

# BJÖRN BORG

ANNUAL REPORT 2009

<b>2</b>	BJÖRN BORG IN BRIEF
<b>5</b>	A WORD FROM THE PRESIDENT
<b>6</b>	VISION, BUSINESS CONCEPT, GOALS AND STRATEGY
<b>8</b>	THE BRAND
<b>12</b>	PRODUCT DEVELOPMENT
<b>16</b>	OPERATIONS
<b>21</b>	PRODUCT SEGMENTS
<b>24</b>	GEOGRAPHICAL MARKETS
<b>26</b>	CORPORATE RESPONSIBILITY AND ENVIRONMENT
<b>29</b>	EMPLOYEES
<b>32</b>	FIVE-YEAR SUMMARY
<b>33</b>	QUARTERLY DATA
<b>34</b>	BUSINESS SEGMENTS
<b>35</b>	BOARD OF DIRECTORS' REPORT
<b>39</b>	CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
<b>40</b>	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
<b>41</b>	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
<b>42</b>	CONSOLIDATED STATEMENT OF CASH FLOWS
<b>43</b>	PARENT COMPANY INCOME STATEMENT
<b>44</b>	PARENT COMPANY BALANCE SHEET
<b>45</b>	PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
<b>46</b>	PARENT COMPANY STATEMENT OF CASH FLOWS
<b>47</b>	SUPPLEMENTARY INFORMATION
<b>59</b>	AUDIT REPORT
<b>60</b>	THE SHARE
<b>62</b>	BOARD OF DIRECTORS AND AUDITORS
<b>63</b>	SENIOR MANAGEMENT
<b>64</b>	CORPORATE GOVERNANCE REPORT
<b>67</b>	DEFINITIONS
<b>68</b>	OTHER INFORMATION

**OCTOBER 2009**  
"ONE ARM HANDSTAND,  
ON A BENCH, ON  
ONE OF THE HIGHEST  
PEAKS IN THE CITY. ALL  
JUST ROCKIN MY BJORN  
BORG'S..."

FELIX CHAN, CANADA



# Passion for a brand

Some people want to show the whole world what they wear underneath. They want to be seen and challenge – with their jeans hung low. Others just like stylish design, high quality and great fit against their body.

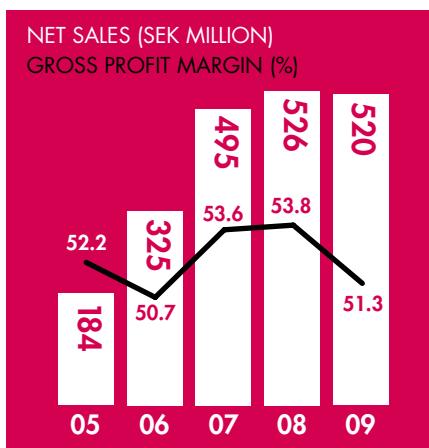
It's an incredible mix of people with one thing in common. They really like our products. And they like to talk about them. Young girls and guys who have yearned for what we offer. Self-assured men and women with attitude. They appreciate the playfulness in our products – and don't want to be boring just because they have turned 30. They are the ones who have been loyal to Björn Borg all these years. And they always, always wear Björn Borg. Every day.

We are so proud of the faith they have shown in us and the passion they share for the brand. It inspires us to stay innovative and take Björn Borg further around the world.

# BJÖRN BORG IN BRIEF



21.7



## BJÖRN BORG GROUP

Björn Borg is a Swedish company that owns and develops the Björn Borg brand. Fashion underwear is our core business and largest product area. We also offer adjacent products as well as footwear, bags, fragrances and eyewear. Björn Borg is currently represented in nearly 20 markets, the largest of which are the Netherlands and Sweden.

Björn Borg's operations comprise brand development, services for the network of licensees and distributors, and product development in the core businesses of underwear and adjacent products. The Group also manages distribution of these products in Sweden and the U.S.

Björn Borg's largest product group, underwear, has a strong foothold in established markets, and it is through underwear that Björn Borg is launched in new markets. With innovative product development, consistent marketing communications and efficient distribution, the potential is in place for a further expansion of the Björn Borg brand.

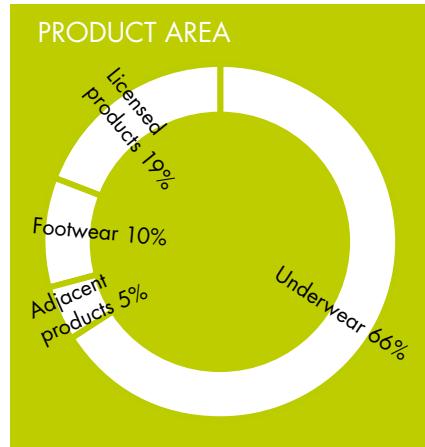
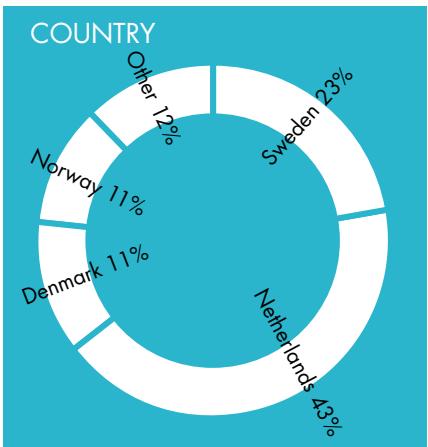
## THE YEAR IN NUMBERS

- The Group's net sales decreased by 1 percent to SEK 519.9 million (526.6).
- The gross profit margin was 51.3 percent (53.8).
- Operating profit decreased by 13 percent to SEK 112.6 million (128.8).
- Profit after tax decreased by 18 percent to SEK 80.9 million (99.2).
- Earnings per share decreased by 19 percent to SEK 3.22 (3.96). Fully diluted earnings per share amounted to SEK 3.21 (3.96).
- The Board of Directors has decided to recommend that the Annual General Meeting approve a dividend of SEK 5.00 (1.50) per share.



# 46

At year-end there were 46 Björn Borg stores,  
10 of which were Group-owned.



# 1,976

Total brand sales increased to SEK 1,976 million.

## THE BJÖRN BORG BRAND

The Björn Borg brand was established in the Swedish fashion market in the first half of the 1990s. Continuity has helped the brand to carve out a strong position in its established markets, particularly for its largest product group, underwear. In the last four 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 distinctive and innovative design. Our patterns and colors stand out, and a large variety of models creates an exciting product range. We are seen as a liberated Swedish brand of fashion underwear, which is underscored by our motto: Playful, Vibrant and Daring. A passion for underwear and the courage to challenge the industry is clearly evident in our marketing communications and product development. Our vision is to be *The World Champion of Fashion Underwear*.

## BRAND SALES

Total brand sales, excluding VAT, increased slightly during the year to SEK 1,976 million (1,971).

## MARKETS

In 2009 Björn Borg signed agreements to launch its products in four new markets – Italy, Greece, Portugal and Chile – through outside distributors.

A new distributor took over in the German market. The distribution agreement for England was terminated.

In the U.S. market the aim is to find an outside partner to further develop operations.

## NEW STORES

A total of three new Björn Borg franchised stores were opened during the year. The first franchised store in Sweden was opened in the fourth quarter. At year-end there were a total of 46 (44) Björn Borg stores, 10 (11) of which are Group-owned.



NOVEMBER 2009

"THIS IS A PHOTO OF  
MY DAD AND ME IN  
THE SAHARA DESERT  
IN MOROCCO."

EMILY AND RAY,  
CRANSTON  
CANADA

## A WORD FROM THE PRESIDENT

**CHANGE AND PASSION.** When 2009 began, we decided to adjust Björn Borg's direction going forward. We saw that the biggest potential to successfully develop the brand and company was by focusing on our largest product group, underwear. Making this change possible was our highest priority during the year. We are now prepared for the long-term growth that we have our sights on.

To achieve our goal of being the best in underwear and ensuring profitable growth, we identified three central areas where we need to be even better: innovative product development, creative marketing communications and efficient international distribution, including for the brand's other product groups. To strengthen these functions, we worked intensely during the year on improvements to our routines, skill sets and organization.

### NEW PRODUCTS ON THE WAY

We feel that to grow in new and mature markets it is essential that we increase the pace of, and innovation in, our product development. During the year we devoted great energy to this, and the results can now be seen in a broader, stronger range of underwear. During the spring several new products will be launched that we have great confidence in, and more will follow in the fall. We are making an exciting and important investment in a new category, kids' underwear, where we offered a sneak preview during holiday 2009.

At the same time we have clarified our marketing communications with a new brand platform. The campaigns we are now working on are more closely tied to our products and our customers. In the Swedish Exports campaign we rolled out last year, customers were invited to submit photos of themselves wearing Björn Borg products anywhere in the world. Readers of this annual report can see many great examples of the images we received. This direct contact with our consumers is invaluable and typifies the strong connection many people have with the Björn Borg brand.

### BJÖRN BORG – A SERVICE ORGANIZATION

To ensure that we have the right representation in our markets and licensing agreements, we evaluated all of Björn Borg's distributors and product companies during the year. In addition to experience and an established network of contacts, our partners must have the resources to invest long-term in the brand. Just as importantly, they must share Björn Borg's values and have a passion for the brand. In the same way, we place high demands on ourselves. Björn Borg has to be a service organization that provides the best possible support to its partners in cultivating their markets.

One consequence of our focus on underwear was the decision to license out the footwear product area to an international shoe company, similar to what we have done with bags, fragrances and eyewear. With a strong partner with established product development and international distribution, we believe Björn Borg footwear will have the opportunity to develop better than within the Group, where we have other top priorities. And we are absolutely certain that there is good potential for our footwear to grow internationally.

### CAUTIOUS OPTIMISM

Björn Borg has obviously been affected by the turbulence that pounded the market during the year and created uncertainty among distributors and retailers. But we still feel that 2009 was a good year for us, with brand sales and consolidated revenues in line with the previous year. There is continued uncertainty where our market is headed in 2010, even though we are also seeing cautious optimism in our own network and the market in general.

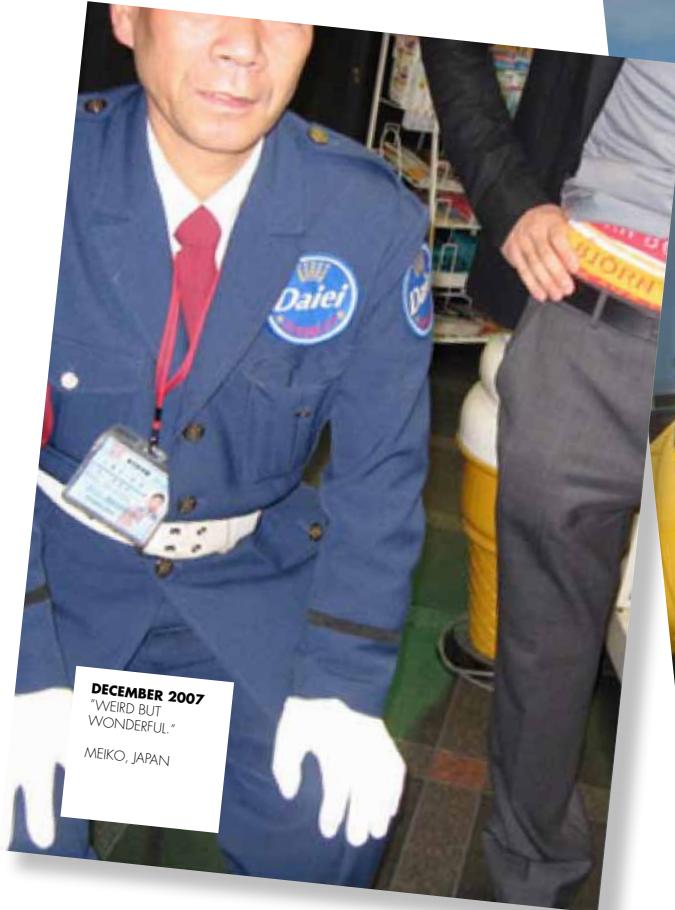
Regardless of the economy right now, we remain focused on our long-term development. When the new year began, we had implemented the changes we had hoped for in 2009. Now we are well-prepared for the brand's continued international expansion. We are concentrating the Group's energies on what we are best at. And we are doing it with a passionate, skilled group of employees and a strong network of outside distributors and licensees. We take a long-term approach, are decisive and are very proud of our growing brand.

Arthur Engel  
President



**"We feel that to grow in new and mature markets it is essential that we increase the pace of, and innovation in, our product development."**

# VISION, BUSINESS CONCEPT, GOALS AND STRATEGY



## VISION

Our vision is to utilize an innovative product offering and successful business model to become *The World Champion of Fashion Underwear*.

## GOALS

The Board of Directors has established financial objectives for the period 2010–2014. Björn Borg will generate:

- Average annual organic growth of at least 10 percent
- An average annual operating margin of at least 20 percent
- An annual dividend of at least 50 percent of net profit
- Long-term cash reserves equivalent to 10–20 percent of annual sales.

### COMMENTS ON THE FINANCIAL OBJECTIVES:

The long-term objective will be achieved by growing slightly below the average target in large markets and generating higher growth in smaller markets. At the beginning of the period sales growth could fall below the target, as several new markets are being added.

Surplus liquidity that is generated while taking into account the new financial objectives will be distributed gradually during the forecast period, starting in 2010.

Operating investments are estimated annually at 2–5 percent of net sales depending on whether any new Björn Borg stores are opened.



## DIVIDEND POLICY

An annual dividend of at least 50 percent of net profit.

- For 2009 the Board of Directors has decided to propose that the Annual General Meeting approve a dividend of SEK 5.00 per share, corresponding to 155 percent of net 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 independent retailers and Björn Borg stores,
- utilizing the broad-based competence and experience within the Company to further strengthen its position in fashion underwear,
- working closely with strong local distributors with an established distribution network, experience in underwear or fast-moving consumer goods and the resources for long-term marketing investments,
- implementing the current business model, which facilitates a geographical and product expansion with limited operating risk and capital investment.

# PLAYFUL, VIBRANT, DARING.

## THE BRAND

### IMPROVED POSITION WITH WHOLLY OWNED TRADEMARK

The Björn Borg brand is the core of the Group's operations. The Group has developed 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 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 position of strength internationally, at the same time that ownership provides long-term security to the entire network.

## POSITIONING

### DISTINCTIVE 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, while newer markets are in a start-up phase.

Today the brand increasingly stands on its own merits, distinct from Björn Borg as a person, and a growing number of consumers associate the name with the brand's products rather than Björn Borg himself. At the same time Björn Borg's legacy as a tennis player and his superstar status in large parts of the world still provide a strong platform for international expansion.



# BRAND PLATFORM

## BRAND IDENTITY

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. As part of the work with Björn Borg's new strategy and focus on underwear, this platform was further developed during the year.

The brand platform summarizes three concepts that form the essence of the Björn Borg brand:

### Swedish underwear

Björn Borg's identity is that of a Swedish underwear brand with a playful, flirty approach. A Swedish Underwear Liberation is Björn Borg's mission.

### Colorful underwear

Our products have historically been distinguished by lively colors and patterns – and still are.

### Passion for underwear

At the same time Björn Borg is driven by a passion for underwear and fashion and a desire to constantly challenge and develop its own products and the industry.



MAY 2009  
"BJÖRN BORG AT  
BAY TO BREAKERS  
RUNNING  
EVENT IN SAN  
FRANCISCO."



# BRAND DEVELOPMENT

## POSITIVE IMPACT OF CLOSER COOPERATION

Björn Borg tries to provide the best possible service to its distributors and licensees, which in turn commit to a specific level of marketing investment in each market. The aim is to create opportunities for them to develop successfully and at the same time ensure coherent development of the branding.

Support for distributors and licensees includes both guidelines to create uniform, consistent branding and the tools to implement them. In 2009 work with support services was intensified. Clearer, more structured advice and supporting material have been produced for distributors to use in branding work in their markets, which includes campaigns, PR activities, media mix and store displays. They are packaged to suit the various needs of new and well-established markets. Björn Borg's support for licensees and distributors' licensees comprises several areas:

## PRODUCT DEVELOPMENT

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

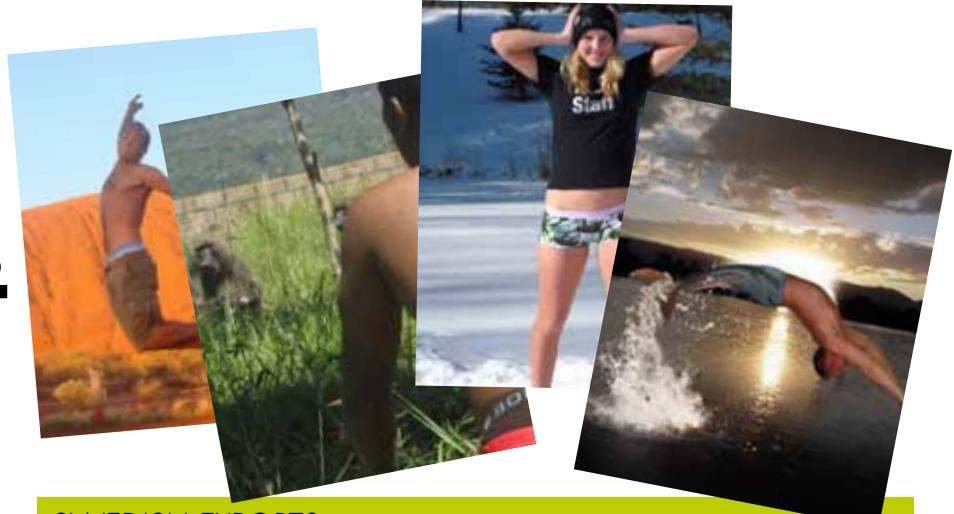
## MARKETING CONCEPT

- Campaigns
- Graphic identity
- Channels, media mix
- Packaging and displays
- Store concept
- Franchise management

# MARKETING COMMUNICATIONS

## INNOVATIVE AND INTEGRATED ACTIVITIES

The Company showcases the Björn Borg brand through innovative marketing activities that focus on the product. The strategy is designed to consistently reinforce the brand and drive sales long-term. To achieve cost efficiencies and a broader impact, the Group focuses on integrated campaigns and activities that utilize multiple channels such as the web site, social media, outdoor advertising, PR and fashion shows.



