over its estimated useful life. Equipment and computers are depreciated by 20–33 percent annually.

Impairment of assets
At the end of each reporting period, the Group's assets are tested for impairment. If there is an indication of impairment, the asset's recoverable amount is calculated. Goodwill has been allocated to cash-generating units and, together with other intangible assets with an indeterminate period of use and intangible assets not in use, is subject to annual impairment testing even if there is no indication of diminished value. However, impairment testing is done more frequently if there are indications of diminished value. The recoverable amount is the higher of the asset's value in use and the value that would be obtained if the assets were sold to an independent party, i.e., its net selling price. Value in use is the present value of all receipts and disbursements expected to arise from continuing use of the asset plus the present value of the net selling price at the end of the asset's useful life. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Inventories
Inventories are valued at the lower of cost according to the first in, first-out method and fair value (recoverable amount).

The recoverable amount corresponds to the estimated selling price less estimated expenses required to complete the sale.

The necessary provisions are made for obsolescence based on an individual determination. The change between the year's opening and closing balances in the obsolescence reserve affects operating profit in its entirety.

Recognition of financial assets and liabilities and other financial instruments
Financial instruments are valued and recognized by the Group in accordance with the rules in IAS 39. Financial assets and liabilities are categorized according to IAS 39. Financial instruments are initially recognized at cost, corresponding to the instrument's fair value plus transaction costs for all financial instruments other than those in the category financial assets (liabilities) are recognized at fair value through profit or loss. Subsequent recognition and valuation depend on how the financial instruments have been classified.

Financial assets and liabilities are recognized in the balance sheet when the Company becomes a party to the instrument's contractual terms. Accounts receivable are recognized when an invoice has been issued. Liabilities are recognized when the counterparty has performed as agreed and there is a contractual obligation to pay, even if the invoice has not yet been received. Accounts payable are recognized when an invoice has been received.

A financial asset is derecognized when the rights in the agreement are realized, expire or the Company loses control of them. The same applies to part of a financial asset. A financial liability is derecognized when the obligation in the agreement is fulfilled or otherwise discharged. The same applies to part of a financial liability.

Calculation of the fair value of financial instruments

The fair values of short-term investments and derivatives are determined using official market listings on the closing day. If such listings are unavailable, a valuation is made using generally accepted methods such as discounting future cash flows to the listed market rate of interest for each maturity. Translations to Swedish kronor are made using balance sheet date exchange rates.

Set-off of financial assets and liabilities

Financial assets and liabilities are set off and recognized net in the balance sheet when there is a legal right of set-off and when the intention is to report the items net or realize the asset while at the same time settling the liability.

Loans receivable and accounts receivable

Loans receivable and accounts receivable are financial receivables that arise when the Company provides money without the intent to trade its claim and are categorized as loans receivable and accounts receivable. Within loans receivable and accounts receivable, accounts receivable are included in other current receivables and cash & cash equivalents. Assets in this category are recognized after acquisition at amortized cost. Amortized cost is calculated with the help of the effective interest rate method, which means that any premiums and discounts as well as directly related costs or revenue are accrued over the life of the agreement with the help of the estimated effective interest rate. The effective interest rate is the interest rate that produces the instrument's cost through a present value calculation of future cash flows. The anticipated maturity of accounts receivable is short, due to which they are carried at nominal amount without discounting. Accounts receivable are recognized at the amounts that are expected to be received after deducting impaired receivables, which are evaluated individually. Provisions for impaired receivables are recognized when there is objective proof that the Group will not be able to receive all the amounts that are due as per the original terms of the receivables. If it is determined in the quarterly review of exposures that a customer, due to insolvency, has not been able to pay its liabilities or for good reason is not expected to pay its liabilities within three months, a provision is allocated for the entire established or anticipated loss. Provisions for anticipated impaired receivables are based on an individual assessment of each customer given their solvency, future risk and the value of the collateral received.

Write-downs of accounts receivable are recognized in operating expenses. Translations to Swedish kronor are made using balance sheet date exchange rates.

Cash & cash equivalents

Cash & cash equivalents consist of cash, demand deposits and other short-term investments with maturities of three months or less. Cash and bank deposits are reported at nominal amounts and short-term investments at fair value, with any changes in value recognized through profit or loss.

Financial liabilities

Accounts payable and loan liabilities are categorized as "Financial liabilities," which means they are recognized at amortized cost. The anticipated maturity of accounts payable is short, due to which the liability is carried at nominal amount without discounting.

Liabilities to credit institutions, bank overdraft facilities and other liabilities (loans) are initially recognized at fair value, net after transaction costs. Loans are subsequently carried at amortized cost. Any transaction costs are distributed over the term of the loan applying the effective rate method. Long-term liabilities have an anticipated maturity of more than one year, while short-term liabilities have a maturity of less than one year.

Share capital

Common shares are classified as share capital. Transaction costs in connection with new share issues are reported as a deduction (net of tax) from the issue proceeds.

Provisions

Provisions for legal claims or other claims from external counterparties are reported when the Group has a legal or constructive obligation as a result of a past event and it is likely that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Cash flow statement

The cash flow statement has been prepared according to the indirect method. Reported cash flow comprises only transactions that entail receipts and disbursements.

Parent Company's accounting principles

The annual report of the Parent Company has been prepared according to the Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 2:1 Accounting in Legal Entities and statements from the Swedish Financial Reporting Board. RFR 2:1 means that the Parent Company, in the annual report for the legal entity, must apply all EU-approved IFRS and pronouncements as far as possible within the framework of the Annual Accounts Act, taking into account the connection between reporting and taxation. The recommendation specifies the exemptions from and additions to IFRS. Differences between the accounting principles of the Group and the Parent Company are indicated below.

Taxes

The amounts allocated to untaxed reserves constitute taxable temporary differences. Because of the relationship between tax expense (income) and accounting profit, the deferred tax liability attributable to untaxed reserves is not reported separately by the legal entity. Swedish practice requires changes in untaxed reserves to be recognized through profit or loss in individual companies under the heading "Appropriations." The accumulated value of provisions is reported in the balance sheet under the heading "Untaxed reserves," of which 26.3 percent is considered a deferred tax liability and 73.7 percent restricted equity.

Shareholder contributions and Group contributions

Björn Borg recognizes shareholder contributions and Group contributions in accordance with statement UFR 2 from the Swedish Financial Reporting Board. Shareholder contributions are recognized directly in the unrestricted equity of the recipient and as an increase in the contributor's "Shares in Group companies."

Group contributions paid and received for the purpose of minimizing the Group's tax are reported as a reduction or increase in unrestricted equity, and their tax effects are recognized directly in equity and therefore do not affect profit or loss.

Note 2 • Critical estimates and assumptions

Critical estimates and assumptions for accounting purposes

Estimates and assumptions are periodically evaluated based on historical experience and other factors, including assumptions regarding future events that under current circumstances seem reasonable. Estimates and assumptions about the future are part of the work in preparing the annual report. By definition, the estimates for accounting purposes that this necessitates will not always correspond to actual outcomes.

Taxes

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities and their value for tax purposes. There are primarily two types of assumptions and estimates that affect reported deferred tax, i.e., those used to determine the carrying amount of various assets and liabilities and those used to determine future taxable gains in cases where future utilization of deferred tax assets is dependent on this. For more information, see Note 13.

Impairment testing of goodwill and trademarks

Impairment testing of the Group's goodwill and the carrying amount for trademarks requires estimates and assumptions regarding margins, growth, discount rates, etc. For a more detailed description of impairment testing, see Note 14.

Note 3 • Financial risk management

Financial risk management and financial derivatives

Through its operations, Björn Borg is exposed to currency, interest rate, credit and counterparty risks, as well as liquidity and refinancing risks. The Board has decided how the Group will manage these risks.

Currency risk

Fluctuations in exchange rates affect Björn Borg's results mainly because sales and purchases are made in different currencies (transaction exposure). The Group's transaction risk arises because revenue from sales in Sweden is generated in SEK at the same time that expenses largely relate to purchases in other currencies. The Group's purchases are primarily made in USD or USD-related currencies and to a lesser extent in euro. Björn Borg manages the transaction risk by using the surplus generated on sales to export markets to pay for purchases of goods sold in the Swedish market. Björn Borg does not utilize currency derivatives.

Interest rate risk

Interest rate risk refers to the risk that changes in market interest rates will negatively impact the Group's net interest income and expenses. Björn Borg's interest rate risk as of December 31, 2008 was limited, since interest-bearing assets amounted to SEK 241,498 thousand and interest-bearing loan liabilities amounted to SEK 0 thousand.

