

A woman with long blonde hair is lying on top of a man. She is smiling and looking towards the camera. The man is lying on his back with his eyes closed. Both are wearing Björn Borg underwear with a colorful pattern. The woman is wearing multiple bracelets on her right wrist. The background is dark.

# BJÖRN BORG



ANNUAL REPORT 2011





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# PASSION FOR A BRAND

In images from Björn Borg wearers in more than 50 countries the passion for our brand comes alive. Our Swedish Exports “mission” is an open invitation to take a photo of how cool, crazy, hot or fantastic you look in your Björn Borgs, which a couple of thousand fans have done.

With underwear from Björn Borg – on the ski slopes, the Great Wall of China, Everest Base Camp, a skateboard or with the whole family lined up – our customers show us what they like. They love to be seen and talk about why they wear Björn Borg.

In this year’s annual report we again wanted to show some of the many wonderful images we continue to receive. We are so proud to have won the trust of these customers and to share their passion for the brand. It spurs us to remain colorful – in every way – and inspires us to bring Björn Borg to more of the world.

Want to see more fantastic images?

Welcome to [bjornborg.com/Swedish Exports](http://bjornborg.com/Swedish Exports)

# BJÖRN BORG IN BRIEF

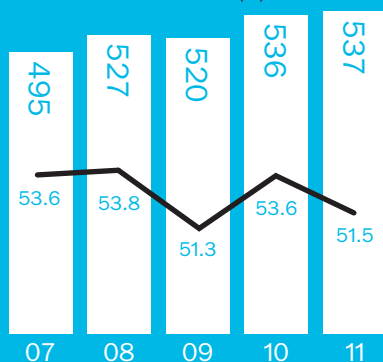
## 4.00

DISTRIBUTION OF SEK 4.00 PER SHARE.

## 15.6

THE OPERATING MARGIN WAS  
15.6 PERCENT.

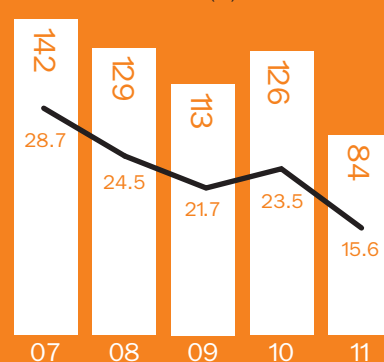
NET SALES (SEK MILLION)  
GROSS PROFIT MARGIN (%)



## 51.5

THE GROSS PROFIT MARGIN WAS  
51.5 PERCENT.

OPERATING PROFIT (SEK MILLION)  
OPERATING MARGIN (%)



## BJÖRN BORG GROUP

Björn Borg is a Swedish group that owns and develops the Björn Borg brand. Fashion underwear is our core business and largest product area. We also offer sportswear, footwear, bags, fragrances and eyewear through licensees. Björn Borg is currently represented in around 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 business of underwear. The Group is responsible for distribution of these products in Sweden, England and the U.S., as well as footwear in Sweden, Finland and the Baltic countries, and manages 15 Björn Borg stores in the Swedish market. Björn Borg is also the principal owner of Björn Borg Sport, which designs and sells sportswear from its base in the Netherlands.

Björn Borg's largest product group, underwear, has a strong foothold in established markets, and generally it is with underwear that Björn Borg launches 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

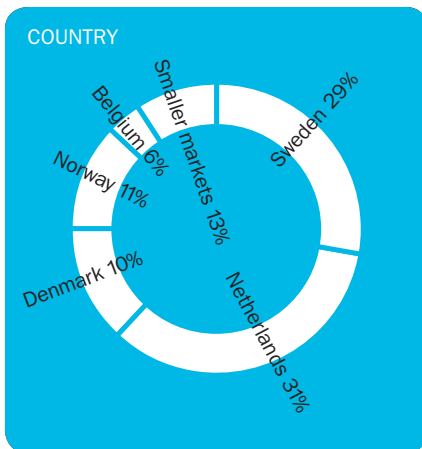
- The Group's net sales were largely unchanged at SEK 536.5 million (536.0). Excluding currency effects, sales rose by 5 percent.
- The gross profit margin was 51.5 percent (53.6). The change is due to the operations of Björn Borg Sport.
- Operating profit amounted to SEK 83.7 million (126.0). The investments in Björn Borg Sport and operations in England, together with moving-related expenses, affected profit negatively by approximately SEK 17.2 million.
- Profit after tax amounted to SEK 100.2 million (90.8). This includes the recognition of deferred tax assets of SEK 38.4 million.
- Earnings per share amounted to SEK 4.19 (3.61). Excluding deferred tax revenue, earnings per share amounted to SEK 2.66. Fully diluted earnings per share amounted to SEK 4.19 (3.57).
- Brand sales (excluding VAT) decreased by 3 percent to SEK 1,681 million (1,733). Excluding currency effects, sales increased by 1 percent.
- The Board of Directors has recommended that the Annual General Meeting approve a distribution of SEK 4.00 (5.20) per share, totaling SEK 100.6 million (130.8).





# 56

AT YEAR-END THERE WERE 56 BJÖRN BORG STORES, 15 OF WHICH ARE GROUP-OWNED.



# 1,681

TOTAL BRAND SALES AMOUNTED TO SEK 1,681 MILLION.

## THE BJÖRN BORG BRAND

The Björn Borg brand was started 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 within its largest product group, underwear. In the last five 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 with distinctive and innovative design. Our patterns and colors stand out, and a large variety of models creates an exciting and attractive product range. The brand identity speaks of a tradition of liberated Swedish fashion underwear. A passion for underwear and the nerve to challenge the industry is reflected in our marketing communications and product development. Our vision is to be the Champion of Fashion Underwear.

## BRAND SALES

Total brand sales, excluding VAT, decreased from the previous year to SEK 1,681 million (1,733). Excluding currency effects, sales increased by 1 percent.

## MARKETS

- New company for production and sales of sportswear, Björn Borg Sport, with Björn Borg as the principal owner.
- Cooperations with new distributors for France, Switzerland, Italy and Spain.
- Decision to establish Björn Borg in China starting in the second half of 2012.

## NEW STORES

Nine stores were opened during the year, including three in Belgium, as well as four Group-owned. At year-end there were a total of 56 (47) Björn Borg stores, 15 (10) of which are Group-owned.



**A STRONG BRAND**, built on a genuine history and with a passion for fashion underwear. The Björn Borg brand is our most valuable asset and the starting point when we expand the Group's operations. During the year we took several important steps to pave the way for the brand's future growth.

Today our largest product group, underwear, is sold in over twenty markets, and including licensed products we are now in a total of around 30 countries on four continents with brand sales of nearly SEK 1.7 billion. In 2011 our main focus was on areas that are important to future growth – in both new and existing markets.

### **BROADER OFFERING NOW INCLUDES SPORTSWEAR**

One of our top priorities in 2011 was the expansion of our product offering to include sportswear through the new, majority-owned company Björn Borg Sport. The organization in the Netherlands is in place and the first collection is now being sold in stores in seven European markets. We expect Björn Borg Sport to become an important complement that contributes to growth and further strengthens the brand's position mainly in our established markets, where there are enough room and resources to market more product categories.

### **INCREASED IMPORTANCE OF STORES AND E-COMMERCE**

After opening nine new Björn Borg stores in 2011, we are represented through stores in eight of our markets, with an aim to continue

to grow our retail network internationally. Exposure for the brand and campaigns in our own stores is important to sales and long-term branding. We expect our retail presence to grow in importance. E-commerce is also playing a greater role in Björn Borg's sales. During the last two years we have invested to improve e-commerce functionality. In 2011 we saw strong growth in this channel.

In one of our most important growth markets, England, which we have been managing within the Group since 2011, we will open our first store during the year. The expansion of the British operations was an important goal during the year, and we now have the opportunity we need to grow in the country.

### **LAUNCH IN CHINA IN 2012**

At the end of the year Björn Borg took another important step in expanding the brand by deciding to establish operations in China. The launch will begin in Shanghai in fall 2012 through Björn Borg's own stores and major department stores in collaboration with a local partner. We are confident that Björn Borg will attract the growing group of young fashion-conscious shoppers in China and see good potential to build strong sales in one of the world's most important consumer markets.

To achieve success in our new markets, we must take a long-term approach to positioning the brand with an international perspective in a globalized fashion world. During the year we had one of our biggest PR campaigns ever, featuring tennis legends Björn Borg and John McEnroe, and in early 2012 we took another major step to strengthen the brand internationally through a spectacular show in connection with London Fashion Week. Since the head office was moved to new space in Stock-

holm at the end of last year, we are also able to display the collections and brand there in an environment more conducive to international customers and media. A fast pace of branding activity and creative campaigns will remain important to our expansion going forward.

### **STABLE DEVELOPMENT IN A WEAK MARKET**

Last year was distinguished by continued weakness in the retail sector and economic doldrums in Europe, which also affected Björn Borg. We still managed to perform relatively well and noted a slight increase in brand sales, adjusted for currency effects, and strong growth in several of our new markets. Group sales increased as well, thanks to the efforts made in 2011. These measures negatively affected our results, but at the same time create opportunities for growth.

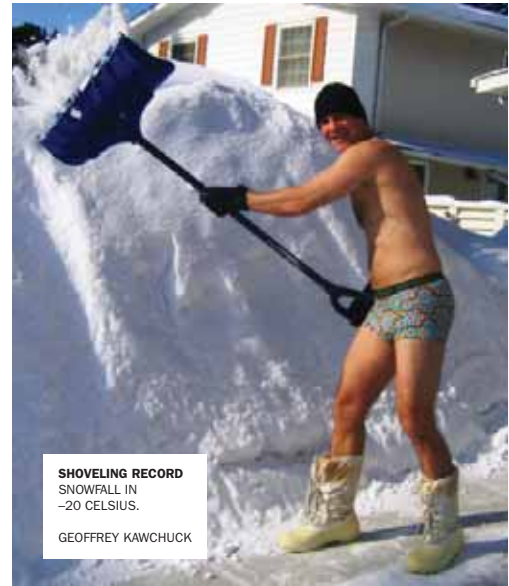
In 2012 we are concentrating much of our work on ensuring that future investments contribute even more to the Group's growth and profitability, regardless of market conditions. As a whole I feel confident that Björn Borg has now built a solid platform for continued expansion. An important part of this is our organization of committed, skilled employees and network of driven partners. Another is our stable financial position, which allows us to maintain a long-term focus.

We are convinced of the correctness of investing now to achieve our goals going forward – and giving more people the opportunity to get to know the brand.

Arthur Engel  
President

**“We are convinced of the correctness of investing now to achieve our goals going forward.”**

# VISION, BUSINESS CONCEPT, GOALS AND STRATEGY



## VISION

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**Our vision is to be the Champion of Fashion Underwear through an innovative product offering and successful business model.**

## BUSINESS CONCEPT

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**The company will develop the Björn Borg brand primarily in fashion underwear.**

## STRATEGY

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The Björn Borg brand has its roots in underwear, and underwear remains the core business. The strength of the brand comes from extensive experience and knowledge in this area – and the qualities the brand stands for: its Swedish heritage, colorful products and a passion for underwear. Licensed sales of other product groups contribute to growth and are designed to further develop the brand.

To be the best in underwear and ensure the Group's profitable expansion, Björn Borg has identified a number of key success factors: innovative product development, creative marketing communications and efficient international distribution. Björn Borg's strategy to continue to grow in new and recently established markets and enhance its strong position in established markets is based on these factors.

**Focus on the largest product group, underwear, and offer an attractive, complementary range of Björn Borg products with sales through independent retailers and Björn Borg stores.**

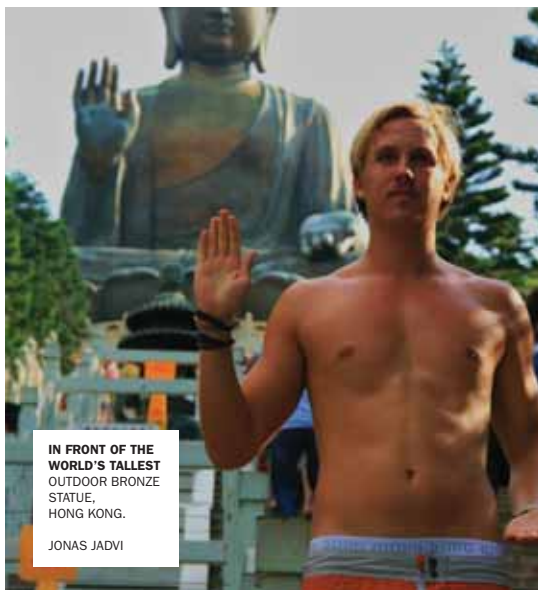
Since 2009 Björn Borg has chosen to focus on its largest and most profitable product area, underwear. The brand has a strong position in underwear in its established markets and great potential for growth in new markets. The previous footwear and clothing operations have been licensed out, as have bags, fragrances and eyewear, to optimize opportunities for growth in these areas as well.

Björn Borg's products will be sold mainly through external retailers, including independent stores, department stores, fashion and sporting goods chains. Björn Borg stores are important to the brand's exposure and today are primarily located in large markets, although the aim is to grow with more Björn Borg stores in newer markets also.

**Utilize the broad-based competence and experience within the company to further strengthen its position in fashion underwear.**

To stay on the forefront in fashion underwear requires innovation and new categories of products and segments – and a fast pace. Björn Borg is





continuously developing its organization to further strengthen competence and increasing capacity in product development and underwear design to meet and exceed the market's expectations.

**Implement the current business model, which facilitates geographical and product expansion with limited operating risk and capital investment.**

Björn Borg's business model is based on the Group's ownership and control of the trademark and that it manages the core business, underwear, itself. Specialists are responsible for other product areas and mainly external distributors sell internationally. This provides flexibility and opportunities for profitable expansion. Björn Borg's challenge is to steer the development of the brand through consistent branding in a growing number of markets and at the same time serve as an efficient service organization for its customers – the distributors.

**Cooperate with strong local distributors with established distribution networks, experience in underwear or fast-moving consumer goods and the resources for long-term marketing investments.**

Our external distributors' contacts and familiarity with their markets are invaluable to establishing the brand in the country. Underwear, which is a fashion product but has to be replaced quickly like consumer packaged goods, at the same time requires specific know-how. In new markets we evaluate local conditions, the opportunities available to distributors and their ability to reach and penetrate the market during an initial two-year trial period, after which decision is made how to proceed.

## FINANCIAL OBJECTIVES

The Board of Directors has established the following financial objectives for the period 2011–2014:

- 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 goals 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 added.

Surplus liquidity that is generated while taking into account the 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 new Björn Borg stores are opened.

# BJÖRN BORG SAYS JA!

## THE BRAND

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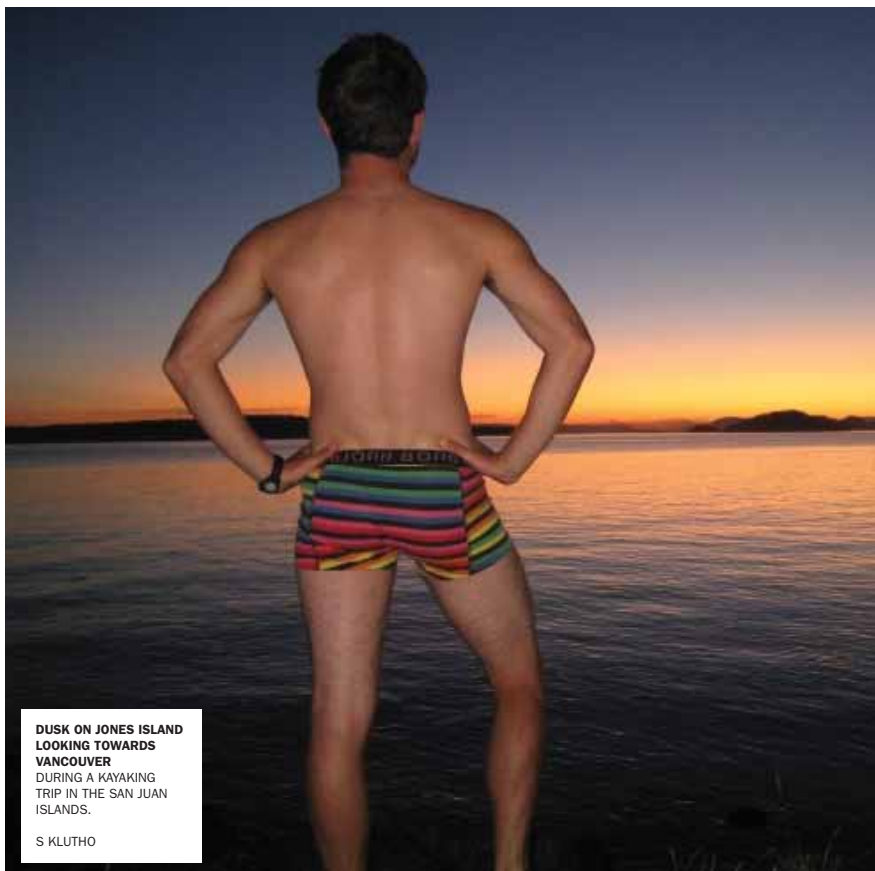
### WHOLLY OWNED TRADEMARK

The Björn Borg brand is the core of the Group's operations. The Group has developed the brand since 1997 on the basis of an exclusive license 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 relevant categories of products and services. By owning the trademark, the Björn Borg Group can operate from a position of strength internationally and control development of the brand. At the same time ownership provides long-term security for the entire network of licensees and distributors.

### 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. Since then operations have grown strongly, including through the establishment of new product areas and geographical markets. Today the brand has a distinctive identity and strong position in established markets in its dominant product area, underwear, while newer markets are in a start-up phase.

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 celebrity status still provide a strong platform for international expansion.



**DUSK ON JONES ISLAND  
LOOKING TOWARDS  
VANCOUVER**  
DURING A KAYAKING  
TRIP IN THE SAN JUAN  
ISLANDS.

S KLUTHO



**WAKING UP IN  
-20 DEGREES.**  
I CAN TOUGH  
OUT JUST ABOUT  
ANYTHING IN MY  
BJÖRN BORG.

ANDREW PARSONS

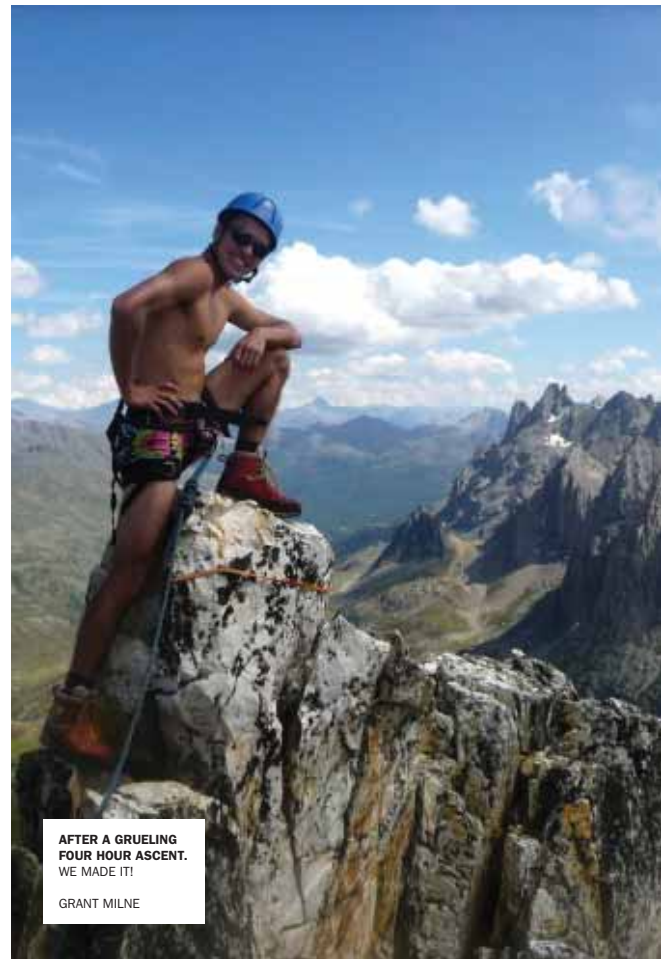
# BRAND DEVELOPMENT

## NEW BRAND PLATFORM

With five different product areas and operations in around 20 markets – mature as well as completely new and with different conditions and preferences – there is a great need for consistent, long-term branding. A new brand and communication platform, together with a new creative expression, was developed and implemented in 2011. The creative expression “Björn Borg says JA! to...” will be a recurring element in all marketing communications.

The aim is to carve out an even more distinctive position and more uniform expression that works for all product groups and markets. The platform serves as a basis for positioning and all brand development – from design and product development to store decor and marketing communications.

At the same time the marketing function has been more clearly integrated with product development and reorganized in order to better drive the brand's development in all markets and raise the level of service to distributors and licensees.



## SERVICE FOR LICENSEES AND DISTRIBUTORS

Björn Borg attempts to provide the best possible service to its distributors and licensees, which in turn commit to a specific level of marketing investments in each market. The aim is to create opportunities for them to build sales and brand recognition and at the same time ensure coherent development of the brand.

Support for distributors and licensees comprises guidelines for branding and marketing support. This includes campaigns, PR activities, a media mix and store displays, which are packaged to suit each market's needs depending on its stage of development and budget. Björn Borg's support for licensees and distributors comprises several areas:

## PRODUCT DEVELOPMENT

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

## MARKETING CONCEPT

- Graphic identity
- Campaigns
- 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 mainly in spreadable channels such as PR, events and digital media, but also trade shows, fashion shows and store displays. Outdoor advertising and print advertising are important channels, especially in mature markets.



### SWEDISH EXPORTS – CUSTOMERS SHOW OFF WHAT THEY LIKE

Visit [bjornborg.com](http://bjornborg.com) to see thousands of images of customers wearing Björn Borg underwear sent from every corner of the world. The Swedish Exports campaign, which was launched back in 2008, has become something of an institution and today is more popular than ever. The images continue to stream in, and once a week a winner is selected – Export of the Week.

In a playful way the campaign has provided a valuable contact with Björn Borg's end customers – the very best ambassadors for the brand. The images are published on the web site and used in stores and other marketing communications.



## WEB SITE

The web site plays an important role in driving sales of underwear, sportswear, bags and accessories in the web shop, which reaches practically around the world. The web site is also a key channel for international branding and to communicate with target groups. 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 for a bigger impact.

## PR AND EVENTS

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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 left to each market. Participation in international fashion shows, private showings and related events has also been crucial in positioning and strengthening the brand.

One example of a successful PR project during the year was the international Björn Loves John campaign, where former rivals Björn Borg and John McEnroe met again in a match to sell the most underwear they had designed themselves, with part of the revenue donated to charity through the John and Patty McEnroe Foundation. The campaign was launched at a well-attended press conference in London in connection with the Wimbledon tournament in July and generated a huge media response around the world.



## SOCIAL MEDIA

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Social media have continued to grow in importance to reach Björn Borg's target group. It is imperative to closely monitor the rapid changes in this area and adapt our communications accordingly. Björn Borg has a blog on its web site that is being developed into an independent channel with more active visitors.

Björn Borg intensified its work on Facebook and other social platforms in 2011 and at year-end had over 91,000 people who liked its various Facebook pages. Björn Borg has a weekly reach on Facebook of over a million unique users and considers it to be one of the best places to create engagement and find brand ambassadors. Projects are also under way on Twitter and Pinterest.



## BJÖRN BORG STORES

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Björn Borg stores fill an important function as a marketing channel and to display the brand and current campaigns. A new retail concept was launched in a store in Stockholm in 2010 and introduced in five more stores in 2011. The concept, which has received a positive response, is designed to more clearly showcase the products in stores. Additional stores will be opened with the new concept in 2012.

## MARKET POSITION AND COMPETITION

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The brand has an especially strong position in men's underwear. Björn Borg considers itself to be a market leader in quality and design in its segment of the dominant product area, underwear, in established markets.