## SWEDISH EXPORTS

During the year thousands of photos of customers wearing Björn Borg underwear streamed in. The reason was the Swedish Exports campaign that Björn Borg launched in late 2008 and was intensified in 2009, which called for submissions from people wearing our Swedish underwear anywhere in the world. The images were published on the web site and used in stores and other marketing communications.

The response has been fantastic. In a playful way the campaign has created a valuable contact with Björn Borg's consumers – the very best ambassadors for the brand. The campaign continues and fantastic images keep arriving at Björn Borg.

The image shows the homepage of the Björn Borg website. The main banner features a collage of women in lingerie. A blue circular button in the center reads 'INTRODUCING LOVE ALL! A NEW UNDERWEAR CONCEPT FROM BJÖRN BORG SHOP NOW'. Below the banner are several promotional sections: 'SWEDISH EXPORTS JOIN OUR MISSION HERE', 'CHECK OUT OUR BLOG! INSIDER'S JOURNAL', 'NEW SPRING COLLECTION', and 'FREE SHIPPING ON ANY PURCHASE'.

## WEB SITE

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 greater impact. The web campaigns in 2009 generated a positive response and attention from the media, at the same time that traffic to the site increased. The web site also plays an important role in driving sales, partly through in-store purchase offers and partly by selling underwear in the web shop, which has been open in every market since 2009.

## PR AND EVENTS

PR activities and events are an important component in the mix of channels used in Björn Borg's integrated campaigns. Background material and guidelines are produced centrally as part of the marketing packages that distributors have access to, while detailed planning and implementation are handled in each market. Participation in international fashion shows, private showings and related events have also been crucial in positioning and strengthening the brand.

### PR WITH MOBILE CHANGING ROOMS

During the year mobile changing rooms were set up to let people change into a pair of Björn Borg underwear and be photographed for our Swedish Exports campaign. The changing rooms were placed in busy public locations and proved very popular. Many people wanted to be immortalized – and take home the underwear as thanks. The images were published on Björn Borg's web site.



## BJÖRN BORG STORES

Björn Borg stores continue to fill an important function as a marketing channel and to display the brand. A new retail concept created during the year will initially be launched in a store in Stockholm in March 2010. The purpose of the concept is to showcase underwear, although other product groups will continue to be sold to some extent in most Björn Borg stores.

## SOCIAL MEDIA

Social media have taken on a greater role in reaching Björn Borg's younger target groups. An important aim is to closely monitor the rapid changes in this area and adapt communications accordingly. Today Björn Borg has a blog on its web site, which it hopes to further develop into an independent channel with more active visitors. The brand is also represented on Facebook groups in various markets, as well as on Twitter and Flickr. The brand's presence in social media will be further intensified, including through investments in Facebook.



## MARKET POSITION AND COMPETITION

The brand has an especially strong position in men's underwear. In its established markets, the Company is confident that Björn Borg can be considered a market leader in its dominant product area, underwear, in terms of quality and design.

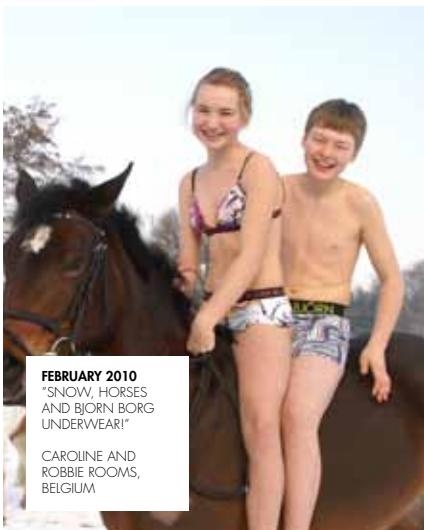
In underwear, Björn Borg competes with well-known international brands such as Calvin Klein, Hugo Boss and H&M, but also with smaller, local players. Competition in underwear is generally expected to grow as more major fashion brands such as Diesel and Puma introduce their own underwear collections and new companies enter the market.

# PRODUCT DEVELOPMENT

## BRAND AND PRODUCTS

### UNDERWEAR AS FASHION

Underwear is increasingly considered a fashion item, especially among younger target groups, with buying patterns similar to other fashion products. It is displayed and sold not only in separate underwear departments, but also in fashion boutiques alongside trendy items. This means that to meet customer demand, underwear manufacturers have to stay on top of fashion trends and introduce new items.



### PRODUCT DEVELOPMENT IS A CRITICAL SUCCESS FACTOR

Innovative and responsive product development is a critical success factor in the focus on underwear that Björn Borg decided on in 2009. Björn Borg is characterized by creative products with the brand's typical playful and colorful identity, but to consolidate its strong position the product range will have to be further improved and broadened at the same time that the pace of product development will have to be accelerated.

During the year the product development unit for underwear was strengthened in terms of its organization and expertise as well as in the way it works in order to raise the tempo and creativity in its design work. Among other things, an experienced product manager was hired for underwear and the design department was expanded through the addition of more designers.

In other categories as well, every detail of the products and every collection must express the values synonymous with the brand. Björn Borg explains the product range's positioning in the trend and design information provided to licensees in the network prior to each season. In 2009 Björn Borg hired a chief designer for all product groups to ensure uniform brand development throughout the entire product range.

# PRODUCT RANGE

## A CONSTANTLY CHANGING PRODUCT RANGE CREATES GREATER INTEREST

In its core business, underwear, Björn Borg's aim is to create a broader range with more products in various categories, from popular basics to trendy, bolder models in playful colors, patterns and materials. This is becoming increasingly important as the brand expands to more markets with somewhat different preferences.

In addition, Björn Borg will increase the number of new items in its men's and women's collections each season to meet the demand from these target groups for exciting new fashions and to create greater interest in the product range and the brand.

Another aim in product development is to expand the product range into new categories, as Björn Borg did during the year in the children's segment and athletic underwear.



## LARGER FLOW OF NEW ITEMS

The focus in product development shifted during the year to the women's line, which was felt to be in greater need of a facelift than the men's. A broader women's collection was offered during the second half of 2009 and was positively received by distributors. Among other things, a new line of underwear basics in a variety of colors, Love All, was launched for consumers in mid-February 2010, with marketing activities in stores, online and using outdoor advertising. In fall 2010 the product range will be further expanded to include constructed bras, with an emphasis on fit and quality.

In 2010 the men's line will be updated as well, with new products in several models. Basics are more important to the men's line than the women's, but a steady flow of new items is crucial in every segment to create interest in the brand and maintain its position as a market leader in fashion underwear.



## KIDS – A POPULAR NEW CATEGORY

During the holiday 2009 shopping season Björn Borg offered a sneak preview in Sweden of a collection of boys' underwear. Björn Borg is confident that a specially designed kid's line for both girls and boys will serve as an excellent complement to its other categories and create opportunities for growth in both new and established markets. The kid's collections will be widely launched during the second quarter of 2010 with a campaign which will donate a share of sales to the Mathare Youth Sports Association, a self-help program to help children and young adults in the slums of Nairobi, Kenya through team sports and environmental cleanups. For every pair of underwear sold from the kid's collection, 1 euro will be donated to the organization.

HIGH TEMPO IN PRODUCT DEVELOPMENT

# PASSION FOR THE NEW

Björn Borg originally started out with high-quality underwear in bright colors and unique patterns. The women's models that followed were designed in the same style and also proved to be a success. As it now accelerates its product development, Björn Borg remains true to its heritage, but is trying to be a little more feminine in its girl's models and even more striking throughout the collection. More new products and more models in flirty, colorful styles is the goal.

"There's a lot we want to and can do in underwear. It's what we're best at! We see that there is a demand for exciting new products, and we want to meet it," said Malin Wåhlstedt, who was hired as head of underwear at Björn Borg in spring 2009 with the task of accelerating product development.

**"The goal is to fine-tune the whole collection, add new styles and categories, and get new products to market faster."**

"Björn Borg stands for something a lot of people appreciate: whimsical, eye-catching design, coupled with high quality. The goal is to fine-tune the whole collection, add new styles and categories, and get new products to market faster. We want to be the best in basics as well as that little something special and trendy," she continued.

The product is the key to the business, and an appealing product range is critical to expanding the brand, as the Group hopes to do. Innovative, responsive product development is therefore considered by far to be one of the most important factors to realize the Company's vision to be *The World Champion of Fashion Underwear*.

"We have a fantastic foundation in the brand's strong identity. Despite growing competition, we still have something of a unique position with our characteristic patterns and bold colors. There is a demand for our somewhat playful style even outside our large, young target group," said Malin Wåhlstedt.



## LONG-AWAITED WOMEN'S MODELS

Women's products were the highest priority in product development during the past year, resulting in new models and materials. Girls are also the ones who are the most interested in what's new and fashionable, as well as in quality and fit, according to Malin Wåhlstedt.

"If you want to generalize, most guys stick to the models they like best, but maybe in different colors and patterns, while girls shop between brands and are more likely to try something new. This places tough demands on us to meet their needs and keep them as customers," she said.

Björn Borg will ensure this through a number of new models that reach customers in fall 2010. The trend in girl's underwear is shifting from a unisex-oriented fashion to a more feminine style in its details and material.

"We will now also offer constructed bras and more advanced models. At the same time we are maintaining the bold expressions that are Björn Borg's hallmark. With this combination, we can fill a hole in our segment of the market."

#### BOXERS IN NEW STYLES

Product development was intensified in the men's segment as well, resulting in a number of new products set for launch in 2010. Among other things, classic boxer shorts are making a comeback in an updated version and a new sports-inspired collection has just landed on the shelves. More new items are promised this fall.

"Björn Borg feels that there is a strong interest in new products in all our markets, which is great. That's why we listen carefully to customers as well as distributors to stay tuned to our markets, which are growing in number. Even the small ones will be big in the future," Malin Wählstedt stressed.

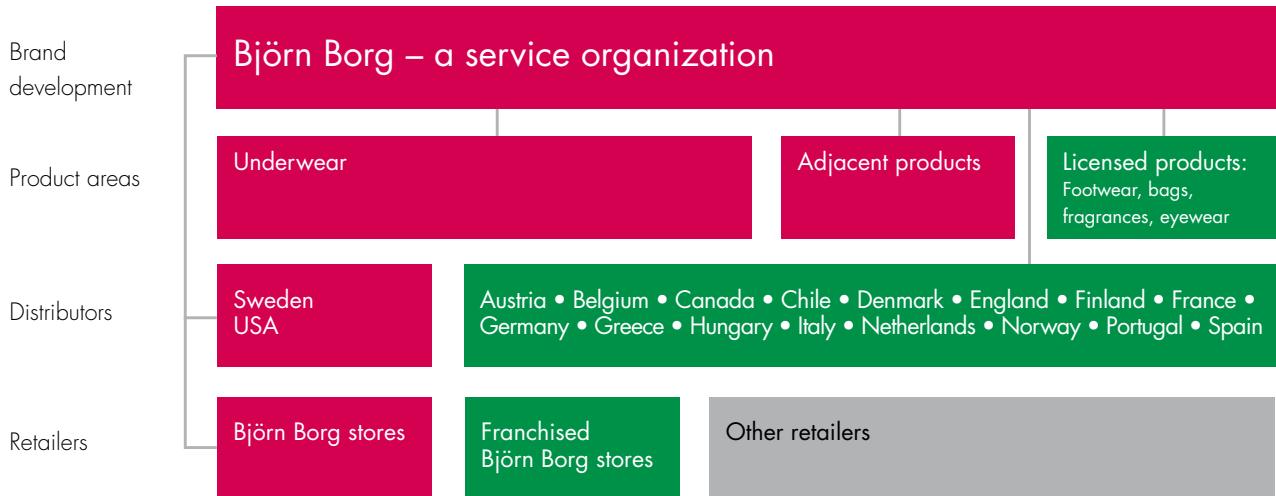


#### FURTHER CHALLENGES

One challenge in 2010 is to take further steps to create a greener collection. Björn Borg has identified several areas that can be made more environmentally friendly and is working step by step with them. For example, all packaging in the spring collections has been replaced with greener alternatives.

The fast pace in all aspects of product development is evidence of Björn Borg's determination to stay on top in its specialty, fashion underwear. With Björn Borg's long-term focus and resources, coupled with the passion and skill of its employees and in the network, there is every opportunity to secure a place as a champion.

# OPERATIONS



## BUSINESS MODEL

The Group's substantial growth and high profitability in recent years – and its success in positioning the Björn Borg brand – has been achieved largely 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.

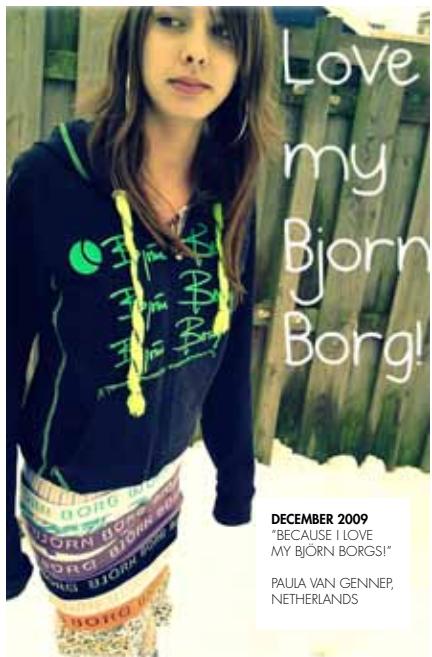
Another positive effect of the business model and the network's use of a number of independent distributors is that the competence and local expertise of these enterprising entrepreneurs can be put to use. In 2009 the criteria for distributors in each geographical market were revised following the Groups' decision to focus on underwear. 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 long-term investments.

- Consolidated, wholly owned companies generating revenue and earnings.
- Licensees, outside distributors and franchised Björn Borg stores whose sales generate royalties or other types of revenue for Björn Borg.
- Companies outside the network.



## BRAND

Björn Borg provides specialized 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. At the same time the aim, as a service organization, is to create the best possible opportunities for distributors to successfully manage operations in their markets. This is done through guidelines and various packages for companies in the network, covering marketing activities, displays and graphic identity material, among other things. This ensures consistency in branding work and is efficient for distributors.



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 it the best chance 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.

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 AREAS

The product companies for the largest product area, underwear, and for adjacent products are wholly owned by the Group. The areas for bags, eyewear and fragrances are licensed to outside product companies, while footwear is scheduled to be licensed out in 2010. In addition, the Dutch distributor is the licensee for the Dutch womenswear collection.

The product companies, both Group-owned and independent, are specialists in their respective areas. They are responsible 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. Aside from underwear, the Group-owned product company for underwear and adjacent products comprises socks, swimwear and a men's collection of casual apparel. All design and product development are done by the Group-owned company, while production is handled by outside suppliers, primarily in China and to a lesser extent in 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 demand for a more responsive supply chain and the 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 26.

#### LICENSING OF SHOES

As a consequence of its focus on underwear, the Group has decided to license out product development and portions of sales in the footwear product area. In February 2010 a letter of intent was signed with Trend Design Group, a well-established production company and wholesaler of men's and women's footwear with distribution in large parts of Europe as well as North America and Australia. The aim is to utilize a strong international partner to further increase the growth in footwear.

## DISTRIBUTORS

Distribution to retailers is normally handled by distributors with established supply chains 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 in various geographical markets. 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. Björn Borg provides them with support in the form of joint marketing and PR campaigns, among other activities.

The agreements with distributors, which were revised in 2009, run for four years. The distributors commit to specific targets in terms of sales and investments in their markets, and Björn Borg can, if they do not meet predetermined requirements, terminate the agreement.

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 popular 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. Four times a year the Company brings together all its distributors to showcase its new collections and marketing materials as well as discuss strategies, campaigns and planning, in addition to which an open dialogue is maintained on developments in each market. The close cooperation in the network is important to the successful expansion of the brand.

Distributors pay a royalty to the Group based on a percentage of their sales to retailers. Björn Borg owns the distributors for underwear and adjacent products in Sweden and the U.S. After licensing out the footwear product area, however, Björn Borg will still be responsible for distribution of shoes in Sweden as well as in Finland.



# 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.

The large network of outside retailers represents an important interface with consumers. In all, around 4,600 retailers sell Björn Borg underwear and adjacent products, including 900 in Sweden, 1,500 in the Netherlands, 800 in Denmark and 400 in Norway. In smaller markets, around 1,000 retailers sell these products. Licensed products are sold through a total of around 6,000 retailers, about half of which are in Sweden.

Chains and department stores – some with shop-in-shops – are gradually increasing in importance to the sale of Björn Borg products, 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. Björn Borg stores are either wholly owned or franchised. The network also includes four factory outlets, two of which are run by Björn Borg in Sweden. The ten Group-owned Björn Borg's stores are located in Stockholm, Göteborg, Malmö and Linköping. The 36 franchised stores are in the Netherlands, Norway, Finland, Belgium, Spain and Sweden, where the first franchised Björn Borg store was opened in Helsingborg in late 2009.

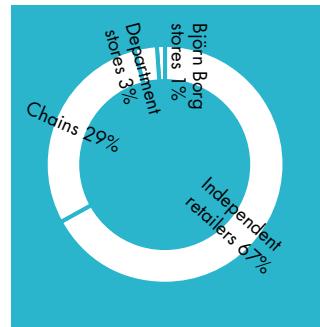
Björn Borg stores	Group-owned	Franchises
Sweden	10	1
Netherlands	–	30
Norway	–	2
Finland	–	1
Belgium	–	1
Spain	–	1
<b>Total</b>	<b>10</b>	<b>36</b>

## E-commerce



A sales channel of growing importance to Björn Borg is e-commerce through the web site [www.bjornborg.com](http://www.bjornborg.com). During the year Björn Borg expanded its web shop to handle sales of underwear, in part by hiring an internationally experienced e-commerce manager. Sales rose after e-commerce was introduced in all of Björn Borg markets in early 2009. With a newly developed platform scheduled for launch in the late spring 2010, there is an opportunity to further grow online sales. In established markets, the web shop offers even greater accessibility and service for customers, while e-commerce in newer markets is an important complement since the number of retailers is still limited. The market that accounts for the largest share of online sales is currently the U.S.