Credit and counterparty risks

The Group's credit and counterparty risks consist of exposures to commercial and financial counterparties. Credit or counterparty risk refers to the risk of a loss if the counterparty does not meet its obligations. According to the decision of the Board of Directors, this risk will be limited by only accepting counterparties with high credit ratings and establishing limits. Björn Borg's commercial credit risk mainly consists of accounts receivable, which are distributed among a large number of counterparties. Credit risk vis-à-vis financial counterparties is limited to financial institutions with high credit ratings. As of December 31, 2008 there were no significant concentrations of credit risk. The maximum credit risk corresponds to the carrying amount of the financial assets.

Liquidity and refinancing risks

Liquidity and refinancing risk refers to the risk that the cost will be higher and financing opportunities limited when loans are renewed and that payment obligations cannot be met due to insufficient liquidity or difficulty obtaining financing. The Group's cash & cash equivalents are invested short-term, with the goal of using surplus liquidity to amortize loans. According to the decision of the Board, liquidity and refinancing risk is managed by obtaining binding, long-term lines of credit. At year-end 2008 the Group had an available bank overdraft facility of SEK 120,000 thousand.

Note 4 • Segment reporting

A business segment is a group of assets and operations which provides products or services that are exposed to risks and opportunities that differ from those of other business segments. Geographical areas provide products or services within an economic environment which is exposed to risks and opportunities that differ from those of other economic environments. Business segments are classified as primary segments and geographical areas as secondary.

The Björn Borg Group is divided into four primary business segments: Brand, Product development, Distribution and Retail.

Trademarks

In its capacity as owner and manager of the Björn Borg trademark, the Björn Borg Group receives royalty revenue based on wholesale sales by distributors and product companies.

Product development

The product companies for clothing and footwear are responsible for design and development of collections for all markets in the network. They generate revenue from product sales to distributors.

Distribution

Distribution companies for clothing and footwear generate revenue for the Björn Borg Group from product sales to retailers.

Retail

Björn Borg's own stores generate revenue for the Björn Borg Group from sales to consumers.

Summary by segment

Primary segment – business segments

	Brand		Product development		Distribution		Retail		Total		Eliminations		Group	
SEK thousands	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenue														
External sales	57,272	51,529	250,608	225,371	163,655	157,774	55,021	60,212	526,556	494,886	–	–	526,556	494,886
Internal sales	85,020	75,113	86,579	75,291	33,312	26,877	6	111	204,916	177,392	–204,916	–177,392	–	–
Total sales	142,292	126,642	337,187	300,662	196,967	184,651	55,027	60,323	731,472	672,278	–204,916	–177,392	526,556	494,886
Operating profit	42,656	46,145	50,009	38,371	27,475	39,626	8,611	17,933	128,751	142,075	–	–	128,751	142,075
Non-current assets	215,792	232,462	8,512	8,306	632	3,625	10,749	11,742	235,686	256,135	–17,148	–35,901	218,538	220,235
Inventories	–	–	854	359	34,752	27,158	12,065	7,843	47,671	35,360	–13,919	–10,720	33,752	24,640
Other current assets	535,511	490,122	166,868	99,268	96,196	126,310	37,289	46,365	835,865	762,065	–454,419	–497,550	381,446	264,515
Total assets	751,304	722,584	176,234	107,933	131,581	157,093	60,104	65,950	1,119,222	1,053,560	–485,486	–544,171	633,736	509,390
Other liabilities	290,517	328,115	170,199	103,833	87,109	141,265	45,966	62,167	593,791	635,380	–407,609	–468,933	186,181	166,447
Total liabilities	290,517	328,115	170,199	103,833	87,109	141,265	45,966	62,167	593,791	635,380	–407,609	–468,933	186,181	166,447
Investments in tangible and intangible non-current assets	754	6,793	164	0	510	498	3,645	8,224	5,073	15,515	–	–	5,073	15,515
Depreciation/amortization	–1,670	–898	–57	–17	–151	–96	–5,097	–3,110	–6,976	–4,121	–	–	–6,976	–4,121

Secondary segments – geographical areas

	Sweden		Netherlands		Norway		Denmark		Other		Group	
SEK thousands	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenue												
Sales	/ . 5)- 34	227,331	123,981	100,317	46,518	64,014	40,283	65,513	97,706	37,711	526,556	494,886
Assets	633,736	2-6)06-	–	–	–	–	–	–	–	–	633,736	509,390
Investments	5,073	15,515	–	–	–	–	–	–	–	–	5,073	15,515
Depreciation/amortization	–6,976	–4,121	–	–	–	–	–	–	–	–	–6,976	–4,121

Note 5 • Revenue distribution

	Group		Parent Company	
Net sales, SEK thousands	2008	2007	2008	2007
Royalty and service revenue	57,272	51,529	50,630	44,595
Product company revenue	250,608	225,371	–	–
Distribution company revenue	163,655	157,774	–	–
Björn Borg store revenue	55,021	60,212	–	–
Total	526,556	494 886	50,630	44,595

Note 6 • Revenue and expenses between Group companies

The Parent Company's revenue from subsidiaries amounted to SEK 47,218 thousand (39,298). The Parent Company's expenses for subsidiaries amounted to SEK 5,567 thousand (616). The Parent Company's sales to subsidiaries mainly consist of compensation to cover shared costs for rents, central administration, shared systems and marketing services.

Note 7 • Information on personnel and compensation to Board, President and other Senior Executives

Wages, salaries, other compensation and social security contributions	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Wages, salaries and other compensation	38,052	32,314	10,268	9,720
Social security contributions	12,933	10,124	4,183	2,475
of which pension costs	4,687	3,197	2,336	1,175
Total	55,672	45,636	16,787	13,369

Wages, salaries and other compensation divided between Board, Senior Executives and other employees				
Board, President and other Senior Executives	11,260	9,195	7,732	6,189
Other employees	26,792	23,119	2,536	3,531
Total	38,052	32,314	10,268	9,720

Average number of employees[1]				
Women	59	47	7	5
Men	29	29	7	4
Total	88	76	14	9

Group	2008		2007	
Gender distribution among Board members and Senior Executives	Men	Women	Men	Women
Board	6	1	6	1
Senior Executives other than President	5	2	6	2
Total	11	3	12	3

Compensation and other benefits to Directors	Board fees 2008	Other compensation 2008	Board fees 2007	Other compensation 2007
Chairman of the Board				
Fredrik Lövstedt	300	–	200	10
Other Directors				
Mats H Nilsson	100	16	80	18
Håkan Roos	100	–	80	–
Vilhelm Schottenius	100	24	80	10
Michael Storåkers	100	–	80	–
Lottie Svedenstedt	100	9	80	–
Nils Vinberg	–	–	–	–
Total	800	49	600	38

Compensation and other benefits to Senior Executives

2008	Base salary	Variable compensation	Pension costs	Other compensation	Total
President[2]	1,800	240	960	1,800	4,800
EVP[3]	1,065	120	373	–	1,558
Other Senior Executives	3,948	175	779	–	4,902
Total	6,813	535	2,112	1,800	11,260
2007					
President	1,680	1,584	601	–	3,865
EVP	840	792	150	–	1,782
Other Senior Executives	2,962	503	571	–	4,036
Total	5,482	2,879	1,322	–	9,683

1) The average number of employees is calculated based on 1,800 annual working hours.
2) President Nils Winberg and new President Arthur Engel.
3) Vice President Jimmy Johansson and new Vice President Henrik Fischer.

Benefits to Board, President and other Senior Executives

Compensation to Board

The Chairman and other Directors received total fees of SEK 800 thousand (600) in 2008, in accordance with the Board compensation approved by the Annual General Meeting. The Chairman received SEK 300 thousand (200), while other Directors excluding the President received SEK 100 thousand (80) each. In addition to their fees, the Chairman and other Directors are reimbursed for travel and accommodations in connection with Board meetings.

Compensation to the President and Senior Executives

Björn Borg's President through October 31, 2008, Nils Vinberg, during the year received salary and other remuneration of SEK 1,500 thousand (1,680), variable compensation of SEK 240 thousand (1,584) and severance of SEK 1,800 thousand (excluding social security contributions and pension payments). Björn Borg's President as of November 1, 2008, Arthur Engel, received a salary and other remuneration of SEK 300 thousand during the year. The variable compensation is paid out if the Group's sales and results exceed the Board's established budget. Moreover, the President receives a company car and health insurance. He is entitled to a monthly pension provision corresponding to 25 percent of his base salary.