Björn Borg's main competitors in underwear are other internationally recognized brands such as Calvin Klein, Hugo Boss and H&M, but also smaller, local players. Competition in the area is generally expected to grow as more major fashion brands such as Diesel and Puma introduce their own collections at the same time that new companies enter the market.



# LOVE IS ALL AROUND





At a well-attended press conference in connection with the Wimbledon tournament in July 2011, Björn Borg launched one of its biggest PR campaigns ever through a collaboration between tennis greats Björn Borg and John McEnroe. The two legends presented their own underwear collection to the delight of the world press.

Journalists flocked around the two tennis greats when they announced their new partnership in the form of the Björn Loves John campaign in sunny London, a stone's throw from center court at Wimbledon. If the turnout was any indication, the two clearly still have star power, especially in England, where tennis has a special role.

The collection, which was launched in early August, consisted of two underwear styles designed by Björn and two by John. The limited edition collection quickly sold out. The design, a throwback to the 80's, was inspired by the golden age of tennis, the same decade when the friendly rivals fought a four-hour Wimbledon final. The colors and patterns were reminiscent of what the stars wore on the court. This also marked the first time that a name other than Björn Borg has been featured on the waistband, with John McEnroe's designs sporting his name.

**“The collaboration reflects our heritage and core values.”**

#### **CAMPAIGN IN A NUMBER OF MARKETS**

The limited collection was sold in nearly all of Björn Borg's markets, including large parts of Europe, Canada and the U.S., as well as through Björn Borg's web shop, and was supported by campaign material for stores and other channels.

“It was really exciting to have the opportunity to bring in another tennis legend. John McEnroe complements Björn Borg perfectly, at the same time that the collaboration reflects our heritage and core values,” said Arthur Engel, CEO of Björn Borg, in connection with the press conference.



#### **CHARITY AUCTION**

Four percent of the revenue from the collection was donated to charity through the John and Patty McEnroe Foundation, which supports nonprofits such as Laureus USA, J/P Haitian Relief Organization and Riverkeeper. The campaign also included a charity auction. Ten unique items tied to Björn and John as well as an hour of tennis with each of the legends was auctioned online, with the revenue donated in its entirety to the John and Patty McEnroe Foundation.

#### **GLOBAL MEDIA RESPONSE**

The campaign attracted great attention around the world and surpassed all expectations in terms of media coverage. This included an eight-minute segment from the press conference on CNN. Newspapers and magazines from Sweden, England, India, the U.S., Japan, China and other countries wrote about the venture between the two legends, in some cases in lengthy features.

For Björn Borg, this attention is obviously unbelievably valuable from a brand perspective in both new and existing markets.



# PRODUCT DEVELOPMENT

## BRAND AND PRODUCTS

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### UNDERWEAR AS FASHION

Underwear is increasingly seen as a fashion item, with buying patterns similar to other fashion. The products are displayed and sold not only in separate underwear departments, but also in fashion boutiques alongside trendy items, or in sporting goods stores with sports fashion. This means that underwear manufacturers have to meet customer demand in terms of design, function and new merchandise. Björn Borg's customers should always recognize the brand's products, but should also be able to find something new and unexpected.



### PRODUCT DEVELOPMENT IS A CRITICAL SUCCESS FACTOR

Innovative and responsive product development has been an important reason for the success of the recent years' focus on underwear. Björn Borg stands out for its creative products with the brand's typically playful and colorful identity, but to consolidate its strong position the product range must be continuously developed and broadened.

During the year the product development unit for underwear was further strengthened in terms of organization and competence to raise the level of creativity. The department added an assistant product development manager to meet the demand for a broader product range from more customer groups.

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

## PRODUCT RANGE

### EXPANSION AND INNOVATION

Björn Borg began working a couple of years ago in its core business, underwear, to create a broader product range for new target groups with more products in a variety of categories, from popular basics to trendy, bolder models in playful colors, patterns and new materials. The need to expand the product range is also increasing as the brand is launched in more markets with somewhat different preferences. A growing number of new items each season in each product segment is important to meet demand from these target groups for exciting fashions and to create greater interest in the product range and the brand. Another aim of product development is to expand the range to new underwear categories and target groups, as Björn Borg has done in the kid's segment.



### FLOW OF NEW MERCHANDISE

Continued efforts in 2011 to broaden and improve the range resulted in several new products. Changes continued on the women's side, where demand for new merchandise is generally higher than in men's.

New models were introduced during the year included lace versions of Love All, an underwear concept available in a variety of colors at low prices, which produced positive results during the year. New products will continue to be developed for the Love All line in 2012, including bras for this high-volume segment.

Björn Borg's classic men's solid underwear were updated in 2011 with a new waistband design, which garnered a positive response from retailers and customers. Basics are more important to the men's line than the women's, but a steady flow of new items is critical in every segment to create interest in the brand and maintain its position as a market leader in fashion underwear.

In cooperation with Björn Borg Sport, development work continued during the year on athletic underwear, which is slated for launch in 2012. The material, seams and every detail of these models are designed to be highly functional. Sports underwear will be sold in the bold colors typical of Björn Borg.



### KIDS COLLECTIONS CONTINUE TO GROW

The kids' collection has now been available in stores for two years and has generated great interest and positive sales. What began with boys is now a full product range for both boys and girls ages 2–12. A specially designed kids' line complements the other categories and creates opportunities for growth in new and established markets and in new channels. Björn Borg's aim is to continue to develop the children's line and expand it to more markets.

### CAMPAIGNS THAT STAND OUT

With provocative sales campaigns, Björn Borg can generate attention and interest at the retail level and on the web site, and in the process drive sales. A much-publicized campaign in 2011 was launched in connection with Wimbledon, called Björn Loves John. Björn Borg and John McEnroe each designed two pair of underwear with patterns typical of the tennis wear they once wore, which were sold in a number of Björn Borg's markets.

In both men's and women's underwear, special versions and packaging were introduced with ties to a number of musical festivals for young people in Björn Borg's target audience. The specially patterned underwear was inspired by a variety of music styles, with packaging designed to also be used as a bag during the festival.

### SOCKS CONTINUE TO GAIN GROUND

Björn Borg's efforts to reinvigorate its men's sock line by adding bright colors and patterns typical of the brand continued in 2011, with positive results. In the last two years socks have become an important fashion accessory for men, where colors and patterns play an important role. In 2012 more new socks are planned.



# BJÖRN BORG SPORT FASHION AND FUNCTION

With its roots in tennis and the “sporty twist” of its designs, sports have always been close to Björn Borg’s heart. In 2011 this connection to the sports world was underscored by the establishment of Björn Borg Sport, a new company for fashionable and functional sportswear based in the Netherlands. The vision is to be a challenger that can’t be ignored in the huge international sportswear market.

Although it is mainly focused on underwear, Björn Borg sees strong potential to grow in other product areas such as footwear and bags. Given Björn Borg’s sporting heritage, it was only natural to take the next step to fashionable and functional sportswear. At the same time the brand stands for colorful, innovative fashion with attitude that also works well for sportswear. In January 2011 the plans became a reality when Björn Borg Sport was started.

**“Fashionable athletic wear seems like a natural fit for Björn Borg, at the same time that I feel we have something new and unique to offer with our brand.”**



## **BROAD-BASED EXPERIENCE FROM SPORTSWEAR**

The new subsidiary, Björn Borg Sport, is partly based on the Dutch clothing concept developed within Björn Borg. This means that there is a broad base of experience and a wealth of knowledge from the production of womenswear. Together with the subsidiary’s CEO and chairman, the Dutch distributor is a minority owner of Björn Borg Sport.

The CEO of Björn Borg Sport is Sander van Gelder, who has worked with sportswear for one of the biggest in the industry, Puma, for ten years in senior positions, including as head of operations in the Benelux countries. Other employees also have extensive experience from the sportswear world. Sander van Gelder is enthusiastic about his new role and feels confident that Björn Borg has something new to bring to the industry.

"We have a strong brand to build on," he said. "With Björn Borg as a tennis icon and at the same time a celebrity off the court, we have credibility in both the sports arena and fashion. Fashionable athletic wear seems like a natural fit for Björn Borg, at the same time that I feel we have something new and unique to offer with our brand."

#### **PLATFORM FOR EXPANSION**

Operations were started during the spring from a base in Amsterdam, where all product development, design and production planning are handled. The first collection was presented in June at a well-attended event in the Netherlands for distributors and retailers – an important step to establish a presence with current and future partners.

"During our first year we have created a stable platform for operations going forward with a good organization of experienced and creative employees, while putting our first collection in stores and the next into production," said Sander van Gelder. "Now we have the pieces in place for a future expansion."

**"We are thinking long-term and have gotten off to a good start, despite a tough market."**

#### **BOLD COLORS AND FUNCTIONALITY**

The collections for both men and women are initially available in five major categories: basic sports, tennis, running, work-out and sporty lifestyle.

"Björn Borg Sport will stand for functional, high-quality products with a fresh, colorful and edgy design, just like in underwear. And they will be affordable as well," he continued.

At the outset the products will be sold in Björn Borg's established markets in Europe through Björn Borg stores and selected retailers. The first collection, which reached store shelves in January 2012, is being sold in Sweden, Denmark, Norway, Finland, the Netherlands, Belgium and Germany. The aim is obviously to grow with both current partners and to more markets, and potential distributors are continuously being evaluated, mainly in Europe. But customers outside Europe will also have the opportunity to buy Björn Borg Sport. When Björn Borg launches in China in fall 2012, sportswear will be part of a collection there as well.

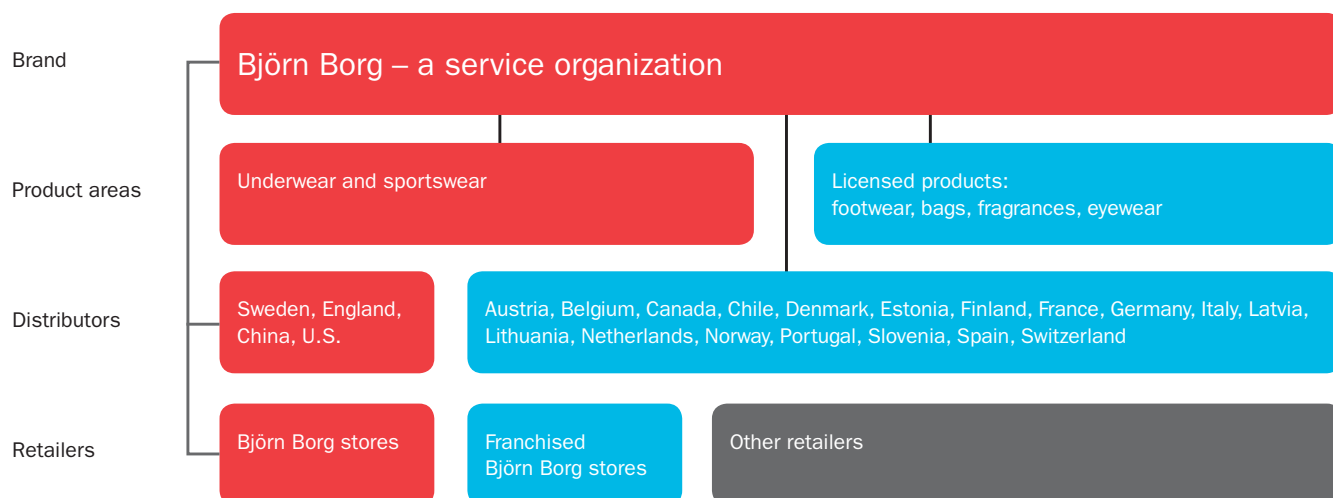


#### **CHALLENGING THE BIG BRANDS**

The sportswear market is huge, with many international as well as local brands, which Björn Borg Sport sees as a challenge.

"The potential in sportswear is enormous, and we have ambitious goals in the years ahead. We are thinking long-term and have gotten off to a good start, despite a tough market. I believe without question that we can be a successful challenger!" concluded Sander van Gelder.

# OPERATIONS



- Group companies that generate 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.

## BUSINESS MODEL

The Group's profitable growth and success in positioning the Björn Borg brand has largely been due to its business model. The business model facilitates a geographical and product expansion with limited operational risk and capital investment, while retaining control over the brand.

Björn Borg's business model utilizes the Group's own companies as well as a network of distributors and licensees, which have been granted licenses to one or more product areas and/or geographical markets. The network also includes Björn Borg stores operated by the Group or by distributors.

By utilizing its own network as well as independent partners, Björn Borg can be involved in the relevant parts of the value chain and develop the brand internationally with a compact organization and limited financial investment and risks. The business model is capital-efficient for the company, since licensees and distributors are responsible for marketing, including investments and inventory for their product areas or markets. The model generates substantial consumer sales with limited risk and investment for Björn Borg. Björn Borg owns the strategically most important operations – the company responsible for the underwear product area – and is the principal owner of the sportswear company, Björn Borg Sport, based in the Netherlands.

Another positive effect of the business model and the network's use of a number of independent distributors is that the competence and valuable local expertise of these enterprising entrepreneurs can be put to use.



**A TRUE CANADIAN**  
TUNES HER SKATES  
OUTDOORS IN NOTHING  
BUT HER BJÖRN BORG.  
RRJM



## BRAND

Björn Borg has 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 its 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, among other things, guidelines and various tools for partners in the network, including marketing activities, displays and graphic identity material. 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 continued development and correct positioning of the Björn Borg brand. Since it has owned the Björn Borg trademark since 2006, the Group is responsible for ensuring that proper trademark registration and protection are in place.



## PRODUCT AREAS

The largest product area, underwear, is owned and managed by the Group. Bags, eyewear and fragrances – as well as footwear as of 2011 – are licensed to outside companies. In January 2011 a new company, Björn Borg Sport, was started to produce fashionable and functional sportswear together with the Dutch distributor, and with Björn Borg as the principal owner.

### SPECIALISTS FOR EACH PRODUCT AREA

The basic idea is that specialists should manage each product area to create the best possible prospects for growth and development. Each product company, whether Group-owned or managed by a licensee, is responsible within its respective area for the design and development of collections for every market, and for positioning various products based on Björn Borg's guidelines. The collections are shown and sold to distributors in various geographical markets for further sale to retailers. The product companies also play a supporting role for distributors and retailers in the network.

### EXTERNAL PRODUCTION

In addition to the underwear collections for men, women and children, the Group-owned product company for underwear comprises socks, swimwear and loungewear. Björn Borg Sport's collections include functional and sporting apparel for men and women. All design and product development are done internally by the companies, 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 production and logistics, Björn Borg is focused on increasing flexibility and efficiency, two factors that have grown in importance in recent years in pace with need for a more responsive supply chain that can accommodate shifting fashions. The company also looks for suppliers which 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 28.

## SPORTSWEAR LINE

In January 2011 Björn Borg established a new subsidiary to produce fashionable athletic and functional wear together with the Dutch distributor. The collections, both women's and men's, primarily include functional sports fashion. The products are sold to distributors in Björn Borg's current markets, with an initial focus on larger markets. Björn Borg is the majority owner with 51 percent of the new company, while the rest is owned by the current Dutch distributor and a smaller percentage by the clothing company's management and board of directors.

## DISTRIBUTION

Responsibility for distribution to retailers normally rests with external 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 one or more geographical markets.

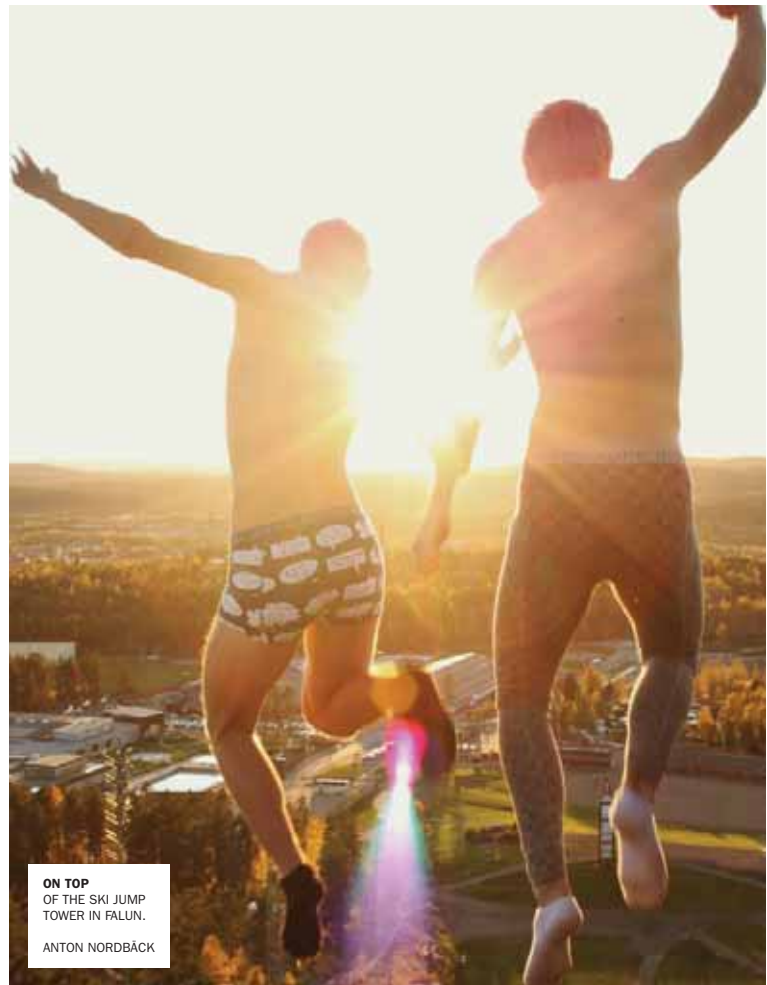
Björn Borg's partners in the network must be entrenched players with experience in underwear and fast-moving consumer goods rather than fashion and have an established distribution network in their local market and the resources for long-term investments. In new markets, each distributor is evaluated in terms of its opportunities and marketing capabilities during an initial two-year trial period, after which a determination is made how to proceed.

### OWN DISTRIBUTION

Björn Borg is responsible within the Group for distribution of underwear in Sweden, England and the U.S. through its own sales organizations. The Group also handles footwear distribution in Sweden, Finland and the Baltic countries. In 2012 the Björn Borg brand will launch in China and handle distribution there as well. The plan is to start selling in Shanghai during the second half of the year, primarily through independent Björn Borg stores and shop-in-shops in large department stores offering underwear, sportswear, footwear and bags. The plan also includes e-commerce. The new venture is being launched collaboratively with an experienced local partner through a new company with Björn Borg as the principal owner.

### RELATIONSHIP WITH EXTERNAL DISTRIBUTORS

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.



In their agreements, the distributors commit to specific targets in terms of sales and investments in their markets. If they do not meet these goals, Björn Borg can 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. The key to success is providing a high level of service for retailers in the form of fast product replenishment, attractive promotional materials and effective marketing activities. Being able to drive retail sales in this way is considered a key success factor.

Marketing and sales feedback from the distributors to Björn Borg and licensees is an important element to continuously develop and adapt the collections and marketing activities. Four times a year Björn Borg brings together all its distributors to showcase new collections and marketing materials and discuss strategies, campaigns and planning, in addition to which the performance of each market is evaluated. The close cooperation within the network is important to the successful expansion of the brand.



## 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 4,100 retailers sell Björn Borg underwear, including 850 in Sweden, 700 in the Netherlands, 800 in Denmark and 650 in Norway. In smaller markets, around 1,000 retailers sell these products. Licensed products are sold through a total of around 5,000 retailers, about half of which are in Sweden.

Fashion and sporting goods chains as well as department stores – some with shop-in-shops – have gradually grown in importance to the sale of Björn Borg products, while independent retailers are shrinking in number. This creates a more efficient selling-in process and leads to greater exposure in areas with high customer turnover.

### STRIKING STORE DISPLAYS

Underwear from Björn Borg is often prominently displayed in department stores, major retail chains and fashion boutiques. From well-stocked displays, these products attract the attention of customers with their distinctive patterns and bold colors. The packaging design ensures that the brand is noticed. Björn Borg offers the stores flexible display solutions for small spaces, along with fast service and product replenishment. This facilitates high levels of sales at the retail level – a strong sales argument for Björn Borg's distributors.

### 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. In 2011 a new "shop and go" store format was introduced in a small space in a passageway in the Gallerian mall in Stockholm. This is as an interesting complement to the traditional store format, especially for certain retail environments.

The stores are either wholly owned by Björn Borg or managed by external distributors. The network also includes five factory outlets, two of which are run by Björn Borg in Sweden. The 15 Group-owned Björn Borg stores are located in Stockholm, Göteborg, Malmö, Helsingborg and Linköping. The 41 franchised stores are in the Netherlands, Norway, Finland, Belgium, Germany, Chile and Slovenia.

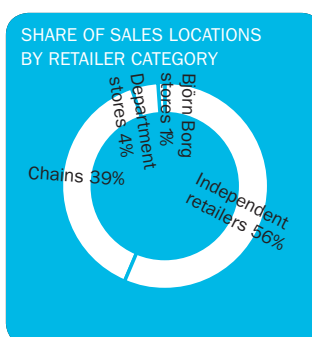


### E-COMMERCE

E-commerce through the web site, [www.bjornborg.com](http://www.bjornborg.com), is becoming an increasingly important sales channel for the company. In established markets, the web shop offers even greater availability, and in new markets it is an important complement since the number of retailers is still limited.

The global e-commerce platform launched in 2010 includes a new logistics solution and accommodates other languages such as Spanish, German and French. In 2011 preparations were made for an e-commerce launch in the U.S. market as well. Measures to further improve the web shop are continuing with the aim of making it even easier and more enticing for customers to shop. Björn Borg noted a strong increase in online sales in 2011, though still from relatively low levels, and sees potential for further growth.

Björn Borg stores	Group-owned	Franchises
Sweden	15	–
Netherlands	–	27
Norway	–	2
Finland	–	1
Belgium	–	7
Germany	–	2
Chile	–	1
Slovenia	–	1
Total	15	41







# PRODUCT AREAS

## UNDERWEAR

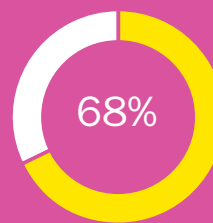
Underwear is Björn Borg's largest product area, comprising men's, women's and children's underwear in various categories and segments, as well as loungewear, socks and swimwear. The range consists of trendy and fashionable products with the brand's characteristic patterns and colors, as well as a basics line with classic models.

The men's collection accounted for about 75 percent of underwear sales during the year, while women's represented 25 percent. The kid's line accounted for about 8 percent after its second year on the market.

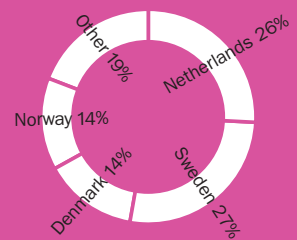
Björn Borg underwear is sold by independent retailers, apparel and sporting goods chains, department stores, Björn Borg stores and online. The product company for underwear is owned and operated by the Björn Borg Group.

Brand sales for underwear decreased by 6 percent in 2011 to SEK 1,149 million. Among larger markets, Belgium reported good growth. Sweden was practically unchanged, while Norway, Denmark and the Netherlands noted lower sales year-on-year. The Netherlands saw a recovery during the second half of 2011, however. Among smaller markets, Finland, Germany and Austria posted strong sales trends during the year.

SHARE OF BRAND SALES 2011



BRAND SALES BY COUNTRY 2011



SALES TREND 2007-2011, SEK MILLION



## SPORTSWEAR

Björn Borg's sportswear operations were launched in 2011 under the brand name Björn Borg Sport through a separate company owned by Björn Borg and the Dutch distributor. The collections, both men's and women's, mainly consist of functional yet fashionable sportswear available in colorful designs in five categories: basic sport, work-out, tennis, running and sporty lifestyle. The products are sold by sporting goods and sports apparel retailers, department stores and Björn Borg stores. The first collections reached stores in January 2012, initially in Björn Borg's six largest markets as well as Germany. Brand sales during the first financial year amounted to SEK 73 million, representing four percent of total brand sales.



