



BJÖRN BORG

ANNUAL REPORT 2012



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PASSION FOR A BRAND

In images from more than 50 countries, Björn Borg wearers make their passion for our brand come alive. The Swedish Exports campaign has become something of an institution. Our standing invitation to customers to take a photo of themselves to show how cool, crazy, hot or fantastic they look in their Björn Borgs still attracts thousands of fans.

Wearing underwear from Björn Borg – on a mountaintop, beside the Golden Gate Bridge and Taj Mahal, on the golf course, even at a wedding or with the whole family lined up – our customers reveal what they like. They love to be seen and talk about why they wear Björn Borg. For us this is the best feedback we could hope for.

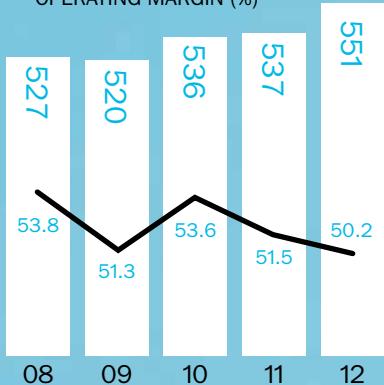
In this year's annual report we again wanted to show some of the many dazzling, cheerful and incredible images that continue to stream in from customers around the world. We are naturally proud of the trust in the brand that these images reflect. It is also a good example of how we are working in several ways to maintain close contact with the most important people for us, to listen to their thoughts and ideas. It is the only way to remain a brand that evokes passion – in every way.

Want to see more fantastic images?
Welcome to bjornborg.com/SwedishExports

THE NUMBER OF BJÖRN BORG STORES AT YEAR-END WAS 60, 17 OF WHICH ARE GROUP-OWNED.

60 3.00

■ NET SALES (SEK MILLION)
— OPERATING MARGIN (%)

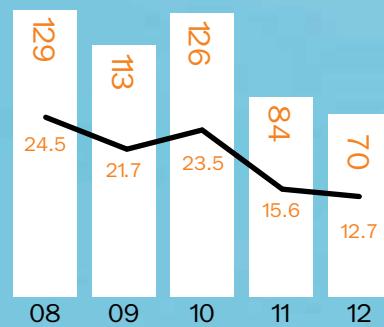


DISTRIBUTION OF SEK 3.00 PER SHARE.

THE GROSS PROFIT MARGIN WAS 50.2 PERCENT.

50.2

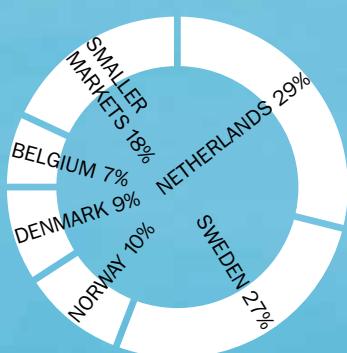
■ OPERATING PROFIT (SEK MILLION)
— OPERATING MARGIN (%)



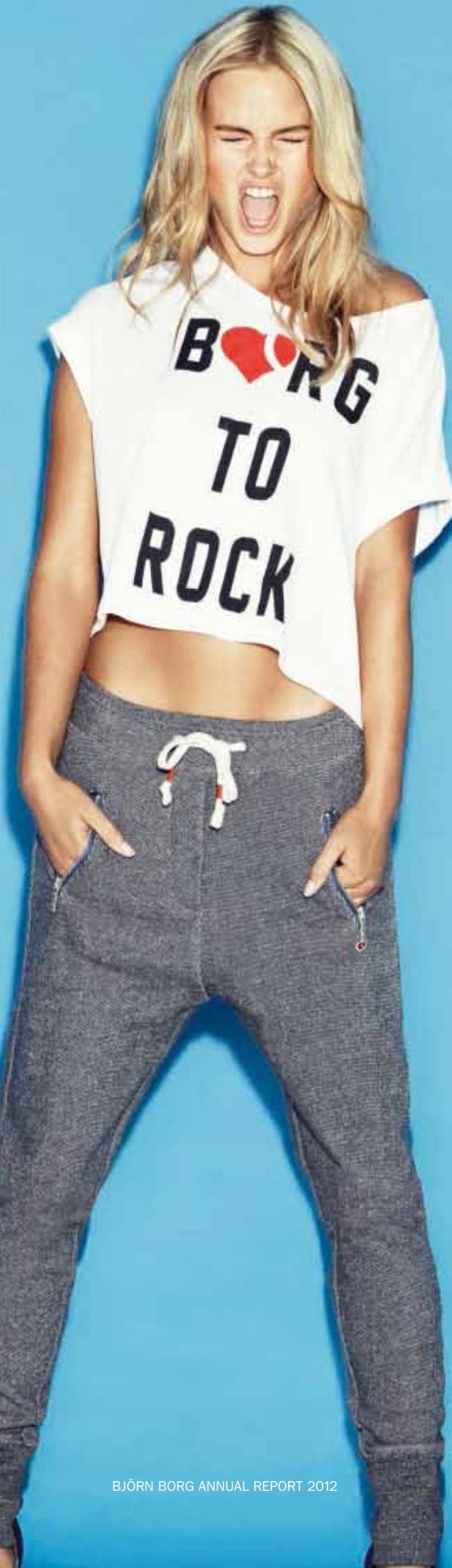
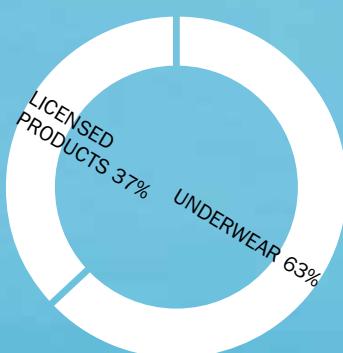
THE OPERATING MARGIN WAS 12.7 PERCENT

12.7

BRAND SALES BY COUNTRY



BRAND SALES BY PRODUCT AREA



BJÖRN BORG IN BRIEF

BJÖRN BORG GROUP

Björn Borg is a Swedish group that owns and develops the Björn Borg brand. Fashion underwear is the core business and largest product area. Björn Borg also offer sportswear and fragrances as well as footwear, bags & luggage and eyewear through licensees. Björn Borg is currently represented in around 30 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, Finland, China and the US, as well as footwear in Sweden, Finland and the Baltic countries, and operates 17 Björn Borg stores. 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 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 in its largest product group, underwear. In recent 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. Björn Borg's prints and colors stand out, and a large variety of models creates an exciting and attractive product range. The brand identity speaks to a tradition of liberated Swedish underwear. A passion for underwear and the willingness to challenge the industry is reflected in Björn Borg's marketing communications and product development. Björn Borg's vision is to be the Champion of Fashion Underwear.

THE YEAR IN NUMBERS

- The Group's net sales increased by 3 percent to SEK 551.4 million (536.5). Excluding currency effects, sales rose 2 percent.
- The gross profit margin was 50.2 percent (51.5).
- Operating profit amounted to SEK 69.8 million (83.7).
- Investments in Björn Borg Sport, China and England reduced operating profit by SEK 21.4 million (15.1).
- Profit after tax amounted to SEK 47.2 million (100.2). Earnings per share before and after dilution amounted to SEK 2.11 (4.19). Deferred tax assets of approximately SEK 38 million were reported in the comparable period.
- Brand sales (excluding VAT) decreased by 5 percent to SEK 1,598 million (1,681). Excluding currency effects, the decrease was 3 percent.
- The Board of Directors has recommended that the Annual General Meeting resolve on a distribution of SEK 3.00 (4.00) per share, totaling SEK 75.4 million (100.6).

BRAND SALES

Total brand sales, excluding VAT, decreased by 5 percent from the previous year to SEK 1,598 million (1,681). Excluding currency effects, sales decreased by 1 percent.

MARKETS

- Björn Borg established in China during the second half of 2012.
- Acquisition of Finnish operations from the previous distributor in early 2013.
- Weak retail market in large parts of Europe.

NEW STORES

During the year new stores were established in Chile, England, the Netherlands, China, Norway, Sweden and Germany. At year-end there were a total of 60 (56) Björn Borg stores, 17 (15) of which are Group-owned.

A black and white portrait of Björn Borg, a man with short brown hair and a beard, smiling at the camera. He is wearing a dark blazer over a light-colored, striped button-down shirt and dark jeans. The background is a solid, light color.

“We saw proof that Björn Borg’s design is world class in September, when our new iPhone cases and MacBook covers with prints from our underwear were launched in Apple Stores around Europe.”

BJÖRN BORG'S STRONG BRAND and stable financial position are even more important in times of tough market conditions. I believe that these factors were central to our stable development in 2012. We have at the same time been able to invest in future growth and profitability: in new markets, with new product groups and in new channels. Now we are continuing to improve our operations – and to be the most interesting underwear brand internationally.

Many of Björn Borg's markets saw continued weak demand and economic concerns in 2012. Some of the smaller markets where the brand is being established noted strong growth number, while most of our established markets such as the Netherlands had a difficult year with lower sales. Against this backdrop we are pleased to report a sales increase for the year, not least in e-commerce, and a strong finish to the fourth quarter, when operating profit also rose compared with the previous year.

A NEW GAME PLAN

A weak retail market is something we have had to get used to and which I suspect we will have to live with for some time to come. We are seeing a number of consequences of the slowing retail sector in Europe. Due to the cautiousness and uncertainty of distributors and retailers, the differences between quarters can be significant, making forecasts more difficult. Pre-orders have declined slightly, while in-season purchases are increasing. We are also seeing that it is becoming harder for our partners to allocate resources to marketing due to problems with profitability or financing. At the same time

some retail chains are heavily promoting their corporate brands and being more cautious about bringing in external brands.

We are working continuously to respond to these and other effects of the current market situation in both the short and long term. The goal is to create a more flexible supply chain and be more sales driven in our production and distribution. We will be innovative and cost-effective when we develop our business, in everything from retail environments to marketing concepts. And we will continue to invest in future growth.

BJÖRN BORG CONQUERS NEW TERRAIN
The last two years' investments in our British operations have resulted in a good platform for continued growth in the country. We have put the right organization and approach in place, and we saw a positive swing in 2012 with good sales by our major customers and important new sales locations, including a shop-in-shop at Harrods. The aim is to continue to grow by adding more retailers in more locations around the country.

In 2012 we also took our first steps in the huge Chinese market by opening our first sales locations in Shanghai during the fall. We are now putting a structure in place for a further expansion in the country. The pace at which we achieve it will depend largely on access to attractive retail locations.

Through the recently announced acquisition of the Finnish operations, we took another important step in our growth. Finland, our sixth largest market, has developed positively and we see potential to grow through more stores and in more product areas. When we got the opportunity to take over operations from our former distributor together with an experienced local partner, we saw it as a win-win for everyone

concerned. Now we can utilize the experience we have gained from running the British operations in Finland and look forward to taking this well-established business to the next level.

WORLD-CLASS DESIGN

Innovative and smart product development is a key to remaining relevant to our customers. In our main area, underwear, we have further improved our product range by adding a lot of new merchandise and updated classics. We saw proof that Björn Borg's design is world class in September, when our new iPhone cases and MacBook covers with prints from our underwear were launched in Apple Stores around Europe. We are proud of this collaboration, which in every way is positive for the brand.

Continuous development of our biggest asset, the Björn Borg brand, remains one of our most important responsibilities. Today we have a fantastic group of fans in our customers around the world – as the many images in our annual report demonstrate. They will continue to find the coolest underwear brand in the market, with products that interest people and capture their attention: in stores, on the website, at fashion shows, in social media and PR campaigns and on billboards around town.

FLEXIBILITY AND LONGEVITY

As I wrote in the year-end report, we are conscious in every way of the weak retail conditions in many parts of Europe. But with flexibility and a long-term perspective – and with competent employees, driven partners and committed owners – we are well-prepared to meet the challenges going forward. Our progress in 2012 shows that Björn Borg is on the right track.

"A weak retail market is something we have had to get used to and which I suspect we will have to live with for some time to come."

VISION, BUSINESS CONCEPT, GOALS AND STRATEGY

VISION

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

BUSINESS CONCEPT

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



STRATEGY

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 strengthen 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 markets and enhance its strong position in mature markets – is based on these factors.

Focus on the largest product group, underwear, while offering an attractive complementary range of Björn Borg products sold through external 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 footwear, bags & luggage and eyewear operations have been licensed to third parties to optimize opportunities for growth in these areas.

Björn Borg's products are sold through independent retailers, department stores, fashion and sporting goods chains, and in the Group's own and franchised Björn Borg stores. Björn Borg stores are important to the brand's exposure and today are primarily located in large markets. The aim is to grow with more Björn Borg stores in both new and established markets.

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

Staying on the forefront in fashion underwear requires innovation and new categories of products and segments – at a fast pace. Björn Borg is continuously refining its organization to further strengthen competence, while increasing capacity in the development and design of underwear to meet and exceed the market's expectations.

Implement a business model designed to facilitate geographical and product expansion with limited operating risk and capital investment.

Björn Borg's business model is built on the Group's ownership and control of the trademark and that it runs the core business, underwear. Specialists are responsible for other product areas, and international sales are currently generated mainly through external distributors. This provides flexibility and opportunities for profitable expansion. Björn Borg's challenge is to maintain brand consistency 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.

Björn Borg's external distributors' contacts and familiarity with their markets are invaluable to establishing the brand in the country. Underwear is a fashion product that requires specific know-how and resources for a high level of service and product replenishment. In new markets Björn Borg evaluate local conditions and the distributor's opportunities and ability to reach the market during an initial two-year trial period. A decision is then made how to proceed.

FINANCIAL OBJECTIVES

The Board of Directors has established the following financial objectives for the period 2012–2014:

- 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.

The surplus liquidity generated while taking into account the financial objectives will be distributed gradually during the forecast period. Operating investments are estimated annually at 2–5 percent of net sales depending on whether new Björn Borg stores are opened.

THE BJÖRN BORG BRAND

BRAND DEVELOPMENT

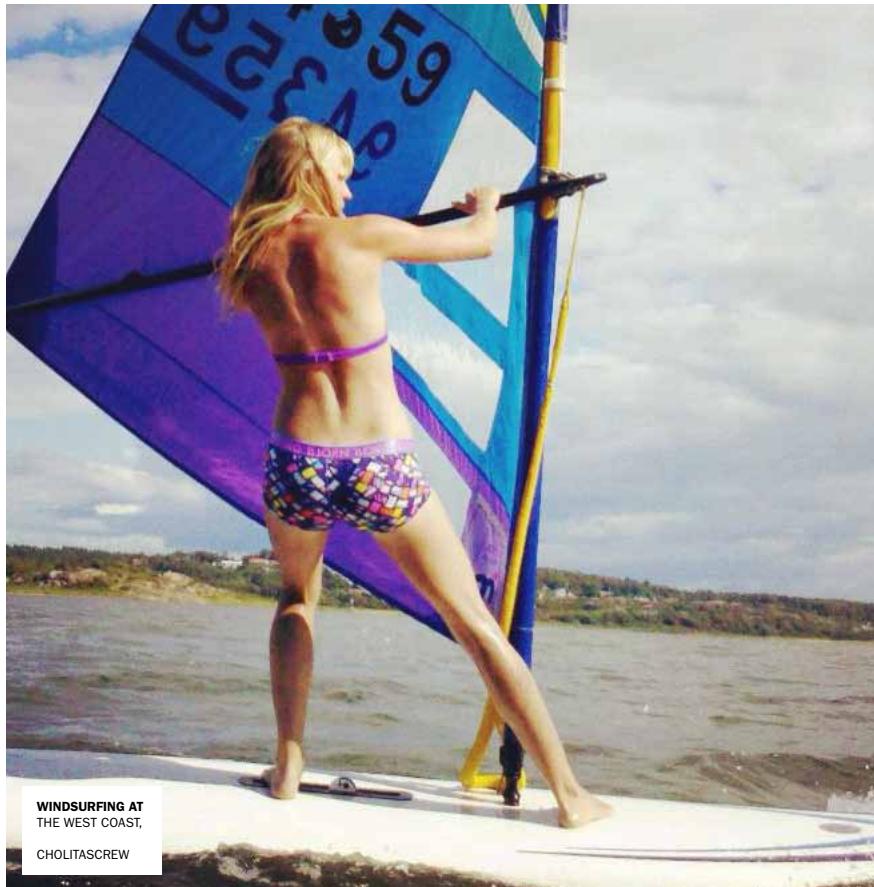
GLOBAL RIGHTS

The Björn Borg brand is the core of the Group's operations. The brand has been developed 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 use the trademark 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 the brand's development. 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 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 the 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.

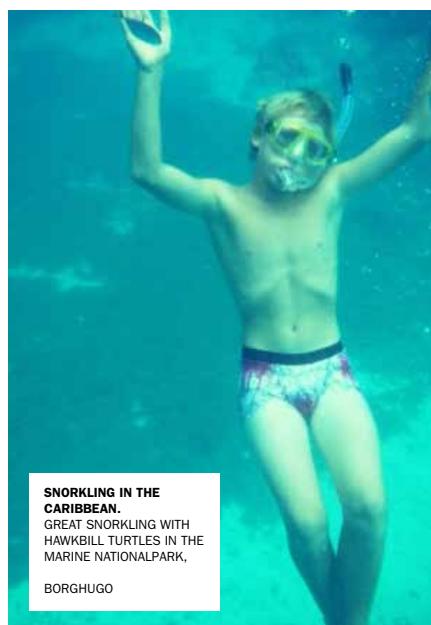


NEW BRAND PLATFORM

With five different product areas and operations in around 20 markets – mature as well as growing and with different conditions and preferences – consistent, long-term branding is essential. A new brand and communication platform with a new tagline was developed and introduced in 2011 and further refined in 2012. This tagline – “Björn Borg says JA! to...” – conveys curiosity and attitude as well as the brand's Swedish origin. The tagline can be used in a number of different contexts and is a recurring element in all marketing communications.

The aim of Björn Borg's long-term branding and communications platform is to create a distinctive position and uniform expression that works for every product group and a growing number of markets. The platform serves as a basis for positioning and all brand development – from design and product development to store concept and marketing communications.

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



SERVICE AND SUPPORT FOR PARTNERS

Björn Borg tries to provide the best possible service to its distributors and licensees, which in turn commit to a specific level of marketing investment in each market. The aim is to create opportunities to build sales and brand recognition and at the same time ensure consistent branding.

The support for distributors and licensees includes brand guidelines and marketing support – e.g., ad campaigns, PR activities, media mix and store displays – packaged for each market's needs depending on its stage of development and budget. Media and campaigns buys are made by Björn Borg's partners, which makes it important to generate support for campaigns and encourage their use.

PRODUCT DEVELOPMENT

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

MARKETING CONCEPT

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

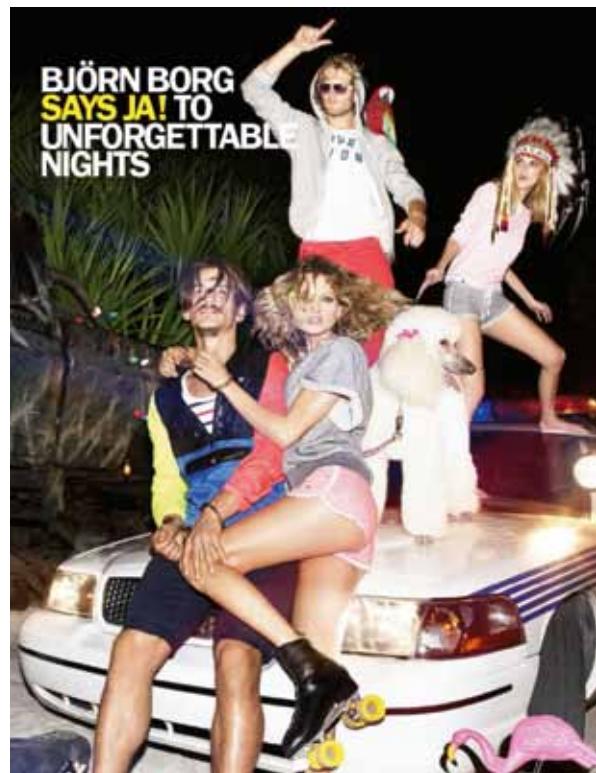


MARKETING COMMUNICATIONS

INTEGRATED AND INNOVATIVE CAMPAIGNS

The Björn Borg brand is profiled through innovative marketing activities with a focus on the product. The strategy is designed to build the brand and drive sales consistently over the long term. Creative activities to build the brand internationally are vital to expanding to new markets. With a growing number of markets where the brand has different positions, Björn Borg have to carefully analyze each market's specific needs. Marketing communications in China, for example, will diverge in certain respects from campaigns in Europe due to differences in preferences and references among the target groups.

To achieve cost efficiencies and a broader impact, the Group is focused 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. The aim going forward is to focus even more on sweeping campaigns with broader coverage in more channels to reach a wider audience.