The President has a term of notice of 12 months if terminated by the Company. If he resigns, there is a 6-month term of notice. A proposal on the terms of the compensation package for the President is made by a compensation committee consisting of Fredrik Lövstedt and Håkan Roos and approved by the Board. The President's holding of shares and warrants is described below.

Senior Executives refer to seven persons who, together with the President, made up the Group Management in 2008.

Other Senior Executives

Base salaries paid to Senior Executives other than the President amounted to SEK 5,013 thousand (3,802) in 2008. Moreover, they receive variable compensation if the Group's sales and results exceed the Board's established budget. The variable compensation for 2008 amounted to SEK 295 thousand (1,295). Certain Senior Executives also have access to a company car. Björn Borg pays pension premiums to a defined contribution pension plan. Retirement benefit costs for 2008 amounted to SEK 1,061 thousand (721). If Senior Executives other than the President are terminated by the Company, they have a term of notice of 3–6 months. The shareholdings and warrant holdings of Senior Executives of Björn Borg are described below.

Shareholdings and warrant holdings of Board, President and other Senior Executives

	No. of warrants	No. of shares
Fredrik Lövstedt	–	1,400,040
Mats H Nilsson	–	1,478,440
Håkan Roos	–	1,003,200
Vilhelm Schottenius	–	1,023,520
Michael Storåkers	–	84,200
Lottie Svedenstedt	–	80,000
Nils Vinberg	–	711,080
President	750,000	–
Senior Executives other than President	607,600	158,310
Total	1,375,600	5,938,790

Shareholdings and warrant holdings as of December 31, 2008.

Pensions

The Group has only defined contribution pension plans. A defined contribution plan is a plan where the Group pays fixed premiums to a separate legal entity. After it has paid the premium, Björn Borg has no further obligation to the Group's employees. The fees are recognized as staff costs in the period to which the fees relate and in 2008 amounted to SEK 4,7 million (3.2).

Incentive schemes

Björn Borg offers the following three incentive schemes based on warrants in the Parent Company.

Warrant scheme 2006:1

Warrant scheme 2006:1, approved by the Annual General Meeting 2006 at the suggestion of Björn Borg's principal owner, Dirbal B.V., issued 200,000 warrants to Björn Borg Brands AB for further transfer to employees of the Group. After deducting warrants that have been exercised and those that have been deregistered by the Swedish Companies Registration Office, there are currently 22,300 outstanding warrants in this scheme. After restatement for a 4-for-1 share split in 2007, the outstanding warrants carry the right to subscribe for 89,200 shares for SEK 33 per share. None of the outstanding warrants are currently held by the Group company Björn Borg Brands AB.

Warrant scheme 2008:1

Warrant scheme 2008:1, approved by the Annual General Meeting 2008 at the suggestion of Björn Borg's Board of Directors, issued 500,000 warrants to Björn Borg Brands AB for further transfer to employees of the Group. After deducting warrants that have been deregistered by the Swedish Companies Registration Office, there are currently 155,300 outstanding warrants in this scheme. The outstanding warrants carry the right to subscribe for 155,300 shares for SEK 74.60 per share.

Warrant scheme 2008:2

Warrant scheme 2008:2, approved by the Annual General Meeting 2008 at the suggestion of Björn Borg's Board of Directors, issued 1,250,000 warrants to Björn Borg Brands AB for further transfer to the President and Vice President of the Group. There are currently 1,250,000 outstanding warrants in this scheme. The outstanding warrants carry the right to subscribe for 1,250,000 shares for SEK 48.84 per share.

Other

The warrants have been acquired at market rates based on an independent valuation according to the Black & Scholes model. None of the outstanding schemes contain terms that could entail costs for the Company, e.g., in form of social security contributions. The schemes provided Björn Borg Brands AB with proceeds totaling SEK 9,055 thousand in 2008. If all outstanding warrants were exercised, the number of shares in the Company would increase from 25,059,184 to 26,533,684 and the share capital would increase by SEK 467,031, which would mean that the new shares correspond to 6.0 percent of the total number of shares on a fully diluted basis.

Warrant scheme	Scheme 2005	Scheme 2006:1	Scheme 2008:1	Scheme 2008:2	Total
Outstanding at beginning of year	100	27,450	–	–	27,550
Warrants issued during the year	–	–	500,000	1,250,000	1,750,000
Canceled/own purchase	–	–	–344,700	–	–344,700
Converted to shares	–100	–5,150	–	–	–5,250
Outstanding and exercisable at year-end	–	22,300	155,300	1,250,000	1,427,600
Share entitlement	–	89,200	155,300	1,250,000	1,494,500

Note 8 • Auditors' fees

	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Deloitte AB				
Compensation for audits and related services	946	1,013	690	757
Compensation for other assignments	122	70	122	70
	1,068	1,083	812	827
Other accounting firms				
Compensation for audits and related services	74	35	–	–
Compensation for other assignments	25	–	–	–
	99	35	–	–
Total	1,167	1,118	812	827

Audit assignments refer to the examination of the annual report and accounting records as well as the administration by the Board and the President, other tasks related to the duties of the Company's auditors and consultation or other services that may result from observations noted during such examinations or implementation of such other tasks. All other tasks are defined as other assignments.

Note 9 • Depreciation/amortization

Depreciation/amortization of intangible and tangible non-current assets by function

	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Distribution expenses	4,768	2,810	1,085	519
Administrative expenses	1,988	1,185	417	199
Development expenses	220	126	167	81
Total	6,976	4,121	1,670	799

Note 10 • Operating leases

	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007
Lease fees during the year amount to	12,017	9,206	3,952	1,792
Future lease fees amount to				
– within 1 year	12,275	11,495	4,027	3,952
– later than 1 year but within 5 years	51,454	47,055	16,895	15,807
Total	63,729	58,550	20,922	19,759

The Björn Borg Group leases offices and retail space. The leases are signed on market terms with regard to price and duration. Certain leases are variable and include both a minimum rent and a portion contingent on sales. As of the closing day, December 31, 2008, the Björn Borg Group had not entered into any finance leases.

Note 11 • Transactions with related parties

Björn Borg Footwear AB has entered into a property lease with Klockaren Fastighetsförvaltning i Varberg AB, which is owned by Jan Lanai. Jan Lanai is a member of the management of the Björn Borg Group and is President and Director of Björn Borg Footwear AB. In 2008 SEK 399 thousand (388) was expensed for rent for premises. Transactions with related parties were made on market terms.

Note 12 • Untaxed reserves

Parent Company	Dec. 31 2008	Dec. 31 2007
Untaxed reserves		
Accumulated accelerated depreciation	1,403	1,299
Tax allocation reserve 2006	5,955	5,955
Total	7,358	7,254

Note 13 • Taxes

	Group		Parent Company	
Tax on profit for the year	2008	2007	2008	2007
Current tax on profit for the year	–30,923	–28,684	–	–
Deferred tax	–4,697	–11,452	–	–
National tax on Group contributions	–	–	4,424	1,785
Total reported tax expense	–35,620	–40,136	4,424	1,785

Reconciliation between current	Group		Parent Company	
tax rate and effective tax rate	2008	2007	2008	2007
Recognized profit before tax	134,822	142,227	–16,633	–6,880
Tax according to Parent Company's applicable tax rate	–37,750	–39,824	4,657	1,926
Tax effect of:				
Other non-deductible costs	–60	–438	–234	–141
Other tax-exempt income	84	–	–	–
Tax owing to amended tax rate	1,894	–	–	–
Tax related to expenses not recognized through profit or loss	210	126	–	–
Recognized tax expense	–35,620	–40,136	4,424	1,785

	Group		Parent Company	
Deferred taxes	2008	2007	2008	2007
Recognized deferred tax assets and tax liabilities				
Inventories	3,661	3,002	–	–
Untaxed reserves	–36,545	–31,609	–	–
Total deferred tax assets (+) deferred tax liabilities (–)	–32,884	–28,607	–	–

Note 14 • Intangible assets

Group	Dec. 31 2008	Dec. 31 2007
Goodwill		
Accumulated cost		
Opening balance	13,944	13,944
Carrying amount at year-end	13,944	13,944
Trademarks		
Accumulated cost		
Opening balance	187,532	187,532
Carrying amount at year-end	187,532	187,532
Tenancy rights		
Accumulated cost		
Opening balance	1,225	1,000
Investments	2,200	225
Closing balance	3,425	1,225
Accumulated amortization		
Opening balance	–284	–50
Amortization for the year	–1,445	–234
Translation differences for the year	–	–
Closing balance	–1,729	–284
Carrying amount at year-end	1,696	941

Acquisition of Björn Borg trademark

The purchase price consists of an initial price of SEK 124,000 thousand and a supplemental payment in the next ten years comprising a fixed portion and a contingent portion. The reported cost of the trademark is the initial purchase price of SEK 124,000 thousand, together with the portion of the supplemental payment that can be reliably determined (total SEK 187,532 thousand), whereby only the fixed portion of the supplemental payment is included. An expense will be recognized through profit or loss during the period 2007–2016 for the amount by which the actual supplemental payment exceeds the payment recognized in the cost of the trademark. In accordance with IAS 38, future payments of the supplemental payment have been discounted to present value and a corresponding amount is carried among other liabilities. The difference between the present value of the future supplemental payment and the nominal amount is carried as an interest expense over the credit period applying the effective interest method.