# LICENSED PRODUCTS

## FOOTWEAR

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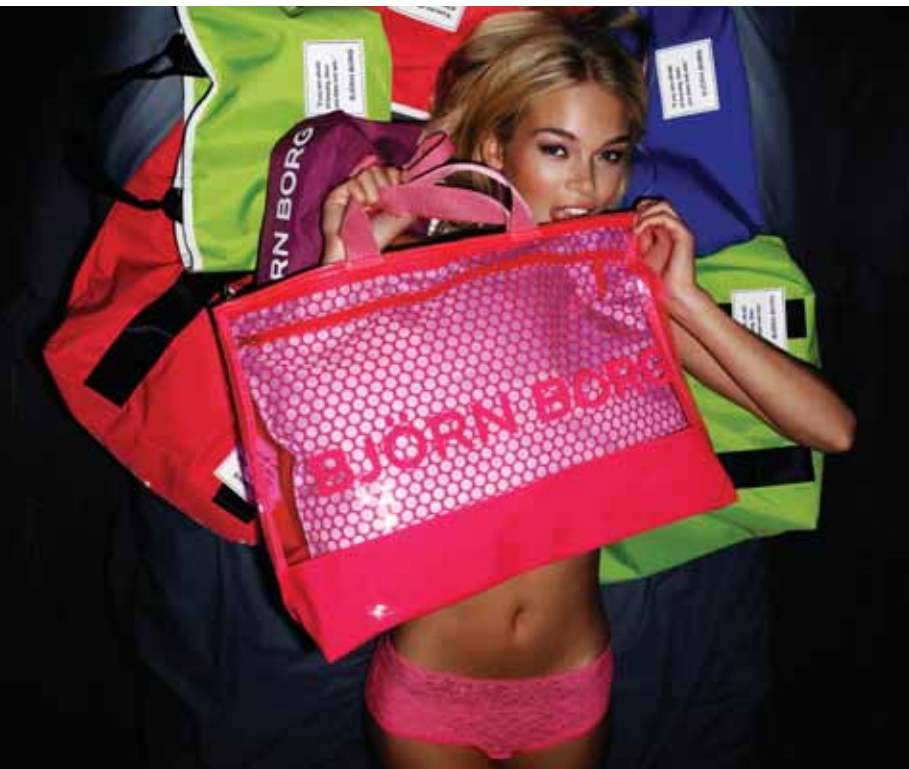
The footwear product area offers a range of fashionable products and timeless classics such as men's and women's casual shoes. Footwear is sold by independent retailers, footwear and sporting goods chains, department stores and Björn Borg stores. In recent years Björn Borg has expanded its footwear operations internationally to several of the company's markets. In 2010 the footwear operations were licensed to an international company to create better opportunities for further expansion and growth. In spring 2011 the first licensed collection reached stores in around ten European markets, of which Sweden and the Netherlands are the largest.



## BAGS

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The collection falls in the fashion/trend segment and comprises handbags, gym bags and luggage, as well as wallets, gloves and belts. Retailers include luggage and sporting goods shops, retail chains, department stores, shop-in-shops and Björn Borg stores. Bags are sold in Björn Borg's established markets in Europe.





## 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 also sold through other categories of retailers such as fashion boutiques, department stores and Björn Borg stores.



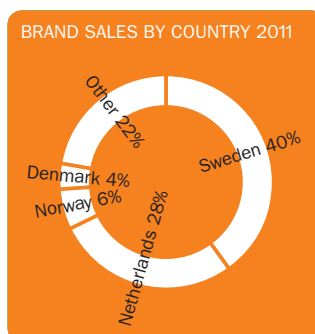
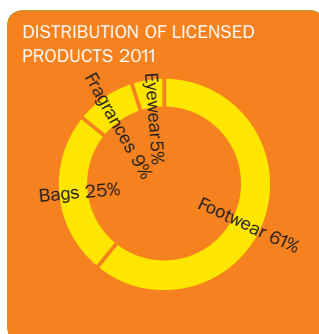
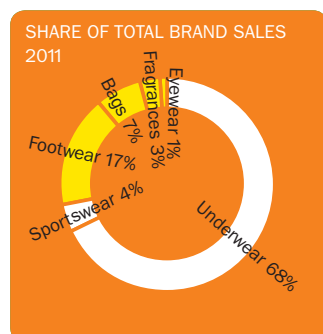
## FRAGRANCES

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 Court, a line of fragrances and skincare products for men. Sales are 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.

## SALES OF LICENSED PRODUCTS IN 2011

Total brand sales of licensed products amounted to SEK 532 million in 2011, an increase of 5 percent compared with 2010.

The footwear product area reported strong growth during the year, with sales rising by 58 percent to SEK 280 million, or 17 percent of brand sales. Total sales of other licensed products – bags, eyewear and fragrances – fell by 10 percent during the year to SEK 179 million. Together they accounted for 11 percent of brand sales.



# GEOGRAPHICAL MARKETS

Björn Borg's underwear product area is currently represented in a total of around 20 markets, of which the Netherlands, Sweden, Norway, Denmark and Belgium are the largest, in that order. Smaller markets include Finland and a number of markets where the brand has been introduced in the last six years: Austria, Canada, Chile, China, England, Estonia, France, Germany, Italy, Latvia, Lithuania, Portugal, Spain, Switzerland 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. The first Björn Borg store opened in Stockholm in 1994. Today Sweden accounts for 29 percent of total brand sales. Björn Borg products are sold through around 850 retailers around the country as well as in 13 Björn Borg stores and two factory outlets. Today Björn Borg has broad distribution in the Swedish market, where all its product groups are represented. Further expansion at the retail level will be done selectively, although new product categories such as kids' underwear will attract new retailers. Brand sales fell slightly in 2011 compared with the previous year.



WE WERE SURROUNDED BY OTHER TREKKERS AT BASE CAMP. BUT WE HAD TO TAKE OFF OUR PANTS JUST FOR THE SAKE OF IT.

MARIUS FOSS

### NETHERLANDS

The Netherlands was the largest market for the Björn Borg brand in 2011, with 31 percent of total brand sales. Operations in the country date back to 1993, after which the brand quickly carved out a position in the Dutch market through growing volumes and a broad-based presence. Björn Borg products are sold through around 700 retailers and the 27 Björn Borg stores taken over by the Dutch distributor during the year from the previous franchisee. Björn Borg products from every product area are sold in the Dutch market. Brand sales in the Netherlands were affected by the weak retail market and fell for the year as a whole.

### DENMARK

Björn Borg was launched in Denmark in 1992, and today it accounts for 10 percent of total brand sales. Björn Borg products are sold exclusively through around 800 retailers, since there are currently no Björn Borg stores in the country. In Denmark the brand is represented in every product area. In 2011 brand sales declined compared with 2010.

### 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 about 650 retailers around the country and two Björn Borg stores in Oslo. All product groups are represented in Norway. Brand sales in the Norwegian market declined slightly compared with the previous year.

### BELGIUM

Björn Borg was launched in Belgium during the second half of the 1990s. In recent years the growth rate has increased and Belgium is currently Björn Borg's fifth largest market, with 6 percent of total brand sales. Underwear dominates the Belgian market and is sold through around 250 retailers and seven Björn Borg stores. Brand sales in the Belgian market noted very good growth compared with the previous year.

## SMALL MARKETS

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Björn Borg's smaller markets combined for 13 percent of total brand sales in 2011, compared with 9 percent in the previous year. The first two years of a distribution cooperation in a new market are considered a trial period during which market conditions and the distributor's opportunities and ability to cultivate the market are evaluated, after which an assessment is made of the market's future development potential.

### FINLAND

The brand was established in Finland during the second half of the 1990s. Underwear is the dominant product area, although footwear and sportswear are sold as well through retailers and a Björn Borg store in Helsinki. The Group is responsible for footwear distribution in the Finnish market. Brand sales in Finland noted good growth during the year.

### ENGLAND

Björn Borg started operations in England in 2006 through a launch at the department store Selfridges in London. Distribution has since been broadened to include several other well-known retailers such as Harvey Nichols and Harrods, which are important for the continued international expansion. At present only underwear is sold in the British market. Since fall 2010 operations are managed by a company in the Björn Borg Group with its own sales organization and a showroom in London. Björn Borg fully took over operations in England during the second quarter of 2011. Brand sales in England fell in 2011, although the previous year is not totally comparable, since Björn Borg was previously responsible for only distribution but now manages the entire operation.

### GERMANY

Björn Borg was launched in Germany in 2006, and the current distributor has been managing operations since 2009. Since operations were relaunched in fall 2009, the number of retailers has grown significantly, including sporting goods companies. During the year the first Björn Borg store was opened in Germany, where an outlet had already been in operation. Brand sales continued to grow strongly in 2011.

### AUSTRIA

Björn Borg has operated in Austria since 2007. Strong growth was generated in 2011, and opportunities for further growth are considered good.

### SPAIN

Björn Borg terminated its agreement with the distributor in Spain in late 2010 and in early 2012 began again with a new distributor. The aim is to grow operations in the Spanish market, where the brand has begun to gain ground after several years. Brand sales during the year were marginal.

### USA

Björn Borg has had its own staff in the U.S. since early 2011 with a focus on growing its presence in the country through e-commerce as well as building brand awareness. During the year Björn Borg added a number of retailers in the U.S.

### CANADA

In Canada, Björn Borg launched its sales on a limited scale in late 2008 through an external distributor. Brand sales in the Canadian market developed very positively during the year, though from small volumes.

### FRANCE

Björn Borg launched in France in 2008 and since early 2011 has a new distributor for the French market, where the number of retailers and brand sales are increasing, though still on a small scale.

### ITALY

In late 2010 Björn Borg terminated its agreement with the previous Italian distributor, since the operations had not performed as planned and it was determined that the distributor was unable to make the necessary investments to establish the brand in the country. Since early 2011 Björn Borg has a new distributor for the Italian market.

### PORTUGAL AND CHILE

Agreements were signed with independent distributors in Portugal and Chile in fall 2009 to launch Björn Borg in spring 2010. Sales are gradually increasing as the retailer network is expanded.

### BALTIC COUNTRIES

Since 2010 Björn Borg has an agreement with a distributor to launch Björn Borg in Estonia, Latvia and Lithuania during a trial period. Sales to retailers in these markets increased gradually during the year. The Group is responsible for footwear distribution in the Baltic countries.

### SWITZERLAND

Björn Borg signed an agreement with a new distributor for the Swiss market in 2011. Sales to retailers began on a small scale during the year.

### SLOVENIA

In the second quarter of 2011 a Björn Borg store was opened in Ljubljana, Slovenia, by the distributor in Austria.

### CHINA

Björn Borg decided in late 2011 to launch the brand in China. The business is being established together with an experienced local partner through a new company with Björn Borg as principal owner. The plan is to start sales in Shanghai during the second half of 2012, primarily through independent Björn Borg stores and shop-in-shops in large department stores offering underwear, sportswear, footwear and bags. The plan also includes e-commerce.



# BJÖRN BORG'S CORPORATE RESPONSIBILITY

## OVERARCHING GOALS AND PROCEDURES

One of Björn Borg's fundamental corporate values is to take responsibility and be a good corporate citizen. This shall be reflected in business decisions and the way operations are conducted. Ultimately it is a question of making sure that everyone who works for Björn Borg takes responsibility for the impact of their decisions. Gradually strengthening its corporate responsibility work is important to Björn Borg. It involves ensuring that products are safe, of high quality and manufactured sustainably, that individuals who directly or indirectly work for Björn Borg are treated with respect and work under reasonable conditions, and that efforts are made to minimize the impact on the environment. Corporate social responsibility also means influencing partners, especially manufacturers, to think sustainably.

### STAKEHOLDERS

Björn Borg has identified the following stakeholders for its corporate responsibility work:

Stakeholder(s)	Comment
Customers and employees	Björn Borg's customers and employees trust that the products are safe and that the company takes responsibility for its impact on people and the environment. The company wants to earn this trust.
Shareholders	Corporate responsibility work creates value and minimizes risk. Shareholders are concerned about the value of the company and the brand and expect the company to be transparent about its corporate responsibility work.
Authorities and interest groups	The role of authorities and interest groups is to ensure that Björn Borg complies with current laws, requirements and expectations. The company strives to maintain an open dialogue with these stakeholders to better understand the requirements it faces and to share the necessary information.
Media	The role of the media is to monitor the company's actions in various ways. Björn Borg tries to respond to queries from the media concerning corporate responsibility issues in an open and transparent way.

By openly reporting its corporate responsibility work in the annual report, on the web site, through direct queries and in other ways, Björn Borg meets the information needs of these stakeholders.

A guiding principle for Björn Borg's corporate responsibility work is that it is carried out in a conscientious and structured way and with transparency and openness. The company tries to learn from successful examples of measures and approaches in the corporate responsibility area.

The President has the overall responsibility for corporate responsibility issues. The Group also has a person with ties to the management team who shares responsibility for these issues and another with responsibility at the operating level. This work includes control and monitoring of manufacturers, licensees and other parties to ensure that they follow established requirements and to provide information and training internally and externally.

Björn Borg tries to work as closely as possible with its licensees, which design and outsource production of Björn Borg products in areas other than underwear, including footwear, bags and sportswear. The company also works continuously to raise understanding and knowledge of corporate responsibility issues in its network of distributors and other partners as well as among employees, partly through various forms of training.

### PARTNERS

Björn Borg collaborates with a number of partners in the area of corporate responsibility, including:

- Business Social Compliance Initiative (BSCI)
- Swerea
- The Textile Importers' Association in Sweden
- Social Initiative
- MYSA

## OVERARCHING GOALS AND RISKS

Björn Borg has formulated the following overarching goals for its corporate responsibility work:

Goals	Activities	Status
2/3 of volumes of Björn Borg's own production will come from BSCI-audited production units.	<ul style="list-style-type: none"> <li>All manufacturers of Björn Borg's own production will conduct self-assessments as well as sign and comply with the company's code of conduct.</li> <li>Audits (recurring) will be conducted on all manufacturers introduced into the BSCI system to ensure compliance with the code of conduct.</li> </ul>	Met.  The company continuously evaluates whether new/additional manufacturers should be introduced into the BSCI system.
Björn Borg will have good control over chemical use in its production based on REACH and the company's own requirements.	<ul style="list-style-type: none"> <li>All manufacturers of Björn Borg's own production will commit to comply with REACH and Björn Borg's own requirements.</li> <li>Tests will be conducted continuously of chemicals used in Björn Borg's own production and on all manufacturers each season.</li> </ul>	Ongoing. Chemical requirements and routines for control and follow-up were reviewed in 2011. This work will continue in 2012.
CO <sub>2</sub> emissions will be factored into the choice of shipping alternatives, and the one with the least environmental impact will be chosen unless there are strong reasons not to.	<ul style="list-style-type: none"> <li>Annual follow-up of shipping methods used.</li> <li>Licensees and distributors will be encouraged to work toward this goal.</li> </ul>	Continuous. Only a small share of final production is currently shipped by air.
Environmental aspects will be a concrete factor in selecting materials for Björn Borg's own production.	<ul style="list-style-type: none"> <li>Continuous intelligence gathering on sustainable material.</li> <li>Ensure that employees remain informed about various materials.</li> <li>Concretely evaluate and consider alternatives such as the Better Cotton Initiative.</li> </ul>	Ongoing. Further evaluations of alternative materials will be made in 2012.

## PLANNED ACTIVITIES IN 2012

### Goal/activity

- Continued evaluation of routines for control and follow-up in the area of corporate responsibility in general and chemicals in particular.
- Concrete training and information activities for employees and the network of licensees and distributors.
- Measure and monitor transports of Björn Borg's own production in a more structured manner.
- Conduct a market survey to, among other things, evaluate whether consumers perceive Björn Borg as a sustainable brand.



## SPECIFIC CHALLENGES

Björn Borg has identified the following specific challenges in the area of corporate responsibility:

Challenge	Comment
Production involves complex supply chains, which complicates transparency, control and follow-up in terms of product quality in general and chemical use in particular.	Björn Borg works with a limited number of manufacturers and tries to work as close to them as possible to implement and monitor corporate responsibility requirements throughout the supply chain.
Commercial interests, e.g., short lead times and margin requirements, sometimes conflict with social and environmental interests.	The company continuously tries to manage conflicts between such different interests, e.g., with respect to its choice of materials (sustainable materials can be more expensive), working conditions at production plants (certain delivery lead time demands will lead to more overtime) and shipping modes (air is faster).
It can be difficult for manufacturers and employees to fully comprehend current laws and regulations, e.g., with respect to chemicals.	Björn Borg continuously gathers information on changes and provides various types of training to keep employees informed.
Footwear, bags, fragrances and eyewear are designed and manufactured by third-party licensees outside the Björn Borg Group's organization.	Björn Borg tries to work closely with licensees to coordinate policies and approaches in the area of corporate responsibility, and to monitor their corporate responsibility work.
Shipping decisions are often made by customers/retailers, not always by Björn Borg.	Björn Borg tries to design its sourcing process in a way that makes it easier for customers/retailers to ship with a more environmentally friendly alternative than air.

## RESPONSIBLE PRODUCTION

### WORKING CONDITIONS IN PRODUCTION FACILITIES

Björn Borg wants to ensure that people who produce Björn Borg products do so in a safe environment and under reasonable working conditions. The requirements that Björn Borg places on its manufacturers in this respect are spelled out in written guidelines, including the company's code of conduct, and agreements. The company purposely works with a limited number of principal suppliers in order to facilitate a continuous dialogue and control/oversight. Björn Borg has close, and in several cases longstanding, relationships with its major manufacturers, which gives it good insight into production conditions and enables a constructive dialogue on corporate social responsibility issues. Such cooperations, and the opportunities they afford to support these manufacturers' own corporate responsibility work, are an important success factor to achieve real long-term improvements in working environments and conditions.

#### Facts about Björn Borg's manufacturing\*

Total number of manufacturers	21
Member of BSCI since	2008
Share of manufacturers that have signed the code of conduct, %	100
Share of production volume being monitored and controlled	88

\*refers to products sold in 2011

The following process is applied when contracting new manufacturers and in product purchases:

Activity	Process
Evaluation of potential manufacturers	Before Björn Borg decides to outsource to a new manufacturer, it must complete a self-assessment.
Contracting of manufacturers	When it contracts a new manufacturer, Björn Borg requires it to sign BSCI's code of conduct.
Monitoring of manufacturers	Björn Borg's largest and most important manufacturers have been formally introduced into the BSCI system and are regularly audited. In addition, a continuous dialogue is maintained with manufacturers on working conditions, including through product managers, as part of the day-to-day cooperation.
Training	Björn Borg encourages its manufacturers to participate in various forms of training. For example, manufacturers that have not yet reached the highest level (level 2) are asked to participate in BSCI workshops. The company also conducts its own information training activities for manufacturers.



## BSCI AND CODE OF CONDUCT

Björn Borg is a member of the Business Social Compliance Initiative, BSCI, which comprises a large number of retail, brand and import companies that are trying to improve working conditions in the supply chain by applying the same standardized requirements to working conditions. Björn Borg applies BSCI's Code of Conduct, which is based on, among other things, the ILO's Core Conventions, the UN Declaration of Human Rights and the UN's Convention on the Rights of the Child.

The code of conduct includes requirements in the following areas:

- Legal compliance
- Freedom of association and the right to collective bargaining
- Non discrimination
- Right to reasonable wages and benefits
- Prohibition of child labor and forced labor
- Limitations on overtime
- Workplace health and safety

BSCI's requirement is that production units that supply 2/3 or more of the total production volume must be introduced into the BSCI system, which includes recurring audits. Björn Borg meets this requirement; currently manufacturers representing nearly 90 percent of its total production volume has been audited. Björn Borg's licensees in footwear and bags are also members of BSCI and have worked actively with audits and other measures during the year. They also meet BSCI's requirements.

Practically all BSCI audits of the company's manufacturers have produced fairly satisfactory results. The company's largest manufacturer got remarks in 2010 for the amount of overtime, but the follow-up audit in 2011 showed that improvements have been made in this area – although the amount of overtime was still high from a Western standpoint and should be further reduced. Some other areas of improvement remain as well. One priority in 2012 is to work closely with manufacturers which still have areas to improve to ensure that any remaining deficiencies are alleviated as soon as possible. One example is ensuring that thorough documentation is made available to facilitate control and follow-up. Björn Borg's manufacturers participated during the year in BSCI's Capacity Building Workshops.

Geographical distribution of production\*:

Country of origin	Share of total volume, %
China	94.5
Turkey	4.2
Bangladesh	0.8
Mauritius	0.3
Indonesia	0.2

\*refers to products sold in 2011

## ENVIRONMENTAL RESPONSIBILITY

### QUALITY AND SUSTAINABILITY

Ensuring the quality of its products and production processes is an important part of Björn Borg's corporate social responsibility work. When a consumer buys a product of high quality, it will last. If the product is something the buyer values and enjoys, they will typically use it more often and for longer. A longer product life cycle can help to reduce the environmental impacts. Björn Borg strives to maintain consistently high quality. Specialists within each product area work continuously to improve every step of the manufacturing process, from design and choice of materials to production, to reach the right level of quality. The aim is that the customer will be able, and want, to use Björn Borg's products for a long time. The feedback that the company receives from customers confirms that this is the case.

Björn Borg tries to minimize the environmental impact of its operations. It applies a lifecycle perspective to account for environmental impacts in production, shipping and at the consumer level. The products Björn Borg sells must as an absolute minimum meet the requirements of current laws and other binding regulations. People who come into contact with Björn Borg products, primarily customers and employees in the supply chain (e.g., factory personnel), must not be exposed to chemicals in a way that is hazardous.

### CHEMICALS

Chemical use and chemical contents are a key element of Björn Borg's corporate responsibility work. Chemicals are used in apparel manufacture to convert cotton to yarn and to dye fabrics. Since all manufacturing is outsourced, a continuous dialogue is required with the manufacturers on the production methods and chemicals they use to ensure safe working environments as well as safe end products. Regular visits to production facilities allow Björn Borg to take concrete control measures. In addition, manufacturers are required to comply with the EU's REACH regulation as well as Björn Borg's own guidelines on the use of chemicals in production, which are based in part on the chemical guide issued by the Textile Importers' Association in Sweden. In this way, these manufacturers commit to certain predefined maximum levels for various chemicals. Samples are continuously taken from each company's production to verify that chemical contents meet the stated requirements.

Björn Borg also requires its manufacturers to apply the necessary safety routines in terms of protective equipment and storage as well as chemical use. In 2011 Björn Borg began a review of its guidelines and control procedures, which will continue in 2012. It also plans to take measures during the year to generally increase the level of understanding of chemicals internally. The company's licensees for footwear and bags are working actively with chemical controls as well.

Björn Borg collaborates with the research organization Swerea on chemicals and product testing and participates in Swerea's chemical group for textile companies, which includes a number of Swedish apparel brands. Through this collaboration, Björn Borg receives valuable support in its work with chemical issues and up-to-date information on new or amended rules and alternative chemicals and methods with less impact on the environment.

### ENVIRONMENTAL IMPACTS ON VARIOUS LEVELS: CO<sub>2</sub> EMISSIONS, ETC.

In 2010 Björn Borg conducted a lifecycle analysis of its underwear, which showed that the biggest environmental impact was from washing by the customer. The company has since added a text to its underwear packaging and care labels to inform end users how they can help the environment, e.g., by filling up their washing machine, washing at lower temperatures, using less detergent and not using a clothes dryer.



Another impact in the product lifecycle is from shipping, including in the form of CO<sub>2</sub> emissions. Björn Borg's products are rarely shipped by air. Airmail shipments currently account for only a small share of the total transport volume, and by far the majority of shipments are sent by sea. Deliveries within Europe are made by truck. The company's policy is to factor CO<sub>2</sub> emissions in its choice of shipping modes, i.e., it will choose the method with the least environmental impact unless there are strong reasons not to. Shipments normally go directly from the country of origin to distributors in each market, which generates less emissions and lower costs than if sent through a central warehouse. However, this means that the choice of shipping mode is not always in the company's control. In 2012 Björn Borg will begin to measure what percentage is shipped by which mode of transport, which will facilitate future monitoring and create a benchmark for various types of measures.