BRAND SALES BY RETAILER CATEGORY





OCTOBER 2009  
ELICOTTVILLE, NY  
SUMMER 2009 THE  
SKI HILL RAINER AND  
PATRICK.

RAINER NOACK

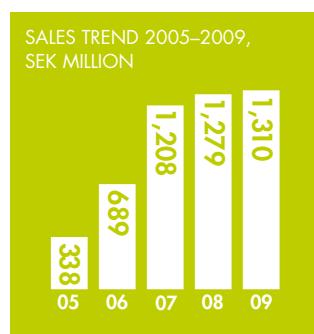
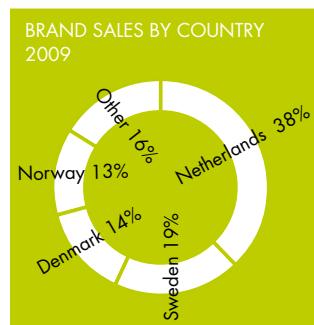
# PRODUCT AREAS

## UNDERWEAR

Underwear is Björn Borg's largest product area, comprising men's and women's underwear, socks and swimwear. The range consists of trendy and fashionable products with the brand's characteristic patterns and colors, as well as a basics line with classic models. The men's collection accounts for about 70 percent of underwear sales.

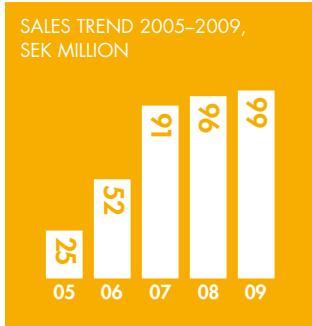
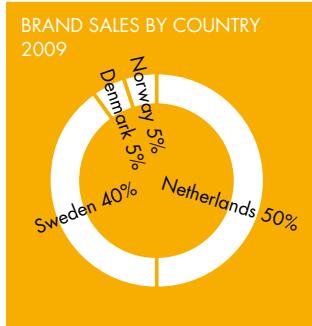
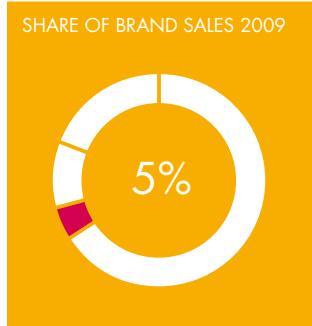
Sales are made through independent retailers, retail chains, department stores, online and Björn Borg stores. The product company for underwear is owned and operated by the Björn Borg Group.

Brand sales for underwear rose by slightly over 2 percent in 2009 to SEK 1,310 million. Sales in the largest market, the Netherlands, increased by 6 percent. Sweden, Norway and Denmark reported lower sales than the previous year, while several smaller markets noted strong growth during the year.



## ADJACENT PRODUCTS

Björn Borg offers a men's collection of coordinated sporty basics in casual models, including polos, T-shirts, tank tops, shorts, pajamas and robes. They are sold in Björn Borg stores and through a number of retailers, mainly in Sweden and the Netherlands. The distributor in the Netherlands manufactures a clothing collection for women on a licensing basis; see licensed products.



Brand sales for adjacent products rose by 3 percent during 2009, and amounted to 99 MSEK.

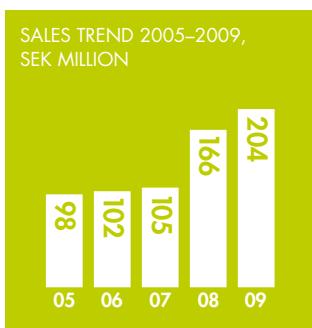
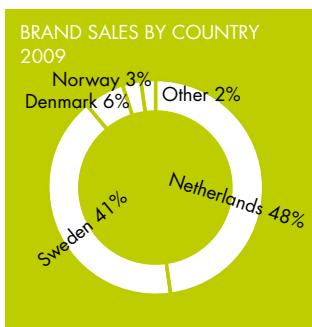


The product company for footwear was owned and operated by the Björn Borg Group in 2009. As a consequence of the Group's focus on underwear, a letter of intent was signed in February 2010 to license out product development and portions of sales in the product area.

Brand sales in the footwear product area amounted to SEK 204 million during the year, an increase of 23 percent compared to 2008. Growth came primarily from a substantial increase in the Netherlands during the first quarter of the year. In total for 2009 the Netherlands grew by 45 percent to SEK 98 million. Sales in Sweden rose by 22 percent, from SEK 68 million to SEK 84 million. Denmark also reported growth, though from a low level. In Norway and Finland, footwear sales decreased compared to 2008.

## FOOTWEAR

The footwear product area offers a range of fashion products and timeless classics such as men's and women's casual shoes. In recent years footwear operations have expanded internationally to several of Björn Borg's markets. Sales in Denmark and the Netherlands began in 2007 and rose strongly in 2008–2009. Shoes are sold through independent footwear retailers, footwear chains and department stores.



# LICENSED PRODUCTS

## BAGS

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

## EYEWEAR

Björn Borg eyeglass frames belong to the trendy segment of the market and are sold to retailers through the licensee's distribution organization. A line of sunglasses is sold to other categories of retailers such as fashion boutiques, department stores and Björn Borg stores. Sweden and the Netherlands are the largest markets for eyewear.



## FRAGRANCES

The product area offers a range of fragrances and skincare products for men and women in two lines: Advantage for both sexes, and Björn Borg Off Course, a line of fragrances and skincare products for men. The largest markets are Sweden and Norway. Sales are currently made through major cosmetic chains such as Kicks and department stores such as Åhléns and NK, as well as through independent retailers and Björn Borg stores.

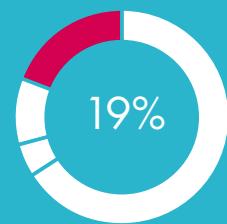
## WOMEN'S CLOTHING

The independent distributor in the Netherlands manufactures and sells a clothing collection for women on a licensing basis in the Dutch market. The clothing is sold through Björn Borg stores, independent fashion boutiques and department stores.

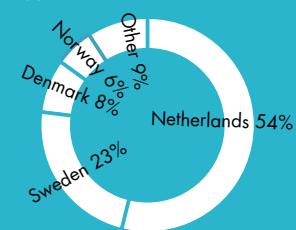
## SALES TREND 2009

Total brand sales of licensed products amounted to SEK 364 million in 2009, a drop of 15 percent compared to 2008. For bags, the decrease was 3 percent, while eyewear and fragrances reported declines of 9 percent and 13 percent, respectively. Sales of the licensed women's collection in the Netherlands fell by 25 percent during the year.

## SHARE OF BRAND SALES 2009



## BRAND SALES BY COUNTRY 2009



## SALES TREND 2005–2009, SEK MILLION



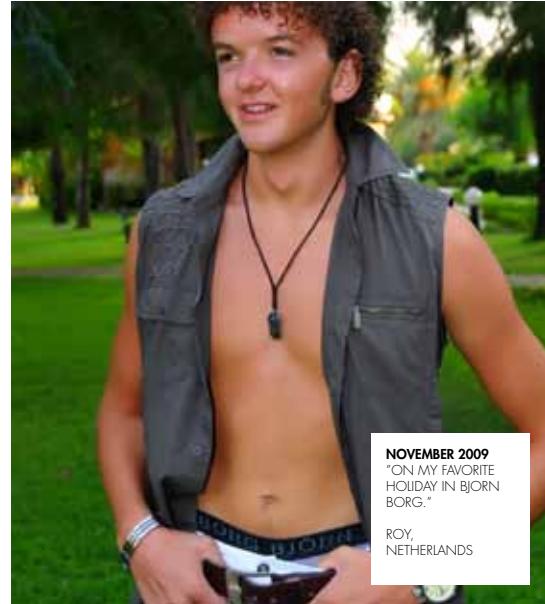
# GEOGRAPHICAL MARKETS

Björn Borg is currently represented in a total of 18 markets, of which the Netherlands, Sweden, Norway and Denmark are the largest. Smaller markets include Finland, Belgium and Hungary, as well as a number of markets where the brand has been introduced in the last four years: Austria, Canada, Chile, England, France, Germany, Greece, Italy, Portugal, Spain and the U.S.

## LARGE 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 opened in Stockholm. Today Sweden accounts for 23 percent of total brand sales. Björn Borg products are sold through retailers around the country as well as in Björn Borg stores. Today Björn Borg has broad distribution in the Swedish market. Further expansion will be achieved selectively, although new product categories such as kid's underwear will attract new retailers. Brand sales in Sweden amounted to approximately SEK 460 million in 2009, a decrease of 3 percent compared to the previous year.



### NETHERLANDS

The Netherlands was the largest market for the Björn Borg brand in 2009, 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 through retailers and in franchised stores. Brand sales in the Netherlands fell by 1 percent compared to 2008 to SEK 846 million.

### DENMARK

Björn Borg was launched in Denmark in 1992, and today it accounts for 11 percent of total brand sales. In the Danish market, Björn Borg products are sold exclusively through retailers. There are currently no Björn Borg stores in Denmark. In 2009 brand sales in Denmark totaled approximately SEK 226 million, a decrease of 8 percent compared to 2008.

### NORWAY

The brand was launched in the Norwegian market in the early 1990s. Norway today accounts for 11 percent of total brand sales. Products are sold through retailers around the country and two Björn Borg stores in Oslo. In Norway, brand sales totaled approximately SEK 207 million in 2009, a decrease of 15 percent compared to the previous year.

# SMALLER MARKETS

In 2009 brand sales increased in Björn Borg's smaller markets by 52 percent, from SEK 155 million to SEK 237 million. Of the total sales of Björn Borg products during the year, these smaller markets together accounted for 12 percent.

## 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. There are two Björn Borg stores in these countries, in Antwerp and Helsinki. Belgium continued to grow in 2009, while brand sales in Finland and Hungary dropped slightly.

## 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. Brand sales in England continued to rise during the year. In August 2009 the agreement with the British distributors was terminated, and the intent is to find a new partner.

## GERMANY

In 2009 Björn Borg reached agreement with a new, experienced distributor for the German market after the previous one was terminated. Operations were restarted in fall 2009 and brand sales rose for the year.

## SPAIN

Björn Borg signed an agreement with a new distributor in 2007 to introduce the brand in Spain. Consumer sales began in 2008. Björn Borg products are currently sold through a growing number of retailers in the country. In 2009 sales continued to rise in Spain.

## USA

Björn Borg decided during the year to seek out a partnership arrangement with less risk to further develop its U.S. operations and has therefore dissolved the large part of its organization in the country. Deliveries continue to retailers in the country, including the department store chain Nordstroms. Discussions are being held with local players on possible cooperations to achieve sustainable, profitable growth in the U.S.

## CANADA

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

## AUSTRIA

Björn Borg has operated on a limited scale through an external distributor in Austria since 2007. The cooperation and potential for further operations in the country are being evaluated.

## FRANCE

Sales of Björn Borg products continue on a small scale in France after the agreement with the previous distributor was terminated in 2009. The aim is to find a new partner for the French market.

## 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 markets and the resources to invest in the brand. Sales began in fall 2009.

## PORUGAL AND CHILE

In fall 2009, agreements were signed with external distributors to launch Björn Borg in Portugal and Chile. The launch is scheduled in spring 2010.



# 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 central to cooperations in the Group's broad-based network of product companies and distributors. Active corporate responsibility is obviously important from an overall ethical perspective, but is also vital to make employees and partners, as well as consumers, feel secure in knowing that Björn Borg's operations and products are safe and that the Company takes responsibility for these aspects of its business.

Björn Borg's aim is to gradually increase its work on corporate responsibility and environmental issues, as well as information on its efforts in these areas. By openly and honestly reporting and responding to questions on the corporate responsibility work conducted by the Group, improvement areas and what its aims are going forward, the hope is to address the growing interest in these issues from employees, consumers, the public, partners, organizations and the financial market.

### VALUES

The values that guide us at Björn Borg will lead to an approach that is Open, Innovative, Passionate, Business Smart and Responsible both internally and externally, in interactions with customers as well as in relationships with suppliers and in developing operations.

Openness, innovation, passion and responsibility guide our work with corporate responsibility and environmental concerns. We are committed to incorporating these issues into day-to-day operations and the manufacture of our products.

### ORGANIZATION AND TRAINING

Since 2007 the Group has had a unit responsible for sustainability issues. To increasingly incorporate sustainability throughout operations, the cooperation between the Group's various functions and with product companies has been expanded. The aim is to increase knowledge and understanding of these issues in the organization and in the network. During the year training was provided on the EU's REACH regulation on chemicals and their safe use for all employees in product development and for licensees.

### SUPPLIERS

Björn Borg relies on suppliers overwhelmingly in China and to a lesser extent in Europe. The Group maintains a close cooperation with its suppliers and in many cases has longstanding relationships, especially in its largest product area, underwear, which generally gives it good insight into production conditions. The limited number of principal suppliers facilitates dialogue and oversight. To systematically monitor and ensure compliance with its guidelines, a more organized auditing system is required, which Björn Borg has through the Business Social Compliance Initiative, BSCI, as described below. The Group's supplier agreements, Code of Conduct and chemical restrictions specify the requirements that all suppliers and subcontractors must meet. Björn Borg is convinced that cooperating closely with its suppliers and supporting them in the improvement process are important to achieve lasting results.

## SOCIAL RESPONSIBILITY

Björn Borg wants to ensure that the people who help to manufacture the brand's products do so in a safe working environment and are fairly treated. The most important tool for this is the Group's Code of Conduct, which complies with international conventions as well as the BSCI's guidelines and auditing systems.

### CODE OF CONDUCT

BSCI is a European non-profit organization dedicated to helping a large number of members to improve working conditions in their supply chain. Members apply the same requirements in terms of production conditions, etc., which makes it easier for companies and suppliers to make improvements. Björn Borg became a member of BSCI in January 2008 and has since adapted its Code of Conduct to the organization's guidelines. The Code of Conduct is based on the ILO's Core Conventions, the UN Declaration of Human Rights, the UN's Convention on the Rights of the Child and the OECD's Guidelines for Multinational Enterprises.

The Code of Conduct comprises the following areas related to working conditions in manufacturing:

- 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
- Animal welfare guidelines

All of Björn Borg's suppliers pledge to comply with the Company's Code of Conduct. Suppliers of underwear, adjacent products and bags are gradually undergoing independent audits and follow-up inspections through BSCI. The product areas for footwear, eyewear and fragrances are conducting follow-ups of their suppliers outside BSCI's framework.

#### INSPECTION WORK

Supplier audits according to the BSCI-adapted Code of Conduct and drafting of action plans began in 2008. By year-end 2009, 95 percent of underwear production had been inspected, far exceeding the target of 75 percent. Audited suppliers are required to alleviate any shortcomings that are discovered according to an agreed-upon plan, which must be fully approved by 2011.

In 2009 Björn Borg had four audits conducted, all of major facilities that produce its underwear. The deficiencies that were discovered – and which are common problems in working environments – involved emergency exits, safety equipment, fire safety training, lighting and storage of chemicals. These deficiencies usually can be fixed relatively quickly and have been given priority since they can pose a direct danger to employees. Follow-up inspections and subsequent audits will ensure that measures are taken.

With regard to working conditions, the amount of overtime is the most common violation of the requirements. This is considered a more difficult problem to address. Björn Borg plans to join together with its suppliers to hire a BSCI-approved consultant to implement the changes necessary to meet current guidelines.

#### WORKSHOPS AND TRAINING

Several of Björn Borg's suppliers participated during the year in workshops arranged by BSCI, which is an important element in the efforts to increase knowledge and understanding of the rules by suppliers.



**DECEMBER 2009**  
"EVERYTIME I HAVE A  
PHOTOSHOOT FOR A  
MAGAZINE OR WEBSITE  
I MAKE SURE TO WEAR  
A PAIR OF BJÖRN BORG  
BOXERS."  
LENNARD GOLS,  
NETHERLANDS

## 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 and chemicals that have less impact on the environment and are safer for their employees.

Water, energy and chemical consumption in production are important areas for a manufacturer like Björn Borg to monitor from an environmental standpoint. Other areas that impact the environment and can be influenced are transports and packaging.

#### 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. They are summarized in the Group's supplier agreements, which provide detailed instructions on the use of various substances.

In some cases Björn Borg's own recommended limits are lower than the Textile Importers' Association's. Björn Borg's contracted suppliers and their textile sources pledge to follow the Company's chemical restrictions. To ensure that the guidelines are followed, underwear samples from every shipment are tested by certified textile laboratories. 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 were taken from the 2009 collections. Björn Borg's staff regularly visits production facilities as well.

## INDUSTRY COOPERATION

During the year Björn Borg established a product testing cooperation with the research institute Swerea IVF, which has a broad range of operations in the textile field. In a chemical group together with several other Swedish apparel manufacturers under the leadership of Swerea IVF, Björn Borg receives valuable support in its work with production chemicals, including information on regulatory updates, alternative, greener chemicals and methods, and access to expertise.

## CHEMICALS IN PLASTIC SHOES

In September 2009 the Swedish Society for Nature Conservation presented a report on the chemicals found in several brands of plastic sandals, including Björn Borg. One specific model exceeded the limits on phthalates, because of which they were immediately recalled by Björn Borg. This incident led to closer contact with suppliers and sourcing companies regarding chemical use, monitoring and testing. In fall 2009 the supplier requirements were expanded to include an updated Code of Conduct incorporating BSCI's rules and a revised list of chemicals.

## TRANSPORTS

Björn Borg's products are shipped primarily by boat from its suppliers in China, and to a limited extent by air. The small share of products manufactured in Europe is transported by truck. Shipments are sent directly from the country of origin to the distributor's warehouse in each market, which generates less emissions and lower costs than if they were sent through a central warehouse.

## PACKAGING

Björn Borg's underwear products, and to some extent its other product areas, are shipped in plastic and paper packaging. All products contain labels as well. In 2009 work began on the design of greener plastic packaging. In spring 2010 products will have completely new packaging made of PVC-free plastic. EVA plastic and polypropylene are both recyclable.