Impairment testing of goodwill and trademarks

Goodwill has been allocated to three cash-generating units: Björn Borg Brands AB, Björn Borg Clothing AB and Björn Borg Footwear Holding AB. There are also intangible assets in the form of trademarks where the cash-generating unit is Björn Borg Brands AB. A list is provided below.

	2008	2007
Goodwill		
Björn Borg Brands AB	9,330	9,330
Björn Borg Clothing AB	658	658
Björn Borg Footwear Holding AB	3,956	3,956
Total	13,944	13,944
Trademarks		
Björn Borg Brands AB	187,532	187,532
Totalt	187,532	187,532

Every year the Group tests goodwill and trademarks for impairment in accordance with the accounting principle described in Note 1.

The future cash flows used to calculate each unit's value in use are based in the first year on the budget adopted by the Board for 2009 for each unit, after which cash flows are based on the assumption that annual growth will be lower than historical growth in the last five-year period. Management bases its assumptions of future growth on previous experience and thorough discussions with distributors.

Impairment tests were conducted as of December 31, 2008 applying a 17–25 percent discount rate before tax as well as an assumption of annual, sustainable growth of 3 percent for the period beyond the forecast horizon. This annual growth is assumed to be in line with growth for the market in which Björn Borg is active. The forecast period stretches from 2009 to 2012.

There are no impairment losses in the Group, since the discounted present value of future cash flows exceeds the carrying amount of the net assets in every case.

If the assumed growth beyond the forecast period used in the calculation of value in use for goodwill and trademarks had been 0 percent instead of the assumed 3 percent, there would have still been no impairment losses.

Note 15 • Tangible non-current assets

	Group Dec. 31 2008	Group Dec. 31 2007	Parent Company Dec. 31 2008	Parent Company Dec. 31 2007
Accumulated cost				
Opening balance	23,012	16,515	7,612	825
Investments	2,873	15,290	754	6,793
Acquisition of subsidiaries	–	523	–	–
Sales and disposals	–	–9,316	–	–6
Closing balance	25,885	23,012	8,366	7,612
Accumulated depreciation				
Opening balance	–5,195	–10,184	–1,152	–360
Acquisition of subsidiaries	–	–439	–	–
Sales and disposals	166	8 608	–	4
Depreciation for the year	–5,490	–3,180	–1,670	–797
Closing balance	–10,519	–5,195	–2,822	–1,153
Carrying amount at year-end	15,366	17,817	5,544	6,459

Note 16 • Financial non-current assets

Parent Company	Jan. 1-Dec. 31 2008	Jan. 1-Dec. 31 2007
Shares in subsidiaries		
Opening cost	54,497	54,497
Closing cost	54,497	54,497

Shares in subsidiaries	Reg. no.	Reg. address	No. of shares	Share of equity	Book value
Björn Borg Brands AB	556537-3551	Stockholm	84,806	100	40,216
Björn Borg Clothing AB	556414-0373	Stockholm	1,000	100	–
Björn Borg Retail AB	556577-4410	Stockholm	1,000	100	–
Björn Borg Sweden AB	556374-5776	Stockholm	3,000	100	–
Anteros Lagerhantering AB	556539-2221	Stocckholm	901	90.1	–
Björn Borg Inc.					
Björn Borg Footwear Holding AB	556544-8924	Varberg	1,999	100	14,281
Björn Borg Footwear AB	556280-5746	Varberg	5,000	100	–
					54 497

Note 17 • Inventories

	Group Dec. 31 2008	Group Dec. 31 2007	Parent Company Dec. 31 2008	Parent Company Dec. 31 2007
Trading book, gross	34,796	25,402	–	–
Reserve for obsolescence in inventory	–1,044	–762	–	–
Total	33,752	24,640	–	–

Note 18 • Account receivable

Accounts receivable	Group Dec. 31 2008	Group Dec. 31 2007	Parent Company Dec. 31 2008	Parent Company Dec. 31 2007
Accounts receivable, gross	81,769	62,213	561	953
Reserve for impaired receivables	–1,869	–506	–102	–
Total accounts receivable, net, after reserve for impaired receivables	79,900	61,706	458	953

Overdue receivables				
Not overdue	62,774	40,536	168	857
1–30 days	10,023	18,567	25	32
31–90 days	4,563	2,067	19	6
91–180 days	2,790	738	43	58
>180 days	1,619	304	306	–
Total	81,769	62,213	561	953

Overdue receivables not considered impaired	Group Dec. 31 2008	Group Dec. 31 2007	Parent Company Dec. 31 2008	Parent Company Dec. 31 2007
Not overdue	62,768	40,536	168	857
1–30 days	9,866	18,567	25	32
31–90 days	4,102	2,067	19	6
91–180 days	2,094	535	10	58
>180 days	1,070	–	237	–
Total	79,900	61,706	458	953

Control account for customer losses – reconciliation				
Provisions at beginning of year	–506	–569	–	–
Reversed provisions	86	62	–	–
Provisions	–1,363	–	–102	–
Established losses	–86	–	–	–
Total	–1,869	–507	–102	–

Note 19 • Prepaid expenses and accrued income

	Group Dec. 31 2008	Group Dec. 31 2007	Parent Company Dec. 31 2008	Parent Company Dec. 31 2007
Accrued royalty revenue	4,664	4,947	–	–
Prepaid rents	5,336	4,452	2,107	1,254
Prepaid lease payments	69	122	–	929
Other	10,893	3,175	1,971	436
Total	20,962	12,696	4,078	2,619

Note 20 • Liabilities

Non-current and current interest-bearing loans	Group Dec. 31 2008	Group Dec. 31 2007	Parent Company Dec. 31 2008	Parent Company Dec. 31 2007
Available credit lines	–	–	–	–
Bank overdraft facilities	120,000	135,000	120,000	135,000
Total available credit lines	120,000	135,000	120,000	135,000
Utilized long-term credit lines	–	–	–	–
Utilized short-term credit lines	–	–	–	–
Total utilized credit lines	–	–	–	–
Unutilized available credit lines	120,000	135,000	120,000	135,000
Expiring in less than 1 year	–	–	–	–
Expiring in more than 1 but less than 5 years	–	–	–	–

Other non-current and current liabilities include a reported liability to the seller of the Björn Borg trademark totaling SEK 52,515 thousand (of which SEK 5,699 thousand will be paid within 12 months and SEK 30,870 thousand after 5 years).

Note 21 • Accrued expenses and deferred income

	Group		Parent Company	
	Dec. 31 2008	Dec. 31 2007	Dec. 31 2008	Dec. 31 2007
Royalty expenses	7,303	8,121	–	–
Personnel-related items	6,884	7,484	4,085	4,284
Customs and shipping costs	1,498	1,044	–	–
Management costs	1,115	1,092	1,115	1,092
Övrigt	13,569	9,198	2,483	1,957
Total	30,369	26 939	7,684	7,333

Note 22 • Pledged assets and contingent liabilities

	Group		Parent Company	
Pledged assets	Dec. 31 2008	Dec. 31 2007	Dec. 31 2008	Dec. 31 2007
Chattel mortgages	18,000	18,000	–	–
	18,000	18,000	–	–
Contingent liabilities				
Other guarantees	4,451	398	–	–
Total	4,451	398	–	–

Note 23 • Earnings per share

	2008	2007
Earnings per share, SEK	3.96	4.18
Earnings per share, SEK (after full dilution)	3.96	4.17
Number of shares	25,059,184	25,036,984
Number of shares, weighted average	25,041,134	24,406,699
Effect of dilution	34,366	83,461
Number of shares, weighted average (after full dilution)	25,075,500	24,490,160

Earnings per share is calculated by dividing profit attributable to the Parent Company's shareholders by the average number of shares outstanding during the period. All warrant schemes are taken into account in calculating the dilution effect.