SWEDISH EXPORTS WITH IMAGES FROM AROUND THE WORLD

The successful Swedish Exports campaign continued during the year. Thousands of images of customers wearing Björn Borg underwear sent from every corner of the world are on display at bjornborg.com. The campaign has become something of an institution and images continue to stream in. In a playful way the campaign has opened a valuable communication channel with Björn Borg's customers – the very best ambassadors for the brand. The images are published on the web site and Facebook, where an Export of the Week winner is named, and are used in stores and other marketing communications.



WEB SITE

The web site plays an important role in driving sales of underwear, sportswear, bags & luggage 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 where visitors can participate are important to create a sense of community and generate traffic to the site. The design and content of the campaigns are integrated with marketing communications in other channels for a stronger impact.

A new platform with a new website and web shop design was developed during the year and launched in August 2012. The principal aim is to improve the customer experience and bring more traffic to the web shop. The new site also makes it easier to work with local versions and its design better accentuates the connection to the brand.



TURNING THE LIGHTS OFF

– MAJOR CAMPAIGN AND INTERNATIONAL EVENT

Björn Borg's biggest marketing campaign of the year was launched in the spring with "Turning the lights off." A challenge to turn off the lights and wear Björn Borg glow-in-the-dark underwear was announced through a series of activities in a variety of channels: outdoors, magazines, digital buys, Björn Borg's own digital channels, and in stores. A spectacular event at the iconic Battersea Power Station during London Fashion Week garnered a huge response and attention in social media and other channels. Guests from fashion and media in Europe, Asia and the US were entertained by Swedish singer Robyn and shown a film projected in megaformat over the Thames, along with a fashion show with the fall collection.



PR AND EVENTS

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



SOCIAL MEDIA

Social media have continued to grow in importance to reach Björn Borg's target group. It has become essential to closely follow developments in this area and adapt Björn Borg's communications accordingly. Björn Borg has a social media manager who works full-time with channels such as Instagram, Facebook and Tumblr.

During the year Björn Borg intensified its work on Facebook and other social platforms and at year-end had over 200,000 people who liked its Facebook pages. The company considers it to be one of the best places to build engagement and create brand ambassadors. YouTube has become an increasingly important channel for Björn Borg, where the brand can show the changing contents of its fashion shows and campaigns. In 2012 Björn Borg's YouTube channel had over a million views.



BJÖRN BORG STORES

The Björn Borg stores fill an important role as a marketing channel and to display the brand and current campaigns. During the year Björn Borg began to develop a retail concept to better showcase the products, distinguish the brand and attract customers.

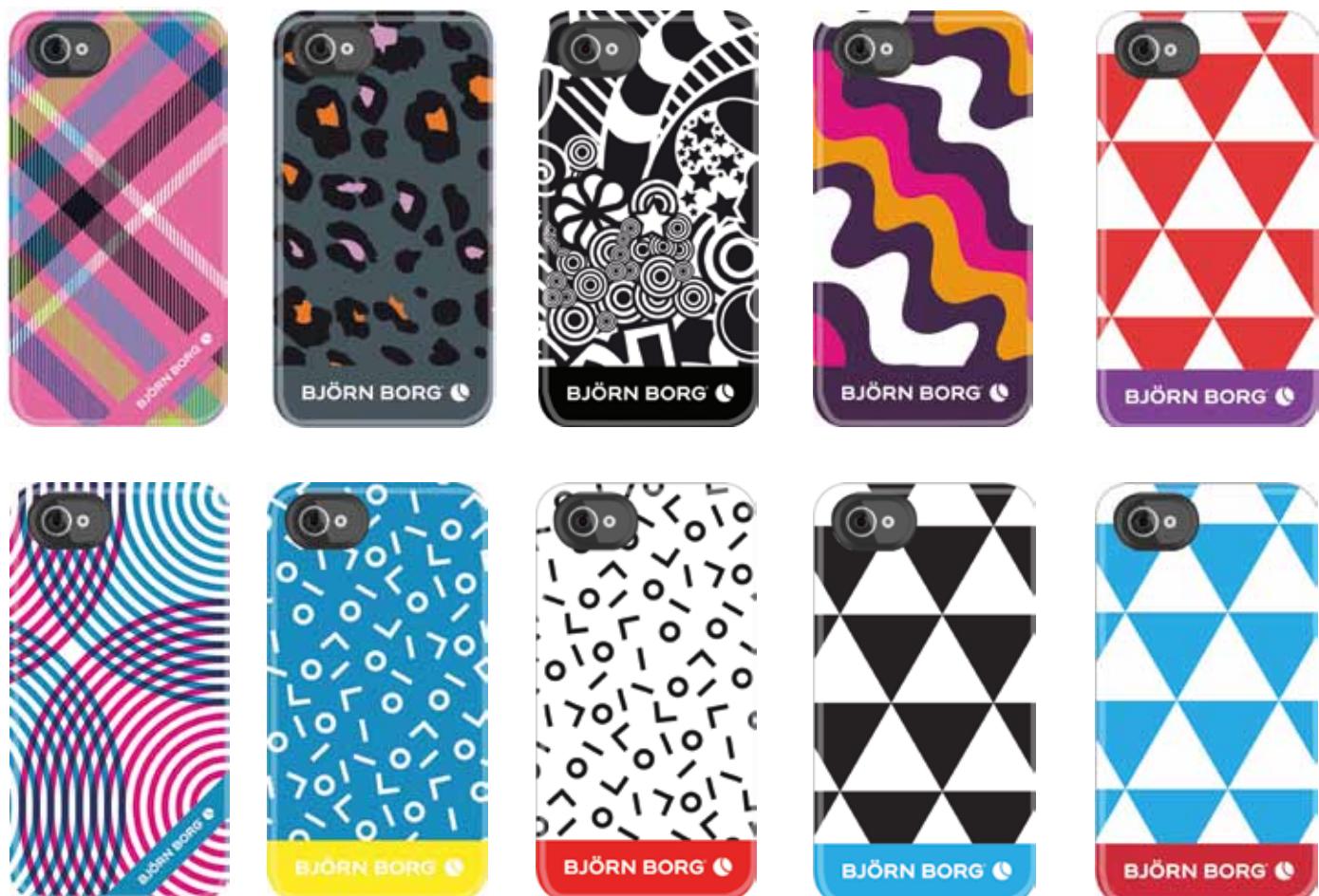
MARKET POSITION AND COMPETITION

The brand has an especially strong position in men's underwear. The company makes the assessment that Björn Borg can be considered as market leader in its 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 want to enter the market.

COOPERATION BY DESIGN

September 2012 marked the world premiere of Björn Borg's iPhone cases and MacBook covers. Products from Björn Borg in a number of different patterns are now available on the shelves of Apple Stores around Europe and in its European online store. At this point it is still a small business for Björn Borg, but the connection with Apple is valuable to the brand in every way. And it is a fantastic opportunity to reach design-conscious girls and guys throughout Europe.



It was Apple Retail, the company behind the Apple Store, that contacted Björn Borg to discuss the opportunity to design cases and sleeves for the iPhone and MacBook. The collection has been developed in collaboration with Apple and consists of 14 different Björn prints for iPhone cases and three for MacBook covers, all inspired by the underwear collections. If you are a customer, you will recognize the bold colors and distinctive prints typical of the brand. Cases are available for the iPhone 4, iPhone 4S and iPhone 5 and covers for the MacBook Pro and MacBook Air. In 2013 the products will also be sold in Björn Borg's stores and official web shop around Europe.

"We are honored and extremely proud and see this as proof that our design is world class and that the brand is truly as attractive internationally as we believe," says Henrik Fischer, Vice President and International Sales Director of Björn Borg, who worked on the project during the year.

Production is licensed to a US company and sales are not included in Björn Borg's revenues. However, Björn Borg receives royalties on all sales. This means that it incurs

neither manufacturing nor marketing costs for these products. The cooperation with Apple could be expanded to include other products and has no time limits.

"So far everything has been positive and certain patterns have been especially popular. We now hope to launch new versions in the spring. There are no time constraints in the agreement, and our hope is that we will continue to broaden the product range," says Henrik Fischer.

"We are honored and extremely proud and see this as proof that our design is world class and that the brand is truly as attractive internationally as we believe."



PRODUCT DEVELOPMENT

BRAND AND PRODUCTS

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 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 recognize the brand's products, but should also be able to find something new and unexpected.



PRODUCT DEVELOPMENT IS CENTRAL TO GROWTH

Innovative, fast-paced product development is important to success in underwear. Björn Borg is characterized by creative products with the brand's typically playful and colorful identity. To strengthen Björn Borg's position and continue to grow, the product range must continuously develop and offer a steady flow of new merchandise – always while respecting the core brand.

During the year the product development organization introduced function orientated teams. Work was done to improve efficiencies and guarantee the quality of processes internally, with suppliers and in logistics to free up more time for creative work. Among other things, a new, customized IT-based control system was introduced in product development to improve control over the entire chain from the planning stage to delivery. A closer cooperation between product development and marketing was also established during the year.

In the largest product area, underwear, as well as other categories, 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 for licensees in the network prior to each season. A product group chief designer ensures uniform brand development throughout the product range.

PRODUCT RANGE

EXPANDING TO NEW CATEGORIES

In its core business, underwear, Björn Borg has created a broader product range in recent years to reach new target groups with more products in a variety of categories, from popular basics to trendy, bolder models in playful colors and prints and new materials. The need for a broader product range is also increasing as the brand launches 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 fashion 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, as Björn Borg has done in the kid's segment and women's bras.



CONTINUOUS FLOW OF NEW MERCHANDISE

Efforts to broaden and develop the product range continued in 2012 and resulted in several new products. The Active Sport underwear collection for both women and men was further expanded during the year. The materials, seams and every detail of these models are designed for functionality and an active lifestyle.

Development has continued on the women's side, where demand for new merchandise is generally higher than in men's. For example, new models were introduced during the year in Love All, a basics concept in a variety of colors at low prices, which has produced positive results since its launch in 2010. A new line of bras to match the underwear has been positively received by retailers and customers.

Underwear multipacks are an important product in several markets, and the selection was updated during the year with new colors and variations. Packaging is also being improved. The Heritage line of men's underwear classics remains popular and was updated with new prints and packaging. Basics are more important to the men's line than the women's, but new items are critical in every segment to create interest in the brand and maintain its position as a market leader in fashion underwear.



The spring 2012 collection included underwear with glow in the dark waistbands, which was launched in a campaign seen widely in social media and advertising channels. During the year Björn Borg also introduced men's and women's underwear made from production leftovers in order to better utilize our resources. The idea will be further developed again using waste material. With products that stand out, Björn Borg can draw attention and drive sales while at the same time strengthening the brand. The aim is to offer some form of special product every season. Examples include men's underwear decorated with national flags in connection with the World Cup and baby products launched after Swedish Princess Estelle was born in spring 2012.

The kids' collection continues to generate great interest and positive sales. What began with boys is now a full product range for 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.

SOCKS, LOUNGEWEAR AND SWIMWEAR: IMPORTANT COMPLEMENTS

Björn Borg's efforts to reinvigorate its men's sock line by adding bright colors and patterns typical of the brand have continued and produced positive results during the year. Socks have become an important fashion accessory for men in recent years, with colors and patterns playing an important role. Björn Borg now offers some of its socks in smaller sizes for younger guys and girls. Loungewear – mainly sleepwear for women, men and children – is also an important complement to the rest of the underwear product line, as is swimwear, where the summer collection received a positive response.

OPERATIONS



BUSINESS MODEL

The Group's profitable growth and successful positioning of the Björn Borg brand has largely been due to its business model, which facilitates a geographical and product expansion with limited operational risk and capital investment.

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 either by the Group or by distributors. Björn Borg owns strategically important parts of operations within each level of the value chain, from product development to retail sales.

By utilizing a network comprised of its own units as well as independent partners, Björn Borg can be involved in 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, since licensees and distributors are responsible for marketing, including investments and inventory for their markets. The model generates substantial consumer sales with limited risk and investment for Björn Borg.

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

Group companies and units 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.



BRAND

The company is responsible for the development of the Björn Borg brand as well as implementation and compliance with the brand strategy 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 branding consistency and is efficient for distributors.

In a network encompassing the Group's own entities as well as independent companies, tight control over the brand is crucial. 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. Specialists in brand management and development are available within the Group. When the Björn Borg trademark was acquired 2006, the Group is responsible for proper trademark registration and protection. Björn Borg devotes significant resources to combat the sale of counterfeit products.



PRODUCT AREAS

The largest and strategically most important product area, underwear, is managed by the Group. Footwear, bags & luggage and eyewear are licensed to outside companies. In 2011 a new company, Björn Borg Sport, was established to produce fashionable and functional sportswear together with the Dutch distributor, and with Björn Borg as the principal owner. In 2012 Björn Borg took over responsibility for fragrances from the previous licensee. All product development, production and marketing communications have been outsourced, however, to an established fragrance company based on Björn Borg's guidelines.

The basic idea is that specialists should manage each product area to create the best prospects for growth and development. Each product company, whether Group-owned or managed by a licensee, is responsible 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.

All design and product development are done internally by the companies, while production is outsourced, mainly to China and to a lesser extent Europe. High demands are placed on quality and delivery assurance relative to price, and supplier performance 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 the growing need for a responsive supply chain that can accommodate shifting fashions. The company requests that suppliers comply with Björn Borg's guidelines on working conditions and the environment are met. Read more about Björn Borg's responsibility on page 30.



DISTRIBUTION

The majority of wholesale operations and product distribution to retailers is handled by external distributors with the right to market and sell Björn Borg products in one or more geographical markets.

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

OWN DISTRIBUTION

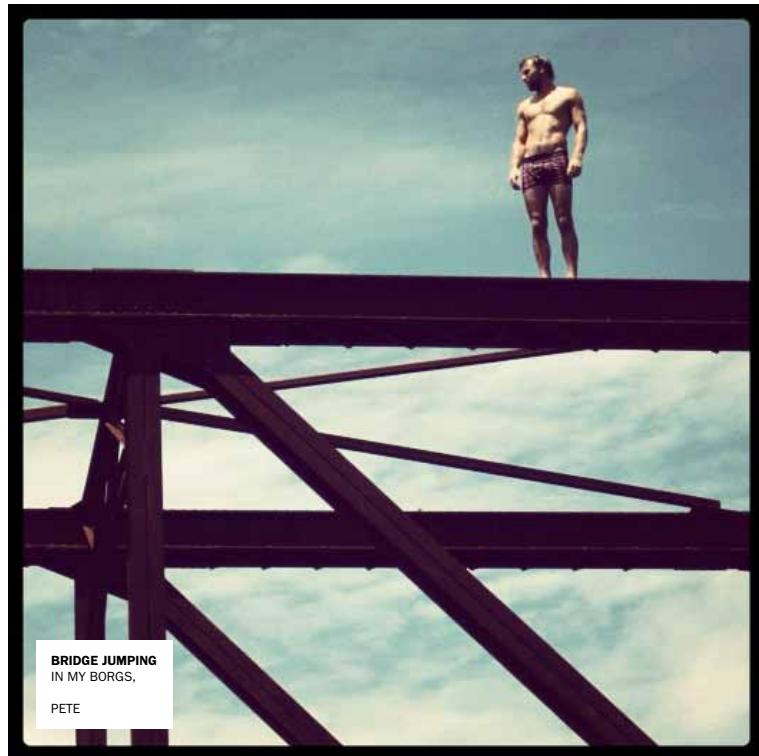
Some distribution is handled by Group companies. In its main area, underwear, Björn Borg is responsible for distribution in Sweden, England, the US and since 2012 China through its own sales organizations in these markets. In early 2012 Björn Borg took over as the principal owner of the operations in Finland from the distributor, which had managed the business since the '90s and was responsible for distribution in the Finnish market.

The Group also handles footwear distribution in Sweden, Finland and the Baltic countries. Since the fragrances product area was incorporated into the Group in 2012, Björn Borg has been responsible for the distribution of those products as well. Practical aspects, however, are managed by an external partner contracted for this purpose.

COOPERATION 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 supports them with support and guidelines 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 requirements, Björn Borg can terminate the agreement. The challenge for the distributors, in the face of tight competition, is to establish and sustain their position as a supplier to chains, department stores and independent retailers. The key to success is to provide a high level of service for retailers in the form of fast replenishment,



attractive promotional materials and effective marketing activities. The ability to drive retail sales in this way is critical.

Marketing and sales feedback from distributors to Björn Borg and the licensees is important in order to continuously develop and adapt the collections and marketing activities. Three times a year Björn Borg brings together all its distributors for sales meetings where the new collections and marketing campaigns are showcased and strategies and planning are discussed. In addition, 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 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.

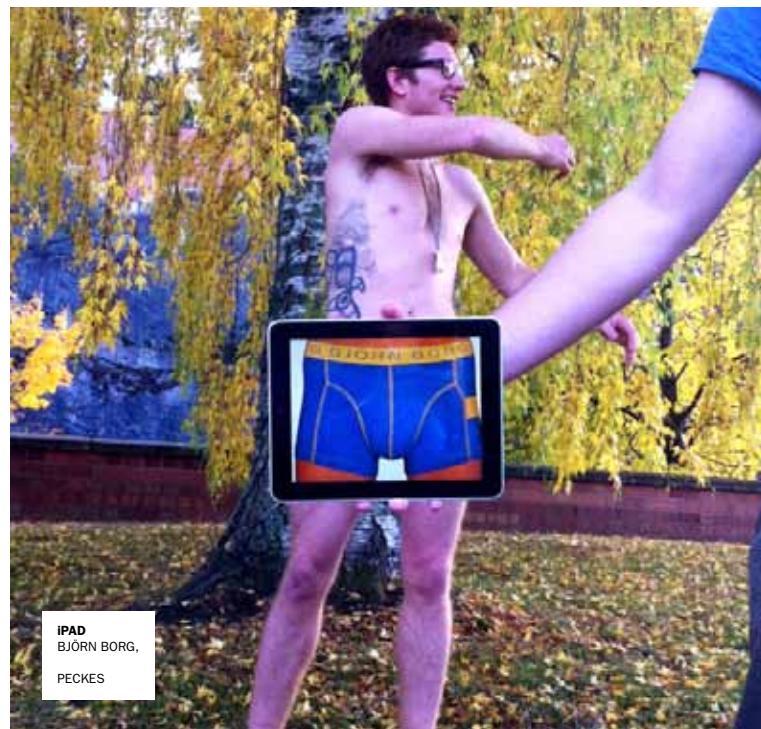
Underwear from Björn Borg is often prominently shown in department stores, major retail chains and fashion boutiques. From well-stocked displays, these products attract notice with their distinctive prints, bold colors and characteristic packaging. Björn Borg provides the stores with flexible display solutions for small spaces, along with fast service and product replenishment. This facilitates sales at the retail level – a strong sales argument for Björn Borg's distributors. In several major chains and department stores, Björn Borg products are displayed separately in so-called shop-in-shops with the brand's own store fittings.

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 recent years a new "shop and go" store format has been tested in a small space in the Gallerian mall in Stockholm and in the Bluewater shopping center in London, among other places. The smaller format is an interesting complement to the traditional store and is well suited certain retail environments. The first store in China is a larger format than the average store, however, and sells all the product groups to maximize brand exposure.

Björn Borg's aim is to grow its retail presence with more Björn Borg stores – its own and distributor-owned – in established as well as new markets. The Group's stores play a central role in building the brand in new markets. In established markets, Björn Borg's retail operations are an important complement to consolidate its position, particularly when market conditions are weak. During the year Björn Borg began further refining its retail concept to better showcase the products and brand while taking more of a customer perspective. As an element in this work, the Group has recruited a person with overarching responsibility for all retail operations, in stores and online, and a closer cooperation between the marketing function and retail operations has been established.

The stores can be 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 17 Group-owned stores are located in Stockholm, Göteborg, Malmö, Helsingborg and Linköping as well as in Shanghai, China and London, England. The 43 franchised stores are in Belgium, Chile, Finland, the Netherlands, Norway, Slovenia and Germany.



E-COMMERCE

Underwear is a product that in several ways is well suited to e-commerce, a channel that is becoming more important to Björn Borg's sales and in recent years has grown substantially. Today Björn Borg's products are sold online at the web site, www.bjornborg.com, and through a number of external e-commerce sites around the world. In established markets e-commerce offers greater availability, and in new markets it is an important complement since the number of retailers is still limited.

In 2012 a new global platform was launched for Björn Borg's e-commerce with a new customer interface and simplified buying functions in several languages. The further development and improvement of the web shop is a continuous process. Björn Borg again saw a strong increase in online sales in 2012, with opportunities for further growth.