#### HEAD OFFICE

When Björn Borg moved the head office to a new location in 2011, it signed a so-called green lease with the landlord, which commits both parties to work systematically and conscientiously to reduce energy consumption and CO<sub>2</sub> emissions. This is in line with the company's policy to reduce CO<sub>2</sub> emissions within its operations. All electricity used in the office is renewable, according to the criteria of the Swedish Society for Nature Conservation.

#### PACKAGING

The products Björn Borg produces are shipped in plastic and paper packaging that are affixed with labels. A number of years ago Björn Borg introduced plastic packaging produced from PVC-free material in the form of EVA and polypropylene, both of which are recyclable. Björn Borg also continuously monitors developments in terms of new, environmentally friendly packaging alternatives.

#### ENVIRONMENTAL CAMPAIGN

In spring 2012 Björn Borg is launching a campaign to encourage consumers to turn off the lights. This will be done in typical Björn Borg fashion, with the company suggesting tongue-in-cheek that there are a number of enjoyable things that can be done in the dark while saving electricity and in the long run conserving natural resources. The campaign coincides with Earth Hour on March 31, 2012, when WWF encourages everyone to turn off their lights for an hour to stress the seriousness of climate change.

#### SUSTAINABLE MATERIALS AND RECYCLING

Cotton is a very popular material, especially for underwear, but poses an environmental challenge in the sense that a great deal of water and chemicals are needed to produce textiles from cotton. Björn Borg continuously monitors developments in terms of alternative materials with less environmental impact, e.g., organic cotton. The company's policy is that environmental aspects shall be a concrete factor in the choice of materials in the design and sourcing process.

The materials used in Björn Borg's own production are currently distributed as follows\*:

Material	%
95% Cotton, 5% Elastane	79
100% Cotton	3
Polyamide blends	18

*\*refers to products sold in 2011*

Björn Borg plans to launch a collection called "Cut the crap" in 2012. The collection is the result of a project to reuse production left-overs. Two different materials with prints will be combined into a new pair of underwear – which also means that each piece will have its own unique design. Through this type of recycling, Björn Borg is helping to reduce its impact on the environment.

## COMMUNITY ENGAGEMENT

In an effort to give back to society, Björn Borg has since 2010 provided financial support to the Mathare Youth Sports Association (MYSA), a self-help program that has worked with children and young adults in the slums of Nairobi, Kenya, for around 25 years. MYSA combines sports with leadership training by organizing activities to improve local environments, e.g., through cleanups. The organization currently serves around 27,000 children and young adults. In 2011 an additional SEK 2.3 million was allocated from funds derived from the sale of Björn Borg Kids products to MYSA for specific projects, including financing for scholarships and another local office for the organization. A campaign to encourage girls to stay active has also been successful. Björn Borg previously contributed in this way to a library and an AIDS information center. Allocations will continue in 2012. Björn Borg's partner, Social Initiative, conducts an annual follow-up to verify that established plans and budgets are being followed, that the support reaches recipients and is having an impact, and that the organization is producing positive results. The follow-ups conducted to date (most recently in the fall of 2011) have confirmed that the donations are having an impact and that Björn Borg is providing a real contribution to local development in the area.

In summer 2011 a collection was launched with two underwear styles designed by Björn Borg and two by John McEnroe as part of a campaign called Björn Loves John. Four percent of the revenue was donated to charity through the John and Patty McEnroe Foundation, which supports nonprofits such as Laureus USA (which works with sports as a tool for social change, not unlike MYSA), J/P Haitian Relief Organization (which supports earthquake-ravaged Haiti) and Riverkeeper (which works to protect watersheds and safeguard drinking water).

Together with several other brands, Björn Borg also participated in fall 2011 in a fundraiser to support the Swedish charity Radiohjälp. The donations will ensure that children receive healthcare, an education and a dignified future. The fundraiser generated SEK 112,880, enough, for example, to pay for 376 children to go to school for an entire year.

# 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 priorities that management satisfies by building an open and stimulating corporate culture where employees can grow and develop. In an expanding group with a growing number of markets, increasing demands are placed on structure and efficient working methods – while still maintaining creativity.

Björn Borg's employees generally have extensive industry experience, including from large international fashion and retail companies, as well as unique competence in the area of underwear. To maintain a high level of innovation and creativity in product development, inspiration is gathered from fashion shows and other international events and great attention is devoted to creating an inspiring climate internally with close cooperation between departments.

## SHARED VALUES

Shared values play an important unifying function for Björn Borg and its growing international business and network of partners, as well as for the development of the brand. The values that define Björn Borg can be summarized in five terms: Open, Innovative, Passionate, Business Smart and Responsible. This also applies to communications internally and externally.

A growing company requires a well-structured organization and clear delegation of responsibility. At Björn Borg, clear targets should be set for every employee and group to give the staff a better understanding of how they contribute to the Group's goals and to provide more opportunities for monitoring and development. A more structured form of management by objectives was introduced in the organization in 2011.

The compensation system used by the company utilizes base salaries and variable compensation for key employees, which pays out when individual targets are met.

## ORGANIZATION DURING THE YEAR

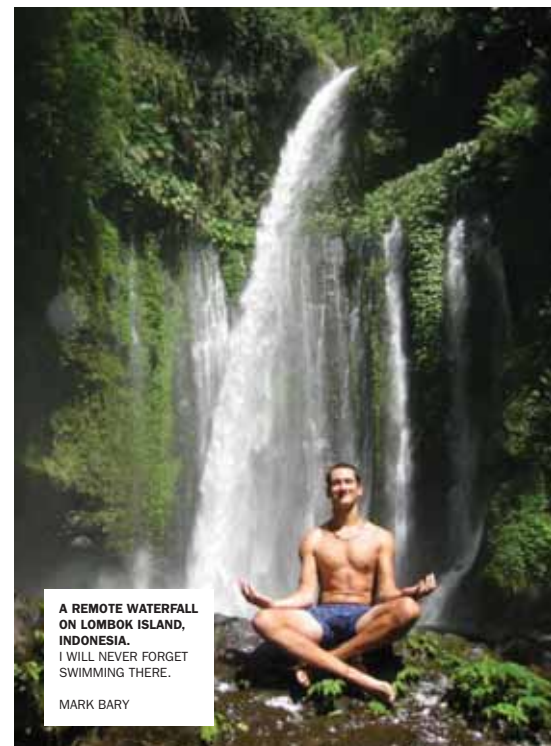
Björn Borg continued during the year to strengthen its organization to meet the requirements of a growing international group, but also to adapt its operations to a greater focus on underwear. Among other things, an export manager was hired to better support the growing number of markets, in addition to senior positions which were filled in the areas of product development and e-commerce. The marketing and HR departments were also strengthened during the year to meet higher aims and continue the international expansion.

## ORGANIZATION BY THE NUMBERS

The average number of employees in the Group was 131 in 2011. Their average age was 35, and 40 percent were men. Among the Group's employees, 64 percent have a post-secondary education. Average industry experience was slightly over ten years. Employee turnover was 38 percent in 2011.

## NEW OFFICE REFLECTS THE BRAND

In late 2011 Björn Borg moved its head office to functional new space in a renovated factory in central Stockholm. With more room to display its collections, brand and marketing communications, Björn Borg can better showcase the brand here, which is considered valuable both internally and in relation to partners and other outside contacts.

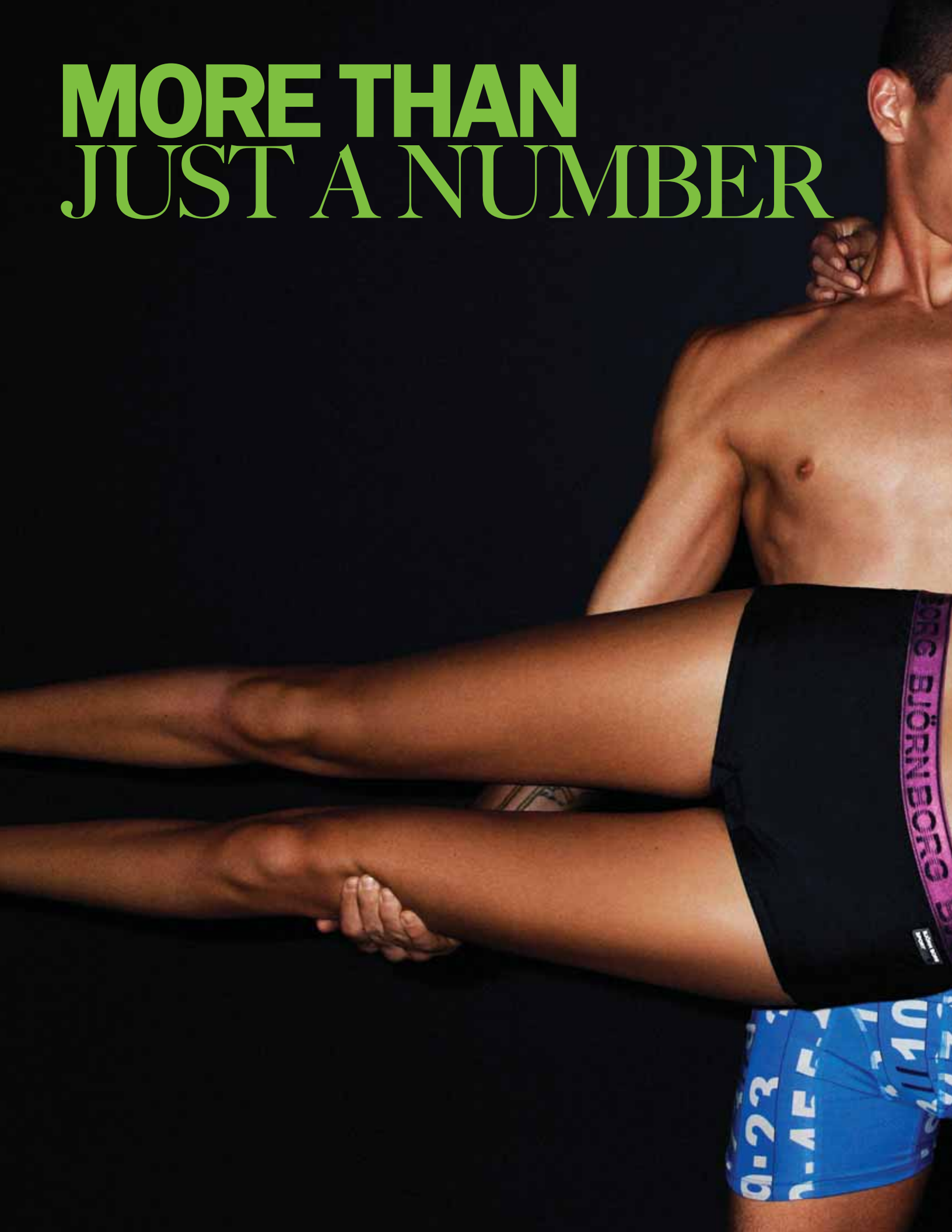


A REMOTE WATERFALL  
ON LOMBOK ISLAND,  
INDONESIA.  
I WILL NEVER FORGET  
SWIMMING THERE.

MARK BARY



**MORE THAN  
JUST A NUMBER**





# FIVE-YEAR SUMMARY

SEK thousands	2011	2010	2009	2008	2007
<b>Income statement</b>					
Net sales	536,509	536,040	519,915	526,556	494,886
Operating profit	83,706	126,005	112,594	128,751	142,075
Profit after financial items	84,626	123,995	111,658	134,822	142,227
Profit for the year	100,150	90,763	80,902	99,202	102,091
<b>Balance sheet</b>					
Intangible assets	207,786	208,334	204,913	203,172	202,417
Tangible non-current assets	14,741	7,808	11,150	15,366	17,817
Deferred tax assets	43,194	6,438	–	–	–
Inventories, etc.	34,559	26,239	26,455	33,752	24,640
Current receivables	91,978	85,344	65,719	106,197	77,093
Short-term investments	–	35,567	–	–	–
Cash & cash equivalents	158,042	194,275	296,484	241,498	187,423
<b>Total assets</b>	<b>550,300</b>	<b>564,005</b>	<b>604,720</b>	<b>599,985</b>	<b>509,390</b>
Equity	396,962	427,276	460,956	413,803	342,943
Non-current liabilities	28,754	34,724	40,889	46,816	52,515
Deferred tax liabilities	47,539	48,189	40,011	32,884	28,607
Other current liabilities	77,045	53,816	62,864	106,482	85,325
<b>Total equity and liabilities</b>	<b>550,300</b>	<b>564,005</b>	<b>604,720</b>	<b>599,985</b>	<b>509,390</b>
<b>Key figures</b>					
Gross profit margin, %	51.5	53.6	51.3	53.8	53.6
Operating margin, %	15.6	23.5	21.7	24.5	28.7
Profit margin, %	15.8	23.1	21.5	25.6	28.7
Return on capital employed, %	19.5	25.7	20.9	28.8	40.9
Return on average equity, %	25.6	20.5	18.5	26.2	42.4
Profit attributable to Parent Company's shareholders	105,468	90,897	80,867	99,210	102,062
Equity/assets ratio, %	72.1	75.8	76.2	69.0	67.3
Equity per share, SEK	15.78	16.99	18.33	16.51	13.70
Investments in intangible non-current assets	12,110	4,878	3,160	2,200	225
Investments in tangible non-current assets	13,325	2,498	1,380	2,873	15,290
Investments in financial assets	–	9,046	–	–	–
Depreciation/amortization for the year	–17,165	–7,136	–7,024	–6,976	–4,121
Average number of employees	131	100	92	88	76
<b>Data per share</b>					
Earnings per share, SEK	4.19	3.61	3.22	3.96	4.18
Earnings per share after dilution, SEK	4.19	3.57	3.21	3.96	4.17
Number of shares	25,148,384	25,148,384	25,148,384	25,059,184	25,036,984
Weighted average number of shares	25,148,384	25,148,384	25,111,217	25,041,134	24,406,699
Effect of dilution	32,190	321,818	118,910	34,366	83,461
Weighted average number of shares (after dilution)	25,180,574	25,470,202	25,230,128	25,075,500	24,490,160

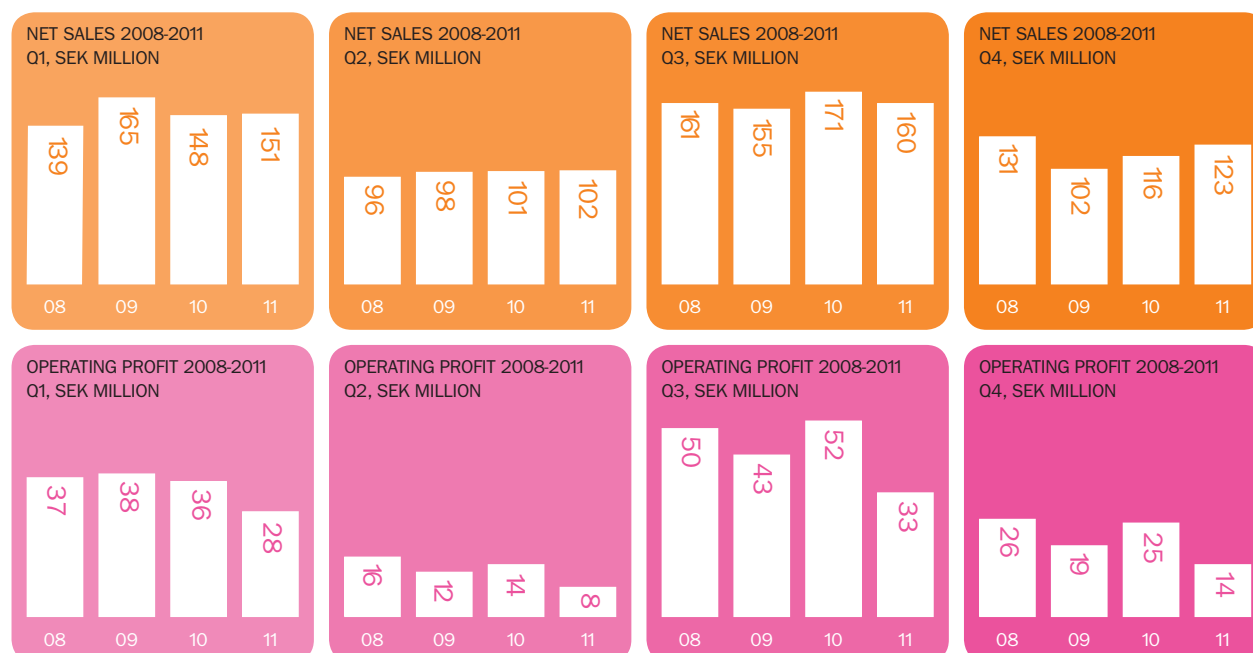


# QUARTERLY DATA FOR THE GROUP

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
SEK thousands	2011	2011	2011	2011	2010	2010	2010	2010
Net sales	123,100	160,150	101,937	151,321	115,893	170,998	100,770	148,379
Gross profit margin, %	52.4	50.6	53.3	50.4	56.3	52.6	55.1	51.6
Operating profit	14,143	32,976	8,190	28,398	24,513	51,516	13,939	36,037
Operating margin, %	11.5	20.6	8.0	18.8	21.2	30.1	13.8	24.3
Profit after financial items	15,026	32,664	8,903	28,033	24,150	49,772	14,644	35,429
Profit margin, %	12.2	20.4	8.7	18.5	20.8	29.1	14.5	23.9
Earnings per share, SEK	1.92	1.05	0.33	0.89	0.70	1.46	0.43	1.03
Earnings per share after dilution, SEK	1.92	1.05	0.33	0.88	0.70	1.44	0.42	1.01
Number of Björn Borg stores at end of period	56	54	54	50	47	46	46	46
of which Group-owned Björn Borg stores	15	13	12	10	10	10	10	10
Brand sales	384,133	551,267	314,967	431,029	428,234	506,572	338,253	460,156

## SEASONAL VARIATIONS

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



# BUSINESS SEGMENTS

## BUSINESS SEGMENTS AND REVENUE

Björn Borg reports revenue for four business segments.

### BRAND

Net sales in the Brand segment mainly consist of royalty revenue. Royalties are generated through sales of Björn Borg products by 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 2011 net sales amounted to SEK 80.3 million (89.7) with operating profit of SEK 16.6 million (23.1).

### PRODUCT DEVELOPMENT

Sales in the Product Development segment are generated by the Group-owned product companies for underwear as well as functional sportswear through product sales to distributors in all markets. In 2011 net sales amounted to SEK 377.4 million (395.0) with operating profit of SEK 35.9 million (67.2).

### WHOLESALE

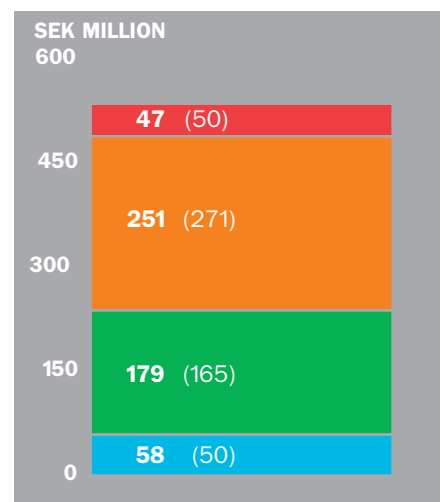
Sales in the Wholesale segment are generated by the Group-owned distributors for underwear in Sweden, England and the U.S., as well as footwear in Sweden, Finland and the Baltic countries. In 2011 net sales amounted to SEK 230.8 million (215.0) with operating profit of SEK 37.0 million (37.4).

### RETAIL

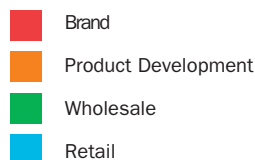
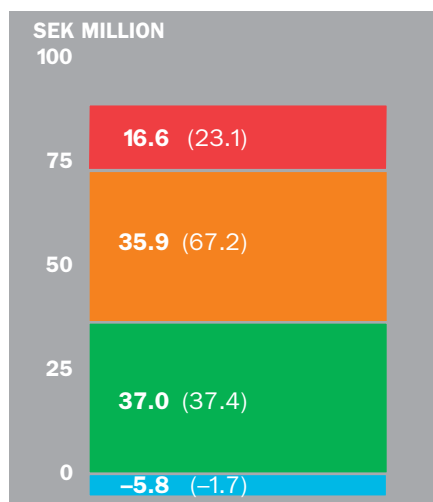
Sales in the Retail segment are currently generated through the Group-owned Björn Borg stores and web site as well as the operations in the U.S., which largely consist of e-commerce. Net sales in Retail amounted to SEK 62.2 million (53.8) in 2011 with an operating loss of SEK 5.8 million, against a year-earlier loss of SEK 1.7 million.

## NET SALES BY SEGMENT

After eliminating internal sales



## OPERATING PROFIT BY SEGMENT



# 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 accounts for the financial year 2011.

## OPERATIONS

Björn Borg AB owns the Björn Borg trademark and focuses on underwear. The company also offers adjacent products, sportswear, footwear in certain markets and, through licensees, footwear, bags, eye-wear and fragrances. Björn Borg products are sold in over 30 markets, the largest of which are Sweden and the Netherlands. Underwear is sold in around 20 markets. Operations are conducted through a network of product and wholesale 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 limited 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 AB is listed on NASDAQ OMX Nordic in Stockholm on the Mid Cap list. The total number of shares in Björn Borg is 25,148,384. There is only 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 6,361 shareholders at year-end. The largest shareholder as of December 31, 2011 was SEB Fonder. The two largest shareholders, SEB Fonder and Fredrik Lövestedt, directly and 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 to which Björn Borg is a party and which enter into force, 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 term 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

The 2011 Annual General Meeting was held on April 14 in Stockholm. The AGM re-elected Mats H Nilsson, Vilhelm Schottenius, Kerstin Hessian, Michael Storåkers, Monika Elling, Fabian Månsson and Nils Vinberg as Directors, with Fredrik Lövestedt as Chairman of the Board. The AGM also passed resolutions on a profit distribution through a share split and automatic redemption, authorization for the Board to resolve on new share issues, warrants and convertibles.

## BOARD WORK

In 2011 the Board held six 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 strategy meeting to adopt the budget. Further 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 68.

## NOMINATION COMMITTEE

According to the resolution of the AGM, Björn Borg's Nomination Committee shall be appointed by having the Chairman of the Board contact the four largest shareholders by votes as of August 31, 2011. For the 2012 AGM Björn Borg's Nomination Committee has the following members:

- Fredrik Lövestedt, Chairman of the Board
  - Mats H Nilsson, representing himself as a shareholder
  - Kerstin Stenberg, representing Swedbank Robur Fonder
  - Per Trygg, representing SEB Fonder
- Mats H Nilsson is Chairman of the Nomination Committee.

## FINANCIAL OBJECTIVES

Björn Borg's financial objectives for the period 2010–2014 are as follows:

- 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 concept stores are opened.

## DIVIDEND

The Board of Directors has decided to recommend to the 2012 AGM a distribution of SEK 4.00 per share for the financial year 2011, corresponding to 95 percent of net income; see above regarding the financial objectives and dividend. As proposed, the distribution would be paid through an automatic redemption, whereby every share is divided into a common share and one redemption share. The redemption shares will then automatically be redeemed for SEK 4.00 per share. Payment for the redemption shares, contingent on the approval of the AGM, is expected to be made around June 8, 2012. The Board of Directors' proposal corresponds to a transfer to share-



holders of SEK 100.6 million (130.8). For the financial year 2010 a distribution of SEK 5.20 per share was paid through a redemption, corresponding to 144 percent of net income.