Note 24 • Net profit/loss for each category of financial instrument

Group	2008	2007
Accounts receivable	13,497	–2,774
Accounts payable	–7,719	1,932
Changes in exchange rates, cash and bank balances	897	–180
Total	6,674	–1,022

Note 25 • Dividend per share

The Annual General Meeting on April 10, 2008 approved a dividend of SEK 37,555 thousand for the financial year 2008, corresponding to SEK 1.50 per share. The Board proposes that the Annual General Meeting adopt a dividend of SEK 1.50 per share for the financial year 2008, corresponding to SEK 37,589 thousand.

	2008	2007
Number of shares	25,059,184	25,036,984
Dividend	37,588,776	37,555,476

Note 26 • Net financial items

	Group	
Financial income	Dec.31 2008	Dec.31 2007
Change in exchange rates	1,457	641
Interest income*	6,702	2,497
Other financial income	5,312	4,265
Total financial income	13,472	7,403
Financial expenses		
Change in exchange rates	–560	–821
Other financial expenses	–2,525	–3,397
Interest expense Trademarks**	–2,320	–2,531
Interest expenses**	–1,996	–502
Total financial expenses	–7,401	–7,251
Net financial items	6,071	152

* Of which SEK 6,702 thousand (2,497) in interest income for financial assets not valued at fair value through profit or loss.

**Of which SEK –4,316 thousand (–3,033) in interest expenses for financial assets not valued at fair value through profit or loss.

Note 27 • Exposure to credit risk

	Group	
	Dec.31 2008	Dec.31 2007
Accounts receivable	79,900	61,706
Other current receivables	5,335	2,691
Total	85,235	64,397

Note 28 • Distribution of maturities

Dec. 31, 2008	Up to 3 mos.	3–12 mos.	1–5 yrs.	over 5 yrs.
Other liabilities	–	11,350	15,946	30,870
Accounts payable	45,489	–	–	–
Total	45,489	11,350	15,946	30,870

Dec. 31, 2007	Up to 3 mos.	3–12 mos.	1–5 yrs.	over 5 yrs.
Other liabilities	–	9,474	23,974	28,541
Accounts payable	23,140	–	–	–
Total	23,140	9,474	23,974	28,541

Note 29 • Financial assets and liabilities

Group 2008	Accounts receivable and loans receivable	Other financial liabilities	Total carrying amount	Fair value	Non-financial assets and liabilities	Total assets
Accounts receivable	79,900	–	79,900	79,900	–	79,900
Cash and bank balances	241,498	–	241,498	241,498	–	241,498
Total financial assets	321,398	–	321,398	321,398	–	321,398
Other non-current liabilities	–	46,816	46,816	46,816	–	46,816
Other current liabilities	–	5,699	5,699	5,699	5,651	11,350
Accounts payable	–	45,489	45,489	45,489	–	45,489
Total financial liabilities	–	98,004	92,305	92,305	5,651	103,655

Group 2007	Accounts receivable and loans receivable	Other financial liabilities	Total carrying amount	Fair value	Non-financial assets and liabilities	Total assets
Accounts receivable	61,706	–	61,706	61,706	–	61,706
Cash and bank balances	187,423	–	187,423	187,423	–	187,423
Total financial assets	249,129	–	249,129	249,129	–	249,129
Other non-current liabilities	–	52,515	52,515	52,515	–	52,515
Other current liabilities	–	5,480	5,480	5,480	3,994	9,474
Accounts payable	–	23,140	23,140	23,140	–	23,140
Total financial liabilities	–	81,135	75 655	75,655	3,994	85,129

The undersigned certify that the consolidated accounts and the annual report have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU as well as generally accepted auditing standards and provide a true and fair view of the financial position and results of the Group and the Parent Company and that the Board of Directors' report provides a true and fair overview of the operations, financial position and results of the Group and the Parent Company and describes the substantial risks and uncertainties faced by the Parent Company and companies in the Group.

Stockholm, March 20, 2009

Fredrik Lövstedt
Chairman

Nils Vinberg
Vice Chairman

Mats H Nilsson

Håkan Roos

Vilhelm Schottenius

Michael Storåkers

Lottie Svedenstedt

Arthur Engel
President and CEO

Our audit report was submitted on March 20, 2009
Deloitte AB

Håkan Pettersson
Authorized Public Accountant

Tommy Mårtensson
Authorized Public Accountant

Audit report

To the Annual General Meeting of Björn Borg AB (publ), company reg. no. 556658-0683

We have examined the annual accounts, the consolidated financial statements, the accounting records and the administration of the Board of Directors and the President of Björn Borg AB (publ) for the financial year 2008. The Company's annual report is included in the printed version of this document on pages 27–45. The Board of Directors and the President are responsible for the financial statements and the administration of the Company as well as for the application of the Annual Accounts Act in the preparation of the annual accounts and the application of the International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act in the preparation of the consolidated financial statements. Our responsibility is to express an opinion on the annual accounts, the consolidated financial statements and the administration of the Company based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. These standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and critical estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated financial statements as well as evaluating the overall presentation of information in the annual accounts and the consolidated financial statements. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board member or the President. We have also examined whether any Board member 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 our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and provide a true and fair view of the Company's results of operations and financial position in accordance with generally accepted accounting principles in Sweden. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act and provide a true and fair view of the Group's results of operations and financial position. The Board of Directors' report is consistent with the other parts of the annual accounts and the consolidated financial statements.

We recommend that the Annual General Meeting adopt the income statements and balance sheets of the Parent Company and Group, that the profit in the Parent Company be dealt with in accordance with the proposal in the Board of Directors' report, and that the members of the Board and the President be discharged from liability for the financial year.

Stockholm, March 20, 2009
Deloitte AB

Håkan Pettersson
Authorized Public Accountant

Tommy Mårtensson
Authorized Public Accountant

The share

The Björn Borg share has been listed on Nasdaq OMX Nordic's mid cap list since May 7, 2007 under the ticker symbol BORG. The share had been listed on the First North alternative marketplace since December 2004.

Share capital

The share capital in Björn Borg AB amounts to SEK 7,830,995, divided into 25,059,184 shares with a quota value of SEK 0.3125 per share. All shares carry equal rights to participate in the Company's profits and assets.

Trading

The last price paid on December 30, 2008 was SEK 41, giving Björn Borg a market capitalization of SEK 1,027 million. A total of 30.3 million shares were traded in 2008 at a value of approximately SEK 1,989 million. The average daily turnover was 120,279 shares. The share price fell by SEK 73 during the year, or 64.3 percent. The share reached a high of SEK 118.75 and dipped to a low of SEK 25.

Incentive schemes

Björn Borg has three outstanding incentive schemes based on warrants. The exercise of all the outstanding warrants would fully dilute the share capital by 6.0 percent. For more information on the incentive schemes, see Note 7 on page 40.

Dividend policy

The Board's long-term objective is to distribute approximately one third of after-tax profit to the Company's shareholders.

