



# BJÖRN BORG

## BJÖRN BORG AB INTERIM REPORT JANUARY – SEPTEMBER 2013

### Continued positive home market

#### JULY 1 – SEPTEMBER 30, 2013

- The Group's net sales decreased by 4 percent to SEK 159.8 million (166.8). Excluding currency effects, sales decreased by 3 percent.
- The gross profit margin was 51.7 percent (49.5).
- Operating profit amounted to SEK 23.6 million (35.2).
- Profit after tax amounted to SEK 15.5 million (25.1).
- Earnings per share before and after dilution amounted to SEK 0.74 (1.11).
- During the quarter the Board of Directors decided to discontinue the operations in China in 2013.
- The Dutch distributor sought in September to reconstruct its retail operations.
- At the end of the quarter CEO Arthur Engel announced he is leaving the company. Vice President Henrik Fischer is taking over as Acting CEO from 11 November.

#### JANUARY 1 – SEPTEMBER 30, 2013

- The Group's net sales decreased by 3 percent to SEK 399.0 million (412.8). Excluding currency effects, sales were down 1 percent.
- The gross profit margin was 50.5 percent (49.7).
- Operating profit amounted to SEK 33.7 million (54.7).
- Profit after tax amounted to SEK 24.9 million (35.3).
- Earnings per share before and after dilution amounted to SEK 1.26 (1.65).

#### QUOTE FROM THE CEO

"We saw a slight decline in revenue in the third quarter, from lower purchases from the Netherlands. The drop in earnings comes from the deterioration in sales to the Netherlands as well as costs for marketing activities and for the operations in China, which we are now in the process of winding down. Obviously, we are not pleased with this weak performance, but at the same time there are factors that suggest opportunities for greater stability going forward. For example, our retail sales rose by 11 percent during the quarter for comparable units," said Arthur Engel, who is stepping down from his position as CEO of Björn Borg in connection with this report. Vice President Henrik Fischer is taking over as Acting CEO.

SEK millions	July–Sept 2013	July–Sept 2012	Jan–Sept 2013	Jan–Sept 2012	Oct 2012– Sept 2013	Full-year 2012
Net sales	159.8	166.8	399.0	412.8	537.6	551.4
Gross profit margin, %	51.7	49.5	50.5	49.7	50.8	50.2
Operating profit	23.6	35.2	33.7	54.7	48.8	69.8
Operating margin, %	14.8	21.1	8.4	13.3	9.1	12.7
Profit after tax	15.5	25.1	24.9	35.3	36.8	47.2
Earnings per share, SEK	0.74	1.11	1.26	1.65	1.71	2.11
Brand sales*	482	485	1,189	1,221	1,566	1,598

\* Estimated total sales of Björn Borg products at the consumer level, excluding VAT, based on reported sales at the wholesale level.



## CEO'S COMMENT

During the third quarter we reported a slight sales decrease mainly due to the Dutch operations. On the other hand, our wholesaling operations have developed positively. The earnings decline was mainly caused by planned marketing investments during the period and by continuing costs for the Chinese operations we are now winding down. Obviously, we are not pleased with the weak performance in the Netherlands, but at the same time there are factors that suggest opportunities for greater stability going forward.

### Operations in Sweden and internationally

As previously announced, the operations in China are being wound down and we expect all material costs associated with these operations to end in 2013. We can therefore exclude the negative effect on earnings of SEK 8.2 million for the first nine months of the year. In September we also announced that our Dutch distributor had sought permission to reconstruct its retail operations owing to the tough macroeconomic situation in the country. The process is under way, and the plan is to significantly reduce the retail network, which currently consists of 24 Björn Borg stores. It is gratifying to note that the distributor's wholesale operations, which generate the majority of revenues in the country, are profitable and performing well. Despite a smaller retail network, we still believe sales could eventually be shifted to other channels, including e-commerce.

In the previous quarterly report I wrote that we saw signs of stabilization in the Swedish market and the rest of the Nordic region. This remains true, and we can add that our own retail operations did well during the quarter, with a sales increase of 11 percent for comparable units. The new retail concept applied in our Björn Borg store in the Täby Centrum shopping center, which was opened in September, has been well received.

It is also positive that our operations in England continue to perform well, as is also true in Finland, where we opened a new store in Helsinki after the end of the quarter. In other

markets we feel that sell-through is satisfactory, with third-quarter brand sales practically unchanged.