## EVENTS IN 2011

### Markets

Björn Borg established a new subsidiary in early 2011 to produce functional sportswear together with the Dutch distributor. The subsidiary is 51% owned by Björn Borg. The creation of a separate clothing operation based in the Netherlands is another element in the strategy to focus on the core business, underwear, based in Stockholm. The new subsidiary, Björn Borg Sport, builds partly on the Dutch clothing concept developed by Björn Borg and therefore benefits from a wealth of experience and know-how in the production of womenswear. The collections, both women's and men's, will primarily include functional yet fashionable sportswear. The products are sold to distributors in Björn Borg's current markets, with an initial focus on larger markets. The new clothing operation is considered to have good financial potential.

Agreements were signed during the year with new distributors in Italy and France, among other markets, which have launched sales in their respective markets, though from a low level.

In 2011 the Group expanded its distribution of footwear to the Baltic countries.

In December 2011 Björn Borg announced that it will launch the brand in China. The new business is being established together with an experienced local partner through a new company with Björn Borg as principal owner. The plan is to start sales in Shanghai during the second half of 2012, primarily through Björn Borg stores and shop-in-shops in large department stores offering underwear, sportswear, footwear and bags. The plan also includes e-commerce. The venture is expected to result in a charge against the Group's operating profit in 2012 of not more than SEK 10 million with a marginal effect on revenue.

### Björn Borg stores

Björn Borg opened four of its own stores in Sweden during the year. A franchised store in Helsingborg was taken over in 2011. A second store was opened in Germany and three new stores were opened in Belgium. The first stores were opened in Chile and Slovenia as well. The Dutch distributor opened two stores and closed three stores during the year. At year-end there were 56 (47) Björn Borg stores, of which 15 (10) are Group-owned.

### Commitments and contingent liabilities

There are no significant events to report.

## EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events to report after the closing day.

## THE GROUP'S DEVELOPMENT

### Net sales

Group sales during the year amounted to SEK 536.5 million (536.0), largely unchanged from 2010.

Lower sales volumes, mainly for the Christmas collection from the product company during the third quarter, contributed negative-

ly to sales for the year, while the establishment of Björn Borg Sport and the subsidiary in England contributed positively. The Group's shoe sales decreased after the footwear operations were licensed out in 2010. The Group's retail sales rose, mainly as a result of newly opened stores and growth in e-commerce, while Swedish wholesale operations fell slightly. External brand revenue fell slightly, in line with the lower brand sales during the year. A stronger SEK contributed negatively to the Group's total sales for 2011 by about 5 percent.

### Profit

The gross profit margin decreased during the year to 51.5 percent (53.6). The margins on sportswear are lower than on underwear, and excluding Björn Borg Sport the Group's margin would have instead increased slightly compared with 2010. Operating profit amounted to SEK 83.7 million (126.0) with an operating margin of 15.6 percent (23.5). The decline was due to investments in new operations. Björn Borg Sport and the British operations reduced operating profit by SEK 10.8 million and SEK 4.3 million, respectively. The Group's underwear operations noted a decrease in line with current market weakness. Profit before tax fell to SEK 84.6 million (124.0). Operating expenses as a share of net sales amounted to 35.9 percent (30.1).

At the end of the report period the company had 25,148,384 (25,148,384) shares outstanding. Earnings per share before and after dilution amounted to SEK 4.19 (3.61) and SEK 4.19 (3.57), respectively. This includes reported deferred tax assets of SEK 38.4 million attributable to a tax loss carryforward in the dormant subsidiary Björn Borg Services. Earnings per share excluding these tax assets amounted to SEK 2.66 before and after dilution.

Condensed income statement	2011	2010
Net sales, SEK million	536.5	536.0
Operating profit, SEK million	83.7	126.0
Operating margin, %	15.6	23.5
Profit before tax, SEK million	84.6	124.0
Profit for the year, SEK million	100.2	90.8
Earnings per share, SEK	4.19	3.61
Earnings per share after full dilution, SEK	4.19	3.57
Pro forma earnings per share excluding deferred tax assets, SEK	2.66	3.61

### Investments and cash flow

Cash flow from operating activities in the Group amounted to SEK 91.2 million (81.1) for the full-year 2011. A lower operating profit was offset by slightly less tied-up working capital compared with 2010. For example, the net of accounts receivable less accounts payable decreased by SEK 8.9 million. Accounts receivable rose by SEK 6.9 million compared with 31 December 2010, which is reasonable considering the corresponding increase in sales in the fourth quarter. Inventory increased during the year by SEK 8.3 million due to stock in new stores as well as the recently launched British operations. The company's activities to reduce tied-up capital have resulted in lower inventory volumes for comparable operations. Total investments in tangible and intangible non-current assets amounted to SEK 25.4 million (7.4), the

large part of which relates to the establishment of Björn Borg Sport in the Netherlands and store renovations. For the full-year 2011 cash & cash equivalents and short-term investments decreased by SEK 71.8 million, compared with a year-earlier decrease of SEK 66.7 million, which was mainly due to the distribution of surplus liquidity to shareholders. In 2011 SEK 130.8 million was distributed to shareholders, compared with SEK 125.7 million in 2010.

#### **Financial position and liquidity**

The Björn Borg Group's cash & cash equivalents and short-term investments amounted to SEK 158.0 million (229.8) at the end of the period. The equity/assets ratio was 72.1 percent (75.8).

#### **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 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. Other than a warrant program for two key employees in the Group, there are currently no incentive programs for all employees.

#### **REMUNERATION GUIDELINES FOR THE PRESIDENT AND OTHER SENIOR EXECUTIVES**

The Annual General Meeting on April 14, 2011 resolved that remuneration for the President and 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, designed for the purpose of promoting the company's long-term value creation and maximized in relation to the base salary that has been agreed to. Variable compensation will never exceed the 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 2012 AGM keep the remuneration guidelines for the President and other senior executives unchanged. The average number of employees for the full year was 131 (100). The increase was largely due to the Group's expansion, including through Björn Borg Sport and the operations in England. The distribution is 40 percent (37) men and 60 percent (63) women.

#### **RESEARCH AND DEVELOPMENT**

Although Björn Borg does not conduct any research, development and design work is done in underwear and adjacent products, which is recognized as development costs through profit or loss.

#### **BJÖRN BORG'S CORPORATE RESPONSIBILITY WORK**

Taking responsibility is part of Björn Borg's core values. This includes taking responsibility for how people and the environment

are affected by its operations and collaborating with the Group's network of licensees and distributors on similar issues.

Björn Borg maintains a close cooperation with its suppliers. In many cases it has longstanding relationships, which generally give 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 that suppliers must abide by.

Björn Borg has been a member of the Business Social Compliance Initiative, BSCI, since January 2008 and now applies the BSCI Code of Conduct as its guidelines for working environments for suppliers. BSCI 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 major/important suppliers are introduced concretely into the BSCI system by being entered into the BSCI database and repeatedly undergoing audits by independent, third-party auditing firms. With respect to the use of chemicals in textile production, Björn Borg requires its suppliers to follow the EU's chemical regulation (REACH) and other specific requirements set by the Group, which regulate the maximum levels for particular chemicals, among other things.

During the year Björn Borg continued to work on corporate responsibility issues, including through BSCI audits, requirement reviews and routines for inspections of chemicals contained in products, internal training and various forms of industry cooperations to more effectively work with chemical issues in production.

For more information on Björn Borg's corporate responsibility work, see pages 28–32.

#### **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, pages 54–55.

##### **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 find-

ing new geographical markets for the company's products. The opportunity to find new markets for Björn Borg is partly dependent on factors beyond 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, which was especially evident in 2011, when instable demand in the market affected the Group's underwear sales. The company's profitability is also affected by changes in global commodity prices and by increased production, payroll and transport costs in the countries where the company buys its products.

### Protection for 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 of late, the company has noted an increase in pirated copies of its products, especially on the Internet. 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 core values 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 2012

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

### 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, Björn Borg Footwear, Björn Borg Inc. (U.S.) and Björn Borg Services AB (dormant). Moreover, the company owns 80 percent of the shares in Björn Borg Ltd (UK). The Parent Company's net sales for the full-year 2011 amounted to SEK 46.2 million (45.8). Profit before tax amounted to SEK 105.9 million (100.2). Cash & cash equivalents and short-term investments amounted to SEK 122.3 million (217.3) on December 31, 2011. Full-year investments in tangible and intangible non-current assets amounted to SEK 6.1 million (0.8) and were largely attributable to the move to the new head office at Tulegatan 11 in Stockholm.

### Proposed distribution of profit

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

Retained earnings, SEK	3,726,098
Profit for the year, SEK	105,899,668
	<hr/>
	109,625,766
The Board proposes that:	
Shareholders receive a distribution of SEK 4.00 per share, totaling SEK	100,593,536
Carried forward, SEK	9,032,230
	<hr/>
	109,625,766

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

SEK thousands	Note	2011	2010
Net sales	4, 5	536,509	536,040
Cost of goods sold		-260,295	-248,844
<b>Gross profit</b>		<b>276,214</b>	<b>287,196</b>
Distribution expenses		-124,773	-106,643
Administrative expenses		-54,524	-41,037
Development expenses		-13,211	-13,511
<b>Operating profit</b>	4, 6, 7, 8, 9, 10, 11	<b>83,706</b>	<b>126,005</b>
Interest income and similar income items	26	4,061	2,754
Interest expenses and similar expense items	26	-3,142	-4,764
<b>Profit after financial items</b>		<b>84,626</b>	<b>123,995</b>
<b>Profit before tax</b>		<b>84,626</b>	<b>123,995</b>
Tax on profit for the year	13	15,524	-33,232
<b>Profit for the year</b>		<b>100,150</b>	<b>90,763</b>
<b>Profit for the year attributable to:</b>			
Parent Company's shareholders		105,468	90,897
Non-controlling interests		-5,318	-134
Earnings per share, SEK	23	4.19	3.61
Earnings per share after dilution, SEK	23	4.19	3.57

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Note	2011	2010
<b>Profit for the year</b>		<b>100,150</b>	<b>90,763</b>
<b>Other comprehensive income</b>			
Currency effect on translation of foreign operations		-131	253
<b>Total comprehensive income for the year</b>		<b>100,019</b>	<b>91,017</b>
<b>Total comprehensive income for the year attributable to</b>			
Parent Company's shareholders		105,337	91,151
Non-controlling interests		-5,318	-134

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Note	Dec. 31, 2011	Dec. 31, 2010
<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		6,311	6,858
		<b>207,787</b>	<b>208,334</b>
<b>Tangible non-current assets</b>	15		
Property, plant and equipment		14,741	7,808
		<b>14,741</b>	<b>7,808</b>
<b>Financial non-current assets</b>			
Deferred tax assets	13	43,194	6,438
		<b>43,194</b>	<b>6,438</b>
<b>Total non-current assets</b>		<b>265,722</b>	<b>222,580</b>
<b>Current assets</b>			
<b>Inventories</b>			
Trading book	17	34,559	26,239
		<b>34,559</b>	<b>26,239</b>
<b>Current receivables</b>			
Accounts receivable	18	57,843	50,993
Tax assets		12,501	15,260
Other current receivables		7,841	4,486
Prepaid expenses and accrued income	19	13,793	14,605
		<b>91,978</b>	<b>85,344</b>
<b>Short-term investments</b>			
Fund shares		–	35,567
		<b>–</b>	<b>35,567</b>
<b>Cash &amp; cash equivalents</b>			
Cash and bank balances		158,042	194,275
		<b>158,042</b>	<b>194,275</b>
<b>Total current assets</b>		<b>284,578</b>	<b>341,425</b>
<b>TOTAL ASSETS</b>		<b>550,300</b>	<b>564,005</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		7,859	7,859
Other paid-in capital		182,145	182,145
Reserves		430	561
Retained earnings		210,383	235,685
		<b>400,817</b>	<b>426,250</b>
Non-controlling interests		–3,854	1,026
<b>Total equity</b>		<b>396,962</b>	<b>427,276</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	13	47,539	48,189
Other non-current liabilities	20	28,754	34,724
		<b>76,293</b>	<b>82,913</b>
<b>Current liabilities</b>			
Accounts payable		25,703	9,987
Other current liabilities	20	23,796	11,192
Accrued expenses and deferred income	21	27,546	32,637
		<b>77,045</b>	<b>53,816</b>
<b>Total liabilities</b>		<b>153,338</b>	<b>136,729</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>550,300</b>	<b>564,005</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousands	Share capital	Other paid-in capital	Translation reserve	Retained earnings	Non-controlling interests	Total equity
<b>Opening balance, January 1, 2010</b>	<b>7,859</b>	<b>182,145</b>	<b>308</b>	<b>270,530</b>	<b>114</b>	<b>460,956</b>
<b>Total comprehensive income for the year</b>	–	–	<b>253</b>	<b>90,897</b>	<b>–134</b>	<b>91,017</b>
<b>Transactions with shareholders</b>						
Dividend for 2009	–	–	–	–125,742	–	–125,742
Non-controlling interests that arose through formation of subsidiaries	–	–	–	–	1,046	1,046
<b>Total transactions with owners</b>	–	–	–	<b>–125,742</b>	<b>1,046</b>	<b>–124,696</b>
<b>Closing balance, December 31, 2010</b>	<b>7,859</b>	<b>182,145</b>	<b>561</b>	<b>235,685</b>	<b>1,026</b>	<b>427,276</b>
<b>Total comprehensive income for the year</b>	–	–	<b>–131</b>	<b>105,468</b>	<b>–5,318</b>	<b>100,019</b>
<b>Transactions with shareholders</b>						
Distribution for 2010 through share redemption	–5,239	–	–	–125,533	–	–130,772
Bonus issue	5,239	–	–	–5,239	–	–
Non-controlling interests that arose through formation of subsidiaries	–	–	–	–	438	438
<b>Total transactions with owners</b>	–	–	–	<b>–130,772</b>	<b>438</b>	<b>–130,333</b>
<b>Closing balance, December 31, 2011</b>	<b>7,859</b>	<b>182,145</b>	<b>430</b>	<b>210,383</b>	<b>–3,854</b>	<b>396,962</b>



# CONSOLIDATED STATEMENT OF CASH FLOWS

SEK thousands	Note	2011	2010
<b>OPERATING ACTIVITIES</b>			
Profit after tax		100,150	90,763
Income tax expensed through profit or loss		-15,524	33,232
Financial expenses and income recognized through profit or loss	26	-920	2,010
Amortization/depreciation of intangible/tangible assets	9	17,165	7,136
Other non-cash items		3,469	-1,167
Interest received		3,296	2,049
Interest paid		-2,810	-1,987
Taxes paid		-19,121	-30,336
<b>Cash flow from operating activities before changes in working capital</b>		<b>85,705</b>	<b>101,700</b>
<b>CHANGES IN WORKING CAPITAL</b>			
Change in inventories		-8,319	216
Change in accounts receivable		-6,850	-12,961
Change in other receivables		-2,542	1,226
Change in accounts payable		15,715	-5,492
Change in other current liabilities		7,512	-3,557
<b>Change in working capital</b>		<b>5,517</b>	<b>-20,568</b>
<b>Cash flow from operating activities</b>		<b>91,223</b>	<b>81,132</b>
<b>INVESTING ACTIVITIES</b>			
Investments in intangible non-current assets	14	-12,110	-4,878
Investments in tangible non-current assets	15	-13,325	-2,498
Investments in financial non-current assets		-	-9,046
Sale of tangible non-current assets		-	161
Acquisition/sale of fund shares		35,567	-35,567
<b>Cash flow from investing activities</b>		<b>10,132</b>	<b>-51,828</b>
<b>FINANCING ACTIVITIES</b>			
Amortization of loans		-6,411	-6,164
Loans		441	-
Dividend/distribution		-130,772	-125,742
<b>Cash flow from financing activities</b>		<b>-136,742</b>	<b>-131,906</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>-35,387</b>	<b>-102,602</b>
<b>Cash &amp; cash equivalents at beginning of year</b>		<b>194,275</b>	<b>296,484</b>
<b>Translation difference in cash &amp; cash equivalents</b>		<b>846</b>	<b>-394</b>
<b>Cash &amp; cash equivalents at year-end</b>		<b>158,042</b>	<b>194,275</b>

# PARENT COMPANY INCOME STATEMENT

SEK thousands	Note	2011	2010
Net sales	4,5	46,208	45,818
Cost of goods sold		-550	-368
<b>Gross profit</b>		<b>45,658</b>	<b>45,450</b>
Distribution expenses		-43,076	-44,742
Administrative expenses		-16,568	-17,208
Development expenses		-6,627	-6,883
<b>Operating profit</b>	4, 6, 7, 8, 9, 10, 11	<b>-20,613</b>	<b>-23,383</b>
Dividend from subsidiary		100,000	100,000
Group contributions received		35,235	30,611
Interest income and similar income items		2,850	2,313
Interest expenses and similar expense items		-15,574	-10,142
<b>Profit after financial items</b>		<b>101,898</b>	<b>99,399</b>
Appropriations	12	4,002	818
<b>Profit before tax</b>		<b>105,900</b>	<b>100,217</b>
Tax on profit for the year	13	-	-39
<b>Profit for the year</b>		<b>105,900</b>	<b>100,178</b>

# PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Note	2011	2010
<b>Profit for the year</b>		<b>105,900</b>	<b>100,178</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>105,900</b>	<b>100,178</b>

# PARENT COMPANY BALANCE SHEET

SEK thousands	Note	Dec. 31, 2011	Dec. 31, 2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible non-current assets	14		
Other intangible assets		1,220	1,686
		<b>1,220</b>	<b>1,686</b>
<b>Tangible non-current assets</b>	15		
Property, plant and equipment		6,617	2,830
		<b>6,617</b>	<b>2,830</b>
<b>Financial non-current assets</b>			
Shares in Group companies	16	321,227	320,771
		<b>321,227</b>	<b>320,771</b>
<b>Total non-current assets</b>		<b>329,064</b>	<b>325,287</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Accounts receivable	18	550	543
Receivables from Group companies		201,914	47,801
Tax assets		1,678	1,666
Short-term investments		50	35,567
Other current receivables		–	5
Prepaid expenses and accrued income	19	4,458	2,383
		<b>208,650</b>	<b>87,965</b>
<b>Cash &amp; cash equivalents</b>			
Cash and bank balances		122,271	181,742
		<b>122,271</b>	<b>181,742</b>
<b>Total current assets</b>		<b>330,922</b>	<b>269,707</b>
<b>TOTAL ASSETS</b>		<b>659,986</b>	<b>594,994</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		7,859	7,859
Statutory reserve		46,817	46,817
		54,676	54,676
<b>Unrestricted equity</b>			
Retained earnings		3,726	56,881
Profit for the year		105,900	77,617
		<b>109,626</b>	<b>134,498</b>
<b>Total equity</b>		<b>164,302</b>	<b>189,174</b>
Untaxed reserves	12	2,538	6,540
<b>Current liabilities</b>			
Accounts payable		7,200	2,913
Due to Group companies		476,120	383,256
Other current liabilities		3,011	2,733
Accrued expenses and deferred income	21	6,815	10,378
<b>Total liabilities</b>		<b>493,146</b>	<b>399,280</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>659,986</b>	<b>594,994</b>
<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, 2010</b>	<b>7,859</b>	<b>46,817</b>	<b>160,062</b>	<b>214,738</b>
Dividend paid	–	–	–125,742	–125,742
Total comprehensive income for the year	–	–	100,178	100,178
<b>Closing balance, December 31, 2010</b>	<b>7,859</b>	<b>46,817</b>	<b>134,498</b>	<b>189,174</b>
Dividend paid through share redemption	–5,239	–	–125,533	–130,772
Bonus issue	5,239	–	–5,239	–
Total comprehensive income for the year	–	–	105,900	105,900
<b>Closing balance, December 31, 2011</b>	<b>7,859</b>	<b>46,817</b>	<b>109,627</b>	<b>164,302</b>

Number of shares	Number of votes	Number of shares	Quota value, SEK 000
<b>Opening balance, January 1, 2010</b>	<b>25,148,384</b>	<b>25,148,384</b>	<b>7,858,870</b>
Exercise of warrants	–	–	–
<b>Closing balance, December 31, 2010</b>	<b>25,148,384</b>	<b>25,148,384</b>	<b>7,858,870</b>
Exercise of warrants	–	–	–
<b>Closing balance, December 31, 2011</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	2011	2010
<b>OPERATING ACTIVITIES</b>			
Profit after tax		105,900	77,617
Income tax expensed through profit or loss		–	–8,011
Financial expenses and income recognized through profit or loss		12,724	7,828
Amortization/depreciation of intangible/tangible assets	9	2,256	2,209
Other non-cash items		–15,028	–10,142
Appropriations		–4,002	–818
Interest received		2,850	2,313
Taxes paid		–12	–164
<b>Cash flow from operating activities before changes in working capital</b>		<b>104,687</b>	<b>70,832</b>
<b>CHANGES IN WORKING CAPITAL</b>			
Change in accounts receivable		–7	267
Change in other receivables		–156,235	120,478
Change in accounts payable		4,288	1,072
Change in other current liabilities		89,578	129,813
<b>Change in working capital</b>		<b>–62,375</b>	<b>251,630</b>
<b>Cash flow from operating activities</b>		<b>42,312</b>	<b>322,462</b>
<b>INVESTING ACTIVITIES</b>			
Investments in/sale of fund shares		35,567	–35,567
Investments in subsidiaries		–456	–266,275
Investments in intangible assets	14	–	–420
Investments in tangible non-current assets	15	–6,123	–372
<b>Cash flow from investing activities</b>		<b>28,988</b>	<b>–302,634</b>
<b>FINANCING ACTIVITIES</b>			
Dividend		–130,772	–125,742
<b>Cash flow from financing activities</b>		<b>–130,772</b>	<b>–125,742</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>–59,472</b>	<b>–105,914</b>
<b>Cash &amp; cash equivalents at beginning of year</b>		<b>181,742</b>	<b>287,657</b>
<b>Cash &amp; cash equivalents at year-end</b>		<b>122,271</b>	<b>181,742</b>

# SUPPLEMENTARY INFORMATION

## NOTE 1 ACCOUNTING PRINCIPLES

### GENERAL

Björn Borg owns the Björn Borg trademark and currently has operations in the product areas underwear, sportswear and footwear, as well as bags, eyewear and fragrances. Björn Borg products are sold in around twenty markets, the largest of which are Sweden and the Netherlands. Operations are conducted through a network of product and wholesale 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 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 Tulegatan 11, SE-113 53 Stockholm, Sweden. The Parent Company's share is listed on NASDAQ OMX Nordic in Stockholm. A list of the largest individual shareholders as of December 31, 2011 is provided on page 65 of this annual report. The annual report was approved by the Board of Directors and the President on March 16, 2012 and adopted by the Annual General Meeting of the Parent Company on May 3, 2012.

### ACCOUNTING AND VALUATION PRINCIPLES

The consolidated accounts 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, 2011. The Group also applies the *Swedish Financial Reporting Board's* recommendation RFR 1 *Supplementary Accounting Regulations for Groups*, which specifies the disclosures that are required in addition to IFRS according to the provisions of the *Annual Accounts Act*. The Parent Company's functional currency is the 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 2011

The following amended standards took effect in 2011: IAS 24 *Related Parties Disclosures* and IAS 32 *Financial Instruments: Presentation* and IASB's annual improvements to IFRS 2010. A new interpretation from IFRIC now applies: IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* and an amendment has been added to IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. These new and amended standards and interpretations have not had any effect on the Group's income statement, balance sheet or financial position.

### Parent Company

The amendments to RFR 2 *Accounting in Legal Entities* which have entered into force and apply for the financial year 2011 have meant that Group contributions are no longer recognized against equity. A Group contribution that the Parent Company receives from a subsidiary is recognized according to the same principles as ordinary dividends from subsidiaries, i.e., as financial income. Group contributions from the Parent Company to subsidiaries are recognized through profit and loss as a financial expense.

### AMENDED ACCOUNTING PRINCIPLES

The following applies as of the next financial year: Amendment to IAS 12 *Income Taxes (Deferred tax: Recovery of underlying assets)* and amendment to IFRS 7 *Financial Instruments (disclosures on transfers of financial assets)*. In the company's judgment, these amendments will not have an effect on the Group's or the Parent Company's results, balance sheet or financial reports.