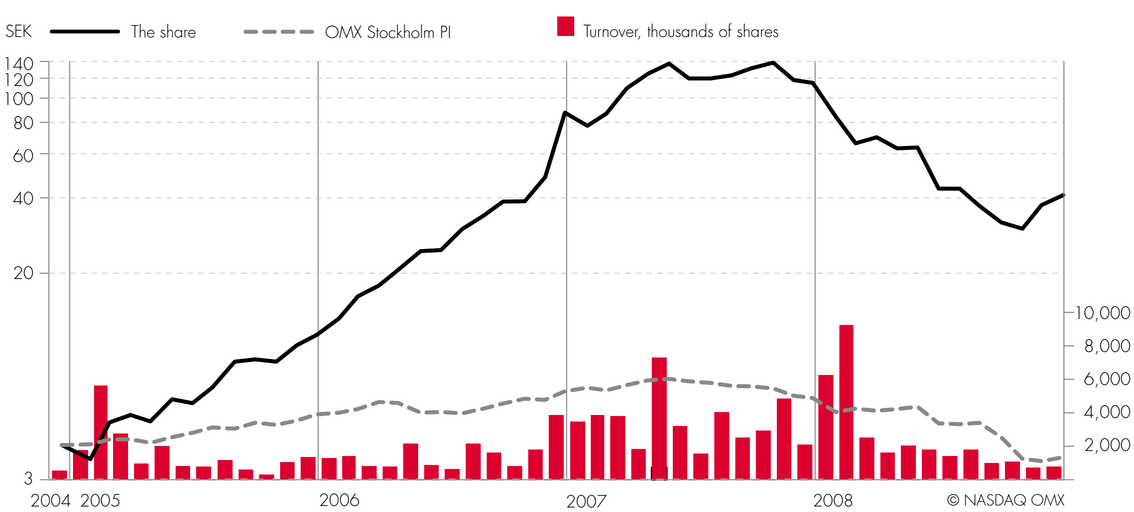
Dividend proposal

The Board proposes that the Annual General Meeting adopt a dividend for 2008 of SEK 1.50 (1.50) per share, corresponding to 38 percent (37) of after-tax profit.

Shareholders

As of December 31, 2008 Björn Borg had 6,166 shareholders (5,780), according to the Swedish Central Securities Depository (VPC). Björn Borg's ten largest shareholders owned shares corresponding to 55.7 percent of the votes and capital. Institutional investors owned 26.5 percent.

Share price performance



Changes in share capital

Year	Change in transaction	Change in no. of shares	Total no. of shares	Change in share capital	Total share capital, SEK	Quota value, SEK	Issue price, SEK
2004	20-for-1 split	869,117	914,860	–	4,574,300	5.00	–
2004	New share issue	450,000	1,364,860	225,000	6,824,300	5.00	17
2004	Non-cash issue	66,176	1,431,036	330,880	7,155,180	5.00	16
2006	4-for-1 split	4,293,108	5,724,144	–	7,155,180	1.25	–
2006	Redemption of warrants	15,800	5,739,944	19,750	7,174,930	1.25	27
2006	Redemption of warrants	61,900	5,801,844	77,375	7,252,305	1.25	27
2007	New share issue	278,552	6,080,396	348,190	7,600,495	1.25	90
2007	4-for-1 split	18,241,188	24,321,584	–	7,600,495	0.31	–
2007	Redemption of warrants	422,400	24,743,984	132,000	7,732,495	0.31	33
2007	Redemption of warrants	293,000	25,036,984	91,563	7,824,058	0.31	33
2008	Redemption of warrants	4,600	25,041,584	1,438	7,825,495	0.31	33
2008	Redemption of warrants	17,600	25,059,184	5,500	7,830,995	0.31	33

Largest shareholders

	No. of shares	Votes/capital, %
Swedbank Robur Fonder	2,091,973	8.4
Martin Bjäringer – through companies	1,743,000	7.0
Fourth Swedish National Pension Fund	1,553,157	6.2
Mats Nilsson – through companies	1,478,440	5.9
Fredrik Lövstedt	1,400,040	5.6
SEB Asset Management	1,261,280	5.0
Lannebo Fonder	1,220,000	4.9
SEB Investment Management	1,159,589	4.6
Vilhelm Schottenius – through companies and family	1,023,520	4.1
Håkan Roos – through companies and family	1,003,200	4.0
Other	11,124,985	44.3
Total	25,059,184	100

According to share register on December 31, 2008.

In previous annual reports, Björn Borg has equated the shares owned by the children of its major shareholders with the shareholders' own holdings, regardless of whether the children in question were of legal age and no longer lived at home. In this and subsequent annual reports, Björn Borg will equate the holdings of related parties with shareholders' own shares only to the extent allowed by the Act on Reporting Obligations for Certain Holdings of Financial Instruments.

Shareholder structure

	No. of shareholders	No. of shares	Holding, %	Votes, %	Market value SEK 000
1 – 500	4,382	770,216	3.07	3.07	31,579
501 – 1,000	806	690,508	2.76	2.76	28,311
1,001 – 5,000	718	1,706,106	6.81	6.81	69,950
5,001 – 10,000	108	806,605	3.22	3.22	33,071
10,001 – 15,000	43	551,031	2.20	2.20	22,527
15,001 – 20,000	25	451,905	1.80	1.80	18,528
20,001 –	84	20,082,813	80.14	80.14	822,739
Total	6,166	25,059,184	100.00	100.00	1,026,705

According to share register on December 31, 2008.

Data per share

	2008	2007	2006	2005
Earnings per share before dilution, SEK	3.96	4.18	2.55	1.03
Earnings per share after full dilution, SEK	3.96	4.17	2.53	1.02
Number of shares outstanding on closing day	25,059,184	25,036,984	23,207,376	22,896,576
Average number of shares outstanding	25,041,134	24,406,699	22,954,076	22,896,576
Average number of shares outstanding after full dilution	25,075,500	24,490,160	23,081,600	22,986,432

Board of Directors and Auditors

Fredrik Lövstedt
Chairman since 2005,
Director since 2004.
b. 1956.
M.Sc. Eng., MBA.
Other directorships: Chairman of Alert Security AB.
Background: Former Executive Vice President of Protect Data AB.
Shares in Björn Borg: 1,400,040.
Warrants in Björn Borg: 0.

Nils Vinberg
Vice Chairman since 2008.
Director since 2004.
b. 1957.
B.Sc. Econ.
Other directorships: Director of RNB Retail and Brands AB and CV Friskvård AB.
Background: Former President of Björn Borg AB.
Shares in Björn Borg: 711,080.
Warrants in Björn Borg: 0.

Mats H Nilsson
Director since 1998.
b. 1955.
B.Sc. Econ.
Other directorships: Director of Credelity Capital AB and SevenDay Finans AB.
Background: Former Executive Director of Swiss Bank Corporation, London, and Director of SG Warburg & Co Ltd, London.
Shares in Björn Borg: 1,478,440.
Warrants in Björn Borg: 0.

Håkan Roos
Director since 2004.
b. 1955.
B.Sc. Econ.
Other directorships: Chairman of Procurator AB, Mediplats AB, Sandå AB, Lomond Industrier AB, Nordlander & Roos Fondkommission AB, Provinsbanken Skåne's Malmö branch (branch office of Danske Bank).
Shares in Björn Borg: 1,003,200.
Warrants in Björn Borg: 0.

Vilhelm Schottenius
Director since 1997.
b. 1956.
B.Sc. Econ.
Other directorships: Chairman of Repairshop Sweden AB. Director of Procurator AB, Ernströmgruppen (EHI AB), Collector AB, Sportmanship Invest AB, Identity Works AB, Stampen Media AB, Saddler Scandinavia AB, Handelsbanken Varberg's local board.
Background: One of the founders of the Björn Borg brand and Lunarworks AB (Lunarstorm).
Shares in Björn Borg: 1,023,520.
Warrants in Björn Borg: 0.

Michael Storåkers
Director since 2006.
b. 1972.
B.Sc. Econ.
Other directorships: Chairman of McCann Nordic AB, Storåkers McCann AB and Pysslingen Skolor och Förskolor AB. Director of the Stockholm School of Economics , Beckmans College of Design and the Stockholm Beauty Council.
Shares in Björn Borg: 84,200.
Warrants in Björn Borg: 0.

Lottie Svedenstedt
Director since 2006.
b. 1957.
LL.B.
Other directorships: Director of Clas Ohlson AB, Stadium AB, K-Utveckling AB, Stampen AB, Wet Pot Systems AB, mkt media AB, Kid Hemtextil AB and Svedenstedt Consulting AB.
Shares in Björn Borg: 80,000.
Warrants in Björn Borg: 0.

Auditors

Deloitte AB

Håkan Pettersson.
Authorized Public Accountant.

Tommy Mårtensson.
Authorized Public Accountant.

Shareholdings and warrant holdings as of December 31, 2009.

Senior Management

Arthur Engel
President.
b. 1967.
B.Sc. Econ.
Background: Former President Gant, former President Leo Burnett.
Recruited 2008.
Shares in Björn Borg: 35,000.
Warrants in Björn Borg: 750,000.

Henrik Fischer
Vice President and International Sales Director.
b. 1967.
Business School Economics.
Background: Former President Polarn O. Pyret, former Director of Operations Gant, former President Gant Sweden.
Recruited 2008.
Shares in Björn Borg: 5,000.
Warrants in Björn Borg: 500,000.