## CHARITABLE GIVING

In its efforts to give back to society, Björn Borg is providing financial support to the Mathare Sports Association (MUSA), a self-help program to help children and young adults in the slums of Nairobi, Kenya through team sports and environmental cleanups. MUSA combines sports with leadership training in part by organizing activities to improve local environments and increase AIDS awareness. The organization currently serves around 20,000 children and young adults. Björn Borg contributes to MUSA's scholarship fund by donating 1 euro from every item of children's clothing. This long-term cooperation will be periodically evaluated.



SEPTEMBER 2009  
"AFTER A LAP IN A  
PORSCHE GT3 AROUND  
THE MOST DANGEROUS  
RACE TRACK IN THE  
WORLD – ON THE NÜR-  
BURGRING, GERMANY."

JANA LAM, AUSTRALIA

## ACTIVITIES 2010

In 2010 Björn Borg will focus on completing the BSCI audits of the few remaining plants and following up the measures taken at plants that have already been inspected. Resolving the overtime situation in China will be a priority during the year, as will improved routines for contracting new suppliers to guarantee compliance with all guidelines.

Creating greater openness and dialogue about Björn Borg's responsibilities is a long-term goal. To disclose information more systematically according to current standards requires advance planning. Measures were taken during the year to schedule this work.

Björn Borg is expanding its social commitments in 2010 by supporting the organization MUSA.

# EMPLOYEES AND ORGANIZATION

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

## INSPIRATION IS IMPORTANT

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. An important factor in maintaining a high level of innovation and creativity in product development is to gather inspiration from fashion shows and other international fashion contexts and at the same time create an inspiring climate internally with a close cooperation between departments.

## VALUES PLAY A UNIFYING ROLE

As part of the new strategy implemented in 2009, Björn Borg defined the values that shape the way it works: Open, Innovative, Passionate, Business Smart and Responsible. This also applies to communications both internally and externally. Shared values play an important unifying role for Björn Borg and its growing international business and network of partners, as well as for the development of the brand.

During the year clear targets were introduced for every employee and group to give the staff a better understanding of how they contribute to the Group's goals, as well as to provide greater opportunities for monitoring and development.

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 52.

## ORGANIZATION DURING THE YEAR

During the year the organization was strengthened through the addition of new employees to meet the needs of a growing international group, but also to adapt operations to the increased focus on underwear. Among other things, product managers were hired for underwear and adjacent products, in addition to an overall head designer, who is responsible for ensuring that all product groups are developed in accordance with the brand's values. All these individuals are members of Group Management. Reinforcements were also added during the year in other areas of the organization to meet higher ambitions in terms of product development and accommodate the continued international expansion.

## THE ORGANIZATION BY THE NUMBERS

The average number of employees in the Group was 92 in 2009. Their average age was 34, and 35 percent were male. Among the Group's employees, 39 percent have a post-secondary education. Average industry experience was slightly over ten years. Employee turnover in 2009 was 28 percent and sick leave 2.3 percent, against 1.9 percent in 2008.



SEPTEMBER 2009  
"OUR MATCHING  
UNDERWEAR GOT  
TO SEE ITALY WITH  
US."

MATILDA, SWEDEN



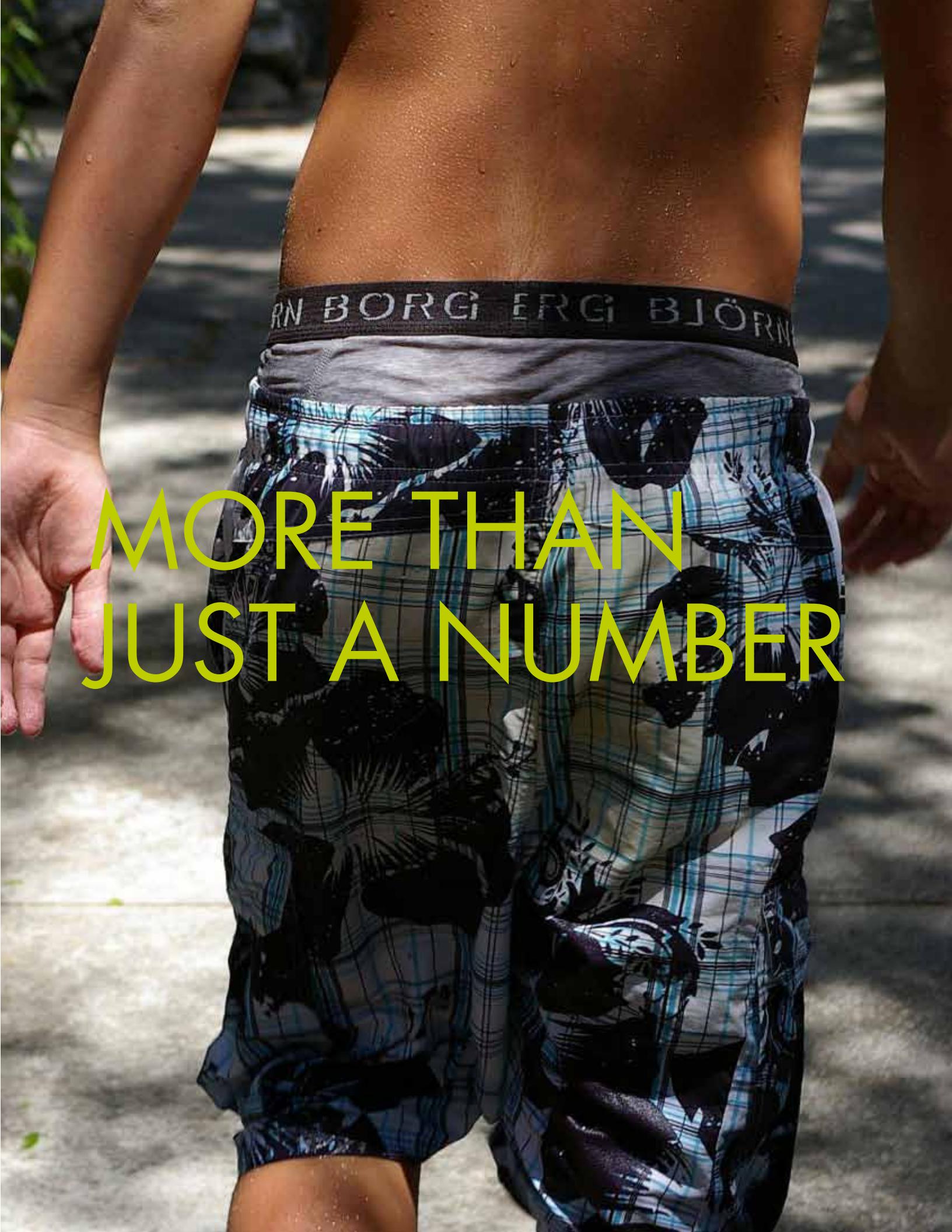
MARCH 2009

"WE ALL LOVE YOUR UNDERWEAR COLLECTION AS THEY HAVE THE BEST FIT, BEST QUALITY AND THE GREATEST COLOURS AND PRINTS. SHORT SHORTS FOR THE GUYS AND MINI SHORTS FOR THE GIRLS :-)"

METTE LADEFOGED,  
DENMARK

JELLY BEAN  
SPORTSHOP

k2 lame  
2009



MORE THAN  
JUST A NUMBER

# FIVE-YEAR SUMMARY

SEK thousands	2009	2008	2007	2006	2005
<b>Income statement</b>					
Net sales	519,915	526,556	494,886	324,555	183,639
Operating profit	112,594	128,751	142,075	81,864	31,275
Profit after financial items	111,658	134,822	142,227	81,400	32,856
Profit for the year	80,902	99,202	102,091	58,485	23,499
<b>The Group's financial position</b>					
Intangible assets	204,913	203,172	202,417	202,426	13,944
Tangible non-current assets	11,150	15,366	17,817	6,331	2,068
Financial non-current assets	–	–	–	45	45
Inventories, etc.	26,455	33,752	24,640	22,036	15,716
Current receivables	65,719	106,197	77,093	58,194	33,772
Cash & cash equivalents	296,484	241,498	187,423	59,544	58,080
<b>Total assets</b>	<b>604,720</b>	<b>599,985</b>	<b>509,390</b>	<b>348,576</b>	<b>123,625</b>
Equity	460,956	413,803	342,943	138,054	82,851
Non-current liabilities (interest-bearing)	40,889	46,816	52,515	95,465	–
Other non-current liabilities (non-interest-bearing)	40,011	32,884	28,607	17,141	2,794
Current liabilities (interest-bearing)	–	–	–	10,000	–
Other current liabilities	62,864	106,482	85,325	87,916	37,980
<b>Total equity and liabilities</b>	<b>604,720</b>	<b>599,985</b>	<b>509,390</b>	<b>348,576</b>	<b>123,625</b>
<b>Key figures</b>					
Gross profit margin, %	51.3	53.8	53.6	50.7	52.2
Operating margin, %	21.7	24.5	28.7	25.2	17.0
Profit margin, %	21.5	25.6	28.7	25.1	17.9
Return on capital employed, %	20.9	28.8	40.9	48.6	42.7
Return on average equity, %	18.5	26.2	42.4	53.0	33.1
Profit attributable to Parent Company's shareholders	80,867	99,210	102,062	58,485	23,449
Equity/assets ratio, %	76.2	69.0	67.3	39.6	67.0
Equity per share, SEK	18.33	16.51	13.70	5.95	3.62
Investments in intangible non-current assets	3,160	2,200	225	188,532	–
Investments in tangible non-current assets	1,380	2,873	15,290	5,542	728
Depreciation/amortization for the year	-7,024	-6,976	-4,121	-1,329	-2,609
Average number of employees	92	88	76	52	49
<b>Data per share</b>					
Earnings per share, SEK	3.22	3.96	4.18	2.55	1.03
Earnings per share (after full dilution), SEK	3.21	3.96	4.17	2.53	1.02
Number of shares	25,148,384	25,059,184	25,036,984	23,207,376	22,896,576
Weighted average number of shares	25,111,217	25,041,134	24,406,699	22,954,076	22,896,576
Effect of dilution	118,910	34,366	83,461	127,524	89,856
Weighted average number of shares (after full dilution)	25,230,128	25,075,500	24,490,160	23,081,600	22,986,432

# QUARTERLY DATA

SEK thousands	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Brand sales	422,121	566,423	385,637	602,183	475,806	562,835	381,246	551,062
Net sales	102,247	155,162	97,832	164,674	131,233	160,762	95,813	138,748
Gross profit margin, %	55.7	50.8	50.9	49.3	54.1	54.1	55.9	51.9
Operating profit	19,427	43,454	12,131	37,582	26,049	49,688	16,493	36,521
Operating margin, %	19.0	28.0	12.4	22.8	19.8	30.9	17.2	26.3
Profit after financial items	19,712	40,830	11,871	39,245	28,693	52,277	16,594	37,258
Profit margin, %	19.3	26.3	12.1	23.8	21.9	32.5	17.3	26.9
Earnings per share, SEK	0.54	1.20	0.34	1.15	0.91	1.50	0.48	1.07
Earnings per share after dilution, SEK	0.53	1.19	0.33	1.15	0.91	1.50	0.48	1.07
Number of Björn Borg stores at end of period	46	45	43	44	44	41	39	36
of which Group-owned Björn Borg stores	10	10	10	11	11	11	10	10

## 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.



# BUSINESS SEGMENTS

## 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 or quarterly in arrears. In 2009 net sales amounted to SEK 138.3 million (142.3) with operating profit of SEK 43.9 million (42.7).

### PRODUCT DEVELOPMENT

Sales for the Product Development segment are generated by the Group-owned product companies for clothing and footwear through product sales to distributors in all markets. In 2009 net sales amounted to SEK 339.2 million (337.2) with operating profit of SEK 51.0 million (50.0).

### DISTRIBUTION

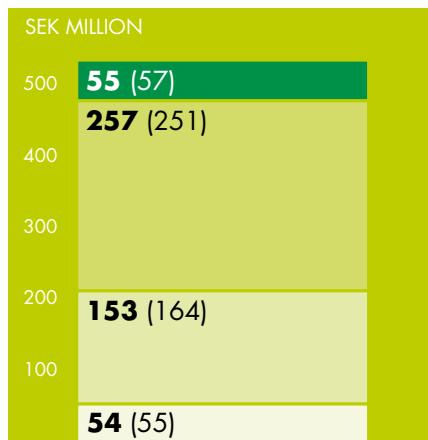
Sales for the Distribution segment are generated by the Group-owned distribution companies for clothing and footwear in Sweden and the U.S., where Björn Borg is the exclusive distributor in these segments. In 2009 net sales amounted to SEK 193.8 million (197.0) with operating profit of SEK 9.6 million (27.5).

### RETAIL

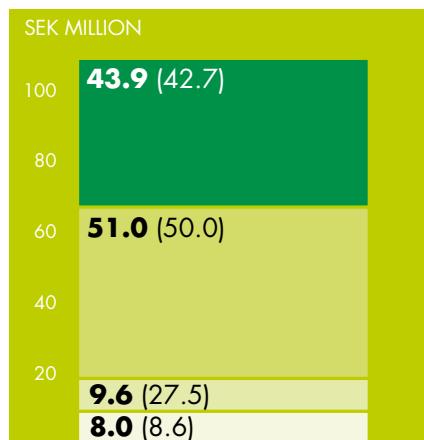
Sales for the Retail segment are currently generated through Group-owned Björn Borg stores and online. Net sales in Retail amounted to SEK 54.5 million (55.0) in 2009 with operating profit of SEK 8.0 million (8.6).

## NET SALES BY SEGMENT

After eliminating internal sales



## OPERATING PROFIT BY SEGMENT



- Brand and other
- Product development
- Distribution
- Retail

# 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 2009.

## OPERATIONS

Björn Borg AB owns the Björn Borg trademark and focuses on underwear. The Company also offers adjacent products, footwear and, through licensees, bags, eyewear and fragrances. Björn Borg products are sold in 18 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. Björn Borg's business model facilitates geographical and product expansion with minimal risk and capital investment, at the same time that control of 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 25,148,384. There is one class of share. The share capital amounts to SEK 7,858,870 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 6,116 shareholders at year-end. The largest shareholder as of December 31, 2009 was SEB, which directly or indirectly owned 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 Directors.

## ANNUAL GENERAL MEETING

Björn Borg's Annual General Meeting was held on April 23, 2009. The AGM re-elected Fredrik Lövstedt, Vilhelm Schottenius, Mats H Nilsson, Nils Vinberg and Michael Storåkers as Directors, with Fredrik Lövstedt as Chairman of the Board. Further, the Board resolved to name Monika Elling and Fabian Månsson as new Directors. The Board was also authorized to resolve to issue new shares, warrants and/or convertibles, and to resolve to acquire and transfer the Company's own shares.

## BOARD WORK

In 2009 the Board held seven scheduled meetings, four of which were in connection with the quarterly financial reports, one in connection with the preparations for the AGM, one in connection with the AGM and one in connection with the adoption of the budget. Additional information on the Board's work and members' attendance at the meetings held during the year can be found in the corporate governance report on page 64.

## 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 2010 AGM Björn Borg's Nomination Committee has the following members:

- Fredrik Lövstedt, Chairman of the Board
- Martin Bjäringer, representing himself as a shareholder
- Åsa Nisell, representing Swedbank Robur Funds
- Stefan Roos, representing SEB Funds

Martin Bjäringer is Chairman of the Nomination Committee.

## CAPITAL MANAGEMENT

In connection with the third quarter report in 2009, the Board of Directors of Björn Borg updated the Company's financial goals for the period 2010–2014.

### Financial objectives

- Average annual organic growth of at least 10 percent
- An average annual operating margin of at least 20 percent
- An annual dividend of at least 50 percent of net profit
- Long-term cash reserves equivalent to 10–20 percent of annual sales.

### Comments on the financial objectives

The long-term objective will be achieved by growing slightly below the average target in large markets and generating higher growth in smaller markets. During the beginning of the period sales growth could fall below the target, as several new markets are being added.

Surplus liquidity that is generated while taking into account the new financial objectives will be distributed gradually during the forecast period, starting in 2010.

Operating investments are estimated annually at 2–5 percent of net sales depending on whether any new Björn Borg stores are opened.

### Dividend

The Board of Directors has decided to propose a dividend of SEK 5.00 (1.50) per share for the financial year 2009, corresponding to 155 (38) percent of net profit. See above under financial objectives and dividend.

## EVENTS IN 2009

### Markets

During the year Björn Borg signed agreements with external distributors to launch the brand in Greece, Italy, Portugal and Chile. In Greece and Italy, retail sales began on a small scale at the end of the year, while products will reach retailers in Portugal and Chile in spring 2010.

In August 2009 an agreement was signed with a new distributor for the German market. The new distributor has broad experience with well-known underwear brands and an established network of contacts at the retail level.

The distribution agreement in England was terminated as of August 19, 2009, but remains in effect for another two years. The intent is to remain active in the English market.

Björn Borg decided during the year to seek out a partnership arrangement to further develop its U.S. operations and has therefore dissolved the large part of its organization in the country. The feeling is that with an established partner, Björn Borg will have a better opportunity to achieve sustainable growth and profitability in the U.S. market with limited risk. Deliveries to retailers continue at the same time that discussions are being held with U.S. players on a possible cooperation.

### Björn Borg stores

A new franchised store opened in Helsingborg, Sweden in the fourth quarter of 2009. For the full-year a total of three new stores were opened and one Group-owned store was closed. At the end of the period there were 46 (44) Björn Borg stores, of which 11 (10) were Group-owned.

### 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. A strategy review in 2009 determined that the Group will focus on underwear as its core business and largest product area. Björn Borg will also offer adjacent products, while other product areas will be managed by licensees.

The key success factors for the further international expansion of the brand are innovative product development, creative, product-focused marketing communications and efficient distribution according to the current business model.

As a consequence of the focus on underwear, the criteria for cooperations with outside distributors have been revised. Björn Borg's partners in its geographical markets 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 long-term investments in the brand.

### Commitments and contingent liabilities

Björn Borg AB is engaged in a dispute with its English distributor regarding shipments that were not delivered. Arbitration proceedings have begun and a settlement is expected in 2010. Because the financial impact of the dispute cannot be reliably determined, the Company has not allocated any provisions for the dispute in these accounts. The financial effect is not expected to materially impact the Group.

### Licensed product areas

The agreements covering the licensed product areas bags, eyewear and fragrances expire on December 31, 2010. The agreements have been terminated by Björn Borg for renegotiation.