As of 2013 the following standards and interpretations will apply (\* = not yet approved by the EU):

Standards	Will apply to financial years beginning:
IFRS 9 <i>Financial Instruments</i> and the subsequent amendments to IFRS 9 and IFRS 7*	on or after January 1, 2015
IFRS 10 <i>Consolidated Financial Statements</i> *	on or after January 1, 2013
IFRS 11 <i>Joint Arrangements</i> *	on or after January 1, 2013
IFRS 12 <i>Disclosure of Interests of Other Entities</i> *	on or after January 1, 2013
IFRS 13 <i>Fair Value Measurement</i> *	on or after January 1, 2013
Amendment to IAS 1 <i>Presentation of Financial Statements (Presentation of items in other comprehensive income)</i> *	on or after July 1, 2012
Amendment to IAS 12 <i>Income Taxes (Deferred tax: Recovery of Underlying Assets)</i> *	on or after January 1, 2012
Amendment to IAS 19 <i>Employee Benefits</i> *	on or after January 1, 2013
Amendment to IAS 27 <i>Consolidated and Separate Financial Statements</i> *	on or after January 1, 2013
Amendment to IAS 28 <i>Investments in Associates and Joint Ventures</i> *	on or after January 1, 2013
Amendment to IFRS 7 <i>Financial Instruments: Disclosures (Offsetting the financial assets and financial liabilities)</i> *	on or after January 1, 2013
Amendment to IAS 32 <i>Financial Instruments: Presentation (Offsetting the financial assets and financial liabilities)</i> *	on or after January 1, 2014
IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i> *	on or after January 1, 2013

None of the above interpretations have been applied in advance. Björn Borg is currently evaluating the effects of the application of the above-mentioned standards and interpretations. The company's preliminary judgment is that IFRS 12 and 13 and the amendments to IAS 1 will affect the supplementary disclosures and presentation of other comprehensive income. Possible effects on the Group's financial position are currently being evaluated.

### CONSOLIDATION

The consolidated accounts 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 consolidated from the date on which control is obtained and are no longer consolidated from the date on which control ceases.

Acquisitions are recognized according to the acquisition method. The purchase price of an acquisition is measured at fair value on the acquisition date and is calculated as the sum of the fair value on the acquisition date of assets received, liabilities that have arisen or been taken over, and equity interests issued in exchange for control over the acquired business. Acquisition-related costs are recognized through profit or loss when they arise. The purchase price also includes the fair value on the acquisition date of the assets or liabilities that result from an agreement on contingent consideration. Changes in the fair value of contingent consideration arising due to additional information received after the acquisition date on facts and conditions that existed on the acquisition date qualify as adjustments during the valuation period and are adjusted retroactively, with a corresponding adjustment to goodwill. All other changes in the fair value of contingent consideration which is classified as an asset or liability are recognized in accordance with the applicable standard. Contingent consideration classified as equity is not revalued and any subsequent settlement is recognized in equity. Transaction costs that arise in connection with an acquisition are expensed through profit and loss in the period to which the cost of refers.

Contingent liabilities assumed in an acquisition are recognized if they are existing commitments related to events which have occurred and whose fair value can be reliably estimated. In an acquisition where the sum of the purchase price,



any non-controlling interests and the fair value on the acquisition date of the previous shareholding exceeds the fair value on the acquisition date of identifiable acquired net assets, the difference is recognized as goodwill in the statement of financial position. If the difference is negative, it is recognized as a gain on an acquisition at a low price directly in profit after a revaluation of the difference.

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 accounts. 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.

## NON-CONTROLLING INTERESTS

In acquisitions of less than 100 percent where control is obtained, non-controlling interests are reported as either a proportional share of the fair value of identifiable net assets excluding goodwill or at fair value. Non-controlling interests are recognized as a separate item in the Group's equity. Any losses attributable to non-controlling interests are also recognized if it means that the share will be negative. Subsequent acquisitions up to 100 percent and divestments of ownership interests in a subsidiary that do not lead to the loss of control are recognized as equity transactions.

## TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are translated to Swedish kronor at the exchange rate on the transaction date. Monetary items (assets and liabilities) in foreign currency are translated to Swedish kronor at the balance date exchange rate. Exchange gains and losses that arise on such translations are recognized through profit or loss as Net sales and/or Cost of goods sold, except with respect to cash & cash equivalents or loans recognized as income or expenses. The items included in the financial reports for the various units in the Group are valued in the currency used in the economic environment where each unit of the Group conducts its operations.

## REVENUE RECOGNITION

Revenue is measured as the fair value of goods and services sold after deducting value-added tax, returns and discounts and after eliminating intra-Group sales. Revenue is recognized as follows:

- Sales of goods are recognized upon delivery of a product to the customer (points 2–4 below), when the financial risks and benefits of ownership are transferred to the buyer, when it is likely that the economic benefits will accrue to Björn Borg, when the revenue can be measured reliably, which coincides with the date of delivery.
- Royalties are recognized in the period to which the underlying revenue refers, i.e., in accordance with the current agreement's economic substance.
- Dividend revenue is recognized when the right to receive payment has been determined.
- Interest income is recognized by applying the effective interest rate method.

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

#### 1. Royalty revenue

Royalty revenue is generated through sales of Björn Borg products by distributors (Group-owned and independent) and the product companies 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 sale at the whole-sale level.

#### 2. Product company revenue

The product companies for underwear and the sportswear generate revenue for Björn Borg from product sales to distributors. The revenue is recognized upon delivery in accordance with the sales terms, i.e., the point of time when the risks and benefits associated with ownership transfer to the buyer. The distributors have no right to return merchandise or to any significant quantity discounts.

#### 3. Distribution company revenue

The Group-owned distribution companies for the underwear and footwear product areas generate revenue for Björn Borg from product sales to retailers. The revenue is recognized upon delivery to the retailer, which coincides with the point of time when the risks and benefits associated with ownership transfer to the retailer.

#### 4. Björn Borg store and web shop revenue

Björn Borg stores generate revenue for Björn Borg from sales to consumers. Retail purchases are usually made in cash or by credit or debit card. Provisions for returns are based on the Group's collective experience with returns as well as historical data.

## 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. 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. In cases where the Group offers employees or others remuneration in the form of share-based remuneration, the Group recognizes an expense corresponding to the fair value of the allotted instrument allocated over the vesting period.

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 balance sheet approach. Deferred tax liabilities are normally recognized for all taxable temporary differences, while deferred tax assets are recognized to the extent it is probable that future taxable profits will be available against which the amounts can be utilized.

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

Deferred tax is determined using the tax rates that are 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 directly in equity.

Tax assets are set off against 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 arises in the acquisition of subsidiaries and associates and refers to the amount by which the purchase price exceeds Björn Borg's share of the fair value of identifiable assets, liabilities and contingent liabilities in the acquired company as well as the fair value of non-controlling interests in the acquired company. To test for impairment, goodwill is divided among the cash-generating units that are expected to benefit from synergies from the acquisition. Each unit or group of units to which goodwill has been distributed corresponds to the lowest level in the Group at which the goodwill is monitored in the internal control. 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 of three to five years, which corresponds to the lease term.

### 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.

### Web site development

Costs to maintain software and websites are expensed as they arise. Development costs directly attributable to the development and testing of identifiable software, including web sites controlled by the Group, are recognized as tangible assets when the following criteria are met: it is technically possible to complete the web site, there are opportunities to utilize the web site for commercial purposes and it can be demonstrated that it will generate future economic benefits, and expenses attributable to the development of the web site can be reliably estimated. Directly attributable expenses primarily relate to outside consultants hired to build the web site as well as expenses for employees. Development costs for the web site are recognized as intangible assets and amortized over their estimated period of use, i.e., five years. Other development costs which do not meet these criteria are expensed as they arise.

## 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. Previous impairment losses are reversed when the recoverable amount of the previously impaired asset exceeds the carrying amount, the impairment is no longer considered necessary and it is recognized through profit or loss. Previous to impairment is tested individually. Goodwill impairment is not reversed.

## 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 reserves for obsolescence are based on individual assessments. The change between the year's opening and closing 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.

### Estimation of fair value of financial instruments

The fair value of short-term investments and derivatives is estimated using official market listings on the closing day. When such listings are unavailable, valuations are made using generally accepted methods such as the discounting of future cash flows to listed interest rates for each maturity. Translations to SEK are based on listed exchange rates on the closing day.

### 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. Loans receivable and accounts receivable include accounts receivable and other current receivables. Assets in this category are initially recognized at fair value and subsequently 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 evalu-

Note 1, continued

ated 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, or for good reason it is likely that the customer cannot meet its obligations, a provision is allocated for the entire established or anticipated loss. Provisions for anticipated impaired receivables are based on an individual assessment of each customer given their solvency, future risk and the value of the collateral received.

Write-downs of accounts receivable are recognized in operating expenses. Translations to SEK are based on closing-date exchange rates.

#### Cash & cash equivalents

Cash & cash equivalents consist of cash, demand deposits and other short-term investments with maturities of three months or less. Cash and bank deposits are recognized 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 that 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. Non-current liabilities have an anticipated maturity of more than one year, while current 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.

#### STATEMENT OF CASH FLOWS

The statement of cash flows 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 *Accounting in Legal Entities* and statements from the *Swedish Financial Reporting Board*. RFR 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.

#### Group contributions

Group contributions received are recognized according to the same principles as ordinary dividends, i.e., as financial income.

#### Leased assets

All leases are recognized according to the rules for operating leases.

#### Financial instruments

The Parent Company does not apply IAS 39 and instead recognizes financial instruments based on cost according to the *Annual Accounts Act*.

## 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. The carrying amount as of December 31, 2011 amounted to SEK 43,194 thousand (6,438).

#### 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. The carrying amount for goodwill as of December 31, 2011 amounted to SEK 13,944 thousand and trademarks to SEK 187,532 thousand.

## 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 mainly because sales and purchases are made in different currencies (transaction exposure).

The Group's largest currency exposure is against USD-pegged currencies; approximately 50 percent of the Group's sales and cost of goods sold is in HKD. The Group's transaction risk arises because Björn Borg's largest business segment, Product Development, has sales in HKD and purchases in HKD, at the same time that the Wholesale business segment has sales in SEK and purchases in HKD. The transaction exposure is managed primarily by matching as far as possible inflows and outflows in the same currency in terms of both duration and amount in order to achieve a natural hedge. Björn Borg does not use derivatives to manage currency risk.

Changes in exchange rates also affect the Group because assets and liabilities in the same currency are translated to SEK (translation exposure). This primarily arises in the form of differences on the translation of the net assets of foreign subsidiaries. Translation differences are recognized in other comprehensive income and accumulated in equity. Björn Borg is primarily exposed to changes in EUR, USD and GBP. Björn Borg has chosen not to hedge the translation exposure. During the year realized and unrealized exchange rate differences affected operating profit positively by SEK 1,472,000.

#### SENSITIVITY ANALYSIS

In 2011 the Björn Borg Group was affected negatively because the HKD was significantly weaker against the Swedish krona than in 2010. For the full-year 2011 the exchange rate was an average of about 10 percent lower than in 2010.

The lower HKD versus the Swedish krona has affected the Wholesale business segment positively.



Note 3, continued

The table below describes the effect of the two currencies on the Björn Borg Group's revenue and gross margin based on the current business model and the various business segments' share of revenue and gross margin.

Several aspects influence the currencies' total impact on the Group, e.g., each business segment's geographical share of total revenue and gross margin, the timing of deliveries and changes in inventory.

Björn Borg does not use currency derivatives.

Estimated currency effect (transaction exposure) 2011	Percent	Estimated effect on revenue	Estimated effect on operating profit
Stronger HKD vs. SEK	10%	4%	0%
Weaker HKD vs. SEK	-10%	-5%	0%
Stronger EUR vs. SEK	10%	1%	3%
Weaker EUR vs. SEK	-10%	-1%	-3%

The detailed reason for the table is that the Group's sales and purchases through the Product Development business segment to external distributors are affected positively or negatively depending on the Hong Kong dollar's fluctuations relative to the Swedish krona – sales in HKD/purchases in HKD. In the Wholesale business segment, goods purchases are affected negatively by a strong HKD and positively by a weak HKD at the same time that pricing to retailers is not adjustable due to currency sales in SEK/purchases in HKD.

The euro's fluctuations against the Swedish krona affect the Group's revenue mainly from sales of Björn Borg Sport and invoicing of royalties to euro countries.

#### 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. As of December 31, 2011 interest-bearing assets amounted to SEK 158,042 thousand (229,842) and consisted of bank balances (2010 also included short-term investments). Interest-bearing assets primarily carry variable interest rates, because of which changes in market interest rates lead to higher or lower future interest income. Since only a small share of the Group's interest-bearing assets has been measured at fair value with changes in value recognized through profit or loss, the revaluation effect on these assets of a change in market interest rates is limited.

The table below shows how the Group's net interest income during the upcoming twelve months would be affected by a change in market interest rates. The effects are based on the volumes of interest-bearing assets and liabilities as of December 31, 2011.

	Percentage point	Effect on net interest income
Higher interest rate	1%	SEK 1,200,000
Lower interest rate	-1%	SEK -1,200,000

#### 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, 2011 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, 2011

Group	2011	2010
Accounts receivable	57,843	50,993
Other current receivables	7,841	4,486
Short-term investments	–	35,567
Cash and bank balances	158,042	194,275
	<b>223,726</b>	<b>285,321</b>

#### 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.

#### Maturity structure of the Björn Borg Group's outstanding liabilities as of Dec. 31, 2011

Dec. 31, 2011	Up to 3 mos.	3-12 mos.	<5 yrs.	Over 5 yrs.
Accounts receivable	57,843			
Other current receivables	7,841			
Cash and bank balances	158,042			
Other liabilities	–	25,185	31,641	7,800
Accounts payable	25,703	–	–	–
<b>Total</b>	<b>249,429</b>	<b>25,185</b>	<b>31,641</b>	<b>7,800</b>
Dec. 31, 2010	Up to 3 mos.	3-12 mos.	<5 yrs.	Over 5 yrs.
Accounts receivable	50,993			
Other current receivables	4,486			
Cash and bank balances	194,275			
Other liabilities	–	12,828	31,200	15,600
Accounts payable	9,987	–	–	–
<b>Total</b>	<b>259,741</b>	<b>12,828</b>	<b>31,200</b>	<b>15,600</b>

## NOTE 4 SEGMENT REPORTING

The President is the Group's chief operating decision maker. The reported business segments are the same as those reported internally to the chief operating decision maker and used as a basis for distributing resources and evaluating results in the Group. The monitoring and evaluation of the business segments' results are based mainly on operating profit. Segment reporting is prepared according to the same accounting principles as the consolidated accounts, as indicated in Note 1.

In 2011 the company streamlined the previous segment, "Brands and other," which had contained the Parent Company's revenue and expenses. The segment is now called "Brand" and includes only brand-related operations, which the company believes gives a clearer picture of this segment and coincides with the Group's internal reporting. The figures for 2010 have been restated as a result of these adjustments and new basis of distribution.

#### BRAND

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 underwear and sportswear are responsible for design and development of collections for all markets in the network. They generate revenue from product sales to distributors.

#### WHOLESALE

The distribution companies for the underwear and footwear product areas (for Sweden, Finland and the Baltic countries) generate revenue for the Björn Borg Group from product sales to retailers.

#### RETAIL

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

Note 4, continued

#### Summary by segment

SEK thousands	Brand		Product Development		Wholesale		Retail		Total		Eliminations		Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenue														
External sales	47,435	49,582	251,277	271,135	179,341	165,447	58,456	49,876	536,509	536,040	–	–	536,509	536,040
Internal sales	32,882	40,074	126,171	123,861	51,437	49,503	3,735	3,963	214,225	217,401	–214,225	–217,401	–	–
<b>Total revenue</b>	<b>80,317</b>	<b>89,655</b>	<b>377,448</b>	<b>394,997</b>	<b>230,778</b>	<b>214,950</b>	<b>62,191</b>	<b>53,839</b>	<b>750,734</b>	<b>753,441</b>	<b>–214,225</b>	<b>–217,401</b>	<b>536,509</b>	<b>536,040</b>
<b>Operating profit</b>	<b>16,613</b>	<b>23,057</b>	<b>35,915</b>	<b>67,249</b>	<b>37,010</b>	<b>37,356</b>	<b>–5,832</b>	<b>–1,657</b>	<b>83,706</b>	<b>126,005</b>	<b>–</b>	<b>–</b>	<b>83,706</b>	<b>126,005</b>
Non-current assets	205,273	201,958	1,934	478	4,537	4,483	10,783	9,229	222,527	216,142	43,194	6,438	265,722	222,580
Inventory	–	–	4,848	1,079	29,451	27,388	12,479	9,742	46,778	38,209	–12,219	–11,970	34,559	26,239
Other current assets	923,253	824,682	214,347	116,370	227,900	91,809	69,223	28,783	1,434,723	1,061,644	–1,184,704	–746,458	250,019	315,186
<b>Total assets</b>	<b>1,128,526</b>	<b>1,026,639</b>	<b>221,129</b>	<b>117,927</b>	<b>261,888</b>	<b>123,679</b>	<b>92,485</b>	<b>47,754</b>	<b>1,704,028</b>	<b>1,322,433</b>	<b>–1,153,729</b>	<b>–751,990</b>	<b>550,300</b>	<b>564,005</b>
Other liabilities	616,275	561,042	235,184	120,288	244,714	79,033	93,391	36,403	1,189,564	796,766	–1,036,227	–660,037	153,338	136,729
<b>Total liabilities</b>	<b>616,275</b>	<b>561,042</b>	<b>235,184</b>	<b>120,288</b>	<b>244,714</b>	<b>79,033</b>	<b>93,391</b>	<b>36,403</b>	<b>1,189,564</b>	<b>796,766</b>	<b>–1,036,227</b>	<b>–660,037</b>	<b>153,338</b>	<b>136,729</b>
Investments in tangible and intangible														
non-current assets	6,123	839	11,445	30	907	608	6,961	5,899	25,435	7,376	–	–	25,435	7,376
Depreciation/amortization	–2,256	–2,209	–10,060	–103	–535	–266	–4,315	–4,557	–17,165	–7,136	–	–	–17,165	–7,136

#### RECONCILIATION BETWEEN OPERATING PROFIT AND PROFIT FOR TAX PURPOSES

The difference between operating profit for segments for which information is disclosed, SEK 83,706 thousand (126,005), and profit before tax and discontinued operations, SEK 84,626 thousand (123,995), is net financial items, SEK 920 thousand (–2,010).

#### INTERNAL PRICING

Sales between segments are executed on market terms. Revenue from outside parties that is reported to management is valued in the same way as in profit and loss.

#### ELIMINATIONS

The column for eliminations refers strictly to internal transactions.

#### Geographical areas

	Sweden		Netherlands		Norway		Denmark		Other		Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net sales	231,383	224,408	178,814	144,165	30,476	60,257	36,060	49,882	59,775	57,328	536,509	536,040
Assets	550,300	564,005	–	–	–	–	–	–	–	–	550,300	564,005
Investments	25,435	7,376	–	–	–	–	–	–	–	–	25,435	7,376
Depreciation/amortization	–17,165	–7,136	–	–	–	–	–	–	–	–	–17,165	–7,136

The Group presents revenue for its four largest markets: Sweden, the Netherlands, Norway and Denmark.

Revenue of approximately SEK 178,814 thousand (144,165) 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	
	2011	2010	2011	2010
Royalty revenue	47,435	49,582	–	–
Service revenue	–	–	46,208	45,818
Product company revenue	251,277	271,135	–	–
Wholesale revenue	179,341	165,447	–	–
Retail revenue	58,456	49,876	–	–
<b>Total</b>	<b>536,509</b>	<b>536,040</b>	<b>46,208</b>	<b>45,818</b>

Total brand sales amounted to SEK 489,074 thousand (486,458).

#### NOTE 6 REVENUE AND EXPENSES BETWEEN GROUP COMPANIES

The Parent Company's revenue from subsidiaries amounted to SEK 44,504 thousand (44,343). The Parent Company's expenses for subsidiaries amounted to SEK 1,947 thousand (1,129). 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	
	2011	2010	2011	2010
Wages, salaries and other compensation	40,837	43,470	14,357	14,736
Social security contributions	12,377	11,829	5,469	4,155
Pension costs	4,621	4,536	2,770	2,336
<b>Total</b>	<b>57,835</b>	<b>59,835</b>	<b>22,596</b>	<b>21,227</b>

#### Wages, salaries and other compensation divided between Senior Executives and other employees

	Group		Parent Company	
	2011	2010	2011	2010
Board, President and other Senior Executives	7,110	8,947	6,128	7,489
Other employees	33,727	34,523	8,229	7,247
<b>Total</b>	<b>40,837</b>	<b>43,470</b>	<b>14,357</b>	<b>14,736</b>

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

	2011	2010	2011	2010
Women	79	63	16	14
Men	52	37	10	9
<b>Total</b>	<b>131</b>	<b>100</b>	<b>26</b>	<b>23</b>

Note 7, continued

Group	2011		2010	
Gender distribution among Directors and Senior Executives	Men	Women	Men	Women
Board	6	2	6	2
Other Senior Executives	5	1	4	3
<b>Total</b>	<b>11</b>	<b>3</b>	<b>10</b>	<b>5</b>

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

Compensation and other benefits to Directors	2011		2010	
	Board fees	Other compensation	Board fees	Other compensation
<i>Chairman of the Board</i>				
Fredrik Löfstedt	300	65	300	65
<i>Other Directors:</i>				
Mats H Nilsson	115	25	100	25
Fabian Månsson	115	–	100	–
Vilhelm Schottenius	115	–	100	–
Monika Elling	115	40	100	40
Michael Störåkers	115	–	100	–
Nils Vinberg	115	–	100	–
Kerstin Hessius	115	–	100	–
<b>Total</b>	<b>1,105</b>	<b>130</b>	<b>1,000</b>	<b>130</b>

#### Compensation and other benefits to Senior Executives

2011	Base salary	Variable compensation	Pension costs	Other compensation
President	1,920	–	571	–
EVP	1,200	–	499	–
Other Senior Executives	3,773	218	686	–
<b>Total</b>	<b>6,893</b>	<b>218</b>	<b>1,755</b>	<b>–</b>
2010	Base salary	Variable compensation	Pension costs	Other compensation
President	1,836	633	574	–
EVP	1,102	633	431	–
Other Senior Executives	3,769	975	856	–
<b>Total</b>	<b>6,706</b>	<b>2,241</b>	<b>1,861</b>	<b>–</b>

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

##### Compensation to the Board

In accordance with the resolution of the Annual General Meeting, the Chairman of the Board and other Directors received total fees of SEK 1,105 thousand (1,000) in 2011. The Chairman received SEK 300 thousand (300), while other Directors received SEK 115 thousand (100) each. In addition to their fees, the Chairman and other Directors are reimbursed for travel and accommodations in connection with Board meetings. The members of the Compensation Committee received total fees of SEK 40 thousand (40) in 2011 and the members of the Audit Committee received a total of SEK 90 thousand (90). All compensation complies with the Board compensation resolved by the AGM.

##### Compensation to the President

The President's base salary and other compensation during the year amounted to SEK 1,920 thousand (1,836), in addition to which he received variable compensation. The variable compensation is paid out if the Group's sales and results exceed the Board's established budget. For 2011 the variable compensation was SEK 0 thousand (633). The President is also entitled to a company car and health insurance as well as a monthly pension provision corresponding to 25 percent of his base salary. Moreover, the President receives compensation for unused company car benefits in the form of an additional pension provision.

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 equivalent to a maximum of 6 months' salary. A proposal on the terms of the compensation package for the President is made by a compensation committee consisting of Fredrik Löfstedt and Monika Elling and approved by the Board. The President's holding of shares and warrants is described below.

#### Compensation to Senior Executives

Senior Executives refer to five persons who, together with the President, comprised Group Management in 2011. The definition of Senior Executives was changed in 2011, because of which the figures for 2010 have been restated.