Jimmy Johansson
Marketing Director.
b. 1975.
Recruited 2004.
MBA, IHM Business School.
Background: Former Business Area Manager at Lunarworks AB.
Shares in Björn Borg: 60,000.
Warrants in Björn Borg: 10,000.

Margareta Bjurling
Business Area Manager.
b. 1961.
Recruited 1992.
Business school economics.
Background: Former Sales Manager at Big Is Beautiful (BIB).
Shares in Björn Borg: 14,660.
Warrants in Björn Borg: 13,600.

Pernilla Groth
Product Manager.
b. 1970.
Recruited 1998.
Academy of Cutting and Tailoring, Stockholm.
Shares in Björn Borg: 21,650.
Warrants in Björn Borg: 40,000.

Jan Lanai
Business Area Manager.
b. 1961.
Recruited 1988.
IHM Business School.
Background: Sales representative at Rolf Nilsson AB.
Shares in Björn Borg: 62,000.
Warrants in Björn Borg: 18,000.

Johan Mark
Financial Manager.
b. 1974.
Recruited 2005.
B.Sc. Econ.
Background: Axfood AB, Öhrlings PWC.
Shares in Björn Borg: 0.
Warrants in Björn Borg: 26,000.

Shareholdings and warrant holdings as of February 28, 2009.

Corporate governance report 2008

The Björn Borg share has been listed on Nasdaq OMX Stockholm since May 7, 2007. The share had previously been listed on the First North alternative marketplace.

Corporate governance at Björn Borg

Corporate governance refers to the rules and structure established to effectively control and manage the operations of a corporation. Ultimately the purpose of corporate governance is to satisfy the demands of shareholders for a return on their investment and the demands of all stakeholders for information on the Company and its development.

Björn Borg began complying with the Swedish Code of Corporate Governance on July 1, 2007 and was fully harmonized by the Annual General Meeting in April 2008. The Board of Directors is responsible for ensuring compliance with the code by the Board itself as well as Management and the Company in general, and continuously monitors that the code is followed.

If companies subject to the Swedish Code of Corporate Governance do not follow it in any respect, this must be clearly specified, along with the reasons why. Björn Borg follows the Swedish Code of Corporate Governance without deviating from any of its provisions.

This corporate governance report does not constitute part of the formal annual report and has not been reviewed by the Company's auditors.

Annual General Meeting

Björn Borg's highest decision-making body is the Annual General Meeting (AGM), at which every shareholder who is recorded in the share register on the record day for the AGM is entitled to participate personally or by proxy. The AGM may decide on all issues that by law or in accordance with the Articles of Association expressly fall under another decision-making body's exclusive competence. Every shareholder is entitled to have an issue brought before at the AGM.

The AGM elects the Company's Board of Directors and its Chairman. Among the other duties of the AGM are to adopt the balance sheet and income statement, decide on the disposition of the profit from the Company's operations and discharge the Directors and the President from liability. The AGM also decides on the fees paid to the Board and approves the compensation guidelines for Management. The AGM also elects the auditors and decides on their fees. Further, the AGM may resolve to increase or reduce the share capital and can amend the Articles of Association.

Annual General Meeting 2009

The next AGM will be held in Stockholm on April 23, 2009. A notice will be released in accordance with the Articles of Association and the rules that apply according to the Swedish Companies Act and the Swedish Code of Corporate Governance.

Annual General Meeting 2008

The AGM 2008 was held in Stockholm on April 10, 2008. The AGM passed resolutions regarding, among other things, the reelection of the Board, the profit distribution, the issue of warrants for incentive schemes, the authorization of the Board to acquire and transfer the Company's own shares and authorization for new issues. The minutes of the AGM can be found on Björn Borg's web site.

Extraordinary General Meeting 2008

An Extraordinary General Meeting was held on November 13, 2008 at which shareholders resolved to issue warrants to create an incentive program for the newly appointed President, Arthur Engel, and the new Vice President and International Sales Director, Henrik Fischer.

Nomination Committee

According to the resolution of the AGM 2008, Björn Borg shall have a Nomination Committee. The Nomination Committee, whose composition was published on the web site in October 2008, consists of the following members:

- Fredrik Lövstedt, Chairman of the Board
- Carl Rosvall, representing Martin Bjäringer (through Dirbal B.V.)
- Stefan Roos, representing SEB Funds
- Arne Lööw, representing the Fourth Swedish National Pension Fund

Stefan Roos has been Chairman of the Nomination Committee. According to the resolution of Björn Borg's AGM 2008, the Nomination Committee's mandate is to propose to AGM 2009 the number of Directors to be elected by the meeting, their fees, any compensation for committee work, the composition of the Board, the Chairman, whether to form a Nomination Committee, the Chairman of the AGM and, when applicable, the election of the auditors and their fees.

The Nomination Committee held three meetings at which minutes were taken through January 31, 2009, in addition to contacts at other times. No compensation was paid to the members of the committee.

Board of Directors

In accordance with the Articles of Association, Björn Borg's Board of Directors consists of a minimum of four and a maximum of eight members, with a maximum of two deputies. Directors and deputies are elected at the AGM for a one-year term until the next Annual General Meeting. The AGM on April 10, 2008 reelected Directors Fredrik Lövstedt, Mats H Nilsson, Håkan Roos, Vilhelm Schottenius, Michael Storåkers, Lottie Svedenstedt and Nils Vinberg. Fredrik Lövstedt is Chairman of the Board.

The Board fulfills the requirements of Nasdaq OMX Nordic and the Swedish Code of Corporate Governance that no more than one Director may play an operational role in the Company, that at least half the Directors are independent in relation to the Company and that at least two Directors are independent of the Company's major shareholders. The Board is assisted by an outside secretary. Further information on the Directors can be found on page 50 of the annual report.

The Board's rules of procedure

Pursuant to the Swedish Companies Act, Björn Borg's Board is responsible for the Company's organization and management of its affairs and appoints its President. The Board lays down the Company's goals and strategy, adopts critical policy documents and continuously monitors their compliance. The Board also has ultimate responsibility for its various committees. The Board's rules of procedure, which were drawn up at the Board meeting on February 17, 2009, define the principles for Board work, the delegation between the Board and the President, and financial reporting.

Board work

The Board held eight scheduled meetings in 2008, four of which dealt with quarterly interim reports, one in connection with the budget formulation, one in connection with the AGM and one on connection with the appointment of a new President. Specific strategic matters were dealt with at one of the meetings. Directors' attendance at the year's Board meetings is shown in the table below.

Compensation Committee

The Board has established a Compensation Committee consisting of Chairman Fredrik Lövstedt and Håkan Roos to prepare proposals on remuneration and other terms of employment for Senior Executives. In 2008 the committee convened twice. Both members were present at these meetings.

Audit Committee

Björn Borg's Board has established an Audit Committee consisting of Chairman Fredrik Lövstedt, Mats H Nilsson and Håkan Roos. The committee supports the Board in its efforts to quality assure Björn Borg's financial reports and ensures the preparation and promulgation of correct, high-quality financial reporting. The committee convened a total of three times in 2008, all in connection with the quarterly reports. Fredrik Lövstedt, Mats H Nilsson and Håkan Roos attended all of these meetings.

President

The Board has established an instruction for the President's work and role. The President is responsible for day-to-day management of the Group's operations according to the Board's guidelines as well as other established policies and guidelines, and reports to the Board.

The President of Björn Borg since November 3, 2008 is Arthur Engel. He does not own any shares in companies with which Björn Borg has significant business ties. Further information on the President can be found on page 51 in the annual report.

Auditors

The auditors review Björn Borg's annual accounts, accounting records and the administration of the Board of Directors and the President. After every financial year the auditors submit an audit report to the AGM.

The auditors are appointed by the AGM for a term normally of four years. The AGM 2007 elected the registered public accounting firm Deloitte AB as auditor for the next four-year period, with authorized public accountant Håkan Pettersson as chief auditor, assisted by authorized public accountant Tommie Mårtensson. Håkan Pettersson has been the auditor for Björn Borg since the Company was established in 2004 and for the Group since 1997.

Further information on the auditors can be found on page 50 in the annual report. Information on the auditors' fee can be found in Note 7.

Compensation to Directors and Senior Executives

Compensation to the Chairman and other Directors is determined by the AGM. According to the latest determination, the Chairman will receive SEK 300,000 until the next AGM and other Directors will receive SEK 100,000. No separate fees are paid for committee work.