## EVENTS AFTER THE BALANCE SHEET DATE

In February 2010 Björn Borg signed a letter of intent to license out product development and a portion of sales in the footwear area to Trend Design Group, a well-established production and wholesale company for men's and women's footwear with distribution in large parts of Europe as well as North America and Australia. Distribution of Björn Borg shoes in Sweden and Finland, corresponding to 42 percent of sales in the footwear product area in 2009, remains within the Group and will be managed by the current sales organization, while Trend Design Group will be responsible for sales in other markets.

Licensing of the footwear product area is a consequence of the Group's focus on underwear and adjacent products. At the same time Björn Borg feels that its footwear operations will have a better chance of a broader international expansion by licensing to a partner with experience and an extensive network of contacts in the footwear market.

Licensing is not expected to affect sales in 2010 because of the long lead times, which means it will take time before the change has an impact. In terms of profit, it is expected to have a marginally positive effect in 2010 owing to lower costs for product development and personnel. A slight decrease in revenue is expected in the product development segment as of 2011, at the same time that licensed sales will generate higher royalties for the Group.

## THE GROUP'S DEVELOPMENT

### Net sales

Group sales during the year amounted to SEK 519.9 million (526.6), a decrease of 1 percent. Sales were negatively affected during the year by lower volume, at the same time that they were positively affected by the higher dollar exchange rate and increased footwear exports early in the year.

### Profit

The gross profit margin decreased during the year to 51.3 percent (53.8). Operating profit amounted to SEK 112.6 million (128.8) with an operating margin of 21.7 percent (24.5). Profit before tax declined during the period to SEK 111.7 million (134.8). Operating expenses as a share of net sales remained fairly constant at 29.6 percent (29.4). The main reason for the lower gross profit margin was the stronger dollar during much of the year and its impact on the Distribution segment in particular. Compared to the same period of 2008, operating profit was negatively affected by additional expenses for marketing investments in the U.S.

As of December 31, 2009 the company had 25,148,384 shares outstanding. Earnings per share before and after dilution amounted to SEK 3.22 (3.96) and SEK 3.21 (3.96), respectively.

Condensed income statement	2009	2008
Net sales, SEK million	519.9	526.6
Operating profit, SEK million	112.6	128.8
Operating margin, %	21.7	24.5
Profit before tax, SEK million	111.7	134.8
Profit for the year, SEK million	80.9	99.2
Earnings per share, SEK	3.22	3.96
Earnings per share after full dilution, SEK	3.21	3.96

### **Investments and cash flow**

Cash flow from operating activities in the Group amounted to SEK 94.1 million (87.0) for the full-year 2009. The improvement was mainly due to a reduction in working capital resulting from lower accounts receivable. The positive effect on working capital was offset, however, by lower accounts payable owing to earlier shipments to a distributor as well as the payment of a tax liability for 2008.

Total investments in tangible and intangible non-current assets amounted to SEK 4.5 million (5.1) during the year, the large part of which was attributable to a new enterprise system, reconstruction of premises and a new web platform.

For the full-year 2009, cash & cash equivalents increased by SEK 55.0 million (54.1).

### **Financial position and liquidity**

The Björn Borg Group's cash & cash equivalents (net cash position) amounted to SEK 296.5 million (241.5) at the end of the period. The equity/assets ratio was 76.2 percent (69.0). The company has no interest-bearing liabilities.

Net financial items were affected negatively during the year by translation differences on receivables in foreign currency for the U.S. operations and lower interest on lending compared to the same period last year.

### **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 23, 2009 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 defined contribution and entitle senior executives to receive a pension from age 65.

The Board proposes that the 2010 AGM keep the remuneration guidelines for the President and other senior executives unchanged. The average number of employees for the full year was 92 (88), of whom 35 percent (33) are men and 65 percent (67) women.

### **RESEARCH AND DEVELOPMENT**

Although Björn Borg does not have any research 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 and environmental 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 2009 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.

During the year Björn Borg continued to work on corporate responsibility issues. For example, 95 percent of suppliers have now been audited according to the Code of Conduct and BCSI's guidelines. This also applies to improved inspections of chemicals contained in products, internal training and industry cooperations to more effectively work with chemical issues in production.

### **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 50.

#### **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.

#### Cyclical

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 would 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 2010

It is the Company's policy not to issue earnings forecasts. Uncertainty how the market will develop still lingers. In the Company's view, there is cautious optimism looking ahead to 2010 both in its network and the market as a whole. Regardless of the market's fluctuations, the current year will be distinguished in Björn Borg's case by further investments in product development, marketing communications and distribution – and by cost awareness.

#### 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 47.6 million (50.6). Profit before tax amounted to SEK 84.4 million (-16.5). Cash & cash equivalents amounted to SEK 287.7 million (220.3). Investments in tangible and intangible non-current assets amounted to SEK 2.3 million (0.8).

#### Proposed distribution of profit

The following unappropriated earnings are at disposal of the Annual General Meeting:

Retained earnings, SEK	71,678,749
Profit for the year, SEK	88,383,374
	160,062,123

The Board proposes that:

Shareholders receive a dividend of SEK 5.00 per share, totaling SEK	125,741,920
Carried forward, SEK	34,320,203
	160,062,123

Based on the information above and what has otherwise come to its attention, the Board of Directors has evaluated the financial position of the Company and the Group and considers the dividend to be justifiable in view of the requirements that the nature, scope and risks of the operations place on the size of the Company's equity, as well as the consolidation needs, liquidity and financial position of the Company and the Group in other respects.

# CONSOLIDATED INCOME STATEMENT AND TOTAL COMPREHENSIVE INCOME

SEK thousands	Note	2009	2008
Net sales	4,5	519,915	526,556
Cost of goods sold		-253,271	-243,058
<b>Gross profit</b>		<b>266,644</b>	<b>283,498</b>
Distribution expenses		-102,390	-105,380
Administrative expenses		-38,463	-37,133
Development expenses		-13,197	-12,234
<b>Operating profit</b>	4, 6, 7, 8, 9, 10, 11	<b>112,594</b>	<b>128,751</b>
Interest income and similar income items	26	4,384	13,472
Interest expenses and similar expense items	26	-5,320	-7,401
<b>Profit after financial items</b>		<b>111,658</b>	<b>134,822</b>
Tax on profit for the year	13	-30,756	-35,620
<b>Profit for the year</b>		<b>80,902</b>	<b>99,202</b>
<b>Profit for the year attributable to:</b>			
Parent Company's shareholders		80,867	99,210
Minority interests		35	-8
<b>Other comprehensive income</b>			
Translation adjustments for foreign operations		844	-536
<b>Total comprehensive income for the year</b>		<b>81,746</b>	<b>98,666</b>
<b>Total comprehensive income for the year attributable to:</b>			
Shareholders in Parent Company		81,711	98,674
Minority interests		35	-8
Earnings per share, SEK	23	3.22	3.96
Earnings per share after dilution, SEK	23	3.21	3.96

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Note	Dec. 31, 2009	Dec. 31, 2008
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>	14		
Goodwill		13,944	13,944
Trademarks		187,532	187,532
Other intangible assets		3,437	1,696
		204,913	203,172
<b>Tangible non-current assets</b>	15		
Property, plant and equipment		11,150	15,366
		11,150	15,366
<b>Total non-current assets</b>		216,063	218,538
<b>Current assets</b>			
<b>Inventories</b>			
Trading book	17	26,455	33,752
		26,455	33,752
<b>Current receivables</b>			
Accounts receivable	18	38,032	79,900
Tax assets		7,370	–
Other current receivables		3,227	5,335
Prepaid expenses and accrued income	19	17,090	20,962
		65,719	106,197
<b>Cash &amp; cash equivalents</b>			
Cash and bank balances		296,484	241,498
		296,484	241,498
<b>Total current assets</b>		388,657	381,447
<b>TOTAL ASSETS</b>		604,720	599,985
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		7,859	7,831
Other paid-in capital		182,145	179,177
Reserves		308	–536
Retained earnings		270,530	227,252
		460,842	413,724
Minority interests		114	79
<b>Total equity</b>		460,956	413,803
<b>Non-current liabilities</b>			
Deferred tax liabilities	13	40,011	32,884
Other non-current liabilities	20	40,889	46,816
		80,900	79,700
<b>Current liabilities</b>			
Accounts payable		15,480	45,489
Current tax liabilities	13	–	19,274
Other current liabilities	20	13,997	11,350
Accrued expenses and deferred income	21	33,387	30,369
		62,864	106,482
<b>Total liabilities</b>		143,764	186,182
<b>TOTAL EQUITY AND LIABILITIES</b>		604,720	599,985
<b>Memorandum items</b>			
Pledged assets	22	18,000	18,000
Contingent liabilities	22	4,025	4,951

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousands	Share capital	Other paid-in capital	Reserves	Retained earnings	Minority interest	Total equity
Opening balance, January 1, 2008	7,824	169,435	0	165,597	87	342,943
Total comprehensive income for the year			-536	99,210	-8	98,666
Transactions with owners						
New share issues	7	687				694
Incentive scheme		9,055				9,055
Dividend for 2007				-37,555		-37,555
Total transactions with owners	7	9,742		-37,555	-	-27,806
Closing balance, December 31, 2008	7,831	179,177	-536	227,252	79	413,803
Total comprehensive income for the year			844	80,867	35	81,746
Transactions with owners						
New share issues	28	2,968				2,996
Dividend for 2008				-37,589		-37,589
Total transactions with owners	28	2,968		-37,589	-	-34,593
Closing balance, December 31, 2009	7,859	182,145	308	270,530	114	460,956

# CONSOLIDATED STATEMENT OF CASH FLOWS

SEK thousands	Note	2009	2008
<b>OPERATING ACTIVITIES</b>			
Profit after tax		80,902	99,202
Income tax expensed through profit or loss		30,756	35,620
Financial expenses and income recognized through profit or loss	26	936	-6,071
Amortization/depreciation of intangible/tangible assets	9	7,024	6,976
Other financial items		-2,197	622
Interest paid	26	2,850	-1,996
Interest received	26	-745	6,702
Taxes paid		-50,280	-17,841
<b>Cash flow from operating activities before changes in working capital</b>		<b>69,246</b>	<b>123,214</b>
<b>CHANGES IN WORKING CAPITAL</b>			
Change in inventories		7,297	-9,112
Change in accounts receivable		41,868	-18,194
Change in other receivables		5,979	-10,910
Change in accounts payable		-30,009	22,349
Change in other current liabilities		-263	-20,393
<b>Change in working capital</b>		<b>24,873</b>	<b>-36,260</b>
<b>Cash flow from operating activities</b>		<b>94,119</b>	<b>86,954</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of intangible assets	14	-3,160	-2,200
Acquisition of tangible non-current assets	15	-1,380	-2,873
<b>Cash flow from investing activities</b>		<b>-4,540</b>	<b>-5,073</b>
<b>FINANCING ACTIVITIES</b>			
New share issues		2,996	694
Paid-in and received warrant premiums from employees		-	9,055
Dividend		-37,589	-37,555
<b>Cash flow from financing activities</b>		<b>-34,593</b>	<b>-27,806</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>54,986</b>	<b>54,075</b>
<b>Cash &amp; cash equivalents at beginning of year</b>		<b>241,498</b>	<b>187,423</b>
<b>Cash &amp; cash equivalents at year-end</b>		<b>296,484</b>	<b>241,498</b>

# PARENT COMPANY INCOME STATEMENT

SEK thousands	Note	2009	2008
Net sales	4,5	47,608	50,630
Cost of goods sold		-2,407	-6,975
<b>Gross profit</b>		<b>45,201</b>	<b>43,655</b>
Distribution expenses		-40,826	-40,235
Administrative expenses		-15,702	-15,475
Development expenses		-6,281	-6,190
<b>Operating profit</b>	4, 6, 7, 8, 9, 10, 11	<b>-17,608</b>	<b>-18,245</b>
Dividend from subsidiary		100,000	-
Interest income and similar income items	26	2,695	6,487
Interest expenses and similar expense items	26	-720	-4,772
<b>Profit after financial items</b>		<b>84,367</b>	<b>-16,529</b>
Appropriations	12	-	-104
<b>Profit before tax</b>		<b>84,367</b>	<b>-16,633</b>
Tax on profit for the year	13	4,017	4,424
<b>Profit for the year</b>		<b>88,383</b>	<b>-12,209</b>

# PARENT COMPANY BALANCE SHEET

SEK thousands	Note	Dec. 31, 2009	Dec. 31, 2008
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>	14	1,694	–
Other intangible assets		1,694	–
<b>Tangible non-current assets</b>	15	4,238	5,543
Property, plant and equipment		4,238	5,543
<b>Financial non-current assets</b>	16	54,497	54,497
Shares in Group companies		54,497	54,497
<b>Total non-current assets</b>		60,428	60,040
<b>Current assets</b>			
<b>Current receivables</b>			
Accounts receivable	18	810	458
Receivables from Group companies		88,903	59,551
Tax assets		1,542	2,376
Other current receivables		27	59
Prepaid expenses and accrued income	19	3,324	4,078
		94,606	66,522
<b>Cash &amp; cash equivalents</b>			
Cash and bank balances		287,657	220,348
		287,657	220,348
<b>Total current assets</b>		382,263	286,870
<b>TOTAL ASSETS</b>		442,691	346,910
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		7,859	7,831
Statutory reserve		46,817	46,817
		54,676	54,648
<b>Unrestricted equity</b>			
Retained earnings		71,679	107,343
Profit for the year		88,383	–12,209
		160,062	95,134
<b>Total equity</b>		214,738	149,782
Untaxed reserves	12	7,359	7,359
<b>Current liabilities</b>			
Accounts payable		1,840	7,713
Due to Group companies		207,835	173,048
Other current liabilities		2,803	1,324
Accrued expenses and deferred income	21	8,116	7,684
		220,594	189,768
<b>Total liabilities</b>		220,594	189,768
<b>TOTAL EQUITY AND LIABILITIES</b>		442,691	346,910
<b>Memorandum items</b>			
Pledged assets	22	None	None
Contingent liabilities	22	None	None

# PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK thousands	Share capital	Statutory reserve	Retained earnings	Total equity
<b>Opening balance, January 1, 2008</b>	<b>7,824</b>	<b>46,817</b>	<b>132,836</b>	<b>187,477</b>
Dividend paid			-37,555	-37,555
New share issues	7		687	694
Group contributions			15,799	15,799
Tax effect of Group contributions			-4,424	-4,424
Profit for the year			-12,209	-12,209
<b>Closing balance, December 31, 2008</b>	<b>7,831</b>	<b>46,817</b>	<b>95,134</b>	<b>149,782</b>
Dividend paid			-37,589	-37,589
New share issues	28		2,938	2,966
Group contributions			15,191	15,191
Tax effect of Group contributions			-3,995	-3,995
Profit for the year			88,383	88,383
<b>Closing balance, December 31, 2009</b>	<b>7,859</b>	<b>46,817</b>	<b>160,062</b>	<b>214,738</b>

Number of shares	Number of votes	Number of shares	Share capital, SEK
<b>Opening balance, January 1, 2008</b>	<b>25,036,984</b>	<b>25,036,984</b>	<b>7,824,058</b>
Exercise of warrants	22,200	22,200	6,938
<b>Closing balance, December 31, 2008</b>	<b>25,059,184</b>	<b>25,059,184</b>	<b>7,830,995</b>
Exercise of warrants	89,200	89,200	27,875
<b>Closing balance, December 31, 2009</b>	<b>25,148,384</b>	<b>25,148,384</b>	<b>7,858,870</b>

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

# PARENT COMPANY STATEMENT OF CASH FLOWS

SEK thousands	Note	2009	2008
<b>OPERATING ACTIVITIES</b>			
Profit after tax		88,383	-12,209
Income tax expensed through profit or loss		-4,017	-4,424
Financial expenses and income recognized through profit or loss		-1,975	-1,715
Amortization/depreciation of intangible/tangible assets	9	1,883	1,670
Appropriations		-	104
Interest paid		-720	-4,772
Interest received		2,695	6,487
Taxes paid		855	2,796
<b>Cash flow from operating activities before changes in working capital</b>		<b>87,104</b>	<b>-12,063</b>
<b>CHANGES IN WORKING CAPITAL</b>			
Change in accounts receivable		-351	495
Change in other receivables		-13,376	-5,333
Change in accounts payable		-5,872	2,019
Change in other current liabilities		36,698	92,576
<b>Change in working capital</b>		<b>17,099</b>	<b>89,757</b>
<b>Cash flow from operating activities</b>		<b>104,203</b>	<b>77,694</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of intangible assets	14	-1,868	-
Acquisition of tangible non-current assets	15	-403	-754
<b>Cash flow from investing activities</b>		<b>-2,271</b>	<b>-754</b>
<b>FINANCING ACTIVITIES</b>			
New share issues		2,966	694
Dividend		-37,589	-37,555
<b>Cash flow from financing activities</b>		<b>-34,623</b>	<b>-36,861</b>
<b>CASH FLOW FOR THE YEAR</b>			
Cash & cash equivalents at beginning of year		220,348	180,269
Cash & cash equivalents at year-end		287,657	220,348

# 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 Nordic. A list of the largest individual shareholders as of December 31, 2009 is provided on page 61 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, 2009. The Group also applies the Swedish Financial Reporting Board's recommendation RFR 1.2 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.

### CHANGES IN ACCOUNTING PRINCIPLES 2009

The revised accounting principles applied by the Group as of January 1, 2009 are described below. Other changes in IFRS that took effect in 2009 have not had a material impact on the Group's accounts.

IAS 1 Presentation of Financial Statements: Revised IAS 1 Presentation of Financial Statements applies as of January 1, 2009. The revision has impacted the recognition of the currency effect in the translation of foreign operations retroactively from December 31, 2008. This revenue and expenses were previously recognized directly in equity, but are now recognized in a separate statement directly after the income statement. Comparative periods have been revised in the annual report to follow the new layout. Since the revisions only affect the layout, no amounts have been changed with respect to earnings per share or other items in the financial reports.

Björn Borg has chosen to use the new terminology in its financial reports.