Base salaries paid to other Senior Executives amounted to SEK 4,973 thousand (4,871) in 2011, in addition to which they receive variable compensation if the Group's sales and results exceed the Board's established budget. The variable compensation for 2011 amounted to SEK 218 thousand (1,608). 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 2011 amounted to SEK 1,185 thousand (1,287). If terminated by the company, Senior Executives are entitled to a term of notice of 3–6 months. No other Senior Executives are entitled to severance. 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, 2011

	No. of warrants	No. of shares
Fredrik Löfstedt		2,600,040
Mats H Nilsson		1,478,440
Vilhelm Schottenius		1,023,520
Monika Elling		69,000
Michael Störåkers		40,000
Nils Vinberg		711,080
Fabian Månsson		2,000
Kerstin Hessius		6,000
President	750,000	35,000
EVP	500,000	7,000
Other Senior Executives	–	500
<b>Total number of shares</b>	<b>1,250,000</b>	<b>5,972,580</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 2011 amounted to SEK 4.6 million (4.5).

#### INCENTIVE SCHEME

Björn Borg has one outstanding incentive scheme based on warrants in Björn Borg (i.e., the Parent Company).

#### 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. The warrant scheme expires on November 30, 2012. Subscriptions are permitted in May and November 2012, though not before the interim report has been published.

The warrants have been acquired at market rates based on an independent valuation according to the Black & Scholes model. The outstanding scheme does not contain any terms that could entail costs for the company, e.g., in form of social security contributions. If all outstanding warrants were exercised, the number of shares in the company would increase from 25,148,384 to 26,398,384 and the share capital would increase by SEK 390,625, which would mean that the new shares correspond to 4.7 percent of the total number of shares on a fully diluted basis.

#### OTHER

One Director of the Parent Company and the CEO of the wholly owned subsidiary Björn Borg Sport each hold 4 percent of the shares in those companies. These persons have an option to sell their holdings to Björn Borg AB no later than January 1, 2016, provided that they remain employed by their companies. An expense of SEK 917 thousand was recognized in the Group in 2011, corresponding to the year's share of the Group's estimated expense if the options are exercised in 2016.

Note 7, continued

Warrant scheme	Scheme 2008:1	Scheme 2008:2	Total
Outstanding at beginning of year	155,300	1,250,000	1,405,300
Expired	-155,300	-	-155,300
Outstanding and exercisable at year-end	-	1,250,000	1,250,000
Share entitlement	-	1,250,000	1,250,000

## NOTE 8 AUDITORS' FEES

	Group		Parent Company	
	2011	2010	2011	2010
<b>Deloitte AB</b>				
Statutory audit	982	1,022	746	773
Tax advice	74	58	74	58
Other services	126	12	126	13
	<b>1,182</b>	<b>1,092</b>	<b>946</b>	<b>844</b>
<b>Other accounting firms</b>				
Statutory audit	62	25	-	-
Tax advice	-	-	-	-
Other services	-	-	-	-
	<b>62</b>	<b>25</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,244</b>	<b>1,117</b>	<b>946</b>	<b>844</b>

## NOTE 9 DEPRECIATION/AMORTIZATION

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

	Group		Parent Company	
	2011	2010	2011	2010
Distribution expenses	11,157	4,638	1,466	1,436
Administrative expenses	4,292	1,784	564	552
Development expenses	1,716	714	226	221
<b>Total</b>	<b>17,165</b>	<b>7,136</b>	<b>2,256</b>	<b>2,209</b>

## NOTE 10 OPERATING LEASES

	Group		Parent Company	
	2011	2010	2011	2010
Leases during the year amount to	15,366	13,844	6,763	5,816
Future lease fees amount to				
– within 1 year	18,112	14,104	6,954	5,866
– later than 1 year but within 5 years	74,514	59,126	28,338	24,599
<b>Total</b>	<b>92,626</b>	<b>73,230</b>	<b>35,292</b>	<b>30,465</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, 2011, the Björn Borg Group had no finance leases.

## NOTE 11 TRANSACTIONS WITH RELATED PARTIES

Director Fabian Månsson acquired 4 percent of the shares in the subsidiary Björn Borg Sport in 2011. Fabian Månsson received EUR 15 thousand in board fees from the subsidiary in 2011. No other transactions with related parties have taken place.

## NOTE 12 UNTAXED RESERVES

	31 dec 2011	31 dec 2010
<b>Parent Company</b>		
Accumulated accelerated depreciation	2,538	585
Tax allocation reserve 2006	-	5,955
<b>Total</b>	<b>2,538</b>	<b>6,540</b>

## NOTE 13 TAXES

	Group		Parent Company	
	2011	2010	2011	2010
Current tax on profit for the year	-25,299	-23,385	-	-39
Deferred tax	40,824	-9,847	-	-
<b>Total recognized tax expense</b>	<b>15,524</b>	<b>-33,232</b>	<b>-</b>	<b>-39</b>

	Group		Parent Company	
	2011	2010	2011	2010
<b>Reconciliation between current tax rate and effective tax rate</b>				
Recognized profit before tax	84,626	123,995	105,900	100,217
Tax according to current tax rate in Sweden	-22,257	-32,611	-27,852	-26,357
Tax effect of:				
Tax on tax allocation reserve	-	-	-	-36
Tax on reversal from tax allocation reserve	-	-	1,566	-
Other non-deductible costs	-213	-98	-62	-56
Tax-exempt income	4	126	26,348	26,449
Effect of tax rates in other countries	1,129	-	-	-
Deferred tax book on Björn Borg Services AB	38,407	-	-	-
Unutilized tax loss in the U.S	-417	-58	-	-
Unutilized tax loss in UK	-1,129	-239	-	-
Tax related to previous years	-	-39	-	-39
Other	-	-313	-	-
<b>Recognized tax expense</b>	<b>15,524</b>	<b>-33,232</b>	<b>-</b>	<b>-39</b>

	Group		Parent Company	
	2011	2010	2011	2010
<b>Deferred taxes</b>				
<i>Deferred tax assets recognized in the balance sheet</i>				
Tax loss carryforwards	43,194	6,438	-	-
<b>Total deferred tax assets</b>	<b>43,194</b>	<b>6,438</b>	<b>-</b>	<b>-</b>

	Group		Parent Company	
	2011	2010	2011	2010
<i>Deferred tax liabilities recognized in the balance sheet</i>				
Trademarks	49,248	49,248	-	-
Untaxed reserves	1,505	2,080	-	-
Internal gain on inventories (receivable)	-3,213	-3,139	-	-
<b>Total deferred tax liabilities</b>	<b>47,540</b>	<b>48,189</b>	<b>-</b>	<b>-</b>

No tax items have been recognized directly against equity or other comprehensive income.

### TAX LOSS CARRYFORWARDS AND UNRECOGNIZED DEFERRED TAX ASSETS

The Group has unrecognized deferred tax assets related to tax loss carryforwards totaling SEK 43,194 thousand (6,438). The taxable value of these tax loss carryforwards is SEK 43,194 thousand, of which SEK 2,322 thousand expires in nine years. The remainder (SEK 40,872 thousand) has no expiration date. The taxable value of tax loss carryforwards for which deferred tax assets have not been recognized in the balance sheet amounted as of December 31, 2011 to SEK 2,676 thousand (953) and is attributable to the operations in the U.S. and the UK. No deferred tax assets have been recognized for these tax loss carryforwards due to uncertainty whether and when in the future these operations will generate sufficient taxable surpluses.



## NOTE 14 INTANGIBLE ASSETS

Group	Dec. 31 2011	Dec. 31 2010
<b>Goodwill</b>		
Accumulated cost		
Opening balance	13,944	13,944
<b>Carrying amount at year-end</b>	<b>13,944</b>	<b>13,944</b>
<b>Trademarks</b>		
Accumulated cost		
Opening balance	187,532	187,532
<b>Carrying amount at year-end</b>	<b>187,532</b>	<b>187,532</b>
<b>Tenancy rights</b>		
Accumulated cost		
Opening balance	1,225	1,225
Investments	1,500	–
<b>Closing balance</b>	<b>2,725</b>	<b>1,225</b>
Accumulated amortization		
Opening balance	–1,026	–774
Amortization for the year	–241	–252
<b>Closing balance</b>	<b>–1,267</b>	<b>–1,026</b>
<b>Carrying amount at year-end</b>	<b>1,458</b>	<b>199</b>
<b>Other intangible assets*</b>		
Accumulated cost		
Opening balance	8,037	3,160
Investments	10,610	4,878
Divestments and discontinuation of operations	–1,234	–
<b>Closing balance</b>	<b>17,413</b>	<b>8,037</b>
Accumulated amortization		
Opening balance	–1,377	–
Divestments and discontinuation of operations	378	–
Amortization for the year	–11,627	–1,377
Translation differences for the year	66	–
<b>Closing balance</b>	<b>–12,560</b>	<b>–1,377</b>
<b>Carrying amount at year-end</b>	<b>4,853</b>	<b>6,659</b>

\* Relates primarily to capitalized expenses for the web site and software.

Parent Company	Dec. 31 2011	Dec. 31 2010
<b>Capitalized expenditure for software</b>		
Accumulated cost		
Opening balance	2,288	1,868
Investments	–	420
<b>Closing balance</b>	<b>2,288</b>	<b>2,288</b>
Accumulated amortization		
Opening balance	–602	–174
Amortization for the year	–466	–428
<b>Closing balance</b>	<b>–1,068</b>	<b>–602</b>
<b>Carrying amount at year-end</b>	<b>1,220</b>	<b>1,686</b>

### 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 AB.

There are also intangible non-current assets in the form of trademarks where the cash-generating unit is Björn Borg Brands AB. A list is provided below.

Goodwill	Dec. 31 2011	Dec. 31 2010
Björn Borg Brands AB	9,330	9,330
Björn Borg Clothing AB	658	658
Björn Borg Footwear AB	3,956	3,956
	<b>13,944</b>	<b>13,944</b>

Trademarks	Dec. 31 2011	Dec. 31 2010
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 2012 for each unit. Cash flows are subsequently based on an annual growth assumption that for 2011 was reduced from 3 percent (2010) to 2 percent. Management bases its assumptions of future growth on previous experience and detailed discussions with distributors and licensees.

Impairment tests were conducted as of December 31, 2011 applying a discount rate before tax of approximately 15 percent (14) and an assumed annual growth rate of 2 percent (3) 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 2012 to 2021. In addition, it has been assumed that the costs to protect the brand and similar activities will increase by 4 percent annually, based on the budgeted level for 2012. Valuations as of December 31, 2011 also take into account the fact that the company will no longer pay contingent consideration to the previous trademark owner as of 2017, which will have a significant positive effect on cash flow in or after 2017.

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 2 percent, there would have still been no impairment losses. An increase in the discount rate of 1 percent would not trigger any impairment losses.

## NOTE 15 TANGIBLE NON-CURRENT ASSETS

	Group		Parent Company	
	Dec. 31 2011	Dec. 31 2010	Dec. 31 2011	Dec. 31 2010
<b>Accumulated cost</b>				
Opening balance	29,346	27,265	9,141	8,769
Investments	13,325	2,498	6,123	372
Sales and disposals	–8,689	–417	–5,498	–
<b>Closing balance</b>	<b>33,982</b>	<b>29,346</b>	<b>9,766</b>	<b>9,141</b>
<b>Accumulated depreciation</b>				
Opening balance	–21,538	–16,115	–6,311	–4,531
Sales and disposals	7,681	302	4,951	–
Depreciation for the year	–5,384	–5,725	–1,789	–1,780
<b>Closing balance</b>	<b>–19,241</b>	<b>–21,538</b>	<b>–3,149</b>	<b>–6,311</b>
<b>Carrying amount at year-end</b>	<b>14,741</b>	<b>7,808</b>	<b>6,617</b>	<b>2,830</b>

## NOTE 16 FINANCIAL NON-CURRENT ASSETS

Parent Company	Dec. 31 2011	Dec. 31 2010
<b>Shares in subsidiaries</b>		
Opening cost	320,771	54,497
Formation of subsidiaries	456	–
Acquisition of subsidiaries	–	266,274
<b>Closing accumulated cost</b>	<b>321,227</b>	<b>320,771</b>

Björn Borg Sport B.V. was formed in January 2011. Björn Borg AB owns 51 percent of the capital and votes in the company.

Note 16, continued

Björn Borg has an option to acquire up to 16 percent of the shares in the subsidiary Björn Borg Sport from the minority owner (which currently owns 41 percent) at any point before the December 31, 2018. The shares will be acquired at market value based on the profit generated by the subsidiary during the two financial years preceding the acquisition.

Shares in subsidiaries	Reg.no.	Registered address	No. of shares	Share of equity %	Book value
Björn Borg Brands AB	556537-3551	Stockholm	84,806	100	40,216
Björn Borg Clothing AB	556414-0373	Stockholm	1,000	100	–
Björn Borg Sweden AB	556374-5776	Stockholm	3,000	100	–
Anteros Lagerhantering AB	556539-2221	Stockholm	901	90.1	–
Björn Borg Retail AB	556577-4410	Stockholm	1,000	100	–
Björn Borg Inc		Delaware	3,000	100	–
Björn Borg UK Limited	7392965	Wales	400,000	80	4,185
Björn Borg Sport B.V.	34268432	Holland	50,999	51	456
Björn Borg Services AB	556537-3551	Stockholm	5,000	100	262,089
Björn Borg Footwear AB	556280-5746	Varberg	6,999	100	14,281
					<b>321,227</b>

## NOTE 17 INVENTORY

	Group		Parent Company	
	Dec. 31 2011	Dec. 31 2010	Dec. 31 2011	Dec. 31 2010
Trading book, gross	34,559	26,239	–	–
<b>Total</b>	<b>34,559</b>	<b>26,239</b>		

## NOTE 18 ACCOUNTS RECEIVABLE

The credit quality of financial assets that are neither due for payment nor in need of impairment is determined primarily by evaluating the counterparty's payment history. In cases where external credit ratings are available, such information is obtained to support the credit evaluation.

	Group		Parent Company	
	Dec. 31 2011	Dec. 31 2010	Dec. 31 2011	Dec. 31 2010
Accounts receivable	59,161	53,860	550	812
Reserve for impaired receivables	–1,318	–2,867	–	–269

<b>Total accounts receivable, net after reserve for impaired receivables</b>	<b>57,843</b>	<b>50,993</b>	<b>550</b>	<b>543</b>
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As of December 31, 2011 the Group and the Parent Company had recognized SEK 1,318 thousand (2,867) in impaired receivables. Individually assessed receivables considered to be in need of impairment largely relate to individual customers who are in financial difficulty and cannot meet their obligations to Björn Borg.

The age of these receivables is distributed as follows:

	Group		Parent Company	
Overdue receivables	2011	2010	2011	2010
Not overdue	33,347	33,602	3	18
1–30 days	21,634	13,821	49	15
31–90 days	2,774	2,932	–	4
91–180 days	845	1,680	163	15
>180 days	561	1,825	335	760
<b>Total</b>	<b>59,161</b>	<b>53,860</b>	<b>550</b>	<b>812</b>

As of December 31, 2011 the Group had SEK 24,496 thousand (17,391) in overdue receivables which were not considered impaired. These receivables relate to a number of customers which previously had not had payment difficulties.

The age of these receivables is distributed as follows:

	Group		Parent Company	
Overdue receivables not considered impaired	2011	2010	2011	2010
Not overdue	33,347	33,602	3	18
1–30 days	21,465	13,821	49	15
31–90 days	2,538	2,927	–	4
91–180 days	170	519	163	15
>180 days	323	124	335	492
<b>Total</b>	<b>57,843</b>	<b>50,993</b>	<b>550</b>	<b>543</b>

Impaired receivables are recognized as an operating expense. Changes in the reserve for impaired receivables were as follows:

	Group		Parent Company	
Impaired receivables – reconciliation	Dec. 31 2011	Dec. 31 2010	Dec. 31 2011	Dec. 31 2010
Provisions at beginning of year	–2,867	–2,144	–269	–160
Reversed provisions for the period	1,207	58	–	–
Provisions for the period	–1,318	–2,867	–	–269
Established losses	1,660	2,086	269	160
<b>Total</b>	<b>–1,318</b>	<b>–2,867</b>	<b>–</b>	<b>–269</b>

The maximum exposure for credit risk as of the closing day is the recognized amount for each category of receivable.

## NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	Dec. 31 2011	Dec. 31 2010	Dec. 31 2011	Dec. 31 2010
Accrued royalty revenue	2,388	4,714	–	–
Prepaid rents	2,807	3,889	599	1,399
Other	8,598	6,002	3,859	984
<b>Total</b>	<b>13,793</b>	<b>14,605</b>	<b>4,458</b>	<b>2,383</b>

## NOTE 20 LIABILITIES

	Group		Parent Company	
Non-current and current interest-bearing loans	Dec. 31 2011	Dec. 31 2010	Dec. 31 2011	Dec. 31 2010
Bank overdraft facilities	20,000	20,000	20,000	20,000
<b>Total available credit lines</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>
<b>Unutilized available credit lines</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>

Bank overdraft facilities were not utilized at any point in 2011. The company pays contractual interest amounting to 0.4 percent of the facility. Other non-current and current liabilities include a reported liability to the seller of the Björn Borg trademark totaling SEK 34,724 thousand (of which SEK 6,411 thousand will be paid within 12 months and SEK 28,313 thousand after five years). Since no interest is paid on the liability, future amortization of the liability has been discounted to present value. The difference between the present value of the liability and the nominal amount is carried as an interest expense over the credit period applying the effective interest method. Björn Borg will nominally pay SEK 7,850 thousand annually as of 2016.

**NOTE 21 ACCRUED EXPENSES AND DEFERRED INCOME**

	Group		Parent Company	
	Dec. 31 2011	Dec. 31 2010	Dec. 31 2011	Dec. 31 2010
Accrued royalty expenses	5,762	5,901	–	–
Personnel-related items	6,389	8,030	2,189	4,295
Accrued management expenses	1,499	1,902	1,499	1,902
Accrued marketing expenses	–	1,993	–	–
Other	13,896	14,810	3,128	4,181
<b>Total</b>	<b>27,546</b>	<b>32,637</b>	<b>6,815</b>	<b>10,378</b>

**NOTE 22 PLEDGED ASSETS AND CONTINGENT LIABILITIES**

	Group		Parent Company	
	Dec. 31 2011	Dec. 31 2010	Dec. 31 2011	Dec. 31 2010
<b>Pledged assets</b>				
Chattel mortgages	18,000	18,000	–	–
<b>Total</b>	<b>18,000</b>	<b>18,000</b>	<b>–</b>	<b>–</b>
<b>Contingent liabilities</b>				
Other guarantees	3,249	1,774	–	–
<b>Total</b>	<b>3,249</b>	<b>1,774</b>	<b>–</b>	<b>–</b>

**NOTE 23 EARNINGS PER SHARE**

	2011	2010
Earnings per share, SEK	4.19	3.61
Earnings per share, SEK (after dilution)	4.19	3.57
Pro forma earnings per share excluding deferred tax assets, SEK	2.66	3.61
Number of shares	25,148,384	25,148,384
Number of shares, weighted average	25,148,384	25,148,384
Effect of dilution	32,190	321,818
Number of shares, weighted average (after dilution)	25,180,574	25,470,202

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 27 FINANCIAL ASSETS AND LIABILITIES**

Group Dec. 31, 2011	Accounts receivable and loans receivable	Other financial liabilities	Total carrying amount	Fair value	Non-financial assets and liabilities	Total assets
Accounts receivable	57,843	–	57,843	57,843	–	57,843
Cash and bank balances	158,042	–	158,042	158,042	–	158,042
<b>Total financial assets</b>	<b>215,885</b>	<b>–</b>	<b>215,885</b>	<b>215,885</b>	<b>–</b>	<b>215,885</b>
Other non-current liabilities	–	28,754	28,754	28,754	–	28,754
Other current liabilities	–	6,411	6,411	6,411	17,385	23,796
Accounts payable	–	25,703	25,703	25,703	–	25,703
<b>Total financial liabilities</b>	<b>–</b>	<b>60,868</b>	<b>60,868</b>	<b>60,868</b>	<b>17,385</b>	<b>78,253</b>

**NOTE 24 NET PROFIT/LOSS FOR EACH CATEGORY OF FINANCIAL INSTRUMENT**

Group	2011	2010
Accounts and loans receivable	–1,632	2,457
Financial liabilities at amortized cost	652	640
Financial assets at fair value through profit or loss	170	567
<b>Total</b>	<b>–810</b>	<b>3,664</b>

**NOTE 25 DIVIDEND PER SHARE**

The Annual General Meeting on April 14, 2011 approved a distribution through an automatic redemption of SEK 130,722 thousand for the financial year 2010, corresponding to SEK 5.20 per share.

The Board of Directors has decided to recommend to the AGM a distribution of SEK 4.00 per share for the financial year 2011. As proposed, the distribution would be paid through an automatic redemption, whereby every share is divided into one common share and one redemption share. The redemption shares will then automatically be redeemed for SEK 4.00 per share. Payment for the redemption shares, contingent on the approval of the AGM, is expected to be made around June 8, 2012. The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 100,594 thousand (130,772).

**NOTE 26 NET FINANCIAL ITEMS**

Group	Group		Parent Company	
	2011	2010	2011	2010
Change in exchange rates	576	33	55	33
Interest income*	3,296	2,049	2,626	1,646
Other financial income**	189	672	169	634
<b>Total financial income</b>	<b>4,061</b>	<b>2,754</b>	<b>2,850</b>	<b>2,313</b>
Change in exchange rates	–85	–2,353	–42	–
Interest expenses*	–1,174	–114	–15,532	–10,142
Interest expense Trademarks*	–1,636	–1,873	–	–
Other financial expenses	–247	–425	–	–
<b>Total financial income</b>	<b>–3,142</b>	<b>–4,764</b>	<b>–15,574</b>	<b>–10,142</b>
<b>Net financial items</b>	<b>920</b>	<b>–2,010</b>	<b>–12,724</b>	<b>–7,829</b>

\* The item relates in its entirety to financial assets and liabilities which are not measured at fair value through profit or loss.

\*\* Of which SEK 170 thousand (567) relates to unrealized changes in short-term investments at fair value through profit or loss.

Note 27, continued

Group Dec. 31, 2010	Accounts receivable and loans receivable	Other financial liabilities	Total carrying amount	Fair value	Non-financial assets and liabilities	Total assets
Accounts receivable	50,993	–	50,993	50,993	–	50,993
Short-term investments	35,567	–	35,567	35,567	–	35,567
Cash and bank balances	194,275	–	194,275	194,275	–	194,275
<b>Total financial assets</b>	<b>280,835</b>	<b>–</b>	<b>280,835</b>	<b>280,835</b>	<b>–</b>	<b>280,835</b>
Other non-current liabilities	–	34,724	34,724	34,724	–	34,724
Other current liabilities	–	6,164	6,164	6,164	5,028	11,192
Accounts payable	–	9,987	9,987	9,987	–	9,987
<b>Total financial liabilities</b>	<b>–</b>	<b>50,875</b>	<b>50,875</b>	<b>50,875</b>	<b>5,028</b>	<b>55,903</b>

#### Recognition at fair value

Fair values are determined according to a valuation hierarchy comprised of three levels. The levels reflect the extent to which the fair values are based on observable market inputs or internal assumptions. Following is a description of the various levels for determining the fair value of financial instruments recognized at fair value.

Level 1 – fair value is determined using observable (unadjusted) quoted prices on an active market for identical assets and liabilities.

Level 2 – fair value is determined using valuation models based on observable inputs for the asset or liability other than quoted prices included in level 1.

Level 3 – fair value is determined using valuation models where significant inputs are based on non-observable data.

The Group's and the Parent Company's holdings of financial instruments measured at fair value are not material as of December 31, 2011. Financial instruments measured at fair value as of December 31, 2010, which related to holdings of fund shares, amounted to SEK 35,567 thousand and can be found in level 1. The quoted market prices used for the Group's financial assets consist of the bid rates on the closing day.