Directors' attendance in 2008

	Feb 12	Mar 11	May 6	Aug 19	Oct 14	Oct 28	Nov 11	Dec 18
Fredrik Lövstedt	1	1	1	1	1	1	1	1
Mats H Nilsson	1	1	1	1	1	1	1	1
Håkan Roos	1	1	1	1	–	1	1	–
Vilhelm Schottenius	1	1	1	1	1	1	1	1
Michael Storåkers	1	1	1	1	1	1	1	1
Lottie Svedenstedt	1	1	1	1	1	1	1	1
Nils Vinberg	1	1	1	1	1	1	1	1
No. of attendees	7	7	7	7	6	7	7	6

According to the compensation guidelines for Senior Executives approved by the AGM 2008, the remuneration for the President and seven other members of Management includes a base salary, variable compensation, long-term incentive schemes and other benefits, including a pension. The variable compensation is based on the results relative to defined, measurable targets and maximized relative to current salary targets.

The fixed and variable salary components as well as benefits for the President and Management of Björn Borg are indicated in Note 7 of the annual report.

Incentive schemes

Björn Borg has three outstanding incentive schemes that offer warrants in the Company. They were approved by the AGMs in 2006 and 2008 and the Extraordinary General Meeting in 2008. The scope of Björn Borg's incentive schemes is indicated in Note 7 of the annual report.

Financial reporting

The quality of the financial reporting is ensured by the Board of Directors' policies and instructions on the delegation of responsibility and control as well as the instruction for the President on financial reporting, among other things. Prior to each of its meetings, the Board receives the latest financial reports and at each meeting it discusses the financial situation of the Parent Company and the Group. The Board also discusses the interim and annual reports. At least once a year the auditors report on whether the Company has ensured that its accounts, their management and financial control are being handled satisfactorily. After the formal report the President, Executive Vice President and Chief Financial Officer leave the meeting so that the Directors can have a discussion with the auditors without the participation of the Senior Executives.

Board report on internal control with respect to financial reporting

According to the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for internal control. This report on internal control of financial reporting for 2008 has been prepared in accordance with the Swedish Code of Corporate Governance and is part of the corporate governance report.

Björn Borg's Board has evaluated the need for a separate audit function (internal audit) and has found that such a function is not necessary at present.

Organization of internal control of financial reporting

Control environment and corporate governance

The control environment serves as the basis for internal control of financial reporting. The Board of Directors' rules of procedure and instructions for the President and the Board's committees clearly define the delegation of roles and responsibilities in order to effectively manage the Company's risks. The Board has established a number of fundamental guidelines and frameworks that are important to internal control. Examples include the Board's rules of procedure, financial policy, investment policy, code of conduct and communication policy. The Board's Audit Committee has as its specific responsibility to monitor and quality assure the financial reporting.

Management regularly reports to the Board based on established routines, as does the Audit Committee. Management is responsible for ensuring that the routines and systems established for internal control are followed to ensure proper management of significant operating risks. This includes routines and guidelines for various Senior Executives, so that they will understand the importance of their roles in maintaining good internal control.

Risk assessment

Each year Management performs a risk assessment of financial reporting. The risk analysis has identified a number of critical processes. The greatest focus is on purchasing and revenue processes. Assessed risks in various major balance sheet and income statement items are graded and monitored. The Audit Committee plays an important role in risk assessment, since it reports on its observations and priority areas to Björn Borg's Board.

Communication and control activities

Prior to each of its meetings, the Board receives financial reports. The financial situation of the Parent Company and the Group is treated as a separate point at each Board meeting. The Audit Committee plays an important role in the monitoring process, since it reports on its observations and priority areas to the Board.

Manuals, guidelines and policy documents important to financial reporting are updated and provided to all parties concerned at internal meetings or by e-mail. To ensure that external information is distributed correctly, Björn Borg has a communication policy laid down by the Board.

Financial reporting for all subsidiaries is managed by Björn Borg's accounting department. The Company's auditors conduct the audit of the Group's financial reporting and therefore review the processes, systems, routines and accounting work done by Björn Borg's accounting department.

Monitoring

The Board of Directors of Björn Borg is ultimately responsible for internal control.

The Audit Committee appointed by the Board is responsible for, among other things, quality assuring the Company's financial reporting, informing itself about the focus of the audit and reviewing the efficiency of the internal control systems for financial reporting.

The Audit Committee has the internal control structure as a recurring point at its meetings.

Definitions

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

Operating margin
Operating profit as a percentage of net sales.

Profit margin
Profit before tax as a percentage of net sales.

Equity/assets ratio
Equity as a percentage of total assets.

Return on capital employed
Profit after financial items plus finance expense as a percentage of average capital employed.

Return on equity
Net income according to the income statement as a percentage of average equity. Average equity is calculated by adding equity at January 1 to equity at December 31 and dividing the result by two.

Earnings per share
Earnings per share in relation to the weighted average number of shares during the period.

Earnings per share after dilution
Earnings per share adjusted for any dilution effect.

Brand sales
Estimated total sales of Björn Borg products at the consumer level, including VAT, based on reported wholesale sales.

Björn Borg
Björn Borg refers to Björn Borg AB or, depending on the context, the group in which Björn Borg AB is the Parent Company (also referred to as "the Group"). "Björn Borg" also refers to the Björn Borg brand or, in rare cases, Björn Borg himself. In cases where "Björn Borg" refers to Björn Borg the person, this is noted.

Retailers
Retailers of Björn Borg products, including department stores, retail chains and independent merchants, as well as Group-owned or franchised Björn Borg stores and factory outlets.

Distributors
Distributors refer to the approximately 30 distributors with agreements with Björn Borg or with one of the external product companies on the use of the Björn Borg trademark and/or sale of Björn Borg products.

Product companies
Product companies are the Group companies Björn Borg Clothing AB and Björn Borg Footwear AB as well as the external companies EGOptiska International AB (eyewear), Libro Gruppen AB (bags) and Romella International AB (fragrances), which have agreements with Björn Borg on the use of the Björn Borg trademark in the development, design and manufacture of Björn Borg products.

Björn Borg stores
Björn Borg stores are stores managed by either Björn Borg Retail AB or a franchisee and sell only Björn Borg products.

Franchisees
Franchisees are companies with franchise agreements with Björn Borg that give them the right to manage Björn Borg stores.

Network
The network comprises Group companies included in Björn Borg and product companies, distributors and franchisees that directly or indirectly have contractual relationships with Björn Borg on the use of the Björn Borg trademark and/or sale of Björn Borg products. Independent retailers that are not franchisees are not part of the network.

SEK	Swedish krona
USD	US dollar
HKD	Hong Kong dollar
EUR	Euro

Other information

Annual General Meeting

The Annual General Meeting of shareholders will be held on Thursday, April 23, 2009 at 5:00 pm (CET) at the Company's office, Götgatan 78, Stockholm.

To be entitled to participate in the Annual General Meeting, shareholders must be entered in the shareholders' register maintained by the Swedish Central Securities Depository (VPC) on Friday, April 17, 2009 and must notify the Company of their intention to participate by 4:00 p.m. on the same date, April 17, 2009. Notification must be sent in writing to Björn Borg AB, Götgatan 78, SE-118 30 Stockholm, Sweden, by telephone to +46 8 506 33 700 or by e-mail to stamma@bjornborg.net. When notifying the Company, please include your name, personal identification or company registration number, address, telephone number and the names of those accompanying you.

Proxies and representatives of legal entities are advised to submit authorization documents well in advance of the meeting. A proxy template is available on Björn Borg's web site.

Shareholders whose shares are registered in the name of a nominee must temporarily re-register the shares in their own names with VPC in order to be entitled to participate in the meeting. Re-registration must be completed by Friday, April 17, 2009, which means that shareholders must inform nominees well in advance of this date.

2009 Calendar

Annual General Meeting 2009	April 23, 2009
Q1 Interim report, Jan – Mar 2009	May 15, 2009
Q2 Interim report, Jan – Jun 2009	August 20, 2009
Q3 Interim report, Jan – Sep 2009	November 12, 2009
Year-end report 2009	February 11, 2010

Financial reports

Financial reports can be downloaded from the Company's web site, www.bjornborg.com,
or ordered by telephone +46 8 506 33 700
or e-mail info@bjornborg.com.

Shareholder contact

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Design and Production: Vero Kommunikation and Wildeco.
Photography: Björn Borg’s image archive and Joakim Folke.
Printing: Jernström Offset, 2009.
Paper: Arctic the Silk.