Björn Borg stores as of Dec. 31, 2012	Group-owned	Franchises
Sweden	14	–
England	1	–
China	2	–
Belgium	–	7
Chile	–	1
Finland	–	1
Netherlands	–	28
Norway	–	3
Slovenia	–	1
Germany	–	2
Total	17	43

BJÖRN BORG OPENS ITS DOORS IN SHANGHAI



During the year Björn Borg brand took its first steps in China with a launch at a major department store and the opening of a large store in one of Shanghai's best-known malls. The aim is to reach fashion-conscious young Chinese with the entire range of Björn Borg products, obviously including underwear, which don't yet have the same fashion status in China as in the West – something Björn Borg wants to change.

In August the Björn Borg brand was launched in China on Shanghai's luxury shopping thoroughfare, West Nanjing Road, in a shop-in-shop in the department store Sogo. Underwear, sportswear, shoes and bags & luggage were also introduced online through a collaboration with the marketplace Taobao, a Chinese equivalent to eBay or Amazon. One advantage of selling in China is that the majority of the products are manufactured there. Lead times are short and goods quickly reach stores and consumers.

"Launching in China is one of several major investments we are making to grow in the future. We expect Björn Borg to appeal to the emerging Chinese middle class, which is looking for strong, personal brands," says Arthur Engel, CEO of Björn Borg. "It takes a long time, of course, to establish a totally new brand in tough competition in an immense market, but we are certain there is a niche to fill in China, and we have taken the first steps."

"We are convinced that young people in China will eventually follow the trend where underwear is considered fashion, and when they do we will be ready. Hopefully we will also be a driving force in this development. At the same time we have a wide range of other products to offer," says Arthur Engel.

FIRST STORE RECEIVES GREAT ATTENTION

To increase brand recognition in the country, Björn Borg is working mainly with social media and PR, which were an important part of the launch of Björn Borg's first store – in Shanghai in November.

Are you ready? So read the LED-illuminated T-shirts worn by a flashmob who performed a Björn Borg version of the hugely popular Gangnam style video at the launch. This attracted long lines of local residents to the new store, whose location was carefully selected in the Fashion Lifestyle section of the Cloud Nine Shopping Mall, in the center of Shanghai's popular Changing District. Attracting an impressive 100,000–200,000 visitors a day, Cloud Nine is one of the largest malls in Shanghai.

In 2013 Björn Borg will continue to introduce the Swedish brand to the Chinese public through further attraction-grabbing PR activities and campaigns, with the aim of gradually opening more Björn Borg stores in Shanghai and neighboring areas.

"Launching in China is one of several major investments we are making to grow in the future."

BJÖRN BORG ALL THE WAY

PR activities and social media play an important role in China, particularly since underwear is not advertised the same way as in Europe. The Chinese underwear market is relatively untapped, and underwear hasn't achieved the same fashion status as in the West. Offering a broader lifestyle concept is important if you want to create an impact. Björn Borg has therefore decided to launch all its product categories in China right from the start. The stores will be larger and designed to display the entire brand mix.

PRODUCT AREAS



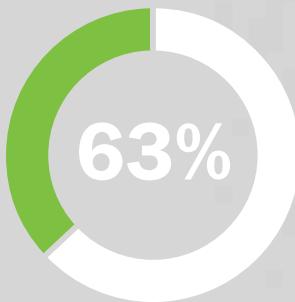
UNDERWEAR

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 prints and colors, as well as a basics line with classic models. The range also includes a collection of functional sports underwear. The men's collection accounted for about 76 percent of underwear sales during the year, while women's represented 24 percent. The kid's line accounted for about 8 percent of total sales.

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

Brand sales for underwear decreased by 13 percent in 2012 to SEK 999 million and the product company accounted for 63 percent of total brand sales. Among larger markets, Sweden, Norway, the Netherlands and Belgium reported generally lower sales year-on-year. The Netherlands saw a recovery during the second half of 2012, however. Among smaller markets, England and Austria posted strong sales trends during the year.

UNDERWEAR AS A SHARE OF TOTAL BRAND SALES 2012



UNDERWEAR BRAND SALES BY COUNTRY 2012



UNDERWEAR SALES TREND 2008–2012, SEK MILLION



OTHER PRODUCT AREAS

SPORTSWEAR

Björn Borg Sport offers clothing collections for women and men, mainly functional but fashionable sportswear in colorful designs. The product range currently comprises five categories: basic sport, work-out, tennis, running and sporty lifestyle.

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 first collections reached stores in January 2012, initially in Björn Borg's established markets. The products are sold by sports apparel and sporting goods retailers, department stores, Björn Borg stores and online.

FRAGRANCES

The fragrance product area offers a range of fragrances and skincare products for men and women in two lines: JA! for both sexes, and Heritage, a line of fragrances and skincare products for men. Both lines were introduced in 2012 to a positive response. Sales are through major cosmetic chains such as Kicks and department stores such as Åhléns and NK, as well as independent retailers and Björn Borg stores. Björn Borg took over the fragrance operations from the previous licensee in 2012. Practical management of product development, production and distribution is handled by an external fragrance company.

OTHER

In 2012 Björn Borg began collaborating with Apple on a line of iPhone cases and MacBook covers designed by Björn Borg and sold in Apple Stores in Europe and its online store for the European market. Volumes are small but provide valuable exposure for the brand. Learn more about Björn Borg and Apple on page 14.



FOOTWEAR

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 2012 Björn Borg's footwear was sold in around twenty European markets, of which Sweden and the Netherlands are the largest, as well as in China.

BAGS & LUGGAGE

The bags & luggage product area 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, Björn Borg stores and online. Bags & luggage are mainly sold in Björn Borg's established markets in Europe.

EYEWEAR

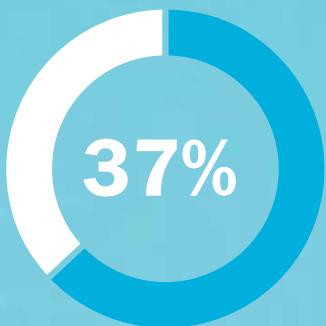
Björn Borg eyeglass frames belong to the trend segment and are sold to opticians through the licensee's distribution organization. A line of sunglasses is also sold through other categories of retailers such as fashion boutiques, department stores and Björn Borg stores.

OTHER PRODUCT AREAS IN 2012

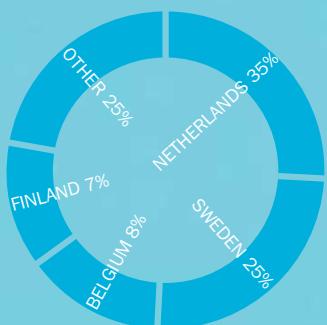
Total brand sales of other products amounted to SEK 450 million in 2012, a decrease of 2 percent compared with 2011. As a whole, other products accounted for 37 percent of total brand sales.

The footwear product area reported good growth during the year, rising by 8 percent to SEK 802 million and accounting for 19 percent of brand sales. Brand sales of sportswear amounted to SEK 148 million during the financial year, or 9 percent of total brand sales. Overall sales of other product areas – mainly bags & luggage and eyewear – fell by 17 percent during the year to SEK 148 million. Together they accounted for 9 percent of brand sales.

OTHER PRODUCT AREAS AS A SHARE OF BRAND SALES 2012



OTHER PRODUCT AREA SALES BY COUNTRY 2012



OTHER PRODUCT AREAS SALES TREND 2008–2012, SEK MILLION



GEOGRAPHICAL MARKETS

Björn Borg's underwear product area is currently represented in 18 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 recent years: Austria, Canada, Chile, China, England, France, Germany, Italy, 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 was opened in Stockholm in 1994. Today Sweden accounts for 27 percent of total brand sales. Björn Borg products are sold through about 850 retailers around the country as well as in 12 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 is being done selectively, although new product categories such as kids' underwear and sportswear are creating openings with more retailers. Brand sales declined in 2012 compared with the previous year in line with a weak retail market.



NETHERLANDS

The Netherlands was the largest market for the Björn Borg brand in 2012, with 29 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 currently sold through around 700 retailers and 28 Björn Borg stores. Björn Borg products from every product area are sold in the Dutch market, where brand sales were affected by the weak retail market and fell for the year as a whole.

NORWAY

The brand was launched in the Norwegian market in the early 1990s. Norway today accounts for 10 percent of total brand sales. Products are sold through about 650 retailers around the country and in three Björn Borg stores in Oslo. All product groups are represented in Norway. Brand sales in the Norwegian market declined compared with the previous year.

DENMARK

Björn Borg was launched in Denmark in 1992, and today it accounts for 9 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 2012 brand sales declined compared with 2011.

BELGIUM

Björn Borg was launched in Belgium during the second half of the 1990s. In recent years the growth rate has increased and Belgium today is Björn Borg's fifth largest market, with 7 percent of total brand sales. Underwear dominates the Belgian market, although other product areas are sold as well. Björn Borg's products are sold through around 250 retailers and seven Björn Borg stores. Brand sales in the Belgian market continued to generate good year-on-year growth, mainly in the French part of the country.

SMALL MARKETS

Björn Borg's smaller markets together accounted for 18 percent of total brand sales in 2012, compared with 13 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 penetrate the market are evaluated, after which an assessment is made of the market's future development potential.

In the last two years Björn Borg has chosen to take over and manage the operations in England and Finland, two important small markets. In both cases Björn Borg drives the businesses together with experienced local partners as minority owners. In 2012 the company established operations in the Chinese market, also with a local partner.

ENGLAND

Björn Borg started operations in England in 2006 through a launch at the department store Selfridges in London. In 2011 Björn Borg started its own operations together with a local partner after the previous distributor was terminated. Distribution has since been broadened to include several other well-known retailers such as Harvey Nichols and Harrods, at the same time that more categories were added during the year such as socks and sportswear. Björn Borg's biggest marketing event of the year was a spectacular London fashion show in February widely covered by the media and fashion world. The first Björn Borg store in England opened during the year in the Bluewater shopping center, in addition to a shop-in-shop at Harrods. Brand sales in England rose significantly in 2012.

FINLAND

The brand was established in Finland during the second half of the 1990s and has developed strongly in recent years. In early 2013 Björn Borg acquired the operations from the distributor together with an experienced local partner. Underwear is the dominant product area, although footwear and sportswear are sold as well. There is one Björn Borg store in Helsinki, and the plan is to grow by adding more Group-owned stores as well as other retailers. Brand sales in Finland grew strongly during the year.

CHINA

In August 2012 Björn Borg launched sales in China. The plan is to grow through Björn Borg stores and shop-in-shops in large department stores as well as online sales of underwear, sportswear, footwear and bags & luggage. A shop-in-shop was opened in the department store Sogo in Shanghai in August, and in November the first Björn Borg-store was opened in a mall in the center of Shanghai's popular Changing District. In addition a web shop was started through the online marketplace Taobao. The aim is to open more stores in Shanghai and neighboring areas.

OTHER SMALL MARKETS

The instable European retail market continued in 2012 with the weakest conditions in Southern European countries such as Spain, Italy and Portugal. In France, on the other hand, the number of retailers and brand sales is growing, but still on a small scale, since a new distributor took over in 2011.

Austria is one of the smaller markets that performed strongly in 2012 and has steadily grown in recent years. The brand was established in the country in 2007 and currently sells all its product categories through a growing number of retailers. Björn Borg considers opportunities for further growth to be good. The distributor in Austria also manages a Björn Borg store in Ljubljana, Slovenia.

Björn Borg launched in Germany in 2006, where the current distributor has been managing operations since 2009. There are two stores in the country, one of which is an outlet, in addition to a number of other retailers. Brand sales rose slightly in 2012 despite a weak market. Sales in Switzerland and Canada continued to grow during the year, though from small volumes.

BJÖRN BORG'S CORPORATE RESPONSIBILITY

BJÖRN BORG'S OVERARCHING VIEW OF ITS RESPONSIBILITY

One of Björn Borg's fundamental corporate values is **to be Responsible**. An important aspect of this is **Sustainability**, i.e., using resources – whether raw materials, energy or people – as wisely and sustainably as possible, and in a way that does not limit the choices of future generations.

Björn Borg tries to be a good corporate citizen that takes responsibility. This responsibility spans a number of areas: responsibility for the people who work for and with the company, responsibility for the impact of Björn Borg's operations on the environment, responsibility for how the customer is affected and their impact from using Björn Borg's products, and responsibility for operating ethically. This means ensuring that the 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 environmental impacts, e.g., through lower CO₂ emissions.

This shall be reflected in business decisions and the way operations are conducted. Ultimately it is a question of ensuring that everyone who works for Björn Borg takes responsibility for the impact of their decisions. It also involves encouraging partners, especially manufacturers and licensees but also distributors, to work sustainably.

APPROACH

Björn Borg's corporate responsibility work shall be carried out in a conscientious and structured way, with transparency and openness, and by gradually, over time, raising the level of ambition of the CSR work and the measures taken.

The President has the ultimate responsibility for corporate responsibility issues. The Group also has a

STAKEHOLDERS

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

Stakeholder(s) Comment

Customers	Consumers (end customers) trust that Björn Borg's products are safe and that the company takes responsibility for its impact on people and the environment. Björn Borg wants to earn this trust. Commercial customers such as retailers expect the same, in addition to often making their own concrete CSR requirements that Björn Borg as a company must fulfill.
Employees	Many employees expect their employer to take corporate social responsibility and want to be proud of where they work. It is important for Björn Borg to meet such expectations and be an employer that offers a positive, stimulating working environment.
Shareholders	CSR 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 CSR work.
Authorities and NGOs	The role of authorities and NGOs is to ensure that Björn Borg complies with current laws and requirements. The company tries to maintain an open dialogue with these stakeholders to better understand the requirements it faces and share information.
Media	The role of the media is to monitor the company's actions, including various negative impacts. Björn Borg tries to respond openly and transparently to queries from the media on CSR issues.

By openly sharing its CSR 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.

person with ties to the management team who has overarching responsibility for these issues and another person with responsibility at the operating level. This work includes the control and monitoring of manufacturers and other partners to ensure that they comply with established requirements and to provide information and training. Björn Borg's product department, which works with design, product development and sourcing, also plays a key role in the practical aspects of this work.

BJÖRN BORG'S PARTNERS

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

- Business Social Compliance Initiative (BSCI)
- The Textile Importers' Association in Sweden
- Swerea IVF
- Sustainable Fashion Academy
- Social Initiative
- Mathare Youth Sports Association MYSA

EXAMPLES OF ACTIVITIES CONDUCTED IN 2012

- Review of routines and processes for chemical testing and implementation of extended testing.
- Review of routines for pre-screening new manufacturers and monitoring working conditions at the production level parallel to formal audits.
- Training and information activities, primarily for employees, but also in the network of licensees and distributors.
- Began measuring and monitoring transports of own production.

EXAMPLES OF ACTIVITIES PLANNED IN 2013

- Develop model to measure and follow up on climate impact with the goal of reporting specified goals from 2014.
- Implement structured evaluation scheme for manufacturers of Björn Borg's own production.
- Thorough training in sustainable fashion for Björn Borg's own employees through Sustainable Fashion Academy.

OVERARCHING GOALS AND RISKS

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

Goals	Status/comment
All manufacturers of Björn Borg's own production* follow the company's code of conduct and at least 2/3 of total purchasing volumes come from production units that have been BSCI-audited and achieved at least level 1 (of 2).	All manufacturers of Björn Borg's own production have signed the company's code of conduct and around 90 percent (total purchasing volume 2012) have achieved at least BSCI level 1. See below under Responsible production.
Björn Borg will maintain good control over chemical use in its own production and sampletesting will be performed at all manufacturers of Björn Borg's own production each season.	All manufacturers of Björn Borg's own production have committed to comply with Björn Borg's chemical requirements, and chemical tests are conducted at manufacturers of Björn Borg's own production each season. While Björn Borg considers its chemical control satisfactory, routines and requirements are reviewed continuously. See below under Chemicals.
CO ₂ emissions will be factored into the choice of shipping alternatives, and the one with the least adverse environmental impact will be chosen unless there are strong reasons otherwise.	In 2013 Björn Borg will formulate a measurement and follow-up model for climate impact, of which transports will probably form an important part. See below under Environmental responsibility.

* "Björn Borg's own production" refers to factories contracted by Björn Borg, excluding factories contracted by the company's licensees (e.g., footwear, bags & luggage and sportswear).

Björn Borg's licensed products in areas other than underwear, e.g., footwear and bags & luggage, are designed and sourced by Björn Borg's external licensees. The licensees contract their own manufacturers, dialogue with them and monitor working conditions and chemicals, among other things. However, Björn Borg places concrete CSR requirements on its licensees. Björn Borg and the licensees coordinate their actions and support each other in various ways, including by identifying and implementing best practices

everyone can benefit from. Björn Borg also continuously monitors and controls its licensees' CSR work.

Björn Borg also works continuously to raise understanding and knowledge of CSR issues in its network of distributors and among employees, including through information and training.

CHALLENGES

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

Challenge	Björn Borg's approach
Production involves long chains of suppliers at various levels, which complicates transparency, control and oversight, including terms of working conditions and chemicals.	Björn Borg cooperates with a limited number of manufacturers, tries to work as closely with them as possible to implement and monitor CSR requirements and requires its manufacturers to place corresponding requirements backwards in the supply chain.
Commercial interests may conflict with CSR interests.	A serious discussion is needed about the conflicts that can arise between various interests, e.g., that sustainable materials can be a more expensive alternative in a market facing tough economic conditions and margin pressure, that short delivery times can increase overtime in factories, and that products sometimes have to be flown in to meet a deadline. At the same time sustainability improvements can be cost-effective by optimizing shipments or through various types of energy efficiencies.
It can be difficult for manufacturers and employees to fully comprehend current laws and regulations, not least in the chemical area.	Björn Borg continuously gathers information about the market and provides various types of training to keep employees properly informed and knowledgeable. The company also cooperates with and receives support from external parties in each area.
Design and production of products other than under-wear, e.g., footwear and bags & luggage, are handled by thirdparty licensees outside the company's organization and control.	Björn Borg places concrete requirements on its licensees, coordinates CSR policies, and monitors licensees' CSR work.
Shipping decisions are often made by Björn Borg's distributors, not within the Group.	Björn Borg designs its sourcing process in a way that leaves enough time to choose shipping alternatives which are less environmentally harmful than air, while also trying to encourage and influence its distributors to choose such better alternatives.

QUALITY AND SUSTAINABILITY

For Björn Borg, product quality is a core issue from a CSR perspective as well. When a consumer buys a product of high quality, it will last longer. If the product is something the buyer also values and enjoys, they will typically use it more often and for longer. A longer product life cycle can help to reduce environmental impacts. Björn Borg places great focus on ensuring the quality of its products and production processes. Specialists in 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 products for a long time.

RESPONSIBLE PRODUCTION

NUMBER OF MANUFACTURERS AND GEOGRAPHICAL DISTRIBUTION

Björn Borg has a total of around 20 external manufacturers of its own production. China accounts for nearly 93 percent of Björn Borg's total production, followed by Turkey, Bangladesh and India. The largest part of Björn Borg's production is in southern and eastern China.

WORKING CONDITIONS IN PRODUCTION FACILITIES

Björn Borg does not own the production facilities used for its own production, but feels responsible for ensuring that the people who make Björn Borg products have a safe working environment and reasonable working conditions. The company therefore places concrete requirements on its manufacturers in these respects. Björn Borg requires suppliers of its own production to sign and comply with the company's code of conduct, which is part of the so-called Supplier Guide and also contains process descriptions and buying terms. Björn Borg's code of conduct is based on BSCI's code, which in turn is based on several important international conventions on human rights. See also next page.

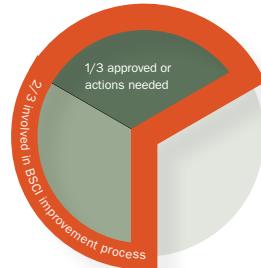
Björn Borg purposely works with a limited number of main suppliers to facilitate an open dialogue and monitoring, and maintains close relationships with its major manufacturers, in several cases dating back many years. The company is confident this gives it good insight into production conditions and fosters a constructive dialogue on CSR issues. Creating a dialogue, in Björn Borg's experience, is more important than a one-sided, formal demand specification to achieve real, lasting improvements in working conditions. This is a long-term process that requires persistence.

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, a prescreening is made according to criteria formulated for this purpose. The company considers, among other things, whether the manufacturer in question has received any recognized certification (e.g., SA8000 or WRAP), undergoes BSCI audits or, for other reasons, can show that it meets Björn Borg's requirements or has the essential elements (resources, willingness and on) to meet them, with the company's support, within the foreseeable future.
Contracting of manufacturers	When contracting a new manufacturer, Björn Borg requires it to sign the company's code of conduct, which is based on BSCI's code of conduct.
Monitoring of manufacturers	Björn Borg's larger/more important manufacturers are introduced in to the BSCI system by Björn Borg if they have not already been introduced by another buyer, and are monitored continuously through formal BSCI audits. In addition, a continuous dialogue is maintained with manufacturers on working conditions, including through product managers, as part of the day-to-day cooperation, e.g., in connection with on-site visits in the country of production.
Training	Björn Borg encourages its manufacturers to participate in various forms of training, such as BSCI workshops.