IFRS 8 Operating Segments: IFRS 8 requires the Group's segment information to be presented from Management's perspective and business segments to be identified based on internal reporting to the Company's chief operating decision maker. Björn Borg has identified the President as its chief operating decision maker, while internal reporting used by the President to oversee operations and make decisions on allocating resources serves as the basis of the segment information presented. According to the previous standard, IAS 14 Segment Reporting, two types of segments (business segments and geographical areas) were identified using a model based on risks and opportunities. IFRS 8 is purely a disclosure standard, because of which it does not have any impact on the Group's total comprehensive income, financial position, cash flow and changes in equity. The business segments are unchanged based on the most recent annual report.

### CHANGES IN ACCOUNTING PRINCIPLES 2010

The International Accounting Standards Board (IASB) has issued number of new and revised standards which apply as of January 1, 2010. The standards that could impact Björn Borg's future financial reporting are described below.

The revised versions of IAS 27 Consolidated and Separate Financial Statements and IFRS 3 Business Combinations mean, among other things, that transactions with minority owners, where control is retained, are recognized as transactions between owners (in equity). Further, the rules for recognition of contingent consideration have

been revised, so that the cost of an acquisition is recognized all at once. Subsequent adjustments to cost affect profit and loss, as do acquisition-related expenses, which may no longer be included in the cost of an acquisition. The new standard is applied prospectively, i.e., primarily to new acquisitions and transactions as of January 1, 2010.

In addition to IFRS 3 and IAS 27, revisions have been made to IFRS 2 Share-based Payment with respect to cash-settled intra-group payments, IAS 32 Financial Instruments: Presentation with respect to the classification of new issues, IAS 39 Financial Instruments: Recognition and Measurement with respect to items eligible for hedge accounting, IFRS 12 Service Concessions, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 16 Hedges of a Net Investment in a Foreign Operation and IFRIC 17 Distribution of Non-cash Assets to Owners.

Management is currently evaluating whether these other new and revised standards and interpretations will affect the Group's financial reports in the period when they are applied for the first time.

### 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. 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

Björn Borg stores generate revenue for Björn Borg from 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 to 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 to the period 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 distinctive 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

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 estimated recoverable amount is less than the carrying amount, the asset is written down to its recoverable amount.

## INVENTORY

Inventory is valued at the lower of cost according to the first in, first out method and fair value (net selling price).

Net selling price 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, which 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.

### 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.

### 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 2:2 Accounting in Legal Entities and statements from the Swedish Financial Reporting Board. RFR 2:2 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 and the Pension Obligations Vesting 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 recognition and taxation, 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.

### Recognition of 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 largest currency exposure is against the dollar; approximately 50 percent of the Group's sales and cost of goods sold is in USD or USD-pegged currencies. The Group's transaction risk arises because Björn Borg's largest business segment, Product Development, has sales in USD and purchases in USD, at the same time that the Distribution business segment has sales in SEK and purchases in USD. The Group manages transaction risk partly by using the surplus it generates on sales in product development to outside distributors for purchases of goods for sale in the Distribution business segment.

#### SENSITIVITY ANALYSIS

The Björn Borg Group was affected positively by the significant increase in the value of the U.S. dollar against the Swedish krona in 2009 compared to 2008. For the full-year 2009 the USD/SEK exchange rate was an average of about 18 percent higher than in 2008.

The higher dollar exchange rate against the Swedish krona has affected the Product Development business segment positively in the form of higher gross profit in SEK due to increased revenue and increased purchases, at the same time that it has affected the Distribution business segment negatively in the form of more expensive purchases, and thus lower gross profit in SEK and percentage-wise.

The table below describes the effect of the dollar exchange rate on the Björn Borg Group's revenue and operating profit based on the current business model and the various business segments' share of revenue and operating profit.

Several components are affected by movements in the dollar exchange rate as well as each business segment's share of total revenue and profit, the timing of deliveries and changes in inventory.

Björn Borg does not use currency derivatives.

#### Estimated currency effect 2009

	Percent	Estimated effect on revenue	Estimated effect on operating profit
Stronger USD vs. SEK	10%	4%	3%
Weaker USD vs. SEK	-10%	-4%	-3%
Stronger EUR vs. SEK	10%	1%	1%
Weaker EUR vs. SEK	-10%	-1%	-1%

### 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, 2009 was limited, since interest-bearing assets amounted to SEK 296,484 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 accepting only 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, 2009 there were no significant concentrations of credit risk. The maximum credit risk corresponds to the carrying amount of the financial assets.

#### The Björn Borg Group's outstanding credit risk as of Dec. 31, 2009

Group	2009	2008
Accounts receivable	38,032	79,900
Other current receivables	3,227	5,335
Cash and bank balances	296,484	241,498
	337,743	326,733

### 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.

#### Maturity structure of the Björn Borg Group's outstanding receivables and liabilities as of Dec. 31, 2009

Dec. 31, 2009	Up to 3 mos.	3-12 mos.	1-5 yrs.	Over 5 yrs.
Accounts receivable	38,032	–	–	–
Other current receivables	3,227	–	–	–
Cash and bank balances	296,484	–	–	–
Accounts payable	15,480	–	–	–
Other liabilities	–	-13,998	-8,785	-32,104
<b>Totalt</b>	<b>353,223</b>	<b>-13,998</b>	<b>-8,785</b>	<b>-32,104</b>

Dec. 31, 2008	Up to 3 mos.	3-12 mos.	1-5 yrs.	Over 5 yrs.
Accounts receivable	79,900	–	–	–
Other current receivables	5,335	–	–	–
Cash and bank balances	241,498	–	–	–
Accounts payable	45,489	–	–	–
Other liabilities	–	-11,350	-15,946	-30,870
<b>Totalt</b>	<b>372,222</b>	<b>-11,350</b>	<b>-15,946</b>	<b>-30,870</b>

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

Segment reporting is prepared according to the same accounting principles as the consolidated accounts, as indicated in Note 1.

## 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.

## Summary by segment

SEK thousands	Brand		Product Development		Distribution		Retail		Total		Eliminations		Group	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
<b>Revenue</b>														
External sales	54,936	57,272	257,391	250,608	153,102	163,655	54,485	55,021	519,915	526,556	–	–	519,915	526,556
Internal sales	83,341	85,020	81,788	86,579	40,713	33,312	6	6	205,847	204,916	–205,847	–204,916	–	–
<b>Total sales</b>	<b>138,277</b>	<b>142,292</b>	<b>339,179</b>	<b>337,187</b>	<b>193,815</b>	<b>196,967</b>	<b>54,491</b>	<b>55,027</b>	<b>725,762</b>	<b>731,472</b>	<b>–205,847</b>	<b>–204,916</b>	<b>519,915</b>	<b>526,556</b>
<b>Operating profit</b>	<b>43,942</b>	<b>42,656</b>	<b>50,984</b>	<b>50,009</b>	<b>9,635</b>	<b>27,475</b>	<b>8,032</b>	<b>8,611</b>	<b>112,594</b>	<b>128,751</b>	<b>–</b>	<b>–</b>	<b>112,594</b>	<b>128,751</b>
Non-current assets	197,427	215,792	8,648	8,512	506	632	7,875	10,749	214,457	235,686	1,606	–17,148	216,063	218,538
Inventory	–	–	1,373	854	28,742	34,752	8,234	12,065	38,349	47,671	–11,894	–13,919	26,455	33,752
Other current assets	717,981	535,511	93,989	166,868	74,414	96,196	28,569	37,289	914,953	835,865	–552,751	–454,419	362,203	381,446
<b>Total assets</b>	<b>915,409</b>	<b>751,304</b>	<b>104,011</b>	<b>176,234</b>	<b>103,661</b>	<b>131,581</b>	<b>44,678</b>	<b>60,104</b>	<b>1,167,759</b>	<b>1,119,222</b>	<b>–563,039</b>	<b>–485,486</b>	<b>604,720</b>	<b>633,736</b>
Other liabilities	317,670	290,517	99,325	170,199	96,852	87,109	42,634	45,966	556,481	593,791	–412,717	–407,609	143,764	186,181
<b>Total liabilities</b>	<b>317,670</b>	<b>290,517</b>	<b>99,325</b>	<b>170,199</b>	<b>96,852</b>	<b>87,109</b>	<b>42,634</b>	<b>45,966</b>	<b>556,481</b>	<b>593,791</b>	<b>–412,717</b>	<b>–407,609</b>	<b>143,764</b>	<b>186,181</b>
Investments in tangible and intangible assets	2,317	754	446	164	474	510	1,303	3,645	4,540	5,073	–	–	4,540	5,073
Depreciation/amortization	–1,883	–1,670	–156	–57	–947	–151	–4,038	–5,097	–7,024	–6,976	–	–	–7,024	–6,976

## RECONCILIATION BETWEEN OPERATING PROFIT AND PROFIT FOR TAX PURPOSES

The difference between operating profit for segments for which information is disclosed, SEK 112,594 thousand (128,751), and profit before tax and discontinued operations, SEK 111,658 thousand (134,822), is net financial items, SEK –936 thousand (6,071).

## DISTRIBUTION

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

## RETAIL

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

## Geographical areas

	Sweden		Netherlands		Norway		Denmark		Other		Group	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Net sales	203,059	218,067	156,187	123,981	38,524	46,518	37,220	40,283	84,925	97,706	519,915	526,556
Assets	604,720	633,736	–	–	–	–	–	–	–	–	604,720	633,736
Investments	4,540	5,073	–	–	–	–	–	–	–	–	4,540	5,073
Depreciation/amortization	–7,024	–6,976	–	–	–	–	–	–	–	–	–7,024	–6,976

Revenue of approximately SEK 156,187 thousand (123,981) refers to a single outside customer. This revenue is attributable to the brand and product development segment in the Netherlands.

## NOTE 5 REVENUE DISTRIBUTION

Net sales SEK thousands	Group		Parent Company	
	2009	2008	2009	2008
Royalty and service revenue	54,936	57,272	47,608	50,630
Product company revenue	257,391	250,608	–	–
Distribution company revenue	153,102	163,655	–	–
Concept store revenue	54,485	55,021	–	–
	<b>519,915</b>	<b>526,556</b>	<b>47,608</b>	<b>50,630</b>

Royalty revenue amounted to SEK 52,468 thousand (55,435). There is no royalty revenue in the Parent Company.

## NOTE 6 REVENUE AND EXPENSES BETWEEN GROUP COMPANIES

The Parent Company's revenue from subsidiaries amounted to SEK 45,098 thousand (47,218). The Parent Company's expenses for subsidiaries amounted to SEK 5,912 thousand (5,567). 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		Parent Company	
	2009	2008	2009	2008
Wages, salaries and other compensation	40,122	38,052	12,990	10,268
Social security contributions	11,450	12,933	3,927	4,183
Pension costs	4,455	4,687	2,210	2,336
<b>Total</b>	<b>56,027</b>	<b>55,672</b>	<b>19,128</b>	<b>16,787</b>

Wages, salaries and other compensation divided between Board, Senior Executives and other employees	Group		Parent Company	
	2009	2008	2009	2008
Board, President and other				
Senior Executives	8,770	11,260	5,973	7,732
Other employees	31,352	26,792	7,017	2,536
<b>Total</b>	<b>40,122</b>	<b>38,052</b>	<b>12,990</b>	<b>10,268</b>

**Average number of employees<sup>1</sup>**

Women	60	59	10	7
Men	32	29	10	7
<b>Total</b>	<b>92</b>	<b>88</b>	<b>20</b>	<b>14</b>

Group	2009	2008
-------	------	------

Gender distribution among Directors and Senior Executives	Men	Women	Men	Women
Board	6	1	6	1
Other Senior Executives	4	3	5	2
<b>Total</b>	<b>10</b>	<b>4</b>	<b>11</b>	<b>3</b>

<sup>1</sup> The average number of employees is calculated based on 1,800 annual working hours.

Compensation and other benefits to Directors	2009		2008	
	Board fees	Other compensation	Board fees	Other compensation
Chairman of the Board				
Fredrik Lövstedt	300	–	300	–
Other Directors;				
Mats H Nilsson	100	10	100	16
Fabian Månnsson	100	–	–	–
Vilhelm Schottenius	100	29	100	24
Monika Elling	100	–	–	–
Michael Storåkers	100	–	100	–
Nils Vinberg	50	–	–	–
Lottie Svedenstedt	–	–	100	9
Håkan Roos	–	–	100	–
<b>Total</b>	<b>850</b>	<b>39</b>	<b>800</b>	<b>49</b>

**Compensation and other benefits to Senior Executives**

2009	Base salary compensation	Variable compensation	Pensions costs	Other compensation
President	1,800	240	447	–
EVP	1,080	240	395	–
Other Senior Executives	5,235	175	998	–
<b>Total</b>	<b>8,115</b>	<b>655</b>	<b>1,840</b>	<b>–</b>

2008	Base salary compensation	Variable compensation	Pensions costs	Other compensation
President	1,800	240	960	1,800
EVP	1,065	120	373	–
Other Senior Executives	3,948	175	779	–
<b>Total</b>	<b>6,813</b>	<b>535</b>	<b>2,112</b>	<b>1,800</b>

**BENEFITS TO BOARD, PRESIDENT AND OTHER SENIOR EXECUTIVES**

**Compensation to Board**

The Chairman and other Directors received total fees of SEK 850 thousand (800) in 2009, in accordance with the Board compensation approved by the Annual General Meeting. The Chairman received SEK 300 thousand (300), while other Directors excluding the President received SEK 100 thousand (100) each. One Director received compensation for only six months because he received a salary from the Company during the period. 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**

The President's base salary amounted to SEK 1,800 thousand (1,800). In addition, he received variable compensation of SEK 240 thousand (240). The variable compensation is paid 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 base salary.

The President has a term of notice of 6 months if terminated by the Company. If he resigns, there is a 6 month term of notice. The President is entitled to severance corresponding to 6 months' base salary. A proposal on the terms of the compensation package for the President is made by a compensation committee consisting of Fredrik Lövstedt and Monika Elling and approved by the Board. The President's holding of shares and warrants is described below.

Senior Executives refer to ten persons who, together with the President, made up the Group Management in 2009.

**Other Senior Executives**

Base salaries paid to other Senior Executives amounted to SEK 6,315 thousand (5,013) in 2009. Moreover, they receive variable compensation if the Group's sales and results exceed the Board's established budget. The variable compensation for 2009 amounted to SEK 415 thousand (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 2009 amounted to SEK 1,393 thousand (1,152). The Senior Executives have a mutual term of notice of 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 as of Dec. 31, 2009	No. of warrants	No. of shares
Frederik Lövstedt	1,400,040	
Mats H Nilsson	1,478,440	
Vilhelm Schottenius	1,023,520	
Monika Elling	29,000	
Michael Storåkers	40,000	
Nils Vinberg	711,080	
Fabian Månnsson	0	
President	750,000	35,000
Other Senior Executives	546,000	155,160
<b>Total</b>	<b>1,296,000</b>	<b>4,872,240</b>

**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 2009 amounted to SEK 4.5 million (4.7).

**INCENTIVE SCHEMES**

Björn Borg offers the following two incentive schemes based on warrants in Björn Borg (i.e., the Parent Company).

**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. Warrant scheme 2006:1 provided Björn Borg Brands AB with total proceeds of SEK 2,996 thousand in 2009; no outstanding warrants remain in this scheme. If all outstanding warrants were exercised, the number of shares in the Company would increase from 25,148,384 to 26,533,684 and the share capital would increase by SEK 439,156, which would mean that the new shares correspond to 5.6 percent of the total number of shares on a fully diluted basis.

**Warrant scheme**

	Scheme 2006:1	Scheme 2008:1	Scheme 2008:2	Total
Outstanding at beginning of year	22,300	155,300	1,250,000	1,427,600
Converted to shares	-22,300			-22,300
<b>Outstanding and exercisable at year-end</b>	<b>0</b>	<b>155,300</b>	<b>1,250,000</b>	<b>1,405,300</b>
<b>Share entitlement</b>	<b>0</b>	<b>155,300</b>	<b>1,250,000</b>	<b>1,405,300</b>

**NOTE 8 AUDITORS' FEES**

	Group 2009	Group 2008	Parent Company 2009	Parent Company 2008
<b>Deloitte AB</b>				
Compensation for audits and related services	932	946	619	690
Compensation for other assignments	56	122	56	122
	<b>988</b>	<b>1,068</b>	<b>675</b>	<b>812</b>
<b>Other accounting firms</b>				
Compensation for audits and related services	-	74	-	-
Compensation for other assignments	31	25	-	-
	<b>31</b>	<b>99</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,019</b>	<b>1,167</b>	<b>675</b>	<b>812</b>

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 2009	Group 2008	Parent Company 2009	Parent Company 2008
Distribution expenses	4,566	4,768	1,224	1,085
Administrative expenses	1,756	1,988	471	417
Development expenses	702	220	188	167
<b>Total</b>	<b>7,024</b>	<b>6,976</b>	<b>1,883</b>	<b>1,670</b>

## NOTE 10 OPERATING LEASES

	Group		Parent Company	
	2009	2008	2009	2008
Leases during the year amount to	14,671	12,017	5,523	3,952
Future lease fees amount to				
– within 1 year	14,950	12,275	5,631	4,027
– later than 1 year but within 5 years	62,708	51,454	23,646	16,895
<b>Total</b>	<b>77,658</b>	<b>63,729</b>	<b>29,277</b>	<b>20,922</b>

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, 2009, the Björn Borg Group had no finance leases.

## NOTE 11 TRANSACTIONS WITH RELATED PARTIES

Until July 1, 2009 Björn Borg Footwear AB had a property lease with Klockaren Fastighetsförvaltning i Varberg AB, which was owned by Jan Lanai. On July 1, 2009 the property was sold to an outside party, at which point the related-party relationship ceased. Jan Lanai is a member of the management of the Björn Borg Group and is President and Director of Björn Borg Footwear AB. In 2009 SEK 232 thousand (399) was expensed for rent for premises. Transactions with related parties were made on market terms.