#### NOTE 28 EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events to report following the conclusion of the report period.

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 operations 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, 2012

Fredrik Lövestedt  
Chairman

Nils Vinberg  
Vice Chairman

Monika Elling

Kerstin Hessius

Fabian Månsson

Mats H Nilsson

Vilhelm Schottenius

Michael Storåkers

Arthur Engel  
President

Our auditor's report was submitted on March 16, 2012  
Deloitte AB

Fredrik Walmeus  
Authorized Public Accountant



# AUDITOR'S REPORT

To the annual meeting of the shareholders of Björn Borg AB (publ)  
Corporate identity number 556658-0683

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Björn Borg AB (publ) for the financial year 2011-01-01–2011-12-31. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 39–62.

### Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December

2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Björn Borg AB (publ) for the financial year 2011-01-01 – 2011-12-31.

### Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

### Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, March 16, 2012  
Deloitte AB

*Signature on Swedish original*

Fredrik Walmeus  
Authorized Public Accountant

# THE SHARE

The Björn Borg share has been listed on the Mid Cap list of NASDAQ OMX Nordic in Stockholm since May 7, 2007 and is traded under the ticker symbol BORG. The share had previously 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, 2011 was SEK 35.20, giving Björn Borg a market capitalization of SEK 885 million. A total of 8,464,987 shares were traded in 2011 at a value of approximately SEK 435 million. The average daily turnover was 33,458 shares. The share price fell during the year by SEK 26.30, or approximately 43 percent. The share reached a high of SEK 71 and dipped to a low of SEK 31.

## INCENTIVE SCHEME

Björn Borg has one outstanding incentive scheme based on warrants in the company. The exercise of all the outstanding warrants would fully dilute the share capital by about 5 percent. For more information on the incentive scheme, see Note 7 on page 57.

## DIVIDEND POLICY

According to Björn Borg's financial objectives for the period 2010–2014, at least 50 percent of net profit will be distributed to the

company's shareholders. As part of the financial objectives, the company will strive 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 transferred to the shareholders in stages during the forecast period, starting in 2010.

## DIVIDEND PROPOSAL

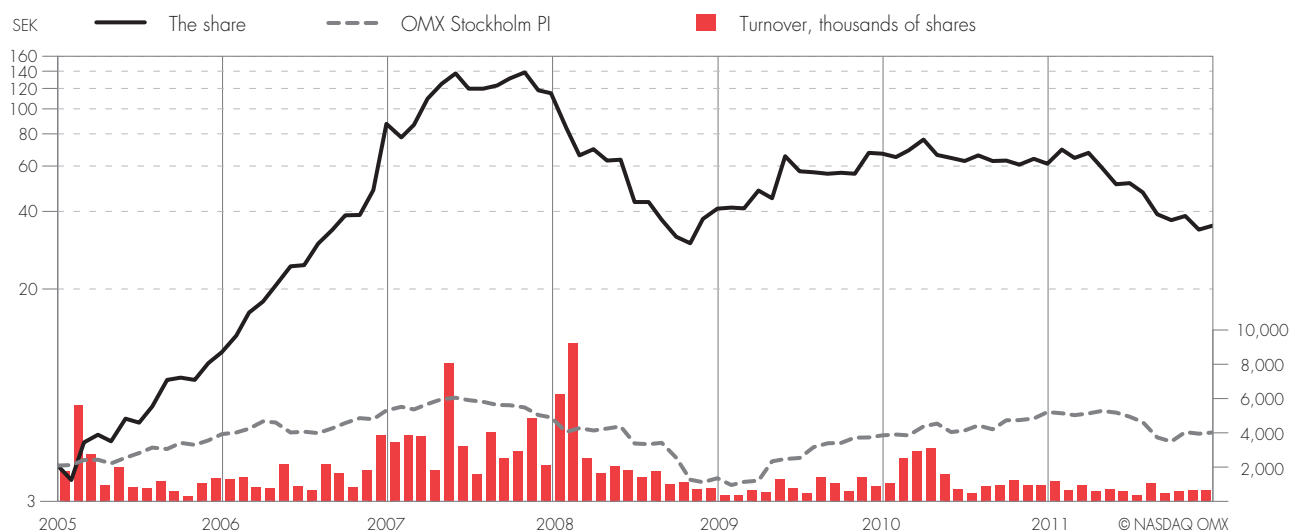
The Board of Directors has recommended to the AGM a distribution of SEK 4.00 per share for 2011, corresponding to 95 percent of net income. As proposed, the distribution would be paid through an automatic redemption, whereby every share is divided into one common share and one redemption shares. The redemption shares will then automatically be redeemed for SEK 4.00 per share. Payment for the redemption shares, contingent on the approval of the AGM, is expected to be made around June 8, 2012.

The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 100.6 million (130.8). For 2010 a distribution of SEK 5.20 was paid per share, corresponding to 144 percent of net income.

## SHAREHOLDERS

As of December 31, 2011 Björn Borg had 6,361 shareholders (6,908), according to Euroclear. Björn Borg's ten largest shareholders owned shares corresponding to 52.4 percent of the votes and capital. Institutional investors owned 29 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	2,638,480	10.5
Fredrik Lövestedt through companies	2,600,040	10.3
Robur	1,886,065	7.5
Mats H Nilsson directly or through related parties	1,478,440	5.9
Vilhelm Schottenius	1,023,520	4.1
Fourth Swedish National Pension Fund	928,170	3.7
JP Morgan Bank	730,500	2.9
Nils Vinberg	711,080	2.8
Danske Invest Sverige Fund	640,000	2.5
Avanza Pension	563,492	2.2
<b>Total, 10 largest shareholders</b>	<b>13,199,787</b>	<b>52.4</b>
<b>Total, other</b>	<b>11,948,597</b>	<b>47.6</b>
<b>Total number of shares</b>	<b>25,148,384</b>	<b>100.0</b>

According to share register on December 30, 2011.

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	4,612	777,080	3.1%
501 – 1,000	840	730,707	2.9%
1,001 – 5,000	682	1,608,692	6.4%
5,001 – 10,000	100	762,861	3.0%
10,001 – 15,000	29	374,848	1.5%
15,001 – 20,000	21	376,114	1.5%
20,001 –	77	20,518,082	81.6%
<b>Total</b>	<b>6,361</b>	<b>25,148,384</b>	<b>100.0%</b>

According to Euroclear Sweden AB on December 30, 2011.

## DATA PER SHARE

	2011	2010	2009	2008	2007
Earnings per share before dilution, SEK	4.19	3.61	3.22	3.96	4.18
Earnings per share after full dilution, SEK	4.19	3.57	3.21	3.96	4.17
Number of shares outstanding on closing day	25,148,384	25,148,384	25,148,384	25,059,184	25,036,984
Average number of shares outstanding	25,148,384	25,148,384	25,111,217	25,041,134	24,406,699
Average number of shares outstanding after dilution	25,180,574	25,470,202	25,230,128	25,075,500	24,490,160

# BOARD OF DIRECTORS AND AUDITORS



## Fredrik Lövestedt

Chairman since 2005,  
Director since 2004.  
b. 1956.  
M.Sc. Eng., MBA.  
Other assignments: 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.  
Shares in Björn Borg: 2,600,040.



## Nils Vinberg

Vice Chairman since 2008.  
Director since 2004.  
b. 1957.  
B.Sc. Econ.  
Other assignments: Chairman of Design of Europe AB. Director of Odd Molly International AB, Elevenate AB, PM Retail AS, Svensk Handel Stil and Vinberg Management AB.  
Background: Former President of Björn Borg AB (2004–2008), former CFO of Björn Borg AB (1999–2004), President of Industriell Partner AB, CFO of Industriellhandelsgruppen.  
Shares in Björn Borg: 711,080.



## Monika Elling

Director since 2009.  
b. 1962.  
B.Sc. Econ., B.Sc. ME.  
Other assignments: CEO of Poolia.  
Background: Previously Regional Managing Director and CFO of Intrum Justitia, analyst at Enskilda Securities in Stockholm, COO of Arrow Lock, New York, the U.S. (today part of Assa Abloy), Business Development Manager in Cash Handling Services at Securitas. Formerly a Director of Lindex, East Capital Explorer and MQ.  
Shares in Björn Borg: 69,000.



## Kerstin Hessius

Director since 2010.  
b. 1958.  
B.Sc. Econ.  
Other assignments: CEO of Tredje AP-fonden, Director of Vasakronan AB, Hemsö AB, SPP AB and member of the HHS Advisory Board and Stiftelsen Danvikshem.  
Background: Former CEO of Stockholmsbörsen, Deputy Governor at Sveriges Riksbank, Managing Director of Asset Management at Danske Bank and various management positions at Alfred Berg/ABN Amro.  
Shares in Björn Borg: 6,000.



## Fabian Månsson

Director since 2009.  
b. 1964.  
B.Sc. Econ.  
Other assignments: Senior Advisor McKinsey & Co, Director of Karen Millen and Aurora Fashion, one of the founders of, and an advisor to, Wrapp.  
Background: In recent years Fabian Månsson 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, the U.S. EVP of Spray Ventures AB. President, Purchasing Manager and Divisional Manager for H&M Hennes och Mauritz AB.  
Shares in Björn Borg: 2,000.



## Mats H Nilsson

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



## Vilhelm Schottenius

Director since 1998.  
b. 1956.  
B.Sc. Econ.  
Other assignments: Director of Procurator AB, Ernströmsgruppen AB, Collector AB, Nilörgruppen AB, Stampen Media Partner AB, Sportmanship Invest AB, Identity Works AB, Saddler Scandinavia AB, Golfstore Group AB, C Jahn AB, the western regional bank board of Handelsbanken.  
Background: One of the founders of the Björn Borg brand and Lunarworks AB (Lunarstorm).  
Shares in Björn Borg: 1,023,520.



## Michael Storåkers

Director since 2006.  
b. 1972.  
B.Sc. Econ.  
Other assignments: CEO of Bukowskis AB. Director of McCann EMEA Ltd, Bukowskis AB, Stockholmssmässan AB and Rodebjär AB.  
Background: Former Director of the Stockholm School of Economics, Stockholm Business Region AB, Koncept AB, Fortum Värme and Chairman of Pyslingen Förskolor och Skolor AB.  
Shares in Björn Borg: 40,000.

Auditors: Deloitte AB. Fredrik Walmeus, Authorized Public Accountant.

Shareholdings and warrant holdings as of December 30, 2011.



# SENIOR MANAGEMENT



## Arthur Engel

President.  
b. 1967.  
Recruited 2008.  
B.Sc. Econ.  
Other assignments: Director of Marimekko Corporation and Reliance Brands Ltd.  
Background: President of Gant.  
Shares in Björn Borg: 35,000.  
Warrants in Björn Borg: 750,000.



## Henrik Fischer

Vice President and International Sales Director.  
b. 1967.  
Recruited 2008.  
Business School Economics.  
Background: Former President of Polarn o. Pyret, COO of Gant, President of Gant Sweden.  
Shares in Björn Borg: 7,000.  
Warrants in Björn Borg: 500,000.



## Magnus Teeling

Financial Manager.  
b. 1973.  
Recruited 2011.  
B.Sc. Econ.  
Background: CFO of Tilgin AB, Finance Manager at Aroma AB, Consultant at KPMG.  
Shares in Björn Borg: 500.



## Erik Jarnsjö

Marketing Director.  
b. 1974.  
Recruited 2011.  
B.Sc. Econ.  
Background: Brand Manager at Coop, Senior Brand Manager at Unilever, Nordic Marketing Manager at Unilever, Marketing Manager at Spendrups Bryggeri.  
Shares in Björn Borg: 0.



## Fredrika Erlandsson

Business Area Manager Underwear.  
b. 1973.  
Recruited 2011.  
Textile economics.  
Background: Business Area Manager at Branded Footwear Sweden AB, Product and Purchasing Manager at Sanita A/S, Purchasing Manager at Brantano DK.  
Shares in Björn Borg: 0.

Shareholdings and warrant holdings as of December 30, 2011.

# CORPORATE GOVERNANCE REPORT 2011

The Björn Borg share is listed on NASDAQ OMX Stockholm.

## 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 regarding the company and its development.

The corporate governance principles applied by Björn Borg, in addition to the rules stipulated in laws and regulations are stated in the Swedish Code of Corporate Governance ("the Code"). The Board of Directors is responsible for continuously monitoring the application of the Code. If a company that applies the Code does not follow it in any respect, the company must explain the non-compliance, describe the solution it has selected instead and state the reasons why. In 2011 Björn Borg applied the Code without non-compliance with any of its provisions, with the exception that Director Mats H Nilsson served as Chairman of the Nomination Committee. The reason for this non-compliance was that the Nomination Committee felt that Mats H Nilsson's background as a major long-term shareholder and Director of Björn Borg qualified him to effectively lead the 2011 Nomination Committee as Chairman.

This corporate governance report does not constitute part of the formal annual report.

## 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 and notifies the company as required is entitled to participate personally or by proxy. The AGM may decide on all issues that affect the company and do not expressly fall under another decision-making body's exclusive competence according to the Swedish Companies Act or the Articles of Association. Every shareholder is entitled to have an issue brought before the AGM. The AGM elects the company's Board of Directors and the Chairman. Among the other duties of the AGM are to adopt the balance sheet and income statement, and decide on the disposition of the profit from the company's operations and the discharge from liability for the Directors and the President. The AGM also decides on remuneration to the Board and approves the compensation guidelines for management. The AGM in addition elects the company's 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 may authorize the Board to take decisions.

### Annual General Meeting 2012

The next AGM will be held in Stockholm on May 3, 2012. A notice will be released in accordance with the Articles of Association and the rules that apply according to the Companies Act and the Code.

### Annual General Meeting 2011

The 2011 AGM was held in Stockholm on April 14, 2011. The AGM resolved to reelect Directors Mats H Nilsson, Vilhelm Schottenius,

Michael Storåkers, Monika Elling, Fabian Månsson, Kerstin Hessius and Nils Vinberg, and reelected Fredrik Löfstedt as Chairman. The AGM also resolved to transfer earnings to the shareholders through an automatic redemption as well as to authorize the Board to decide to acquire and transfer the company's own shares and to issue new shares. The minutes of the AGM can be found on Björn Borg's web site.

## NOMINATION COMMITTEE

According to the resolution of the 2011 AGM, Björn Borg's Nomination Committee shall be appointed by having the Chairman of the Board contact the four largest shareholders by votes as of August 31, 2011. The Nomination Committee, whose composition was published on the Group's web site in November 2011, consists of the following members for the 2012 AGM:

- Fredrik Löfstedt, Chairman of the Board
- Mats H Nilsson, representing himself as a shareholder
- Kerstin Stenberg, representing Swedbank Robur Fonder
- Per Trygg, representing SEB Fonder.

Mats H Nilsson has been named Chairman of the Nomination Committee. According to the resolution of Björn Borg's 2011 AGM, the Nomination Committee's mandate is to propose to the 2012 AGM the number of Directors to be elected by the meeting, their remuneration, any compensation for committee work, the composition of the Board, the Chairman, the Nomination Committee, the Chairman of the AGM and the election of the auditors and their remuneration. Through January 31, 2012 the Nomination Committee has held two meetings at which minutes were taken. In addition contacts were made 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. Directors are elected annually at the AGM for a one-year term up until the following AGM. The AGM on April 14, 2011 reelected Directors Fredrik Löfstedt, Mats H Nilsson, Vilhelm Schottenius, Michael Storåkers, Nils Vinberg, Monika Elling, Kerstin Hessius and Fabian Månsson. Fredrik Löfstedt was elected Chairman of the Board.

The Board fulfills the requirements of the Code that no more than one Director elected by the AGM is employed in the company's management or the management of the company's subsidiary, that a majority of the Directors are independent in relation to the company and the management, and that at least two Directors are independent in relation to the company's major shareholders. Prior to the 2011 AGM the Nomination Committee concluded that all of the nominated Directors were independent from the company and the management as well as from major shareholders, with the exception that the Chairman of the Board, Fredrik Löfstedt, was not considered independent in relation to the company's major shareholders due to his shareholding, and that Nils Vinberg was not considered independent in relation to the company and the management due to his previous role as President of Björn Borg.

The Board is assisted by an external secretary. For more information on the Directors, see page 66 of the annual report.

### The Board's rules of procedure

Pursuant to the Companies Act, Björn Borg's Board is responsible for the company's organization and the 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 compliance thereto. The Board also has ultimate responsibility for its various committees. The Board's rules of procedure, which were adopted at the Board meeting on August 22, 2011 and subsequently reevaluated, define the principles for Board work, the delegation between the Board and the President, and financial reporting.

### Board work

In 2011 the Board held six scheduled meetings, four of which were in connection with the quarterly financial reports, one in connection with the preparations for the AGM and one strategy meeting that included the adoption of the budget. 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 Lövestedt and Monika Elling to prepare proposals on remuneration and other terms of employment for Senior Executives. In 2011 the Committee held three meetings, and all of the members attended all the meetings. The Compensation Committee is a drafting committee.

### Audit Committee

The Board of Directors has established an Audit Committee consisting of Chairman Fredrik Lövestedt, Mats H Nilsson and Monika Elling. The committee supports the Board in its efforts to quality assure Björn Borg's financial reports and is tasked with ensuring that accurate, qualitative financial reports are prepared and communicated. The committee convened a total of four times in 2011, all in connection with the quarterly reports. All of the Committee's members attended all of the meetings, with the exception that the Chairman did not attend the meeting concerning the first quarter of 2011. The Audit Committee is a drafting committee.

### PRESIDENT

The Board has established an instruction for the President's work and role, which in its current wording was adopted on August 22, 2011. The President is responsible for day-to-day management of the Group's operations according to the Board's guidelines and other established policies and guidelines, and reports to the Board. The President of Björn Borg since November 3, 2008 is Arthur Engel,

born in 1967. He does not own any shares in companies with which Björn Borg has significant business interests. For more information on the President, see page 67 of 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 2011 AGM elected the registered public accounting firm Deloitte AB as auditor of the company until the conclusion of the next AGM. Authorized public accountant Fredrik Walmeus is chief auditor. The next election of the auditors will be held at the 2012 AGM. According to the Companies Act, the auditors' term has been shortened as of November 1, 2010 to one year, so that the main rule is now a one-year term instead of the previous four-year term.

Further information on the auditors can be found on page 66 in the annual report. Information on the auditors' fee can be found in Note 8.

### REMUNERATION TO DIRECTORS AND SENIOR EXECUTIVES

Remuneration to the Chairman and other Directors is determined by the AGM. According to the resolution of the 2011 AGM, the Chairman received remuneration of SEK 300,000 and other Directors received SEK 115,000. For committee work in 2011, the member of the Compensation Committee was paid SEK 15,000 and the Chairman was paid SEK 25,000, while the members of the Audit Committee were each paid SEK 25,000 and the Chairman was paid SEK 40,000.

According to the remuneration guidelines for Senior Executives approved by the 2011 AGM, the remuneration for the President and other members of management includes a base salary, variable compensation, previously established long-term incentive schemes and other benefits, including a pension. The variable compensation is based on the results relative to defined, measurable targets and is maximized relative to the salary target.

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

### INCENTIVE SCHEME

Björn Borg has one outstanding incentive scheme based on warrants. This scheme was adopted at the Extraordinary General Meeting in 2008 and extends until November 30, 2012. An incentive scheme based on warrants in the company, adopted by the 2008 AGM, expired in 2011 without any subscriptions. The scope of Björn Borg's incentive scheme is indicated in Note 7 of the annual report.

Directors' attendance in 2011

	Feb 23	Mar 11	May 3	Aug 22	Nov 9	Dec 14
Fredrik Lövestedt	1	1	1	1	1	1
Vilhelm Schottenius	1	1	1	1	1	1
Mats H Nilsson	1	1	1	1	1	1
Michael Storåkers	1	1	–	1	–	1
Nils Vinberg	1	1	1	1	1	1
Fabian Månsson	1	1	1	1	1	1
Monika Elling	1	1	1	–	1	1
Kerstin Hessius	1	1	1	1	1	1
<b>No. of attendees</b>	<b>8</b>	<b>8</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>8</b>

## FINANCIAL REPORTING

The quality of the financial reporting is ensured by the Board of Directors' policies and instructions on 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 company's auditors report on whether the company has ensured that its accounts, their management and financial controls are working 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 OVER FINANCIAL REPORTING

According to the Companies Act and the Code, the Board is responsible for internal control. This report on internal control over financial reporting for 2011 has been prepared in accordance with these regulations 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 motivated at present in view of the staffing in the company's finance department in relation to the operations' nature, scope and complexity.

## ORGANIZATION OF INTERNAL CONTROL OVER FINANCIAL REPORTING

### Control environment and corporate governance

The control environment serves as the basis for internal control over 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, which were reviewed during the year. 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 understand the importance of their roles in maintaining good internal control.

### Risk assessment

Management works continuously and actively with risk analysis, risk assessment and risk management to ensure that the risks that the company faces are managed appropriately within the framework that has been established. The risk assessment takes into consideration, among other things, the company's administrative routines with respect to operating, financial and legal risks. Balance sheet and income statement items where there is a risk that material errors could arise are continuously reviewed as well. Assessed risks in various major balance sheet and income state-

ment items are graded and monitored. The risk analysis has identified a number of critical processes. The biggest focus is on purchasing and revenue processes. The Audit Committee plays an important role in risk assessment, since it reports its observations and priorities 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 its observations and priorities 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 finance department. The company's auditors conduct the audit of the Group's financial reporting and review the processes, systems, routines and accounting work done by the finance 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

Shares in Björn Borg are listed on the Mid Cap list on NASDAQ OMX Nordic in Stockholm. The total number of shares in Björn Borg is 25,148,384. There is only 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 6,361 shareholders at year-end. The largest shareholder as of December 31, 2011 was SEB, which held 10.5 percent of the shares and votes. 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, 2011

SEB	2,638,480	10.5%
Fredrik Lövestedt through companies	2,600,040	10.3%
Robur	1,886,065	7.5%
Mats H Nilsson directly or through related parties	1,478,440	5.9%
Vilhelm Schottenius	1,023,520	4.1%
Fourth Swedish National Pension Fund	928,170	3.7%
JP Morgan Bank	730,500	2.9%
Nils Vinberg	711,080	2.8%
Danske Bank Sverige Fund	640,000	2.5%
Avanza Pension	563,492	2.2%
<b>Total</b>	<b>13,199,787</b>	<b>52.4%</b>
<b>Total number of shares</b>	<b>25,148,384</b>	<b>100.0%</b>



# AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of the shareholders of Björn Borg AB (publ), corporate identity number 556658-0683

It is the Board of Directors who is responsible for the corporate governance report for the year 2011 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance report and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the corporate governance report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm 16th of March 2012

Deloitte AB  
Fredrik Walmeus  
Authorized Public Accountant

# 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, excluding 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 around 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 (underwear) and Björn Borg Sport (sportswear) as well as the external licensees EGOptiska International AB (eyewear), Libro Gruppen AB (bags), Romella International AB (fragrances) and Trend Design Group (footwear), 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 franchisees 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



Production Vero Kommunikation, Superlativ and Wildeco.  
Photography Björn Borg's image archive and Karl Johan Larsson.  
Printing TMG Sthlm, 2012.

# OTHER INFORMATION

## ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders will be held on Thursday, May 3, 2012 at 5:00 pm (CET) at the company's office, Tulegatan 11, 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 AB) on Friday, April 27, 2012 and must notify the company of their intention to participate by 4:00 pm on the same date, April 27, 2012. Notification may be sent in writing to Björn Borg AB, Tulegatan 11, SE-113 53 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 27, 2012, which means that shareholders must inform nominees well in advance of this date.

## 2012 CALENDAR

Annual General Meeting 2012	May 3, 2012
Interim report January–March 2012	6:00 pm (CET), May 3, 2012
Interim report, January–June 2012	August 22, 2012
Interim report, January–September 2012	November 9, 2012

## 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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