BSCI members require their producers to comply with the code of conduct and submit to recurring audits to verify compliance. The audits grade producers on a three-point scale. Level 0 means that a supplier is non-compliant and must implement a number of improvements. Level 1 ("Improvements needed") means that the producer has deviations that must be addressed, while Level 2 ("Good") means that the producer has been approved. If a supplier reaches Level 2, a re-audit is not conducted for another three years. If the audit identifies areas of improvement, i.e., Level 1 or lower, a re-audit must be conducted the following year. BSCI requires Björn Borg to ensure, within approximately five years, that production units which supply 2/3 or more of its total production volume in so-called risk countries have been introduced into the BSCI system (by Björn Borg itself or another BSCI member) and have reached at least Level 1.

After 3 years:



After 5 years:



Source: BSCI

BSCI AND CODE OF CONDUCT

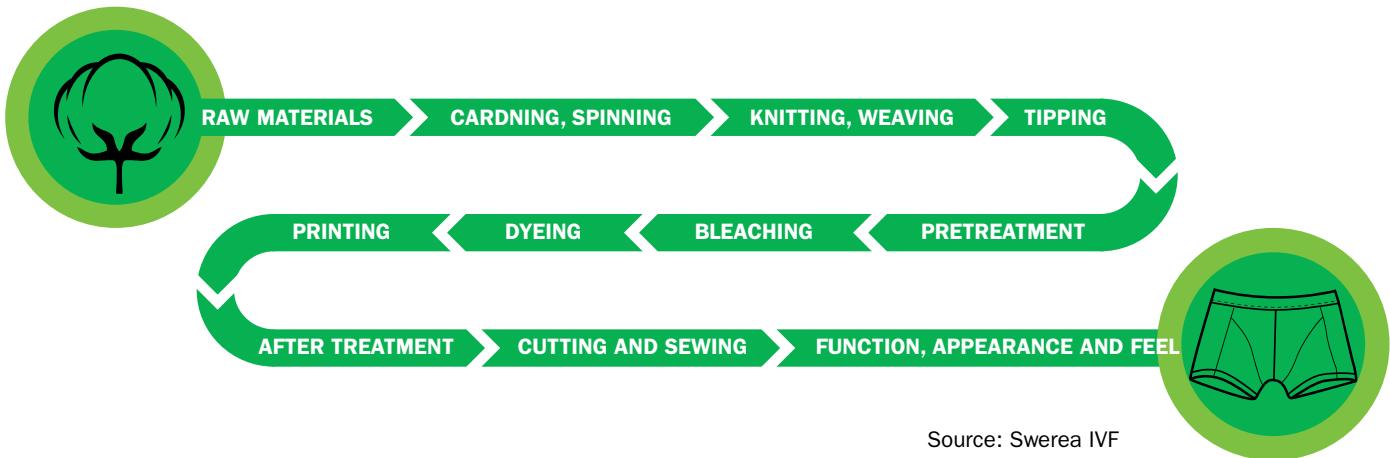
Björn Borg has participated since 2008 in the Business Social Compliance Initiative, BSCI, which comprises a large number of retail, brand and importing companies (currently over 1,000) that are trying to improve working conditions in the supply chain. The idea behind BSCI is that companies, by joining together and placing the same standardized requirements on production conditions, can achieve real improvements over time. Through the BSCI system, participants can benefit from each other's work in that customers that buy from the same producers can share the costs and responsibility for control and monitoring. Because so many buyers apply the same requirements, it also makes it easier for producers to understand and embrace them and means that they do not have to undergo similar inspections by multiple customers.

Björn Borg therefore 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
- Prohibition of discrimination
- Right to reasonable wages and benefits
- Prohibition of child labor and forced labor
- Limitations on overtime
- Workplace health and safety

Björn Borg currently meets the above requirements. In 2012 around 90 percent of its total production volume came from production units that have reached at least Level 1, several of which have reached Level 2. Björn Borg continuously decides whether to introduce additional producers into the BSCI system. Many of its producers are also formally audited by other buyers within BSCI. Moreover, several of Björn Borg's producers have received certification such as SA8000, WRAP or Sedex, for example. Björn Borg's licensees in the footwear and bags & luggage product categories are also members of, and active in, BSCI. The licensees meet BSCI's requirements as well.

A priority in 2013 is to continue to support one of the company's largest producers, which still has some improvements left, to finally reach Level 2. The remaining improvements for this particular producer mainly involve lack of documentation. A re-audit of this producer will be conducted in 2013. During the year Björn Borg plans to add at least one more producer to BSCI, including an initial audit.



CHEMICALS

The use of various types of chemicals is unavoidable in the manufacture of apparel – e.g., to convert cotton to yarn and to dye fabrics. See illustration above.

Björn Borg is careful to ensure that its products do not contain hazardous chemicals which could harm the user (end customer) and that those who work in the company's production chain, such as factory workers, are not exposed to chemicals in a hazardous manner. The company's chemical control program is therefore a key element in its CSR work. Since all manufacturing is outsourced, a continuous dialogue is needed with these producers on the production methods and chemicals they use to ensure a safe end product and working environment, complemented by additional controls. Producers must follow legal requirements as pertain to chemicals, including the EU's REACH regulation. Björn Borg also sets its own, more extensive chemical requirements on its own production, based on the chemical guide issued by the Textile Importers' Association in Sweden. In this way the producers commit to ensure that certain potentially hazardous chemicals are not used in their products, at least not exceeding the maximum permitted level, which represents a level where the substance in question generally is not harmful. Chemical tests (samples) are continuously conducted in Björn Borg's own production to verify that the stated requirements are being met.

Björn Borg also requires its producers to apply generally accepted safety routines in terms of protective clothing and storage as well as chemical use in their production facilities. Regular visits to the facilities also facilitate Björn Borg's own control. In 2012 Björn Borg provided concrete training and information to further raise the level of understanding of chemicals among employees, primarily in the product and design department.

Björn Borg also requires its licensees to follow appropriate legal requirements as pertain to chemicals. The company's licensees for footwear and bags & luggage also work actively with chemical controls in a similar way to Björn Borg (according to the above).

Björn Borg has been working for several years with the research organization Swerea IVF on chemicals and product testing and participates in Swerea IVF'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. For example, employees from Björn Borg regularly participate in Swerea IVF's workshops and seminars to raise the level of competence in this area.

ENVIRONMENTAL RESPONSIBILITY

ENVIRONMENTAL IMPACTS DURING THE PRODUCT LIFECYCLE

Over time Björn Borg wants to noticeably reduce the environmental impact of its operations and, to meet this goal, strives to apply a lifecycle perspective that encompasses impacts during production and transport as well as at the user level.

A few years ago Björn Borg conducted a lifecycle analysis (LCA) of its underwear, which showed that the biggest environmental impact was from washing by the customer: nearly 60 percent when washed at 40°C. As a result, clearer washing instructions were provided for end users, including the washing label sewn inside the garment. Environmentally conscious consumers can limit their impacts, e.g., by filling their washing machine, washing at lower temperatures, using less detergent and hanging their clothes to dry rather than using a clothes dryer.



THINK SMART/WASH WITH CARE/LOVE EARTH

Another impact in the product lifecycle is from shipping, including in the form of CO₂ emissions, especially from air transports. Björn Borg's products are rarely shipped by air. By far the majority of shipments are sent by sea, while deliveries within Europe are made by truck. The company's policy is to factor CO₂ emissions in its choice of shipping modes, i.e., to choose the method with the least adverse environmental impact unless there are strong reasons otherwise. Shipments normally go directly from the country of origin to distributors in each market. This means in practice that the choice of shipping mode is not always under the company's control, although Björn Borg is taking measures to encourage distributors to use the alternative with the least adverse environmental impact, wherever possible, e.g., by designing and timing the sourcing process in a way that allows for shipments by sea. In 2013 Björn Borg plans to develop a system to measure and monitor climate impact with the goal of setting up specific goals from 2014.

ENVIRONMENTAL IMPACTS FROM OWN OPERATIONS

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 CO₂ emissions. This is in line with the company's policy to reduce CO₂ emissions within its operations. All electricity used in the office is renewable, according to the criteria of the Swedish Society for Nature Conservation. Björn Borg also sorts its waste.

SUSTAINABLE MATERIALS AND RECYCLING

Cotton is a very popular material, especially for underwear, but poses an environmental challenge in that a great deal of water and chemicals are needed to produce textiles from cotton. Björn Borg's policy is that environmental aspects shall be a concrete factor in its choice of materials in the design and sourcing process.

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

Material	% of total volume
95% cotton, 5% elastane	80
Synthetic blends	13
Other cotton blends	5
100% cotton	2
Total	100

* Refers to products sold in 2012

Upcycling is a term that has been increasingly used in recent years to refer to a process of converting waste or unusable products into new materials or products with greater environmental value. In 2012 Björn Borg launched a collection born out of a desire to use production leftovers. Two leftover fabrics with different prints were combined into a new pair of underwear with its own unique design. Through this type of recycling Björn Borg can further reduce its impact on the environment. This venture has succeeded well, and the company is now looking at how it could become a recurring product.

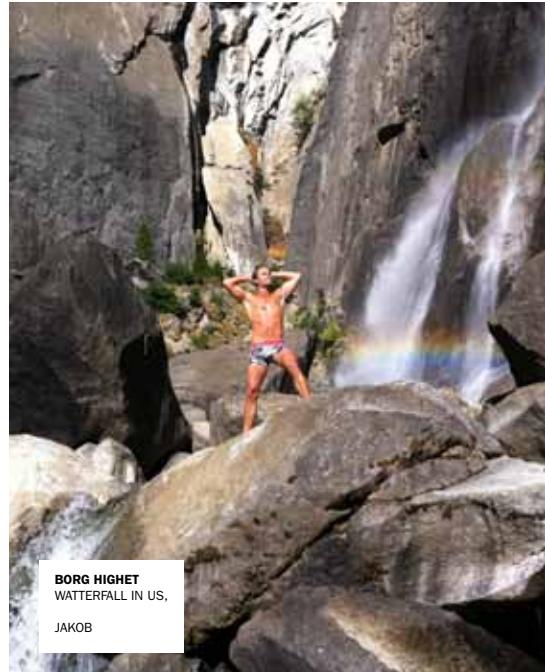


Björn Borg's collections from its own production are delivered in plastic and paper packaging with labels. A number of years ago Björn Borg introduced plastic packaging produced from a PVC-free material made from EVA plastic and polypropylene, both of which are recyclable.

COMMUNITY ENGAGEMENT

In an effort to give back to society, Björn Borg has since 2011 provided financial support to the Mathare Sports Association (MUSA), a self-help program that has worked with children and young adults in the slums of Nairobi, Kenya, for around 25 years. MUSA 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 2012 an additional SEK 750,000 was allocated from the funds collected through sale of Björn Borg Kids products to MUSA for specific projects. Björn Borg previously contributed in this way to a library and an AIDS information center. In 2012 Björn Borg's support made it possible for MUSA to continue the process of decentralizing operations in order to reach more young people and others in the slums, while also contributing to sports activities around the Mathare slums. Donations will continue in 2013. Björn Borg's partner, Social Initiative, conducts an annual follow-up to verify that established plans and budgets are being followed, that the support is reaching recipients and having an impact, and that the organization is producing positive results.

Together with several other brands, Björn Borg also participated in 2012 in a fundraiser to support the Swedish charity Radiohjälpen. The donations will ensure that children receive healthcare, an education and a dignified future. The fundraiser generated a total of SEK 350,000. In 2012 the company also donated clothing to Stadsmissionen (a humanitarian organization helping the homeless), Unga Reumatiker (which supports young rheumatism sufferers) and the pediatric cancer ward at Astrid Lindgren Children's Hospital in Stockholm. Further, Björn Borg supported Ung Cancer, an organization helping young cancer sufferers, in connection with a Facebook campaign during the year. Björn Borg also supported Movember, which raises awareness about men's health issues and the fight against prostate cancer, including by helping to arrange a campaign launch and coproduce a promotional film.



BJÖRN BORG AS AN EMPLOYER

As an employer, Björn Borg wants to offer a stimulating and pleasant environment where management and staff work together to create a sense of well-being and maintain a culture of mutual respect. The values that define Björn Borg can be summarized in five terms: Open, Innovative, Passionate, Business Smart and Responsible.

Björn Borg seeks to maintain a flat organization where personal initiative is encouraged and where people are free to say what they want and call attention to irregularities openly and honestly without negative repercussions. Björn Borg expects its employees to take responsibility for their actions and to be respectful and loyal in their relationships with others. Björn Borg will not tolerate any form of harassment based on race, skin color, ethnic background, age, religion, gender, sexual orientation, disability or other characteristic.

Of Björn Borg's total of around 140 employees, about 60 percent are women and 40 percent men. The management team is comprised of two women and four men, while one woman and five men are represented on the Board of Directors. The company also tries to achieve a balance in terms of gender, ethnic background and age in its recruitments.

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 essential to future success. One of management's top priorities therefore is to provide current employees an opportunity to develop and to attract new employees with the right skills to the organization. This is done by building an open and stimulating corporate culture where employees can grow on the job and develop. A growing group with an increasing number of markets requires structure and standardized procedures – yet it is also vital to maintain creativity.

Björn Borg's employees generally have extensive industry experience, including from large Swedish and international fashion companies and retailers, as well as unique competence in underwear. To maintain a high level of innovation and creativity in product development, inspiration is found at trade shows and other international events. Great importance is placed on creating an inspiring climate internally with a close collaboration between departments.

During the year Björn Borg began mapping its organizational competencies to get an idea of which areas need improvement to meet the needs of today and of the future. This is a long-term effort also aimed at creating a competence-oriented working environment that is stimulating for employees.

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 distinguishes the way Björn Borg work and all external and internal communication.

A growing company requires a well-structured organization and delegation of responsibility. Björn Borg sets clear goals for every employee and team, so that everyone understands how they contribute to the Group's goals and to increase opportunities for monitoring and development. A structured approach to management by objectives continued to produce positive results in 2012.

The compensation systems currently applied by the company comprise a base salary and variable compensation for certain key employees, where the variable compensation 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 the priorities the company has set. Among other things, an International Retail Director was recruited with overarching responsibility for

all channels: Group-owned and external stores and e-commerce. The design department was strengthened as well during the year to meet more ambitious aims. In general the cooperation between departments has improved.

ORGANIZATION BY THE NUMBERS

The average number of employees in the Group was 139 in 2012. Their average age was 34, and 40 percent were men. Employee turnover was 32 percent (38) in 2012.

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, which is valuable internally and in relation to partners and other outside contacts. The annual meetings of the network of Björn Borg partners were among the events held at the company's office, which also works well for fashion shows and large meetings.



MORE THAN JUST A NUMBER





FIVE-YEAR SUMMARY

SEK thousands	2012	2011	2010	2009	2008
Income statement					
Net sales					
Net sales	551,432	536,509	536,040	519,915	526,556
Operating profit	69,786	83,706	126,005	112,594	128,751
Profit after financial items	68,877	84,626	123,995	111,658	134,822
Profit for the year	47,227	100,150	90,763	80,902	99,202
Balance sheet					
Intangible assets					
Intangible assets	206,048	207,786	208,334	204,913	203,172
Tangible non-current assets	13,952	14,741	7,808	11,150	15,366
Deferred tax assets	35,283	43,194	6,438	–	–
Inventories, etc.	35,688	34,559	26,239	26,455	33,752
Current receivables	123,244	91,978	85,344	65,719	106,197
Investments	163,979	–	35,567	–	–
Cash & cash equivalents	116,195	158,042	194,275	296,484	241,498
Total assets	694,389	550,300	564,005	604,720	599,985
Equity					
Equity	344,216	396,962	427,276	460,956	413,803
Non-current liabilities	223,269	28,754	34,724	40,889	46,816
Deferred tax liabilities	44,544	47,539	48,189	40,011	32,884
Current liabilities	82,361	77,045	53,816	62,864	106,482
Total equity and liabilities	694,389	550,300	564,005	604,720	599,985
Key figures					
Gross profit margin, %	50.2	51.5	53.6	51.3	53.8
Operating margin, %	12.7	15.6	23.5	21.7	24.5
Profit margin, %	12.5	15.8	23.1	21.5	25.6
Return on capital employed, %	15.9	19.5	25.7	20.9	28.8
Return on average equity, %	14.3	25.6	20.5	18.5	26.2
Profit attributable to Parent Company's shareholders	52,963	105,468	90,897	80,867	99,210
Equity/assets ratio, %	49.6	72.1	75.8	76.2	69.0
Equity per share, SEK	13.69	15.78	16.99	18.33	16.51
Investments in intangible non-current assets	2,679	12,110	4,878	3,160	2,200
Investments in tangible non-current assets	3,843	13,325	2,498	1,380	2,873
Investments in financial assets	–	–	9,046	–	–
Depreciation/amortization for the year	–6,438	–17,165	–7,136	–7,024	–6,976
Average number of employees	139	131	100	92	88
Data per share					
Earnings per share, SEK	2.11	4.19	3.61	3.22	3.96
Earnings per share (after dilution), SEK	2.11	4.19	3.57	3.21	3.96
Number of shares	25,148,384	25,148,384	25,148,384	25,148,384	25,059,184
Weighted average number of shares	25,148,384	25,148,384	25,148,384	25,111,217	25,041,134
Effect of dilution	–	32,190	321,818	118,910	34,366
Weighted average number of shares (after dilution)	25,148,384	25,180,574	25,470,202	25,230,128	25,075,500

QUARTERLY DATA FOR THE GROUP

SEK thousands	04 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Net sales	138,655	166,761	105,478	140,538	123,100	160,150	101,937	151,321
Gross profit margin, %	51.6	49.5	52.1	48.0	52.4	50.6	53.3	50.4
Operating profit	15,085	35,222	4,848	14,631	14,143	32,976	8,190	28,398
Operating margin, %	10.9	21.1	4.6	10.4	11.5	20.6	8.0	18.8
Profit after financial items	18,948	33,368	3,830	12,730	15,026	32,664	8,903	28,033
Profit margin, %	13.7	20.0	3.6	9.1	12.2	20.4	8.7	18.5
Earnings per share, SEK	0.45	1.11	0.10	0.44	1.92	1.05	0.33	0.89
Earnings per share after dilution, SEK	0.45	1.11	0.10	0.44	1.92	1.05	0.33	0.88
Number of Björn Borg stores at end of period	60	59	57	56	56	54	54	50
of which Group-owned Björn Borg stores	17	13	13	14	15	13	12	10
Brand sales	376,244	484,938	288,360	447,640	384,133	551,267	314,967	431,029

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 primarily consist of royalty revenue. Royalties are generated from the sale 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 2012 net sales amounted to SEK 81.3 million (80.3) with operating profit of SEK 16.3 million (16.6).

PRODUCT DEVELOPMENT

Sales in the Product Development segment are generated by the Group's own underwear companies and from functional sportswear sold to distributors in all markets. In 2012 net sales amounted to SEK 385.3 million (377.4) with operating profit of SEK 48.6 million (35.9).

WHOLESALE

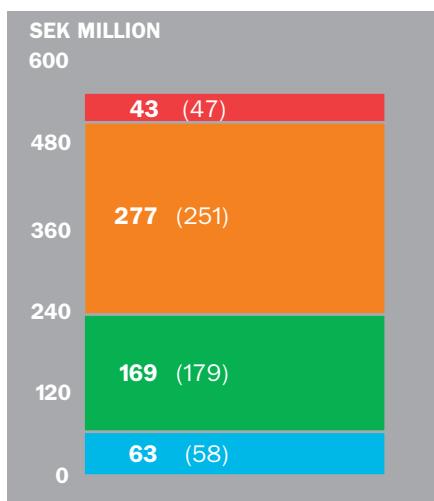
Sales in the Wholesale segment are generated by the Group's own underwear distributors in Sweden, England and the U.S., and its footwear distributors in Sweden, Finland and the Baltic countries. In 2012 net sales amounted to SEK 221.3 million (230.8) with operating profit of SEK 14.6 million (37.0).

RETAIL

Sales in the Retail segment are currently generated by the Group's own Björn Borg stores, online and in the US, which largely consists of e-commerce as well. Net sales in Retail amounted to SEK 73.0 million (62.2) in 2012 with an operating loss of SEK 9.7 million, against a year-earlier loss of SEK 5.8 million.

NET SALES BY SEGMENT

After eliminating internal sales



OPERATING PROFIT BY SEGMENT



- █ Brand
- █ Product development
- █ Distribution
- █ Retail

BOARD OF DIRECTORS' REPORT

The Board of Directors and the President of Björn Borg AB (publ), company registration number 556658-0683, herewith present the annual report and consolidated accounts for the financial year 2012.