## NOTE 12 UNTAXED RESERVES

Parent Company	Dec. 31	Dec. 31
	2009	2008
Untaxed reserves		
Accumulated accelerated depreciation	1,404	1,404
Tax allocation reserve 2006	5,955	5,955
<b>Total</b>	<b>7,359</b>	<b>7,359</b>

## NOTE 13 TAXES

	Group		Parent Company	
	2009	2008	2009	2008
Current tax on profit for the year	–23,239	–30,923	–	–
Deferred tax	–7,517	–4,697	–	–
Notional tax on Group contributions			4,017	4,424
<b>Total recognized tax expense</b>	<b>–30,756</b>	<b>–35,620</b>	<b>4,017</b>	<b>4,424</b>
<b>Reconciliation between current tax rate and effective tax rate</b>	<b>Group</b>		<b>Parent Company</b>	
	2009	2008	2009	2008
Recognized profit before tax	111,658	134,822	84,367	–16,633
Tax according to current tax rate	–29,366	–37,750	–22,188	4,657
<i>Tax effect of:</i>				
Tax related to tax allocation reserve	–	–	–33	–
Other non-deductible costs	–319	–60	–67	–233
Other tax-exempt income	71	84	26,305	–
Tax owing to amended tax rate	–	1,894	–	–
Tax related to revenue/expenses not recognized through profit or loss	–97	210	–	–
Adjustment of tax from previous years	–349	–	–	–
Unutilized tax loss in U.S.	–696	–	–	–
<b>Recognized tax expense</b>	<b>–30,756</b>	<b>–35,620</b>	<b>4,017</b>	<b>4,424</b>

Deferred taxes	Group		Parent Company	
	Dec. 31 2009	Dec. 31 2008	Dec. 31 2009	Dec. 31 2008
<b>Recognized deferred tax assets and tax liabilities</b>				
Inventories	3,128	3,661	–	–
Untaxed reserves	–43,139	–36,545	–	–
<b>Total deferred tax assets (+)</b>	<b>–40,011</b>	<b>–32,884</b>	<b>–</b>	<b>–</b>
<b>Deferred tax liabilities (–)</b>				

## NOTE 14 INTANGIBLE ASSETS

Group	Dec. 31	Dec. 31
	2009	2008
<b>Goodwill</b>		
Accumulated cost		
Opening balance	13,944	13,944
Carrying amount at year-end	13,944	13,944
<b>Trademarks</b>		
Accumulated cost		
Opening balance	187,532	187,532
Carrying amount at year-end	187,532	187,532
<b>Tenancy rights</b>		
Accumulated cost		
Opening balance	3,425	1,225
Investments	–	2,200
Closing balance	3,425	3,425
Accumulated amortization		
Opening balance	–1,729	–284
Amortization for the year	–1,245	–1,445
Closing balance	–2,974	–1,729
Carrying amount at year-end	451	1,696
<b>Capitalized expenditure for software</b>		
Accumulated cost		
Investments	3,160	–
Closing balance	3,160	–
Accumulated amortization		
Amortization for the year	–174	–
Closing balance	–174	–
Carrying amount at year-end	2,986	–
31 dec		
2009		
<b>Parent Company</b>		
<b>Capitalized expenditure for software</b>		
Accumulated cost		
Investments	1,868	–
Closing balance	1,868	–
Accumulated impairment losses		
Amortization for the year	–174	–
Closing balance	–174	–
Carrying amount at year-end	1,694	–

## RECOGNITION OF 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.

	2009	2008
Björn Borg Brands AB	9,330	9,330
Björn Borg Clothing AB	658	658
Björn Borg Footwear Holding AB	3,956	3,956
	<b>13,944</b>	<b>13,944</b>
<b>Trademarks</b>		
Björn Borg Brands AB	187,532	187,532
	<b>187,532</b>	<b>187,532</b>

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 2010 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 and licensees.

Impairment tests were conducted as of December 31, 2009 applying a 14 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 2010 to 2014.

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		Parent Company	
	Dec. 31 2009	Dec. 31 2008	Dec. 31 2009	Dec. 31 2008
<b>Accumulated cost</b>				
Opening balance	25,885	23,012	8,366	7,612
Investments	1,380	2,873	403	754
Sales and disposals	–	–	–	–
<b>Closing balance</b>	<b>27,265</b>	<b>25,885</b>	<b>8,769</b>	<b>8,366</b>
<b>Accumulated depreciation</b>				
Opening balance	–10,519	–5,195	–2,822	–1,152
Sales and disposals	9	166	–	–
Depreciation for the year	–5,605	–5,490	–1,709	–1,670
<b>Closing balance</b>	<b>–16,115</b>	<b>–10,519</b>	<b>–4,531</b>	<b>–2,822</b>
<b>Carrying amount at year-end</b>	<b>11,150</b>	<b>15,366</b>	<b>4,238</b>	<b>5,544</b>

## NOTE 16 FINANCIAL NON-CURRENT ASSETS

	Dec. 31	
	2009	2008
<b>Parent Company</b>		
Shares in subsidiaries		
Opening cost	54,497	54,497
<b>Closing cost</b>	<b>54,497</b>	<b>54,497</b>

Shares in subsidiaries	Reg.no.	Reg. address	No. of shares	Share of equity %		Book value
				2009	2008	
Björn Borg Brands AB	556537-3551	Stockholm	84,806	100	100	40,216
Björn Borg Clothing AB	556414-0373	Stockholm	1,000	100	100	
Björn Borg Sweden AB	556374-5776	Stockholm	3,000	100	100	
Anteros Lagerhantering AB	556539-2221	Stockholm	901	90,1	90,1	
Björn Borg Retail AB	556577-4410	Stockholm	1,000	100	100	
Björn Borg Inc		Delaware	3,000	100	100	
Björn Borg Footwear Holding AB	556544-8924	Varberg	1,999	100	100	14,281
Björn Borg Footwear AB	556280-5746	Varberg	5,000	100	100	
						<b>54,497</b>

## NOTE 17 INVENTORY

	Group		Parent Company	
	Dec. 31 2009	Dec. 31 2008	Dec. 31 2009	Dec. 31 2008
Trading book, gross	27,273	34,796	–	–
Reserve for obsolescence in inventory	–818	–1,044	–	–
<b>Total</b>	<b>26,455</b>	<b>33,752</b>	<b>–</b>	<b>–</b>

## NOTE 18 ACCOUNTS RECEIVABLE

Accounts receivable	Group		Parent Company	
	Dec. 31 2009	Dec. 31 2008	Dec. 31 2009	Dec. 31 2008
Accounts receivable, gross	40,176	81,769	970	561
Reserve for impaired receivables	-2,144	-1,869	-160	-102
<b>Total accounts receivable, net, after reserve for impaired receivables</b>	<b>38,032</b>	<b>79,900</b>	<b>810</b>	<b>458</b>
<b>Overdue receivables</b>				
Not overdue	11,506	62,774	-	168
1-30 days	22,202	10,023	670	25
31-90 days	278	4,563	-	19
91-180 days	3,180	2,790	140	43
>180 days	3,010	1,619	160	306
<b>Total</b>	<b>40,176</b>	<b>81,769</b>	<b>970</b>	<b>561</b>
<b>Overdue receivables not considered impaired</b>				
Not overdue	11,506	62,768	-	168
1-30 days	22,202	9,866	670	25
31-90 days	278	4,102	-	19
91-180 days	3,180	2,094	140	10
>180 days	866	1,070	-	237
<b>Total</b>	<b>38,032</b>	<b>79,900</b>	<b>810</b>	<b>458</b>
<b>Control account for customer losses – reconciliation</b>				
Provisions at beginning of year	-1,869	-507	-	-
Reversed provisions	-	87	-	-
Provisions	-63	-1,363	-160	-
Established losses	-212	-86	-	-
<b>Total</b>	<b>-2,144</b>	<b>-1,869</b>	<b>-160</b>	<b>-</b>

## NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	Dec. 31 2009	Dec. 31 2008	Dec. 31 2009	Dec. 31 2008
Accrued royalty revenue	4,280	4,664	-	-
Prepaid rents	4,043	5,336	1,418	2,107
Prepaid leases	97	69	-	-
Other	8,670	10,893	1,906	1,971
<b>Total</b>	<b>17,090</b>	<b>20,962</b>	<b>3,324</b>	<b>4,078</b>

## NOTE 20 LIABILITIES

Non-current and current interest-bearing loans	Group		Parent Company	
	Dec. 31 2009	Dec. 31 2008	Dec. 31 2009	Dec. 31 2008
Bank overdraft facilities	20,000	120,000	20,000	120,000
<b>Total available credit lines</b>	<b>20,000</b>	<b>120,000</b>	<b>20,000</b>	<b>120,000</b>

Unutilized available credit lines 20,000 120,000 20,000 120,000

Other liabilities include a reported liability to the seller of the Björn Borg trademark totaling SEK 46,816 thousand (of which SEK 5,927 thousand will be paid within 12 months and SEK 32,104 thousand after 5 years).

## NOTE 21 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	Dec. 31 2009	Dec. 31 2008	Dec. 31 2009	Dec. 31 2008
Royalty expenses	6,332	7,303	-	-
Personnel-related items	6,541	6,884	1,595	4,085
Customs and shipping expenses	63	1,498	-	-
Management expenses	1,127	1,115	1,127	1,115
Marketing expenses	1,209	-	-	-
Other	18,115	13,569	5,394	2,483
<b>Total</b>	<b>33,387</b>	<b>30,369</b>	<b>8,116</b>	<b>7,683</b>

## NOTE 22 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets	Group		Parent Company	
	Dec. 31 2009	Dec. 31 2008	Dec. 31 2009	Dec. 31 2008
Chattel mortgages	18,000	18,000	-	-
<b>Total</b>	<b>18,000</b>	<b>18,000</b>	<b>-</b>	<b>-</b>

Contingent liabilities		
Other guarantees	4,025	4,951
<b>Total</b>	<b>4,025</b>	<b>4,951</b>

## NOTE 23 EARNINGS PER SHARE

	2009	2008
Earnings per share, SEK	3.22	3.96
Earnings per share, SEK (after full dilution)	3.21	3.96
Number of shares	25,148,384	25,059,184
Number of shares, weighted average	25,111,217	25,041,134
Effect of dilution	118,910	34,366
Number of shares, weighted average (after full dilution)	25,230,128	25,075,500

Earnings per share are 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	2009	2008
Accounts and loans receivable	2,536	14,393
Financial liabilities measured at amortized cost	-2,837	-7,719
<b>Total</b>	<b>-301</b>	<b>6,674</b>

**NOTE 25** DIVIDEND PER SHARE

The Annual General Meeting on April 23, 2009 approved a dividend of SEK 37,589 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 5.00 per share for the financial year 2009, corresponding to SEK 125,742 thousand.

**NOTE 26** NET FINANCIAL ITEMS

Group	Dec. 31 2009	Dec. 31 2008
Change in exchange rates	1,360	1,457
Interest income*	2,850	6,702
Other financial income	174	5,313
<b>Total financial income</b>	<b>4,384</b>	<b>13,472</b>
Change in exchange rates	-2,366	-560
Other financial expenses	-108	-2,525
Interest expense Trademarks**	-2,101	-2,320
Interest expenses**	-745	-1,996
<b>Total financial expenses</b>	<b>-5,320</b>	<b>-7,401</b>
<b>Net financial items</b>	<b>-936</b>	<b>6,071</b>

\* Of which SEK 2,850 thousand (6,702) in interest income for financial assets not measured at fair value through profit or loss.

\*\* Of which SEK -2,846 thousand (-4,316) in interest expenses for financial assets not measured at fair value through profit or loss.

**NOTE 27** FINANCIAL ASSETS AND LIABILITIES

Group 2009	Accounts receivable and loans receivable	Other financial liabilities	Total carrying amount	Fair value	Non-financial assets and liabilities	Total assets
Accounts receivable	38,032	–	38,032	38,032	–	38,032
Cash and bank balances	296,484	–	296,484	296,484	–	296,484
<b>Total financial assets</b>	<b>334,516</b>	<b>–</b>	<b>334,516</b>	<b>334,516</b>	<b>–</b>	<b>334,516</b>
Other non-current liabilities	–	40,889	40,889	40,889	–	40,889
Other current liabilities	–	5,927	5,927	5,927	8,071	13,998
Accounts payable	–	15,480	15,480	15,480	–	15,480
<b>Total financial liabilities</b>	<b>–</b>	<b>62,296</b>	<b>62,296</b>	<b>62,296</b>	<b>8,071</b>	<b>70,367</b>
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
<b>Total financial assets</b>	<b>321,398</b>	<b>–</b>	<b>321,398</b>	<b>321,398</b>	<b>–</b>	<b>321,398</b>
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
<b>Total financial liabilities</b>	<b>–</b>	<b>98,004</b>	<b>98,004</b>	<b>98,004</b>	<b>5,651</b>	<b>103,655</b>

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 16, 2010

Fredrik Lövstedt  
*Chairman*

Nils Vinberg  
*Vice Chairman*

Monika Elling

Fabian Månsson

Mats H Nilsson

Vilhelm Schottenius

Michael Storåkers

Arthur Engel  
*President*

My audit report was submitted on March 16, 2010  
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 2009. The Company's annual report is included in the printed version of this document on pages 35–58. 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 Parent Company's income statement and balance sheet and the Group's income statement and statement of financial position, 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 16, 2010  
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, 2008 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 7,858,870, divided into 25,148,384 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, 2009 was SEK 67, giving Björn Borg a market capitalization of SEK 1,685 million. A total of 9.96 million shares were traded in 2009 at a value of approximately SEK 562 million. The average daily turnover was 39,665 shares. The share price rose during the year by SEK 26, or 63.4 percent. The share reached a high of SEK 72.00 and dipped to a low of SEK 35.20.

## INCENTIVE SCHEMES

Björn Borg has two outstanding incentive schemes based on warrants. The exercise of all the outstanding warrants would fully dilute the share capital by about 6.0 percent. For more information on the incentive schemes, see Note 7 on page 52.

## DIVIDEND POLICY

According to Björn Borg's financial objectives for the period 2010–2014, 50 percent of net profit will be distributed to the Company's shareholders. As part of the financial objectives, the Company will try to maintain long-term cash reserves equivalent to 10–20 percent of annual sales. The surplus liquidity that is generated while taking into account the new financial objectives will be distributed in stages during the forecast period, starting in 2010.

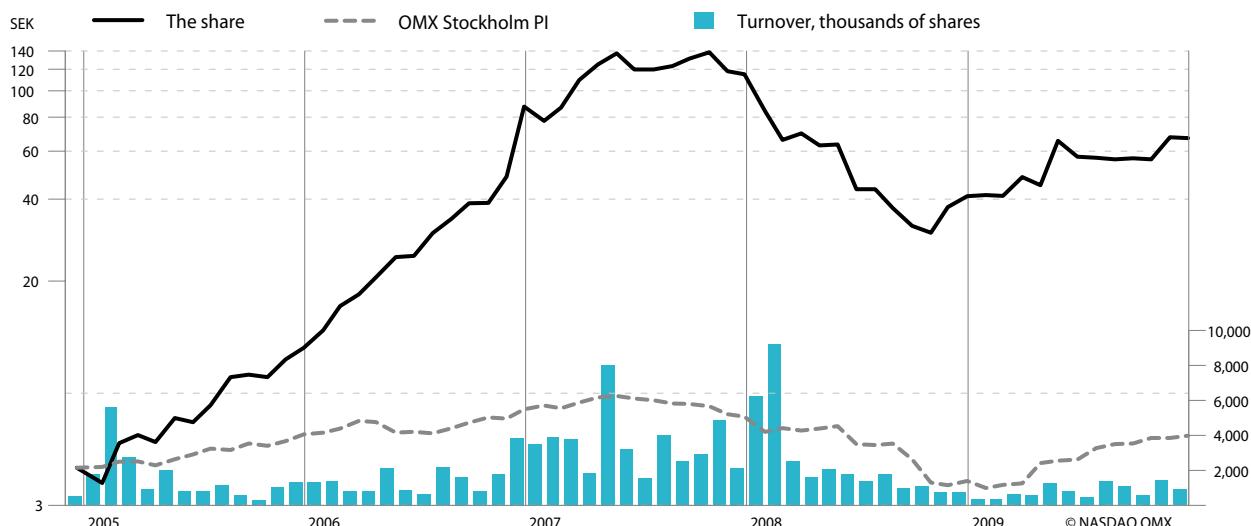
## DIVIDEND PROPOSAL

For 2009 the Board of Directors proposes that the Annual General Meeting approve a dividend of SEK 5.00 (1.50) per share, corresponding to 155 percent (38) of net profit.

## SHAREHOLDERS

As of December 31, 2009 Björn Borg had 6,116 shareholders (6,166), according to Euroclear. Björn Borg's ten largest shareholders owned shares corresponding to 57.6 percent of the votes and capital. Institutional investors owned 27 percent.

## SHARE PRICE PERFORMANCE



### CHANGES IN SHARE CAPITAL

Year	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	Company formation	1,000	1,000	100,000	100,000	100.00	—
2004	New share issue	7,500	8,500	750,000	850,000	100.00	6
2004	Non-cash issue	37,243	45,743	3,724,000	4,574,300	100.00	6
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	Bonus 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
2009	Redemption of warrants	89,200	25,148,384	27,875	7,858,870	0.31	33

### LARGEST SHAREHOLDERS

	No. of shares	Votes/capital, %
SEB	2,602,480	10.3
Swedbank Robur Funds	2,037,060	8.1
Martin Björinger through companies	1,800,000	7.2
Mats Nilsson through companies	1,478,440	5.9
Fredrik Lövstedt through companies	1,400,040	5.6
Fourth Swedish National Pension Fund	1,274,717	5.0
Lannebo Funds	1,206,724	4.8
Vilhelm Schottenius through companies and family	1,023,520	4.1
Livförsäkrings AB Skandia	892,831	3.6
JP Morgan Bank	760,555	3.0
Total, 10 largest shareholders	14,476,367	57.6
Total, other	10,672,017	42.4
<b>Total number of shares</b>	<b>25,148,384</b>	<b>100</b>

According to share register on December 31, 2009.

With respect to major shareholders in Björn Borg, the holdings of related parties are equated with the shareholders' own shares to the extent allowed by the Act on Reporting Obligations for Certain Holdings of Financial Instruments.