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 & luggage and eyewear. 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 distribution companies which are either part of the Group or independent companies with licenses for product areas and geographical markets. The Björn Borg Group has its own operations at every level from brand development to consumer sales in its own Björn Borg stores. Björn Borg's business model facilitates geographical and product expansion with 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 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 Annual General Meeting (AGM) and there are no limitations on how many votes each shareholder may cast at the AGM. Björn Borg had 6,665 shareholders at year-end. The largest shareholder as of December 31, 2012 was SEB Fonder. The two largest shareholders, SEB Fonder and Fredrik Lövstedt, 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 2012 Annual General Meeting was held on May 3, 2012 in Stockholm. The AGM re-elected Mats H Nilsson, Vilhelm Schottenius, Kerstin Hessius, Michael Storåkers and Fabian Månnsson as Directors, with Fredrik Lövstedt as Chairman of the Board. The AGM also passed resolutions on a profit distribution through a share split and automatic redemption and authorization for the Board to resolve on new share issues, warrants and convertibles.

BOARD WORK

In 2012 the Board held eight 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 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 74.

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 if established markets grow slightly below the average growth target and new markets contribute stronger growth.

Surplus liquidity generated by meeting the new financial objectives will be distributed gradually over the forecast period.

Operating investments are expected to annually fall in the range of 2–5 percent of net sales depending on the addition of any new Björn Borg stores.

DIVIDEND

The Board of Directors has decided to recommend to the Annual General Meeting 2013 that a distribution of SEK 3.00 (4.00) per share be paid for the financial year 2012, corresponding to 142 percent of net income; see above regarding financial objectives and dividend. As proposed, the distribution would be paid through an automatic redemption, where every share is divided into a common share and a redemption share. The redemption share will then automatically be redeemed for SEK 3.00 per share. Payment for the redemption share, contingent on the approval of the AGM, is expected to be made around May 24, 2013. The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 75.4 million (100.6). For the financial year 2011 a distribution of SEK 4.00 was paid per share, corresponding to 95 percent of net income.

EVENTS IN 2012

Markets

During the second quarter 2012 Björn Borg took over responsibility for the fragrances product area from the previous licensee.

During the fall the Björn Borg brand was launched in China together with a local partner through a new company with Björn Borg as principal owner (75 percent). The plan is to establish Björn Borg stores and shop-in-shops in large department stores and build online sales of underwear, sportswear, footwear and bags & luggage. A shop-in-shop and a store were opened in two shopping centers in

Shanghai during the second half of 2012. The charge against the Group's operating profit in 2012 was SEK 7.0 million.

Björn Borg stores

Björn Borg opened a store in the new Emporia Mall in Malmö and closed stores in Skärholmen in Stockholm and Arkaden in Göteborg. Björn Borg also opened its first store in England, at Bluewater shopping center outside central London, and two shop-in-shops in the department stores Sogo and Cloud 9, both in Shanghai. Björn Borg's distributors opened a store in Amsterdam and a store in Oslo. At year-end there were a total of 60 (56) Björn Borg stores, 17 (15) of which are Group-owned.

Commitments and contingent liabilities

There are no significant events to report other than certain commitments associated with bond loans in issue. These commitments, which primarily relate to certain profitability and equity ratios, are described in more detail in note 20.

Bond loan

In 2012 the company issued a bond loan with a nominal value of SEK 200 million. For more information, see Financial position and liquidity.

EVENTS AFTER THE BALANCE SHEET DATE

In February 2013 Björn Borg announced an acquisition of the distributor Fashion Case Retail OY in Finland. The Finnish operations currently consist of wholesaling of underwear, sportswear and bags & luggage as well as a Björn Borg store. The brand has a strong position in Finland, currently Björn Borg's sixth largest market. The company sees the potential for further growth. The acquisition makes Björn Borg the principal owner (75 percent), while an experienced local partner has become a minority owner. The total purchase price is approximately SEK 9.1 million. Björn Borg expects the acquired Finnish operations to contribute positively to the Group's operating result in 2013

THE GROUP'S DEVELOPMENT

Net sales

Group sales for the year amounted to SEK 551.4 million (536.5), an increase of 3 percent. Björn Borg Sport, the underwear product company and the Group's British wholesale operations all developed positively during the year. The Group's retail operations contributed

a slight increase, mainly through growth in e-commerce and from new stores. At the same time the Swedish wholesale operations posted lower collection sales, mainly during the first half-year.

Profit

The gross profit margin for the full-year decreased to 50.2 percent (51.5). Excluding exchange rate effects, the margin would have been 50.9 percent. Other than the negative currency effect, the decrease is largely due to one-time effects in the Swedish wholesale operations, especially during the first quarter in the form of temporarily higher discounts, inventory write-offs and discounted sales to customers.

Operating profit decreased by 17 percent to SEK 69.8 million (83.7) during the year with an operating margin of 12.7 percent (15.6). The reasons for the lower profit include higher operating expenses according to plan for marketing, personnel and premises due to investments in new operations, not least in China, which reduced operating profit by SEK 7.0 million during the year. In total, the investments in Björn Borg Sport, China and the British operations reduced operating profit by SEK 21.4 million (15.1). Recruitments and other staff costs in the Swedish Parent Company during the year led to an increase in operating expenses of SEK 5.2 million. Net financial items decreased to SEK -0.9 million (0.9), largely due to changes in exchange rates on foreign currency receivables. The realized and unrealized return on investments and cash and cash equivalents, less interest on the bond loan, affected the Group's financial net positively by SEK 4.6 million. Profit before tax decreased to SEK 68.9 million (84.6).

Net profit amounted to SEK 47.2 million (100.2). In the previous year Björn Borg reported deferred tax assets of approximately SEK 38 million, which explains the big difference in reported tax between the periods.

Investments and cash flow

Cash flow from operating activities in the Group amounted to SEK 31.2 million (91.2) in 2012. The full-year 2011 included a higher operating profit, but lower tied-up working capital than 2012. Increased sales by both product companies in December 2012 contributed to temporarily higher accounts receivable as of December 31, 2012 compared with the previous year. Inventories were approximately in line with the same period in 2011, despite the new operations in China, growth in Björn Borg Sport and England, and the opening of new Group-owned stores. The company has worked actively to reduce tied-up capital, which has resulted in lower inventory volumes for comparable operations.

Condensed income statement 2012 2011	2012	2011	2010	2009	2008
Net sales, SEK million	551.4	536.5	536.0	519.9	526.6
Operating profit, SEK million	69.8	83.7	126.0	112.6	128.8
Operating margin, %	12.7	15.6	23.5	21.7	24.5
Profit before tax, SEK million	68.9	84.6	124.0	111.7	134.8
Profit for the year, SEK million	47.2	100.2	90.8	80.9	99.2
Earnings per share, SEK	2.11	4.19	3.61	3.22	3.96
Earnings per share after full dilution, SEK	2.11	4.19	3.57	3.21	3.96
Pro forma earnings per share excluding deferred tax assets, SEK	2.11	2.66	-	-	-

Total investments in tangible and intangible non-current assets amounted to SEK 6.5 million (25.4) for 2012. The higher investments in 2011 were largely due to the establishment of Björn Borg Sport in the Netherlands, store renovations and the move to a new head office.

Financial position and liquidity

The Björn Borg Group's cash & cash equivalents and investments amounted to SEK 280.2 million (158.0) at the end of the year. In 2012 cash & cash equivalents and investments increased by SEK 122.1 million, compared with a year-earlier decrease of SEK 71.8 million. The change is mainly due to the bond loan issued in the spring with a nominal value of SEK 200 million, less the year's distribution to shareholders of SEK 100.6 million (130.8).

The bond loan is listed on NASDAQ OMX Stockholm and carries an annual coupon rate corresponding to the 3-month STIBOR rate + 3.25 percentage points, maturing in April 2017. In 2012 the company repurchased corporate bonds with a nominal value of SEK 5 million, due to which the carrying amount of the bond loan after the repurchase and transaction expenses of about SEK 3 million amounts to SEK 192.3 million as of December 31.

The surplus liquidity from the issuance of the bond loan was placed in interest-bearing financial instruments, highly liquid corporate bonds, within the framework of the financial policy laid down by the Board of Directors. As of December 31 investments had been made in bonds with a book value of SEK 164.0 million, which represents the fair value on the same date. As a rule, bonds in foreign currency are hedged.

SEGMENT

Brand

The Brand segment primarily consists of royalty revenue and expenses associated with the brand.

Net sales reached SEK 81.3 million (80.3) in 2012, an increase of 1 percent. External sales decreased to SEK 42.9 million (47.4), in line with the year's decline in brand sales. It should be noted that the royalties Björn Borg Sport receives from its customers are also reported in the Brand segment.

Operating profit amounted to SEK 16.3 million (16.6), a decrease of 2 percent for the year. The decline is due to lower royalty revenue, although expenses for brand-related activities were lower during the year.

Product development

The Björn Borg Group has global responsibility for development, design and production of underwear and adjacent products, as well as sportswear through Björn Borg Sport.

The business segment's net sales amounted to SEK 385.3 million (377.4) in 2012, an increase of 2 percent. External sales amounted to SEK 277.2 million (251.3), an increase of 10 percent compared with 2011. Weaker sales of the summer collection through the Group's product company for underwear were offset by stronger sales of the fall and winter collections during the second half-year. Sales by Björn Borg Sport increased by 14 percent year-on-year.

Operating profit increased to SEK 48.6 million (35.9) due to increased external sales and lower operating expenses in the segment compared with 2011.

Wholesale

The Björn Borg Group is the exclusive wholesaler for underwear and adjacent products in Sweden and England as well as for footwear in Sweden, Finland and the Baltic countries.

Net sales in the wholesale operations decreased by 4 percent to SEK 221.3 million (230.8) in 2012. External sales amounted to SEK 168.6 million (179.3). The British operations reported good growth, while the Swedish wholesale operations performed weakly in 2012 in a tough retail climate. Sales for the Group's wholesale footwear operations trended positively compared with 2011.

Operating profit was SEK 14.6 million (37.0). The decrease is mainly due to lower sales and a lower gross profit margin in the Swedish wholesale operations at the beginning of the year as well as higher expenses related to the Group's British operations. A stronger USD reduced gross profit and operating profit in this segment by SEK 3.5 million.

Retail

The Björn Borg Group owns and operates twelve stores in the Swedish market that sell underwear, adjacent products, sportswear and other licensed products. Additionally, Björn Borg manages two factory outlets and the e-commerce operations.

External net sales in the Retail segment rose by 7 percent in 2012 to SEK 62.7 million (58.5). The increase is due to new stores opened after the first half of 2011 as well as the continued strong performance of the e-commerce operations. For outlets and comparable Björn Borg stores, sales fell by 14 percent, however. The decrease is largely due to intentionally shorter discount periods and lower discount levels, which positively affected gross profit margins by about 5 percentage points.

The operating loss for 2012 amounted to SEK 9.7 million, against a year-earlier loss of SEK 5.8 million, partly due to increased operating expenses for several new stores as well as investments in the web shop. A new version was launched during the fall, and impairment losses of SEK 2.6 million on the old web shop were charged against the year's result.

Intra-Group sales

Intra-Group sales amounted to SEK 209.5 million (214.2) for 2012.

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 essential to their future success. One of management's top priorities therefore is to provide current employees an opportunity to develop and attract new employees with the right skills to the organization. The compensation systems currently applied by the company utilize a base salary and variable compensation for certain key employees, where the variable compensation pays out when individual targets are met. A warrant program for two key employees in the Group expired in November 2012; no shares were subscribed under the program. There are currently no share-based incentive programs for employees.

The average number of employees was 139 (114) for the full-year. The increase is largely due to the Group's expansion, including through Björn Borg Sport and the operations in England and China. The distribution is 40 percent (39) men and 60 percent (61) women.

REMUNERATION GUIDELINES FOR THE PRESIDENT AND OTHER SENIOR EXECUTIVES

The Annual General Meeting on May 3, 2012 resolved that remuneration for the President and other members of senior management shall comprise a base salary, variable compensation, previously established 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 2013 AGM keep the remuneration guidelines for the President and other senior executives essentially unchanged.

RESEARCH AND DEVELOPMENT

Björn Borg does not conduct any research, although 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 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. Björn Borg has no operations subject to authorizations.

For more information on Björn Borg's corporate responsibility work, see pages 30–36.

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.

Market risks

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

Expansion of operations

The company's future growth is dependent on the network's ability to increase sales through existing channels, though also on finding new geographical markets for the company's products. The opportunity to find new markets for Björn Borg is partly dependent on factors 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 espe-

cially evident in 2011 and 2012, 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.

OUTLOOK FOR 2013

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

PARENT COMPANY

Björn Borg AB (publ) is primarily engaged in intra-Group activities. The company also owns 100 percent of the shares in Björn Borg Brands AB, Björn Borg Footwear AB, Björn Borg Inc. and Björn Borg Services AB. In addition, the company owns 80 percent of the shares in Björn Borg UK, 51 percent of the shares in Björn Borg Sport BV and 75 percent of the shares in Björn Borg (China) Ltd. The Parent Company's net sales for the full-year 2012 amounted to SEK 49.7 million (46.2). Profit before tax amounted to SEK 77.3 million (105.9). Cash & cash equivalents and short-term investments amounted to SEK 250.2 million (122.3) on December 31, 2012. Investments in tangible and intangible non-current assets amounted to SEK 1.2 million (6.1) for the full year.

Proposed distribution of profit

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

Retained earnings, SEK	9,032,230
Profit for the year, SEK	75,075,391
	84,107,621
The Board proposes that:	
Shareholders receive a distribution of	
SEK 3.00 per share, totaling SEK	75,445,152
Carried forward, SEK	8,662,469
	84,107,621

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	2012	2011
Net sales	4, 5	551,432	536,509
Cost of goods sold		-274,803	-260,295
Gross profit		276,628	276,214
Distribution expenses		-144,694	-124,773
Administrative expenses		-51,016	-54,524
Development expenses		-11,133	-13,211
Operating profit	4, 6, 7, 8, 9, 10, 11	69,786	83,706
Interest income and similar income items	26	12,770	4,061
Interest expenses and similar expense items	26	-13,679	-3,142
Profit after financial items		68,877	84,626
Profit before tax		68,877	84,626
Tax on profit for the year	13	-21,650	15,524
Profit for the year		47,227	100,150
Profit for the year attributable to:			
Parent Company's shareholders		52,963	105,468
Non-controlling interests		-5,736	-5,318
Earnings per share, SEK	23	2.11	4.19
Earnings per share after dilution, SEK	23	2.11	4.19

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Note	2012	2011
Profit for the year		47,227	100,150
Other comprehensive income			
Currency effect		892	-131
Total comprehensive income for the year		48,119	100,019
Total comprehensive income for the year attributable to			
Parent Company's shareholders		53,855	105,337
Non-controlling interests		-5,736	-5,318

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Note	Dec. 31, 2012	Dec. 31, 2011
ASSETS			
Non-current assets			
Intangible assets	14		
Goodwill		13,944	13,944
Trademarks		187,532	187,532
Other intangible assets		4,572	6,311
		206,048	207,787
Tangible non-current assets	15		
Property, plant and equipment		13,952	14,741
		13,952	14,741
Deferred tax assets	13	35,283	43,194
		35,283	43,194
Total non-current assets		255,283	265,722
Current assets			
Inventories			
Trading book	17	35,688	34,559
		35,688	34,559
Current receivables			
Accounts receivable	18	93,994	57,843
Tax assets		8,360	12,501
Other current receivables		4,589	7,841
Prepaid expenses and accrued income	19	16,301	13,793
		123,245	91,978
Short-term investments			
Short-term investments	3	163,979	–
		163,979	–
Cash & cash equivalents			
Cash and bank balances		116,195	158,042
		116,195	158,042
Total current assets		439,106	284,578
TOTAL ASSETS		694,389	550,300
EQUITY AND LIABILITIES			
Equity			
Share capital		7,859	7,859
Other paid-in capital		182,145	182,145
Reserves		1,322	430
Retained earnings		162,726	210,383
Equity attributable to Parent Company's shareholders		354,050	400,817
Non-controlling interests		–9,835	–3,854
Total equity		344,216	396,962
Non-current liabilities			
Deferred tax liabilities	13	44,544	47,539
Other non-current liabilities	20	223,269	28,754
		267,813	76,293
Current liabilities			
Accounts payable		32,780	25,703
Other current liabilities	20	19,964	23,796
Accrued expenses and deferred income	21	29,617	27,546
		82,361	77,045
Total liabilities		350,173	153,338
TOTAL EQUITY AND LIABILITIES		694,389	550,300

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousands	Share capital	Other paid-in capital	Translation reserve	Retained earnings	Non-controlling interests	Total equity
Opening balance, January 1, 2011	7,859	182,145	561	235,685	1,026	427,277
Total comprehensive income for the year	–	–	–131	105,470	–5,318	100,019
Transactions with shareholders						
Distribution for 2010 through share redemption	–5,239	–	–	–125,533	–	–130,772
Bonus issue	5,239	–	–	–5,239	–	–
Non-controlling interests that arose through acquisitions	–	–	–	–	438	438
Total transactions with shareholders	–	–	–	–130,772	438	–130,333
Closing balance, December 31, 2011	7,859	182,145	430	210,383	–3,854	396,962
Total comprehensive income for the year	–	–	892	52,963	–5,736	48,119
Transactions with shareholders						
Distribution for 2011 through share redemption	–3,929	–	–	–96,665	–	–100,594
Bonus issue	3,929	–	–	–3,929	–	–
Non-controlling interests that arose through acquisitions	–	–	–	–	2	2
Acquisition of minority shares	–	–	–	–26	–79	–105
Dividend to non-controlling interests	–	–	–	–	–168	–168
Total transactions with shareholders	–	–	–	–100,620	–245	–100,865
Closing balance, December 31, 2012	7,859	182,145	1,322	162,726	–9,835	344,216

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK thousands	Note	2012	2011
OPERATING ACTIVITIES			
Profit after tax		47,227	100,150
Income tax expensed through profit or loss		21,650	-15,524
Financial expenses and income recognized through profit or loss	26	909	-920
Depreciation/amortization of tangible/intangible non-current assets	9	6,438	17,165
Other non-cash items		342	3,469
Interest received		9,535	3,296
Interest paid		-10,263	-2,810
Taxes paid		-13,378	-19,121
Cash flow from operating activities before changes in working capital		62,460	85,705
CHANGES IN WORKING CAPITAL			
Change in inventories		-1,129	-8,319
Change in accounts receivable		-36,151	-6,850
Change in other receivables		743	-2,542
Change in accounts payable		7,077	15,715
Change in other current liabilities		-1,761	7,512
Change in working capital		-31,220	5,517
Cash flow from operating activities		31,240	91,223
INVESTING ACTIVITIES			
Investments in intangible assets	14	-2,679	-12,110
Investments in tangible non-current assets	15	-3,843	-13,325
Short-term investments	3	-185,220	-
Sale of short-term investments	3	24,010	35,567
Cash flow from investing activities		-167,734	10,132
FINANCING ACTIVITIES			
Amortization of loans		-6,667	-6,411
Issuance of other loans		8,899	441
Issuance of bond loan		196,778	-
Repurchase of bond loan		-4,950	-
Dividend/distribution		-100,594	-130,772
Cash flow from financing activities		93,466	-136,741
CASH FLOW FOR THE YEAR			
Cash & cash equivalents at beginning of year		158,042	194,275
Translation difference in cash & cash equivalents		-1,182	846
Cash & cash equivalents at year-end		116,195	158,042

PARENT COMPANY INCOME STATEMENT

SEK thousands	Note	2012	2011
Net sales	4, 5	49,667	46,208
Cost of goods sold		-740	-550
Gross profit		48,927	45,658
Distribution expenses		-49,304	-43,076
Administrative expenses		-18,963	-16,568
Development expenses		-7,585	-6,627
Operating profit	4, 6, 7, 8, 9 10, 11	-26,925	-20,613
Dividend from subsidiary		75,000	100,000
Group contributions received		41,047	35,235
Interest income and similar income items	26	12,682	2,850
Interest expenses and similar expense items	26	-24,876	-15,574
Profit after financial items		76,928	101,898
Appropriations	12	355	4,002
Profit before tax		77,283	105,900
Tax on profit for the year	13	-2,207	-
Profit for the year		75,076	105,900

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Note	2012	2011
Profit for the year		75,076	105,900
Other comprehensive income		-	-
Total comprehensive income for the year		75,076	105,900

PARENT COMPANY BALANCE SHEET

SEK thousands	Note	Dec. 31, 2012	Dec. 31, 2011
ASSETS			
Non-current assets			
Intangible assets	14	753	1,220
Other intangible assets			
Tangible non-current assets	15	753	1,220
Property, plant and equipment		5,876	6,617
Financial non-current assets		5,876	6,617
Shares in Group companies	16	327,132	321,227
		327,132	321,227
Total non-current assets		333,761	329,064
Current assets			
Current receivables			
Accounts receivable	18	220	550
Receivables from Group companies		103,444	201,914
Tax assets		1,680	1,678
Investments		163,979	–
Other current receivables		71	50
Prepaid expenses and accrued income	19	3,428	4,458
		272,822	208,651
Cash & cash equivalents			
Cash and bank balances		86,172	122,271
		86,172	122,271
Total current assets		358,994	330,922
TOTAL ASSETS		692,754	659,986
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		7,859	7,859
Statutory reserve		46,817	46,817
		54,676	54,676
Unrestricted equity			
Retained earnings		9,032	3,726
Profit for the year		75,075	105,900
		84,108	109,626
Total equity		138,784	164,302
Untaxed reserves	12	2,183	2,538
Provisions			
Deferred tax liabilities	13	609	–
Non-current liabilities			
Bond loan	3,20	192,283	–
Current liabilities			
Accounts payable		2,766	7,200
Due to Group companies		345,377	476,120
Other current liabilities		1,153	3,011
Accrued expenses and deferred income	21	9,599	6,815
Total current liabilities		358,895	493,146
Total liabilities		551,179	493,146
TOTAL EQUITY AND LIABILITIES		692,754	659,986
Memorandum items			
Pledged assets		40,216	40,216
Contingent liabilities		See note 22	See note 22

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK thousands	Share capital	Statutory reserve	Retained earnings	Total equity
Opening balance, January 1, 2011	7,859	46,817	134,498	189,174
Distribution for 2010 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
Closing balance, December 31, 2011	7,859	46,817	109,627	164,302
Distribution for 2011 through share redemption	-3,929	-	-96,665	-100,594
Bonus issue	3,929	-	-3,929	-
Total comprehensive income for the year	-	-	75,076	75,076
Closing balance, December 31, 2012	7,859	46,817	84,109	138,784

Number of shares	Number of votes	Number of shares	Quota value, SEK 000
Opening balance, January 1, 2011	25,148,384	25,148,384	7,858,870
Exercise of warrants	-	-	-
Closing balance, December 31, 2011	25,148,384	25,148,384	7,858,870
Exercise of warrants	-	-	-
Closing balance, December 31, 2012	25,148,384	25,148,384	7,858,870

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	2012	2011
OPERATING ACTIVITIES			
Profit after tax		75,076	105,900
Income tax expensed through profit or loss		2,207	–
Financial expenses and income recognized through profit or loss	26	12,194	12,724
Depreciation/amortization of tangible/intangible non-current assets	9	2,404	2,256
Other non-cash items		444	546
Appropriations		–355	–4,002
Dividends received, unpaid		–75,000	–100,000
Unrealized change in value		–2,768	–
Interest received		12,682	2,850
Interest paid		–24,876	–15,574
Taxes paid		–1,600	–12
Cash flow from operating activities before changes in working capital		408	4,688
CHANGES IN WORKING CAPITAL			
Change in accounts receivable		330	–7
Change in other receivables		174 480	–56 235
Change in accounts payable		–4 423	4 288
Change in other current liabilities		–129 817	89 578
Change in working capital		40 570	37 624
Cash flow from operating activities		40 978	42 312
INVESTING ACTIVITIES			
Formation of subsidiaries	14	–5,905	–456
Investments in tangible non-current assets	15	–1,196	–6,123
Short-term investments	3	–185,220	–
Sale of short-term investments	3	24,010	35,567
Cash flow from investing activities		–168,311	28,988
FINANCING ACTIVITIES			
Issuance of bond loan		196,778	–
Repurchase of bond loan		–4,950	–
Dividend/distribution		–100,594	–130,772
Group contributions received/paid		–	–
Cash flow from financing activities		91,234	–130,772
CASH FLOW FOR THE YEAR		–36,099	–59,472
Cash & cash equivalents at beginning of year		122,271	181,742
Cash & cash equivalents at year-end		86,172	122,271

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 & luggage, 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 in Stockholm. A list of the largest individual shareholders as of December 31, 2012 is provided on page 65 of this annual report. The annual report was approved by the Board of Directors and the President on March 15, 2013 and adopted by the Annual General Meeting of the Parent Company on April 17, 2013.

ACCOUNTING AND VALUATION PRINCIPLES

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the EU as of December 31, 2012. 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 consolidated accounts have been prepared in accordance with the cost method, other than financial assets, including derivatives, which are measured at fair value through profit or loss. The Group's critical accounting policies are described below.

CHANGES IN ACCOUNTING PRINCIPLES 2012

The following standards took effect in 2012, which Björn Borg has applied to the financial year 2012: Amendments to IFRS 7 Financial Instruments: Disclosures (Disclosures of Transfers of Financial Assets) and Amendments to IAS 12 Income Taxes (Deferred Tax: Recovery of Underlying Assets). These new and amended standards and interpretations have not had any effect on the Group's results or financial position. There are no new interpretations from IFRS IC that took effect for the financial year 2012.

NEW ACCOUNTING PRINCIPLES AS OF 2013

The International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRS IC) have issued the following new and amended standards which have not taken effect:

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
Improvements to IFRS	on or after January 1, 2013
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 *Financial Instruments: Disclosures (Offsetting the financial assets and financial liabilities)**

on or after January 1, 2013

Amendment to IAS 32 *Financial Instruments: Presentation (Offsetting the financial assets and financial liabilities)**

on or after January 1, 2014

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine**

on or after January 1, 2013

None of the above interpretations have been applied in advance.

New and amended standards that affect the Group's financial reporting as of 2013:

The amendments to IAS 1 *Presentation of Financial Statements* require additional disclosures in other comprehensive income so that items in other comprehensive income are grouped in two categories: a) items that will not be reclassified to profit or loss and b) items that will be reclassified to profit or loss if certain criteria are met. In the opinion of management, the amendments to IAS 1 will affect and change the presentation of items reported in other comprehensive income, but will not affect reported Group's profit or financial position.

IFRS 13 *Fair Value Measurement* establishes a rule for measurement of fair value where required by other standards. The standard is applicable to the measurement at fair value of both financial and non-financial items. Fair value is defined as the price that would be received from a sale of an asset or the consideration that would be paid to transfer a liability in a normal transaction between market players on the measurement date ("exit price"). IFRS 13 requires several quantitative and qualitative disclosures on measurement at fair value. The company is not of the opinion that IFRS 13 will have a material effect on the Group's financial position and results.

In May 2011 IASB published a package of five standards on consolidated financial statements, joint arrangements and disclosures: three new standards (IFRS 10, IFRS 11, IFRS 12) and amendments to two existing standards (IAS 27 and IAS 28). Björn Borg is currently analyzing the effects of the above standards and does not intend to apply them before January 1, 2014 (i.e., the date when they are mandatory within the EU). IFRS 9 *Financial Instruments* issued in November 2009 introduces new requirements for classification and measurement of financial assets. In October 2010 IFRS 9 was amended with requirements for classification and measurement of financial liabilities and derecognition. The amendment to IFRS 9 issued in December 2011 means that IFRS 9 will be applied to financial years beginning on or after January 1, 2015. Björn Borg is currently analyzing the effects of an implementation of IFRS 9.

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 assumed, and equity interests issued in exchange for control over the acquired business. Transaction costs that arise in connection with an acquisition are expensed through profit and loss in the period to which the cost of refers. The purchase price also includes the fair value on the acquisition date of the assets and 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.

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 surplus values as well as 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, when 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 financial 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 Group unit conducts its operations (functional currency). Income statement and balance sheet items for all Group companies with a functional currency other than the reporting currency (SEK) are translated to the Group's reporting currency as follows:

- Assets and liabilities are translated at the balance date rate
- Revenue and expenses are translated at the average exchange rate (provided that the average rate represents a reasonable approximation of the cumulative effect of the exchange rates in effect on the transaction date; otherwise, revenue and expenses are translated at the transaction day rate), and
- All exchange rate differences that arise are recognized in other comprehensive income.

REVENUErecognition

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 wholesale level.
2. Product company revenue
The product companies for underwear and 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 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 provides 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 the company's assets and liabilities and their carrying amounts.

Deferred tax is recognized 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 the amounts can be offset against future taxable surpluses.

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 against other comprehensive income or equity, in which case it is recognized directly against other comprehensive income or 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 web sites 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 intangible 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 the 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 asset 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 and the impairment is no longer considered necessary, and is recognized through profit or loss. Previous impairment losses are 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 in the balance sheet 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 settling the liability.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are divided into two categories: financial assets held for trading and financial assets designated upon initial recognition as belonging to this category. Financial assets held for trading are defined as financial assets acquired for the purpose of selling or repurchasing in the short term. The Group's financial assets held for trading consist of derivatives.

Designating a financial asset as belonging to this category upon initial recognition (the so-called fair value option) requires that this recognition provides a more accurate picture than otherwise would have been the case because it reduces the so-called accounting mismatch or that the assets are included in a group of assets managed and evaluated based on their fair value, in accordance with the Group's risk management or investment strategy. The Group's investments in corporate bonds are managed and evaluated by management in

accordance with the Group's documented investment strategy based on their fair values. The Group has therefore chosen upon initial recognition to designate investments in corporate bonds as belonging to this category.

Assets in this category are measured initially and upon subsequent recognition at fair value. All changes in value that arise are recognized through profit or loss.

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 less any provisions for impairment. Accounts receivable are recognized at the amounts that are expected to be received after deducting impaired receivables, which are evaluated individually. Provisions for impaired receivables are recognized when there is objective proof that the Group will not be able to receive all the amounts that are due as per the original terms of the receivables. If it is determined in the quarterly review of exposures that a customer, due to insolvency, has not been able to pay its liabilities or for good reason is not expected to pay its liabilities within three months, 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 day 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. 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 transaction costs are accrued over the life of the agreement with the help of the estimated effective interest rate. The effective rate is the interest rate that produces the instrument's cost through a present value calculation of future cash flows. 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 recognized as a deduction (net of tax) from the issue proceeds.

PROVISIONS

Provisions for legal claims or other claims from external counterparties are recognized 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. Additions and amendments to RFR applicable as of 2012 have not had a material impact on the Parent Company's results or financial position.

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 22 percent is considered a deferred tax liability and 78 percent restricted equity.

Shares in subsidiaries

Shares in subsidiaries are recognized according to the cost method. Acquisition-related costs to acquire shares in subsidiaries are included as part of the cost of shares in subsidiaries.

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 guarantees

The Parent Company applies the exemption in RFR 2 and recognizes guarantees according to the rules for provisions.

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. The carrying amount as of December 31, 2012 amounted to SEK 35,283 thousand (43,194). For more information, see Note 13.

Impairment testing of goodwill and trademarks

Impairment testing of the Group's goodwill and the carrying amount for trademarks requires estimates and assumptions regarding margins, growth, discount rates, etc. For a more detailed description of impairment testing, see Note 14. The carrying amount for trademarks and goodwill as of December 31, 2012 amounted to SEK 201,476 (201,476).

Recognition of trademarks

In 2006 Björn Borg acquired the Björn Borg trademark. The purchase price consisted of a cash payment on the acquisition date of SEK 124,000 thousand and contingent consideration payable annually through 2016. The contingent consideration

is divided into a fixed and a variable portion. The fixed portion, corresponding to SEK 7,800 thousand per year, has been recognized as part of the cost because it can be reliably determined, while the variable portion is recognized as an operating expense on an annual basis. The variable portion is based on a percentage of sales at the wholesale level during the period 2006–2016 and therefore could not be reliably determined on the acquisition date. In accordance with IAS 38, the future payment of the contingent consideration has been discounted to present value, because of which the total cost of the trademark amounted to SEK 187,532 thousand and has been recognized among other financial liabilities in the amount of SEK 21,646 thousand (SEK 28,313 thousand) and among other current liabilities at SEK 6,667 thousand (SEK 6,411 thousand). The difference between the present value of the future fixed contingent consideration and the nominal amount is recognized as an interest expense over the credit period applying the effective interest rate method.

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, of which HKD represents the single largest exposure. Where mentioned below, HKD also includes USD. Approximately 50 percent of the Group's sales is in HKD and the overwhelming majority of its goods purchases 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 this currency risk. During the year realized and unrealized exchange rate difference affected operating profit negatively by SEK 2,012 thousand (1,472).

Björn Borg has also invested in corporate bonds in foreign currency. To reduce this currency risk, Björn Borg has obtained forward exchange contracts.

Changes in exchange rates also affect the Group because assets and liabilities in foreign 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.

SENSITIVITY ANALYSIS

In 2012 the Björn Borg Group was affected positively because the HKD was stronger against the Swedish krona than in 2011. For the full-year 2012 the exchange rate was an average of about 5 percent higher than in 2011.

The more expensive HKD versus the Swedish krona has affected the Wholesale business segment negatively.

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 to hedge its exchange rate exposure from sales and purchases in foreign currency. Following is a sensitivity analysis of changes in the currencies that affect the Group's sales and goods purchases most:

Estimated currency effect (transaction exposure) 2012	Percent	Estimated effect on revenue	Estimated effect on operating profit
Stronger HKD vs. SEK	10%	4%	1%
Weaker HKD vs. SEK	-10%	-4%	-1%
Stronger EUR vs. SEK	10%	1%	1%
Weaker EUR vs. SEK	-10%	-1%	-1%

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.

PRICE RISK

Price risk refers to the risk of increases and decreases in the holdings of investments and derivatives. As of December 31, 2012 Björn Borg had investments of SEK 163,979 thousand (0), 99.4 percent of which referred to corporate bonds and 0.6 percent to forward exchange contracts related to holdings of corporate bonds in foreign currency. An exchange fluctuation of 1 percent for the entire portfolio would affect the value of the bond portfolio (and related revenue) by SEK 1,600 thousand.

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, 2012 interest-bearing assets in the form of bank balances amounted to SEK 116,195 thousand (158,042) and in the form of corporate bonds amounted to SEK 16,023 thousand (0). Interest-bearing assets related to a bank balances primarily carry variable interest rates, because of which changes in market interest rates lead to higher or lower future interest income. The revaluation effect on assets measured at fair value is shown above under price risk. Investments in corporate bonds carry both variable and fixed interest rates.

The table below shows how the Group's net interest income from bank balances would be affected during the upcoming twelve months by a change in market interest rates. The effects are based on the volumes of interest-bearing assets and liabilities as of December 31, 2012.

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

Moreover, there is an interest rate risk associated with the SEK 200,000 thousand bond loan Björn Borg issued in 2012, and which extends until April 2017. The annual coupon rate is variable and corresponds to the 3-month STIBOR +3.25 percentage points. An increase in the 3-month STIBOR of 1 percentage point, all else being equal, would increase Björn Borg's interest expenses by SEK 2,000 thousand per year, and a decrease of 1 percentage point would result in a corresponding decrease. This analysis does not take into account the effect of any holdings of the company's own promissory notes.

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, 2012 there were outstanding receivables in the two product companies for underwear and sportswear from a commercial counterparty corresponding to about 45 percent (25 percent) of the Group's total accounts receivable. As of December 31, 2012 the market value of the holdings in three individual issuers amounted to SEK 19,548 thousand, SEK 15,033 thousand and SEK 12,493 thousand, or 29 percent of the bond portfolio's market value. The maximum credit risk corresponds to the carrying amount of the financial assets.

Note 3, continued

The Björn Borg Group's outstanding credit risk as of Dec. 31, 2012

	Group		Parent Company	
	2012	2011	2012	2011
Accounts receivable	93,994	57,843	220	550
Other current receivables	4,589	7,841	71	–
Investments	163,979	–	163,979	50
Cash and bank balances	116,195	158,042	86,172	122,271
	378,757	223,726	250,442	122,871

During the year Björn Borg invested in corporate bonds and derivatives (forward exchange contracts corresponding to a nominal amount of SEK 54,583 thousand), corresponding to the "Investments" of SEK 163,979 thousand in the table above. According to the Group's investment policy, investments are made only in bonds issued by companies with stable, positive cash flows. Investments are made in corporate bonds and mortgage bonds primarily with variable interest rates and maturities that do not stretch beyond 2017, since the company's bond loans mature in 2017. Not more than SEK 10 million may be invested in the same bond issuer, but for issuers with credit ratings there is an upper limit of SEK 20 million. Not more than SEK 50 million may be invested in any specific sector such as real estate or banking. For investments in bonds in foreign currency, the equivalent value is normally hedged with forward contracts. Holdings in foreign currency exceeding not more than SEK 20 million must be hedged. The investment portfolio is evaluated continuously by the investment team and quarterly by the Board of Directors. The credit quality of the holdings is as follows:

	A	BBB	BB	Non-rated	Total
Corporate bonds	8,885	58,367	19,803	75,968	163,023
Derivatives	–	–	–	956	956
	8,885	58,367	19,803	76,924	163,979

Of the investments of SEK 163,979 thousand, the equivalent of SEK 23,268 thousand is in EUR holdings, SEK 14,494 thousand in USD holdings, SEK 20,043 thousand in GBP holdings and SEK 9,971 thousand in NOK holdings. The remainder is invested in Swedish kronor.

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 receivables and liabilities as of Dec. 31, 2012 (contractual and undiscounted cash flows):

Dec. 31, 2012	Up to 3 mos.	3–12 mos.	1–5 yrs.	Over 5 yrs.
Accounts receivable	93,994	–	–	–
Other receivables	4,589	–	–	–
Investments*	–	11,823	152,155	–
Cash and bank balances	116,195	–	–	–
Other liabilities	–	–34,239	–31,641	–
Accounts payable	–32,780	–	–	–
Bond loans	–2,275	–6,825	–230,005	–
Total	179,724	–29,241	–109,491	–
Dec. 31, 2012	Up to 3 mos.	3–12 mos.	1–5 yrs.	Over 5 yrs.
Accounts receivable	57,843	–	–	–
Other receivables	7,841	–	–	–
Cash and bank balances	158,042	–	–	–
Övriga skulder	–	–25,185	–31,641	–7,800
Accounts payable	–25,703	–	–	–
Total	198,022	–25,185	–31,641	–7,800

*) Including derivatives

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.

BRAND

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

Summary by segment

SEK thousands	Brand		Product Development		Wholesale		Retail		Total		Eliminations		Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenue														
External sales	42,900	47,435	277,236	251,277	168,626	179,341	62,669	58,456	551,432	536,509	–	–	551,432	536,509
Internal sales	38,392	32,882	108,107	126,171	52,701	51,437	10,296	3,735	209,496	214,225	–209,495	–214,225	–	–
Total revenue	81,292	80,317	385,343	377,448	221,327	230,778	72,965	62,191	760,928	750,734	–209,495	–214,225	551,432	536,509
Operating profit	16,281	16,613	48,589	35,915	14,636	37,010	–9,720	–5,832	69,786	83,706	–	–	69,786	83,706
Non-current assets	204,577	205,273	6,141	1,934	4,895	4,537	8,871	10,783	224,483	222,527	30,800	43,194	255,283	265,722
Inventory	–	–	5,131	4,848	28,339	29,451	14,239	12,479	47,709	46,778	–12,022	–12,219	35,688	34,559
Other current assets	875,227	923,253	121,745	214,347	69,860	227,900	43,828	69,223	1,110,659	1,434,723	–707,241	–1,184,704	403,418	250,019
Total assets	1,079,803	1,128,526	133,017	221,129	103,094	261,888	66,937	92,485	1,382,851	1,704,028	–688,462	–1,153,729	694,389	550,300
Other liabilities	626,337	616,275	150,215	235,184	93,806	244,714	78,964	93,391	949,322	1,189,564	–599,149	1,036,227	350,172	153,338
Total liabilities	626,337	616,275	150,215	235,184	93,806	244,714	78,964	93,391	949,322	1,189,564	–599,149	1,036,227	350,172	153,338
Investments in tangible and intangible non-current assets	1,196	6,123	743	11,445	594	907	3,989	6,961	6,523	25,435	–	–	6,523	25,435
Depreciation/amortization	–2,404	–2,256	–368	–10,060	–344	–535	–3,322	–4,315	–6,438	–17,165	–	–	–6,438	–17,165

PRODUCT DEVELOPMENT

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

RETAIL

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

Note 4, continued

RECONCILIATION BETWEEN OPERATING PROFIT AND PROFIT FOR TAX PURPOSES

The difference between operating profit for segments for which information is disclosed, SEK 69,786 thousand (83,706), and profit before tax and discontinued operations, SEK 68,877 thousand (84,626), is net financial items, SEK -909 thousand (920).

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.