### SHAREHOLDER STRUCTURE

	No. of shareholders	No. of shares	Capital and votes, %
1 – 500	4,417	753,288	3.0
501 – 1,000	494	683,598	2.7
1,001 – 5,000	665	1,581,792	6.3
5,001 – 10,000	93	728,012	2.9
10,001 – 15,000	40	522,280	2.1
15,001 – 20,000	21	373,528	1.5
20,001 –	86	20,505,886	81.5
<b>Total</b>	<b>6,116</b>	<b>25,148,384</b>	<b>100.0</b>

According to share register on December 31, 2009.

### DATA PER SHARE

	2009	2008	2007	2006	2005
Earnings per share before dilution, SEK	3.22	3.96	4.18	2.55	1.03
Earnings per share after full dilution, SEK	3.21	3.96	4.17	2.53	1.02
Number of shares outstanding on closing day	25,148,384	25,059,184	25,036,984	23,207,376	22,896,576
Average number of shares outstanding	25,111,217	25,041,134	24,406,699	22,954,076	22,896,576
Average number of shares outstanding after full dilution	25,230,128	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 Alertsec AB, President of AB Durator  
Background: Former Executive Vice President of Protect Data AB (1996–2001). Has run his own company since 1984.  
Considered independent in relation to the Company and the Management, but not in relation to the Company's major shareholders.  
Shares in Björn Borg: 2,600,040.



**Nils Vinberg**  
Vice Chairman since 2008.  
Director since 2004.  
b. 1957.  
B.Sc. Econ.  
Other directorships: Chairman of Charge Holding AB, Vice Chairman of Odd Molly International AB, Director of RNB Retail and Brands AB, Source 11 AB and Vinberg Management AB.  
Background: Former President of Björn Borg AB (2004–2008), former CFO of Björn Borg AB (1999–2004), President of Industri Partner AB, CFO of Industrihandelsgruppen.  
Not considered independent in relation to the Company and the Management, but independent in relation to the Company's major shareholders.  
Shares in Björn Borg: 711,080.



**Monika Elling**  
Director since 2009.  
b. 1962.  
B.Sc. Econ., B.Sc. ME, MBA.  
Background: Most recently Regional Managing Director and CFO of Intrum Justitia. Earlier an analyst at Enskilda Securities in Stockholm, COO of Arrow Lock, New York, USA (today part of Assa Abloy), Business Development Manager in Cash Handling Services at Securitas. Through the end of 2007 Monika Elling was a Director of AB Linex.  
Considered independent in relation to the Company and the Management, as well as the Company's major shareholders.  
Shares in Björn Borg: 59,000.



**Fabian Måansson**  
Director since 2009.  
b. 1964.  
B.Sc. Econ.  
Other directorships: Active as industrial advisor since 2008.  
Background: In recent years Fabian Måansson has served as an industrial advisor for the managements of Hugo Boss and Mavi Jeans, among other companies. Former CEO, President and Director of Eddie Bauer Inc, USA. EVP of Spray Ventures AB. President, Purchasing Manager and Divisional Manager for H&M Hennes and Mauritz AB.  
Considered independent in relation to the Company and the Management, as well as the Company's major shareholders.  
Shares in Björn Borg: 2,000.



**Mats H Nilsson**  
Director since 1998.  
b. 1955.  
B.Sc. Econ.  
Other directorships: Director of Credibility Capital AB and SevenDay Finans AB.  
Background: Former Executive Director of Swiss Bank Corporation, London, and Director of SG Warburg & Co Ltd, London.  
Considered independent in relation to the Company and the Management, as well as the Company's major shareholders.  
Shares in Björn Borg: 1,478,440.



**Vilhelm Schottenius**  
Director since 1997.  
b. 1956.  
B.Sc. Econ.  
Other directorships: Chairman of Procurator AB, Ernströms Handel & Industry AB, Collector AB, Nilörngruppen AB, Stampaen Media Partner AB, Sportmanship Invest AB, Identity Works AB, Saddler Scandinavia AB, the regional bank board of Handelsbanken.  
Background: One of the founders of the Björn Borg brand and Lunarworks AB (Lunarstorm).  
Considered independent in relation to the Company and the Management, as well as the Company's major shareholders.  
Shares in Björn Borg: 1,023,520.



**Michael Störåkers**  
Director since 2006.  
b. 1972.  
B.Sc. Econ.  
Other directorships: Chairman of McCann Nordic AB, Störåkers McCann AB and Vulkan AB. Director of the Stockholm School of Economics, Bukowskis AB, Moderna Museet's Advisory Board.  
Background: Former Director of Stockholm Business Region AB, Koncept AB, Fortum Värme, Pysslingen Förskolor och Skolor AB.  
Considered independent in relation to the Company and the Management, as well as the Company's major shareholders.  
Shares in Björn Borg: 40,000.

**Auditors**  
Deloitte AB  
Håkan Pettersson.  
Authorized Public Accountant.

Tommy Mårtensson.  
Authorized Public Accountant.

Shareholdings and warrant holdings as of February 28, 2010.

# SENIOR MANAGEMENT



**Arthur Engel**

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



**Malin Wählstedt**

Product Manager Underwear.  
b. 1966.  
Recruited 2009.  
Business School Economics.  
Background: Former Section Manager  
H&M, Underwear.  
Shares in Björn Borg: 0.



**Henrik Fischer**

Vice President and International Sales  
Director.  
b. 1967.  
Recruited 2008.  
Business School Economics.  
Background: President of  
Polarn o. Pyret, COO of Gant,  
President of Gant Sweden.  
Shares in Björn Borg: 6,000.  
Warrants in Björn Borg: 500,000.



**Johan Mark**

Financial Manager.  
b. 1974.  
Recruited 2005.  
B.Sc. Econ.  
Background: Axfod AB, Öhrlings PWC.  
Shares in Björn Borg: 3,000.  
Warrants in Björn Borg: 10,000.



**Rocky af Ekenstam  
Brennicke**

Marketing Director.  
b. 1971.  
Recruited 2007.  
Diploma in Communication Strategy.  
Background: Former PR/Event Manager at  
Björn Borg, PR Coordinator at PR/Design-  
byrå, CEO of Brennicke Produktion.  
Shares in Björn Borg: 0.



**Magnus Ehrland**

Creative Director.  
b. 1965.  
Recruited 2009.  
Background: Design Director of  
J Lindeberg, Menswear Designer Diesel,  
Italy.  
Shares in Björn Borg: 1,500.



**Ulrika Andersson**

Product Manager Adjacent Products.  
b. 1965.  
Recruited 2009.  
Fashion Design & Creation, ESMOD,  
Paris.  
Background: Head of Design & Product  
Development Gant, Purchasing H&M  
L.O.G.G.  
Shares in Björn Borg: 5,000.

Shareholdings and warrant holdings as of February 28, 2010.

# CORPORATE GOVERNANCE REPORT 2009

The Björn Borg share is listed on NASDAQ OMX Nordic.

## 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 applies the Swedish Code of Corporate Governance. 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 a company subject to the Swedish Code of Corporate Governance does not follow it in any respect, the company must report the deviation, describe the solution it has selected instead and state the reasons why. In 2009 Björn Borg applied 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. With respect to new issues of shares, convertibles and warrants, the AGM has the option of authorizing the Board to take decisions.

### Annual General Meeting 2010

The next AGM will be held in Stockholm on April 15, 2010. 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 2009

The 2009 AGM was held in Stockholm on April 23, 2009. The AGM passed resolutions to reelect Directors Mats H Nilsson, Vilhelm Schottenius, Michael Storåkers and Nils Vinberg, and reelected Fredrik Lövstedt as Chairman. Monika Elling and Fabian Måansson were elected as new Directors. The AGM also resolved to approve the

profit distribution, authorize the Board to decide to acquire and transfer the Company's own shares and issue new shares. The AGM also approved the Board's proposal to amend the Articles of Association with respect to the way in which notice of the meeting is served and the timing of the notice as well as amend the purpose of the business in the Articles of Association. The amendments with respect to the timing and method of serving notice of the meeting are contingent on the current provisions of the Companies Act entering into force. Since the provisions of the Companies Act have not yet entered into force, the amendments to the Articles of Association in this respect have not yet been implemented. The minutes of the AGM can be found on Björn Borg's web site.

## NOMINATION COMMITTEE

According to the resolution of the 2009 AGM, Björn Borg shall have a Nomination Committee. The Nomination Committee, whose composition was published on the web site in October 2009, consists of the following members leading up to the 2010 AGM:

- Fredrik Lövstedt, Chairman of the Board
- Martin Bjäringer, representing himself as a shareholder through Dirbal B.V.
- Åsa Nisell, representing Swedbank Robur funds
- Stefan Roos, representing SEB Funds

Martin Bjäringer has been named Chairman of the Nomination Committee. According to the resolution of Björn Borg's 2009 AGM, the Nomination Committee's mandate is to propose to the 2010 AGM 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, 2010, 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 are elected annually at the AGM for a one-year term until the next AGM. The AGM on April 23, 2009 reelected Directors Mats H Nilsson, Vilhelm Schottenius, Michael Storåkers and Nils Vinberg. Monika Elling and Fabian Måansson were elected as new Directors. Fredrik Lövstedt was elected Chairman of the Board.

The Board fulfills the requirements of the Swedish Code of Corporate Governance and the Swedish Corporate Governance Board's instruction 1-2009 that no more than one Director elected by the AGM may play or have recently played an operational role in the Company, that a majority of 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 62 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 seven scheduled meetings in 2009, four of which in connection with quarterly interim reports, one in connection with the preparations for the AGM, one in connection with the AGM and one in connection with the budget formulation. 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 Monika Elling to prepare proposals on remuneration and other terms of employment for Senior Executives. In 2009 the committee did not hold any meetings at which minutes were kept, since Management compensation was unchanged compared with the previous year.

### Audit Committee

Björn Borg's Board has established an Audit Committee consisting of Chairman Fredrik Lövstedt, Mats H Nilsson and Monika Elling. 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 four times in 2009, all in connection with the quarterly reports. Fredrik Lövstedt, Mats H Nilsson and Monika Elling 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.

### Directors' attendance in 2009

	Feb 18	Mar 23	Apr 23	May 14	Aug 19	Nov 11	Dec 16
Fredrik Lövstedt	1	1	1	1	1	1	1
Vilhelm Schottenius	0	1	1	1	1	1	1
Mats H Nilsson	1	1	1	1	1	1	1
Håkan Roos*	0	1	–	–	–	–	–
Lottie Svedenstedt*	1	1	–	–	–	–	–
Michael Storåkers	1	1	0	1	1	1	0
Nils Vinberg	1	1	1	1	1	1	1
Fabian Månssson**	–	–	1	1	1	1	1
Monika Elling**	–	–	1	1	1	1	1
<b>No. of attendees</b>	<b>5</b>	<b>7</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>6</b>

\* Declined reelection \*\* Newly elected Directors

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 63 in the annual report.

### THE COMPANY'S AUDITORS

The outside 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 2007 AGM elected the registered public accounting firm Deloitte AB as auditor for a four-year term, 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 62 in the annual report. Information on the auditors' fee can be found in Note 8.

### COMPENSATION TO DIRECTORS AND SENIOR EXECUTIVES

Compensation to the Chairman and other Directors is determined by the AGM. According to the resolution of the 2009 AGM, the Chairman received compensation of SEK 300,000 in 2009 and other Directors received SEK 100,000. No separate fees are paid for committee work.

According to the compensation guidelines for Senior Executives approved by the 2009 AGM, 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 two outstanding incentive schemes that offer warrants in the Company. They were approved by the 2008 AGM 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 2009 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.

## 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 25,148,384. There is one class of share. The share capital amounts to SEK 7,858,870 and the quota value per share is SEK 0.3125. Each share carries one vote at the Company's AGM, and there are no limitations on how many votes each shareholder may cast at the AGM. Björn Borg had 6,116 shareholders at year-end. The largest shareholder as of December 31, 2009 was SEB. SEB directly or indirectly owns more than ten percent of the shares in Björn Borg. In addition to the above, it can be noted that Chairman Fredrik Lövstedt increased his holding in Björn Borg by 1,200,000 shares on January 4, 2010. After the increase, Fredrik Lövstedt, through AB Durator and other related parties, owns 2,600,040 shares in Björn Borg, corresponding to approximately 10.3 percent of the share capital and votes in the Company.

There are no limitations on the right to transfer the Björn Borg share due to legal provisions 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.

### Largest shareholders Dec. 31, 2009

SEB	2,602,480	10.3%
Swedbank Robur Funds	2,037,060	8.1%
Martin Björinger through companies	1,800,000	7.2%
Mats Nilsson through companies	1,478,440	5.9%
Fredrik Lövstedt through companies	1,400,040	5.6%
Fourth Swedish National Pension Fund	1,274,717	5.0%
Lannebo Funds	1,206,724	4.8%
Vilhelm Schottenius through companies and family	1,023,520	4.1%
Livförsäkrings AB Skandia (Publ)	892,831	3.6%
JP Morgan Bank	760,555	3.0%
Total, 10 largest shareholders	14,476,367	57.6%
Total, other	10,672,017	42.4%
<b>Total number of shares</b>	<b>25,148,384</b>	<b>100%</b>

# 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 15, 2010 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 9, 2010 and must notify the Company of their intention to participate by 4:00 p.m. on the same date, April 9, 2010. 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](mailto: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, [www.bjornborg.com](http://www.bjornborg.com).

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 9, 2010, which means that shareholders must inform nominees well in advance of this date.

## 2010 CALENDAR

Annual General Meeting 2010	April 15, 2010
Interim report, January – March 2010	May 6, 2010
Interim report, January – June 2010	August 19, 2010
Interim report, January – September 2010	November 11, 2010
Year-end report 2010	February 10, 2011

## FINANCIAL REPORTS

Financial reports can be downloaded from the Company's web site [www.bjornborg.com](http://www.bjornborg.com) or ordered by telephone +46 8 506 33 700 or by e-mail [info@bjornborg.com](mailto:info@bjornborg.com).

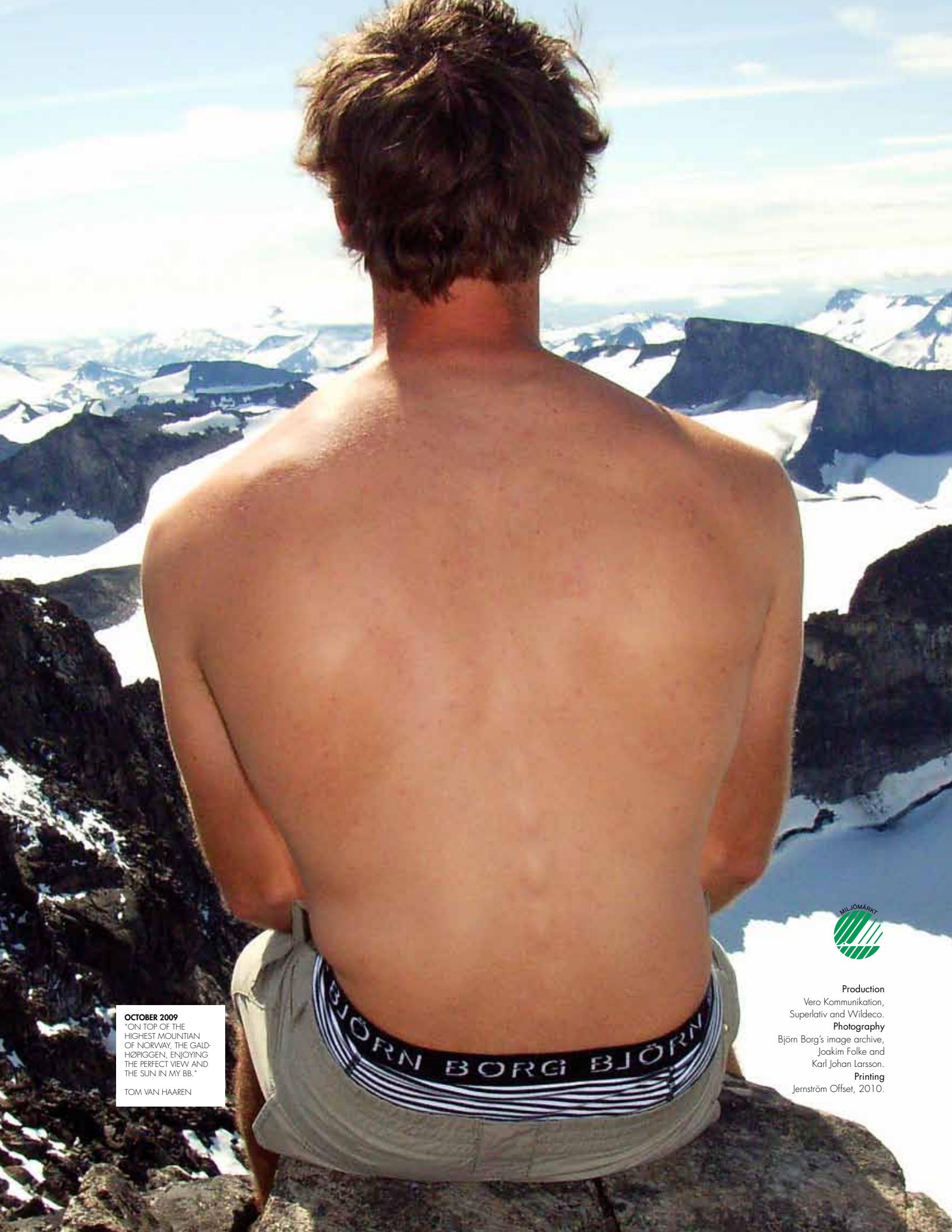
## SHAREHOLDER CONTACT

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Johan Mark, CFO  
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Tel: +46 8 506 33 700  
Mobile: +46 733 93 12 26

**FEBRUARY 2009**  
"THE PICTURE IS FROM  
MY RECENT WAKE-  
BOARD VACATION TO  
THE PHILIPPINES. THE  
TRICK IS A RAILEY OVER  
A KICKER."

JENS MATHIESEN



**OCTOBER 2009**  
"ON TOP OF THE  
HIGHEST MOUNTAIN  
OF NORWAY, THE GALD-  
HØPIGGEN, ENJOYING  
THE PERFECT VIEW AND  
THE SUN IN MY BB."

TOM VAN HAAREN



**Production**

Vero Kommunikation,  
Superlativ and Wildeco.

**Photography**

Björn Borg's image archive,  
Jöakim Folke and  
Karl Johan Larsson.

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