Geografiska områden

	Sweden		Netherlands		Norway		Denmark		Other		Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net sales	202,190	231,383	190,512	178,814	41,424	30,476	37,330	36,060	79,976	59,775	551,432	536,509
Assets	634,373	520,262	37,106	16,365	–	–	–	–	22,910	13,673	694,389	550,300
Investments	5,895	13,050	141	11,445	–	–	–	–	487	947	6,523	25,435
Depreciation/amortization	-5,775	-6,868	-368	-10,060	–	–	–	–	-296	-237	-6,438	-17,165

NOTE 5 REVENUE DISTRIBUTION

Net sales SEK thousands	Group		Parent Company	
	2012	2011	2012	2011
Royalty revenue	42,900	47,435	–	–
Service revenue	–	–	49,667	46,208
Product company revenue	277,237	251,277	–	–
Distributor company revenue	168,626	179,341	–	–
Concept store revenue	62,669	58,456	–	–
Total	551,432	536,509	49,667	46,208

NOTE 6 REVENUE AND EXPENSES BETWEEN GROUP COMPANIES

The Parent Company's revenue from subsidiaries amounted to SEK 49,231 thousand (44,504). The Parent Company's expenses for subsidiaries amounted to SEK 2,504 thousand (1,947). 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	
	2012	2011	2012	2011
Wages, salaries and other compensation	64,179	53,741	18,480	14,357
Social security contributions	15,172	14,078	5,537	5,469
Pension costs	5,263	5,184	3,396	2,770
Total	84,613	73,003	27,412	22,596

Wages, salaries and other compensation divided between Senior Executives and other employees				
Board, President and other Senior Executives	8,611	7,110	7,671	6,128
Other employees	55,568	46,631	10,809	8,229
Total	64,179	53,741	18,480	14,357

Average number of employees¹

Women	84	70	18	16
Men	55	44	11	10
Total	139	114	29	26

Group

Gender distribution among Directors and Senior Executives	2012		2011	
	Men	Women	Men	Women
Board	5	1	6	2
Other Senior Executives	4	1	5	1
Total	9	2	11	3

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

Compensation and other benefits to Directors	2012		2011	
	Board fees	Other compensation	Board fees	Other compensation
Chairman of the Board				
Fredrik Lövstedt	325	100	300	65
Other Directors:				
Mats H Nilsson	125	65	115	25
Fabian Månsson	125	–	115	–
Vilhelm Schottenius	125	–	115	–
Monika Elling	–	–	115	40
Michael Storåkers	125	–	115	–
Nils Vinberg	–	–	115	–
Kerstin Hessius	125	50	115	–
Total	950	215	1,105	130

Compensation and other benefits to Senior Executives	2012		2011	
	Base salary	Variable compensation	Pension costs	Other compensation
President	2,076	1,250	635	–
EVP	1,310	920	470	–
Other Senior Executives	2,875	180	551	–
Total	6,261	2,350	1,656	–

2011	Base salary		Variable compensation		Pension costs		Other compensation	
	Men	Women	Men	Women	Men	Women	Men	Women
President	1,920	–	–	571	–	–	–	–
EVP	1,200	–	–	499	–	–	–	–
Other Senior Executives	3,773	218	218	686	–	–	–	–
Total	6,893	218	218	1,755	–	–	–	–

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 950 thousand (1,105) in 2012. The Chairman received SEK 325 thousand (300), while other Directors received SEK 125 thousand (115) 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 2012 and the members of the Audit Committee received a total of SEK 175 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 2,076 thousand (1,920), 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 2012 the variable compensation was SEK 1,250 thousand (0). 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 Lövstedt and Mats H Nilsson and approved by the Board. The President's holding of shares and warrants is described below.

Compensation to Senior Executives

Senior Executives refer to six persons who, together with the President, comprised Group Management in 2012. Base salaries paid to Senior Executives amounted to SEK 4,185 thousand (4,973) in 2012, 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 2012 amounted to SEK 1,100 thousand (218). 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 2012 amounted to SEK 1,021 thousand (1,185). If terminated by the company, Senior Executives are entitled to a term of notice of 3–6 months. The shareholdings and warrant holdings of Senior Executives of Björn Borg are described below.

Shareholdings and warrant holdings of Board, President and other Senior Executives as of Dec. 31, 2012

	No. of shares
Fredrik Lövstedt	2,600,040
Mats H Nilsson	1,478,440
Vilhelm Schottenius	1,023,520
Michael Storåkers	40,000
Fabian Måansson	7,000
Kerstin Hessius	21,000
President	25,000
Other Senior Executives	16,700
Total number of shares	5,211,700

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 2012 amounted to SEK 5.3 million (5.2).

INCENTIVE SCHEME

A summary of warrant schemes based is provided in the table below.

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

NOTE 8 AUDITORS' FEES

	Group 2012	Group 2011	Parent Company 2012	Parent Company 2011
Deloitte AB				
Statutory audit	1,092	982	666	746
Tax advice	112	74	79	74
Other services	84	126	43	126
	1,288	1,182	788	946
Other accounting firms				
Statutory audit	52	62	–	–
Tax advice	–	–	–	–
Other services	–	–	–	–
	52	62	–	–
Total	1,340	1,244	788	946

NOTE 9 DEPRECIATION/AMORTIZATION

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

	Group 2012	Group 2011	Parent Company 2012	Parent Company 2011
Distribution expenses	4,185	11,157	1,563	1,466
Administrative expenses	1,610	4,292	601	564
Development expenses	644	1,716	240	226
Total	6,438	17,165	2,404	2,256

NOTE 10 OPERATING LEASES

	Group 2012	Group 2011	Parent Company 2012	Parent Company 2011
Leases during the year amount to	17,013	15,366	6,900	6,763
Future lease fees amount to				
– within 1 year	17,853	18,112	7,059	6,954
– later than 1 year but within 5 years	73,319	74,514	28,710	28,338
Total	108,185	92,626	42,669	35,292

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, 2012, the Björn Borg Group had no finance leases.

NOTE 11 TRANSACTIONS WITH RELATED PARTIES

Director Fabian Måansson owns 4 percent of the shares in the subsidiary Björn Borg Sport. Fabian Måansson received EUR 20 thousand in board fees from the subsidiary in 2012. Beyond what is stated in Note 7, no transactions have been executed with related parties.

NOTE 12 UNTAXED RESERVES

	Dec. 31 2012	Dec. 31 2011
Parent Company		
Accumulated accelerated depreciation	2,183	2,538
Total	2,183	2,538

NOTE 13 TAXES

	Group		Parent Company	
	2012	2011	2012	2011
Current tax on profit for the year	-15,136	-25,299	-	-
Tax attributable to previous periods	-1,598	-	-1,598	-
Deferred tax expense	-4,916	40,824	-609	-
Total recognized tax expense	-21,650	15,524	-2,207	-

The tax rate in Sweden has been changed as of 2013 from 26.3 percent to 22 percent. The deferred tax expense reported above includes a revaluation effect from the revaluation of deferred tax of SEK 2,654 thousand. The tax rate has also been changed in the UK, from 26 to 24 percent. This change has not had any effect on the reporting of taxes, however, because deferred tax on tax loss carryforwards is not reported.

Reconciliation between current tax rate and effective tax rate	Group		Parent Company	
	2012	2011	2012	2011
Recognized profit before tax	68,877	84,626	77,283	105,900
Tax according to current tax rate in Sweden	-18,115	-22,257	-20,325	-27,852
Tax effect of:				
Non-deductible expenses	-257	-213	-128	-62
Tax on reversal from tax allocation reserve	-	-	-	1,566
Tax-exempt income	344	4	19,725	26,348
Deferred tax assets previously unreported	-	38,407	-	-
Effect of tax rates in other countries	-126	1,129	-	-
Effect of unreported tax loss carryforwards	-4,552	-1,546	-	-
Effect of change in tax rates	2,654	-	120	-
Tax related to previous years	-1,598	-	-1,598	-
Recognized tax expense	-21,650	15,524	-2,207	-

Deferred taxes	Group		Parent Company	
	2012	2011	2012	2011
Deferred tax assets recognized in the balance sheet				
Tax loss carryforwards	35,283	43,194	-	-

Total deferred tax assets	35,283	43,194	-	-
<i>Deferred tax liabilities recognized in the balance sheet</i>				
Trademarks	41,196	49,248	-	-
Short-term investments	609	-	609	-
Untaxed reserves	5,384	1,505	-	-
Internal gain on inventories (receivable)	-2,645	-3,213	-	-
Total deferred tax liabilities	44,544	47,540	609	-

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

TAX LOSS CARRYFORWARDS AND UNRECOGNIZED DEFERRED TAX ASSETS

The Group has recognized deferred tax assets related to tax loss carryforwards totaling SEK 35,283 thousand (43,194). The taxable value of these tax loss carryforwards is SEK 154,709 thousand (164,393), of which SEK 14,710 thousand expires in nine years. The remainder (SEK 139,999 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, 2012 to SEK 25,386 thousand (9,088) and is attributable to the operations in the US 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	Dec. 31
	2012	2011
Goodwill		
Accumulated cost		
Opening balance	13,944	13,944
Carrying amount at year-end	13,944	13,944
Trademarks		
Accumulated cost		
Opening balance	187,532	187,532
Carrying amount at year-end	187,532	187,532
Tenancy rights		
Accumulated cost		
Opening balance	2,725	1,225
Investments	-	1,500
Closing balance	2,725	2,725
Accumulated amortization		
Opening balance	-1,267	-1,026
Amortization for the year	-308	-241
Closing balance	-1,575	-1,267
Carrying amount at year-end	1,150	1,458
Capitalized expenditure for software		
Accumulated cost		
Opening balance	17,413	8,037
Investments	2,679	10,610
Divestments and discontinuation of operations	-4,986	-1,234
Closing balance	15,106	17,413
Accumulated amortization		
Opening balance	-12,560	-1,377
Divestments and discontinuation of operations	2,468	378
Amortization for the year	-1,574	-11,627
Translation differences for the year	-18	66
Closing balance	-11,685	-12,560
Carrying amount at year-end	3,422	4,853
Parent Company	Dec. 31	Dec. 31
	2012	2011
Capitalized expenditure for software		
Accumulated cost		
Opening balance	2,288	2,288
Closing balance	2,288	2,288
Accumulated amortization		
Opening balance	-1,068	-602
Amortization for the year	-467	-467
Closing balance	-1,535	-1,068
Carrying amount at year-end	753	1,220
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	Dec. 31
	2012	2011
Björn Borg Brands AB	9,330	9,330
Björn Borg Clothing AB	658	658
Björn Borg Footwear AB	3,956	3,956
Carrying amount at year-end	13,944	13,944

Trademarks	Dec. 31 2012	Dec. 31 2011
Björn Borg Brands AB	187,532	187,532
187,532	187,532	

Every year the Group tests goodwill and trademarks for impairment in accordance with the accounting principle described in Note 1. The future cash flows used to calculate each unit's value in use are based in the first year on the budget adopted by the Board for 2013 for each unit. Cash flows are subsequently based on an annual growth assumption that for 2012 was reduced from 2 percent (2011) to 1 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, 2012 applying a discount rate before tax of approximately 17 percent (15) and an assumed annual growth rate of 0 percent (2) for the period beyond the forecast horizon. This zero growth rate is a cautious assumption as of December 2012 based on current economic conditions in the markets mainly in Europe where Björn Borg is active. The forecast period stretches from 2013 to 2022. In addition, it has been assumed that the costs to protect the brand and similar activities will increase by 4 percent (4) annually, based on the budgeted level for 2013. Valuations as of December 31, 2012 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 -2 percent instead of the assumed 0 percent, there would have still been no impairment losses. An increase in the discount rate of 2 percentage points would not trigger any impairment losses.

NOTE 15 TANGIBLE NON-CURRENT ASSETS

	Group		Parent Company	
	Dec. 31 2012	Dec. 31 2011	Dec. 31 2012	Dec. 31 2011
Accumulated cost				
Opening balance	33,982	29,346	9,766	9,141
Investments	3,843	13,325	1,196	6,123
Sales and disposals	–	–8,689	–	–5,498
Closing balance	37,825	33,982	10,962	9,766
Accumulated depreciation				
Opening balance	–19,241	–21,538	–3,149	–6,311
Sales and disposals	–	7,681	–	4,951
Depreciation for the year	–4,632	–5,384	–1,937	–1,789
Closing balance	–23,873	–19,241	–5,087	–3,149
Carrying amount at year-end	13,952	14,741	5,876	6,617

NOTE 16 FINANCIAL NON-CURRENT ASSETS

Parent Company	Dec. 31 2012	Dec. 31 2011
Shares in subsidiaries		
Opening cost	321,227	320,771
Acquired companies	5,905	456
Closing accumulated cost	327,132	321,227

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	1,000	100	
Björn Borg Retail AB	556577-4410	Stockholm	1,000	100	
Björn Borg Footwear AB	556280-5746	Varberg	6,999	100	14,281
Björn Borg Inc		Delaware	3,000	100	
Björn Borg UK Limited	7392965	Wales	400,000	80	4,185
Björn Borg Sport B.V.	34268432	Netherlands	50,999	51	456
Björn Borg Services AB	556537-3551	Stockholm	5,000	100	262,089
Björn Borg (China) Limited CR	1671008	Hong Kong	7,500	75	5,905
Björn Borg (Shanghai) Trading Co. Ltd	310000400680797	Shanghai	n/a	100	
					327,132

Björn Borg's Chinese operations were established in December 2011 within the framework of Hong Kong-based Björn Borg (China) Limited. The company's operating subsidiary, Björn Borg (Shanghai) Trading Co. Ltd., through which operating activities are de facto conducted, was registered in April 2012. Björn Borg owns 75 percent of Björn Borg (China) Ltd., while 25 percent is owned by a local partner, which in turn is owned by, among others, Penny York, CEO of the Chinese operations. Björn Borg (Shanghai) Trading Co. Ltd. is owned 100 percent by Björn Borg (China) Ltd.

NOTE 17 INVENTORY

	Group		Parent Company	
	Dec. 31 2012	Dec. 31 2011	Dec. 31 2012	Dec. 31 2011
Trading book, gross	35,688	34,559	–	–
Total	35,688	34,559	–	–

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.

Accounts receivable	Group		Parent Company	
	Dec. 31 2012	Dec. 31 2011	Dec. 31 2012	Dec. 31 2011
Accounts receivable, gross	94,789	59,161	220	550
Reserve for impaired receivables	–795	–1,318	–	–
Total accounts receivable, net after reserve for impaired receivables				
	93,994	57,843	220	550

As of December 31, 2012 the Group and the Parent Company had recognized SEK 795 thousand (1,318) 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:

Overdue receivables	Group		Parent Company	
	2012	2011	2012	2011
Not overdue	46,900	33,347	–	3
1-30 days	41,777	21,634	–	49
31-90 days	5,342	2,774	–	–
91-180 days	179	845	20	163
>180 days	591	561	200	335
Total	94,789	59,161	220	550

Note 18, continued

As of December 31, 2012 the Group had SEK 47,139 thousand (24,496) 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:

Overdue receivables not considered impaired	Group		Parent Company	
	2012	2011	2012	2011
Not overdue	46,855	33,347	–	3
1–30 days	41,757	21,465	–	49
31–90 days	5,244	2,538	–	–
91–180 days	–25	170	20	163
>180 days	162	323	200	335
Total	93,994	57,843	220	550

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

Impaired receivables – reconciliation	Group		Parent Company	
	Dec. 31	Dec. 31	Dec. 31	Dec. 31
	2012	2011	2012	2011
Provisions at beginning of year	–1,318	–2,867	–	–269
Reversed provisions for the period	569	1,207	–	–
Provisions for the period	–795	–1,318	–	–
Established losses	749	1,660	–	269
	–795	–1,318	–	–

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 2012	Dec. 31 2011	Dec. 31 2012	Dec. 31 2011
Accrued royalty revenue	3,130	2,388	–	–
Prepaid rents	3,389	2,807	1,452	599
Other	9,782	8,598	1,976	3,859
Total	16,301	13,793	3,428	4,458

NOTE 20 LIABILITIES

Non-current and current interest-bearing loans	Group		Parent Company	
	Dec. 31 2012	Dec. 31 2011	Dec. 31 2012	Dec. 31 2011
Bank overdraft facilities	20,000	20,000	20,000	20,000
Total available credit lines	20,000	20,000	20,000	20,000
Unutilized available credit lines	20,000	20,000	20,000	20,000

Bank overdraft facilities were not utilized at any point in 2012. The company pays contractual interest amounting to 0.4 percent of the facility.

Other non-current liabilities

Other non-current and current liabilities include a reported liability to the seller of the Björn Borg trademark totaling SEK 28,313 thousand (of which SEK 6,667 thousand will be paid within 12 months and SEK 21,656 thousand within 4 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.

The minority owner of Björn Borg Sport in the Netherlands, Baseline, has lent SEK 8,899 thousand to the company on market-rate terms.

In spring 2012 Björn Borg issued a five-year senior unsecured bond loan of SEK 200 million. The offer was fully subscribed after broad interest was expressed by both individual and institutional investors. The proceeds were received in April. The purpose of the issue was to increase financial flexibility and preparedness

for Björn Borg's future development and growth ambitions through current and future projects. At the same time the capital injection increased the capacity to maintain a high, stable dividend level until the annual contingent consideration for the acquisition of the trademark Björn Borg terminates in 2016. The bond loan has an annual coupon rate corresponding to the three-month STIBOR plus 3.25 percentage points and matures in April 2017. The bond loan was listed on NASDAQ OMX Stockholm in early May. The company repurchased corporate bonds with a nominal value of SEK 5 million in 2012 without a material effect on the Group's results, due to which the carrying amount of the bond loan after the repurchase and transaction expenses of about SEK 3 million amounted to SEK 192.3 million as of December 31, 2012.

The fair value of the bond loan as of December 31 amounted to SEK 195 million (–). The carrying amount of other non-current liabilities is considered a good approximation of fair value.

As a condition for the above-mentioned bond loan, the company has committed to maintain a ratio between the Group's net debt and operating profit before depreciation/amortization not exceeding 3.00 as of the last day of each quarter as well as an equity/assets ratio of at least 30 percent. As of December 31, 2012 the ratio was –0.75 (positive net cash) and the equity/assets ratio was 49.6 percent (72.1). For a complete account of other assumptions and conditions for the bond loan, refer to the prospectus, which is available in Swedish on the company's web site and from the Swedish Financial Supervisory Authority. There were otherwise no changes in pledged assets and contingent liabilities compared with December 31, 2011.

NOTE 21 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	Dec. 31 2012	Dec. 31 2011	Dec. 31 2012	Dec. 31 2011
Accrued royalty expenses	6,313	5,762	–	–
Personnel-related items	11,082	6,389	4,426	2,189
Accrued management expenses	399	1,499	399	1,499
Other	11,823	13,896	4,773	3,128
Total	29,617	27,546	9,599	6,815

NOTE 22 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets	Group		Parent Company	
	Dec. 31 2012	Dec. 31 2011	Dec. 31 2012	Dec. 31 2011
Chattel mortgages	18,000	18,000	–	–
Shares in subsidiaries	299,765	275,155	40,216	40,216
Total	317,765	293,155	40,216	40,216

Contingent liabilities	Group		Parent Company	
	Dec. 31 2012	Dec. 31 2011	Dec. 31 2012	Dec. 31 2011
Rental guarantee and other guarantees	4,020	5,217	1,968	1,968
Total	4,020	5,217	1,968	1,968

In addition to the above, the Parent Company has issued a surety on behalf of the subsidiary Björn Borg Retail AB.

NOTE 23 EARNINGS PER SHARE

	2012	2011
Earnings per share, SEK	2.11	4.19
Earnings per share, SEK (after dilution)	2.11	4.19
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
Number of shares, weighted average (after dilution)	25,148,384	25,180,574

As of year-end 2012 there were no outstanding warrants.

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

Group	2012	2011
Accounts and loans receivable	-894	-1,632
Financial liabilities at amortized cost	-633	652
Financial assets at fair value through profit or loss	3,748	170
Total	2,221	-810

NOTE 25 DIVIDEND PER SHARE

The Annual General Meeting on May 3, 2012 approved a distribution of SEK 100,594 thousand for the financial year 2011, corresponding to SEK 4.00 per share.

The Board of Directors has decided to recommend to the AGM a distribution of SEK 3.00 per share for the financial year 2012. 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 3.00 per share. Payment for the redemption shares, contingent on the approval of the AGM, is expected to be made around May 24, 2013. The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 75,445 thousand (100,594).

NOTE 27 FINANCIAL ASSETS AND LIABILITIES

Group Dec. 31, 2012	Measured at fair value through profit or loss	Accounts receivable and liabilities	Other financial amount	Total carrying value	Fair liabilities	Non-financial assets and assets	Total
Accounts receivable	–	93,994	–	93,994	93,994	–	93,994
Investments	163,979	–	–	163,979	163,979	–	163,979
Cash and bank balances	–	116,195	–	116,195	116,195	–	116,195
Total financial assets	163,979	210,189	–	374,169	374,169	–	374,169
Other non-current liabilities	–	–	223,269	223,269	225,986	–	223,269
Other current liabilities	–	–	6,667	6,667	6,667	13,297	19,964
Accounts payable	–	–	32,780	32,780	32,780	–	32,780
Total financial liabilities	–	–	262,714	262,714	262,714	13,297	276,012

Group Dec. 31, 2011	Measured at fair value through profit or loss	Accounts receivable and liabilities	Other financial amount	Total carrying value	Fair liabilities	Non-financial assets and assets	Total
Accounts receivable	–	57,843	–	57,843	57,843	–	57,843
Cash and bank balances	–	158,042	–	158,042	158,042	–	158,042
Total financial assets	–	215,885	–	215,885	215,885	–	215,885
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
Total financial liabilities	–	–	60,868	60,868	60,868	17,385	78,253

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.

NOTE 26 NET FINANCIAL ITEMS

Group	Group		Parent Company	
	2012	2011	2012	2011
Change in exchange rates	73	576	–	55
Interest income*	9,535	3,296	8,934	2,626
Other financial income**	3,162	189	3,748	169
Total financial income	12,770	4,061	12,682	2,850
Change in exchange rates	-3,343	-85	-1,551	-42
Interest expenses*	-8,874	-1,174	-23,325	-15,532
Interest expense Trademarks*	-1,389	-1,636	–	–
Other financial expenses*	-72	-247	–	–
Total financial expenses	-13,679	-3,142	-24,876	-15,574
Net financial items	-909	920	-12,194	-12,724

* The item relates in its entirety to financial assets and liabilities which are not measured at fair value, with the exception of interest income of SEK 5.6 million (–) related to assets measured at fair value.

** Of which SEK 2,768 thousand (170) relates to unrealized changes in short-term investments at fair value through profit or loss.

NOTE 28 EVENTS AFTER THE BALANCE SHEET DATE

In February 2013 Björn Borg AB acquired 75 percent of the shares in Fashion Case Retail Oy in Finland, previously owned by the Finnish distributor. An experienced local partner acquired the remaining 25 percent. The acquired company changed its name in February 2013 to Björn Borg Finland Oy.

The Finnish operations currently consist of wholesaling of underwear, sports-wear and bags as well as a Björn Borg store in Helsinki. The brand has a strong position in Finland, which today is Björn Borg's sixth largest market. The company sees the potential for further growth.

In 2012 the Finnish operations had a turnover of approximately SEK 31.6 million with operating profit of about SEK 1.7 million. About 50 percent of its turnover was consolidated in the Björn Borg Group's revenue as sales of underwear and sports-wear from the Group to the Finnish distributor in 2012. The acquired operations are included in Wholesale segment as of the acquisition date.

The total purchase price amounted to EUR 1,052,500 including the non-controlling interest. Of that total, 75 percent (EUR 789,375, of which Björn Borg's share was EUR 592,031) was paid in cash on the acquisition date and the remainder will be paid in February 2014 (EUR 262,500, of which Björn Borg's share is EUR 196,875). There are no conditions associated with the contingent consideration. Acquisition costs amounted to SEK 260 thousand and have been expensed in 2012 and 2013.

Carrying amounts of acquired net assets as of acquisition date	
	SEK thousands
Non-current assets	527
Current assets	
Inventory	6,427
Accounts receivable	1,597
Other current assets	311
Current liabilities	
Accounts payable	3,993
Other current liabilities	1,601
Identifiable asset and liabilities, net	3,268
Goodwill arising from the acquisition	
Transferred compensation including non-controlling interest	9,069
Less Fair value of acquired net assets	3,268
Goodwill on acquisition*	5,801

* The above acquisition analysis is preliminary, since Björn Borg, due to the relatively short time between the acquisition and publication of the annual report, is still finalizing the acquisition balance sheet. Consequently, the final acquisition analysis could change compared with the preliminary figures above. The goodwill which arose in connection with the acquisition and is recognized locally in the Finnish company is expected to be tax deductible.

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 15, 2013

Fredrik Lövstedt
Chairman

Kerstin Hessius

Fabian Månsson

Mats H Nilsson

Vilhelm Schottenius

Michael Storåkers

Arthur Engel
President

Our audit report was submitted on March 18, 2013
Deloitte AB

Fredrik Walméus
Authorized Public Accountant

AUDIT REPORT

To the Annual General Meeting of Björn Borg AB (publ)
Company reg. no. 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 January 1, 2012–December 31, 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 43–68.

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 in accordance with the Annual Accounts Act and of the 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 judgment, 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 December 31, 2012 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 December 31, 2012 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 January 1, 2012–December 31, 2012.

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 loss 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 18, 2013
Deloitte AB

Fredrik Walmeus
Authorized Public Accountant

THE SHARE

The Björn Borg share was listed on the Mid Cap list of NASDAQ OMX Nordic in Stockholm on May 7, 2007, but has been on the Small Cap list since January 2, 2013. The share, which is traded under the ticker symbol BORG, 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 28, 2012 was SEK 35.00, giving Björn Borg a market capitalization of SEK 880 million. A total of 7,860,009 shares were traded in 2012 at a value of approximately SEK 301 million. The average daily turnover was 62,630 shares. The share price fell during the year by SEK 0.20, essentially remaining unchanged. The share reached a high of SEK 51 and dipped to a low of SEK 31.80.

INCENTIVE SCHEME

There are currently no incentive schemes in the company.

BOND LOAN

On March 30, 2012 Björn Borg issued a five-year senior unsecured bond loan of SEK 200 million. The bond loan has an annual coupon rate corresponding to the three-month STIBOR plus 3.25 percentage points and matures in April 2017. The bonds have been listed on NASDAQ OMX Stockholm since May 4 and are traded under the ticker symbol BORG 001 02.

SHARE PRICE PERFORMANCE



CHANGES IN SHARE CAPITAL

Year	Transaction	Change in no. of shares	Total no. of shares	Change in share capital, SEK	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	2,821,461	11.22%
Fredrik Lövstedt through company	2,600,040	10.34%
Robur	1,886,065	7.50%
Mats H Nilsson directly or through related parties	1,478,440	5.88%
Fourth Swedish National Pension Fund	1,128,025	4.49%
Vilhelm Schottenius	1,023,520	4.07%
Danske Invest Sverige	911,000	3.62%
JP Morgan Bank	730,500	2.90%
Nils Vinberg	710,680	2.83%
Avanza Pension	609,558	2.42%
Total, 10 largest shareholders	13,899,289	55.27%
Total, other	11,249,095	44.73%
Total number of shares	25,148,384	100.00%

According to share register on December 30, 2012; shareholders grouped by company.

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

Size of holding	No. of shareholders	No. of shares	Capital and votes, %
1 – 500	4,744	827,799	3.29%
501 – 1,000	931	810,048	3.22%
1,001 – 5,000	766	1,799,380	7.16%
5,001 – 10,000	97	719,177	2.86%
10,001 – 15,000	36	476,570	1.90%
15,001 – 20,000	21	365,781	1.45%
20,001 –	70	20,149,629	80.12%
Total	6,665	25,148,384	100.00%

According to Euroclear Sweden AB on December 30, 2012.

DATA PER SHARE

	2012	2011	2010	2009	2008
Earnings per share before dilution, SEK	2.11	4.19	3.61	3.22	3.96
Earnings per share after full dilution, SEK	2.11	4.19	3.57	3.21	3.96
Number of shares outstanding on closing day	25,148,384	25,148,384	25,148,384	25,148,384	25,059,184
Average number of shares outstanding	25,148,384	25,148,384	25,148,384	35,111,217	25,041,134
Average number of shares outstanding after dilution	25,148,384	25,180,574	25,470,202	25,230,128	25,075,500

BOARD OF DIRECTORS AND AUDITORS



Fredrik Lövstedt
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



Kerstin Hessius
Director since 2010.
b. 1958.
B.Sc. Econ.
Other assignments: CEO of Third Swedish National Pension Fund (AP3), Director of Vasakronan AB, Hemsö Fastighets AB, SPP Livförsäkring AB, Svedab, AIAB, Öresundskonsortiet and Emory Center for Alternative Investments.
Background: Former CEO of Stockholmsbörsen, Deputy Governor of Sveriges Riksbank, Managing Director of Asset Management at Danske Bank and various top positions at Alfred Berg/ABN Amro.
Shares in Björn Borg: 21,000



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: 7,000.



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, Nilörngruppen AB, Stampen Media Partner AB, Sportmanship Invest AB, Identity Works AB, Saddler Scandinavia AB, Golfstore Group AB, C Jahn AB, the 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 and Rodebjör AB.
Background: Former Director of the Stockholm School of Economics, Stockholm Business Region AB, Koncept AB, Fortum Värme and Chairman of Pysslingen 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 31, 2012.

SENIOR MANAGEMENT



Arthur Engel
President.
b. 1967.
Recruited 2008.
B.Sc. Econ.
Other assignments: Director of Marimekko Corporation and Reliance Brands Ltd.
Background: Former President of Gant.
Shares in Björn Borg: 25,000.



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: 12,000.



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: 4,700.



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.



Stergios Constantakis
International Retail Director
b.1966
Recruited 2012
B.Sc. Econ.
Background: VP & Sales Manager at Himla AB, CEO of Hasta AB, Sales Manager at Top-Toy A/S, Sales Manager at Kvik A/S, various positions at Svenska McDonalds AB.
Shares in Björn Borg: 0.



Lina Söderqvist
Marketing Manager
b.1970
Recruited 2012
B.Sc. Econ.
Background: CEO and Project Manager at King reklambyrå, Project Manager and co-founder of Marrakech Reklambyrå, Project Manager at Leo Burnett Reklambyrå.
Shares in Björn Borg: 0.

Shareholdings and warrant holdings as of December 28, 2012.

CORPORATE GOVERNANCE REPORT 2012

The Björn Borg share is listed on NASDAQ OMX Nordic in 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 noncompliance, describe the solution it has selected instead and state the reasons why. In 2012 Björn Borg applied the Code without any non-compliance.

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 remuneration. 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 April 17, 2013. 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 2012

The 2012 AGM was held in Stockholm on May 3, 2012. The AGM resolved to reelect Directors Mats H Nilsson, Vilhelm Schottenius, Michael Storåkers, Fabian Månsson and Kerstin Hessius, and re-elected Fredrik Lövstedt as Chairman. The AGM also resolved to transfer earnings to the shareholders through an automatic redemption and granted limited authorization to 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 2012 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, 2012. The Nomination Committee, whose composition was published on the Group's web site in November 2012, consists of the following members for the 2013 AGM:

- Fredrik Lövstedt, Chairman of the Board
- Mats H Nilsson, representing himself as a shareholder
- Marianne Flink, representing Swedbank Robur Fonder
- Johan Strandberg, representing SEB Fonder.

Johan Strandberg has been named Chairman of the Nomination Committee. According to the resolution of Björn Borg's 2012 AGM, the Nomination Committee's mandate is to propose to the 2013 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 February 28, 2013 the Nomination Committee has held three meetings at which minutes were taken, in addition to other contacts. 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 May 3, 2012 reelected Directors Fredrik Lövstedt, Mats H Nilsson, Vilhelm Schottenius, Michael Storåkers, Kerstin Hessius and Fabian Månsson. Fredrik Lövstedt 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 2012 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 Lövstedt, was not considered independent in relation to the company's major shareholders due to his shareholding.

The Board is assisted by an external secretary. For more information on the Directors, see page 72 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 21, 2012, define the principles for Board work, the delegation between the Board and the President, and financial reporting.

Board work

In 2012 the Board held eight scheduled meetings, four of which were in connection with the quarterly financial reports, one per capsulam in connection with the preparations for the AGM, an extraordinary meeting during the fall to address, among other things, the Finnish acquisition, another extraordinary meeting per capsulam and one strategy meeting to adopt 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 Lövstedt and Mats H Nilsson to prepare proposals on remuneration and other terms of employment for Senior Executives. In 2012 the Committee held four meetings, and both 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 Lövstedt, Mats H Nilsson and Kerstin Hessius. The President (Arthur Engel) participated in the meetings in 2012 as a co-opted member. The Audit 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 2012, all in connection with the quarterly reports. All of the Committee's members attended all of the meetings. 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 21, 2012. 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 73 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 2012 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 2013 AGM.

Further information on the auditors can be found on page 72 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 2012 AGM, the Chairman received remuneration of SEK 325,000 and other Directors received SEK 125,000. For committee work in 2012, 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 50,000 and the Chairman was paid SEK 75,000.

According to the remuneration guidelines for Senior Executives approved by the 2012 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 no outstanding incentive schemes based on shares or other financial instruments in the company. An incentive scheme based on warrants in the company, adopted by the 2008 AGM, expired in 2012 without any subscriptions.

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

Directors' attendance in 2012

	Feb 8	Mar 26**	May 3	Aug 21	Oct 8	Nov 8	Nov 13**	Dec 14
Nils Vinberg	1	1	1	*	*	*	*	*
Monika Elling	1	1	–	*	*	*	*	*
Fredrik Lövstedt	1	1	1	1	1	1	1	1
Vilhelm Schottenius	1	1	1	1	1	1	1	1
Mats H Nilsson	1	1	1	1	1	1	1	1
Michael Storåkers	–	1	1	1	1	–	1	1
Fabian Månnsson	1	1	1	1	1	1	1	1
Kerstin Hessius	1	1	1	–	1	1	1	1
No. of attendees	7 (of 8)	8 (of 8)	7 (of 8)	5 (of 6)	6 (of 6)	5 (of 6)	5 (of 6)	6 (of 6)

* Left the Board at the 2012 AGM.

**Meeting held per capsulam with all members participating in the decisions.

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 representatives of the company's management leave the meeting, so that the Directors can dialogue 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. The following report on internal control over financial reporting for 2012 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 statement 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. Information reporting and financial reporting for all subsidiaries is managed by Björn Borg's finance department. Foreign subsidiaries are managed locally. The company's auditors conduct the audit of the Group's financial reporting and review the processes, systems, routines and accounting work conducted by Björn Borg's 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

The shares in Björn Borg AB are listed on the Small 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 6,665 shareholders at year-end. The largest shareholder as of December 31, 2012 was SEB, which held 11.2 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, 2012

SEB	2,821,461	11.2%	
Fredrik Lövstedt through company	2,600,040	10.3%	
Robur	1,886,065	7.5%	
Mats H Nilsson directly or through related parties	1,478,440	5.9%	
Fourth Swedish National Pension Fund	1,128,025	4.5%	
Vilhelm Schottenius	1,023,520	4.1%	
Danske Invest Sverige	911,000	3.6%	
JP Morgan Bank	746,904	2.9%	
Nils Vinberg	711,080	2.8%	
Avanza Pension	609,558	2.4%	
Total	13,899,289	55.3%	
Total number of shares	25,148,384	100.0%	

AUDITORS' REPORT ON THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of the shareholders of Björn Borg AB (publ),
company identity number 556658-068368

It is the Board of Directors who is responsible for the corporate governance report for the year 2012 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, March 18, 2013
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 & luggage) 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 Wirtén Design Group.

Photography Björn Borg's image archive and Karl Johan Larsson.

Printing TMG Sthlm, 2013.

OTHER INFORMATION

ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders will be held on Wednesday, April 17, 2013 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 Euroclear Sweden AB on Thursday, April 11, 2013 and must notify the company of their intention to participate by this date (Thursday, April 11, 2013) 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.com. 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 through Björn Borg's web site (corporate.bjornborg.com/sv).

Shareholders whose shares are registered in the name of a nominee must temporarily re-register the shares in their own names with Euroclear Sweden AB to be entitled to participate in the meeting. For re-registration to be completed by Thursday, April 11, 2013, shareholders must inform nominees well in advance of this date.

2013 CALENDAR

Annual General Meeting 2013	April 17, 2013
Interim report January – March 2013	May 17, 2013
Interim report, January – June 2013	August 23, 2013
Interim report, January – September 2013	November 8, 2013

FINANCIAL REPORTS

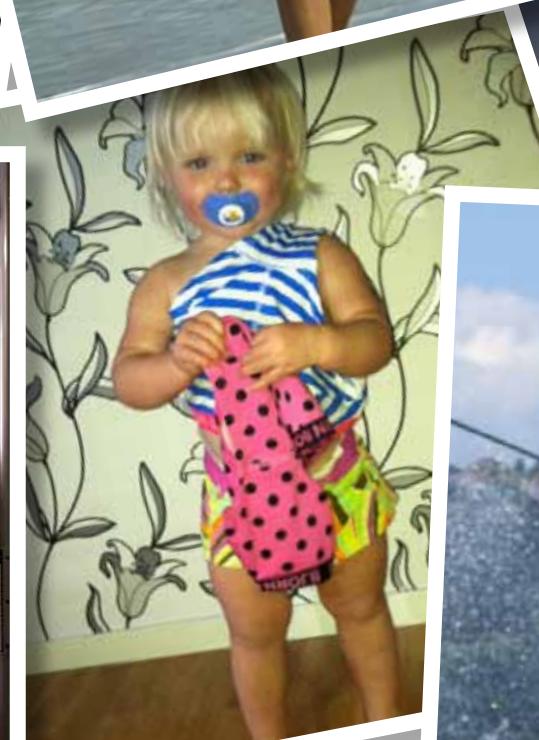
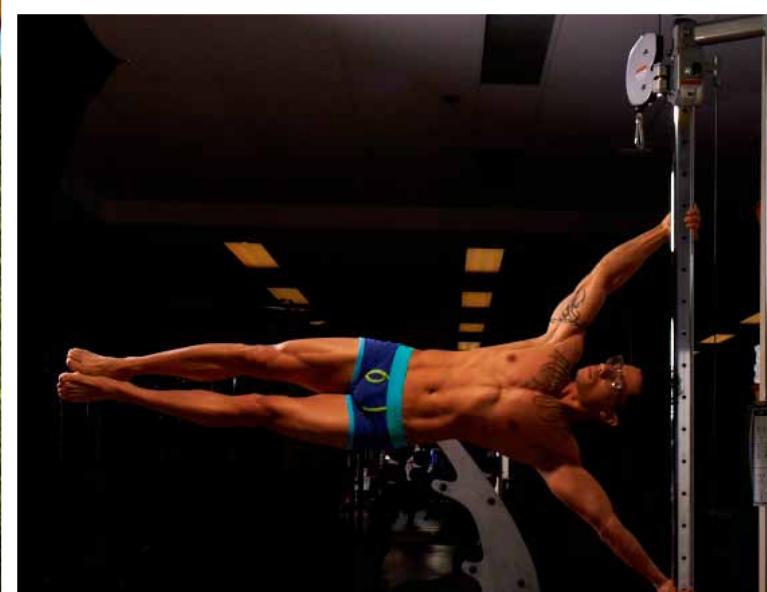
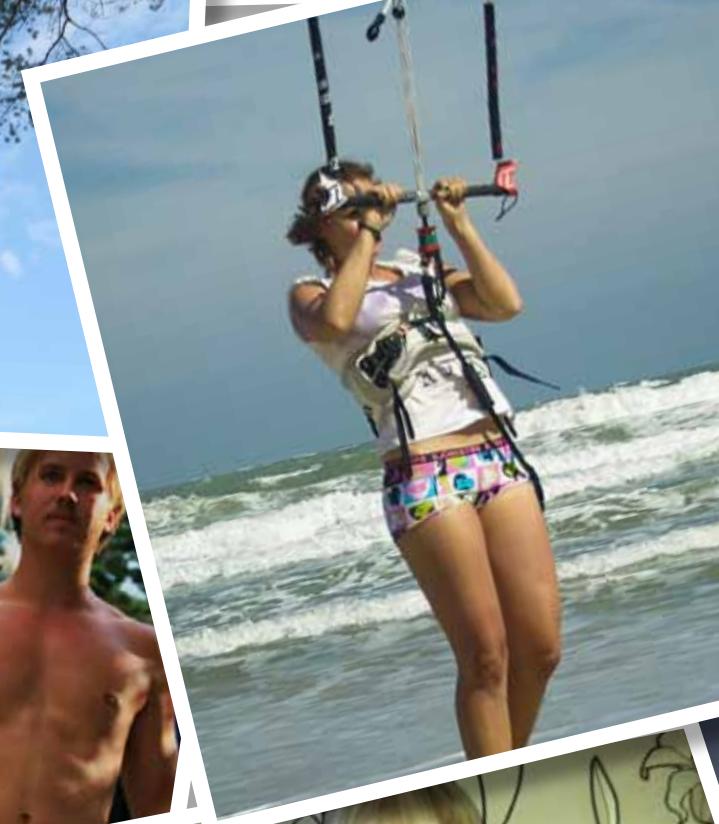
Financial reports can be downloaded from the company's web site, www.bjornborg.com or ordered by telephone +46 8 506 33 700 or by e-mail info@bjornborg.com.

SHAREHOLDER CONTACT

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BJÖRN TO SKI TROPHY
HUT BC CANADA,
BACKCOUNTRYCANUCK







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