### Several marketing activities during the quarter

Several major marketing activities that had long been planned were implemented during the third quarter, including sponsorship of the Pride Festival in Stockholm and, most importantly, a major event arranged together with MTV in London in the run-up to this fall's big campaign – Björn Borg says JA! to Weapons of Mass Seduction. The campaign, which has spread mainly through digital channels, has gotten a very strong response in our key markets. In Sweden, for example, our commercial was viewed over 500,000 times on YouTube during a one-month period this fall, making Björn Borg the fastest-growing brand in that channel a couple of weeks ago. Björn Borg's strong presence in social media in the last year has made us one of the ten largest branded channels on Swedish YouTube. This has been important to sales and, in the long term, to building the brand. It is also an example of how we are working to maximize the benefits of our marketing investments.

As announced in September, I have decided to step down as CEO of Björn Borg after five years. They have been enriching and intense years with fantastic colleagues, and we have worked hard to make Björn Borg a more distinctive brand. Because the recruitment of a successor generally takes time and since we have a Vice President in Henrik Fischer who understands how the Group is managed, he will take over and lead the business as Acting CEO beginning next week, which we see as a good solution for everyone concerned. I would like to take this opportunity to thank our shareholders, Board of Directors, employees, distributors, customers and all the others who I have worked with over these years for their cooperation and for the privilege of leading Björn Borg.

Arthur Engel, Chief Executive Officer





## OPERATIONS

### Brand sales

Brand sales (excluding VAT) decreased by 1 percent to SEK 482 million (485) during the third quarter and by 3 percent to SEK 1,189 million (1,221) during the first nine months of the year. Changes in exchange rates have had a mixed effect on brand sales. Adjusted for currency effects, sales were down 2 percent for the quarter and 1 percent for the nine-month period.

### Product areas in the first nine months of 2013

Brand sales in the underwear product area fell by 8 percent during the first nine months, in line with a weak retail sector, especially in the Netherlands. Underwear accounted for 56 percent (59) of brand sales during the period.

Sales in the sportswear, footwear and eyewear product areas noted solid increases during the first nine months, while bags and fragrances reported declines. In total, sales of other products increased by 6 percent during the first nine months.

### Brand sales\* of Björn Borg products Jan–Sept 2013. Total SEK 1,189 million (1,221)



\* Estimated total sales of Björn Borg products at the consumer level, excluding VAT, based on reported sales at the wholesale level.

\*\* **Underwear:** Men's and women's underwear, swimwear, socks and adjacent products.  
**Other products:** Sportswear, fragrances, footwear, bags and eyewear.

### Markets in the first nine months of 2013

As of 2013 Finland is reported as a separate market. Among large markets, Belgium and Finland saw good growth. Norway and Denmark were practically unchanged, while the Netherlands retreated. Among smaller markets, England and France had good growth numbers.

### Björn Borg stores

During the third quarter Björn Borg closed one of its own stores in China. In addition, the Dutch distributor closed two of its stores. As of September 30, 2013 there were a total of 54 (59) Björn Borg stores, of which 16 (13) are Group-owned. After the end of the quarter the Group opened a store in the Forum shopping center in Helsinki, Finland as well as an outlet at Wembley in London, England. The second store in China was shut down as well.

### Björn Borg in Finland

In early 2013 Björn Borg acquired the distributor Fashion Case in Finland. The Finnish operations currently consist of wholesale underwear, sportswear and bags as well as one Björn Borg store. (A second store was opened in October.) Björn Borg is the principal owner (75 percent), while an experienced local partner is a minority owner. The total purchase price was approximately SEK 9 million. For further information, see note 2 of this report.

Björn Borg expects the acquired Finnish operations to contribute positively to the Group's operating profit before depreciation and amortization in 2013.

### Björn Borg in China

In the third quarter the Board of Directors decided to discontinue Björn Borg's operations in China in 2013. This is not expected to have any significant financial consequences for the Björn Borg Group beyond the operating losses already planned in the current year. By the end of 2013 the company does not expect to have any material costs related to China.

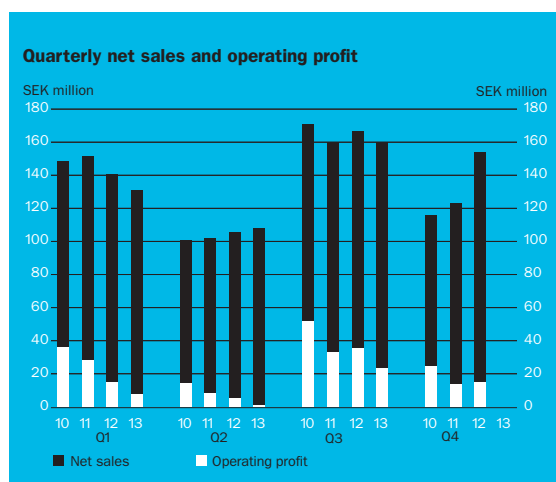
### Reconstruction of Dutch distributor's retail network

Björn Borg's distributor in the Netherlands is reconstructing its retail operations. The plan is to significantly reduce the network, which currently consists of 24 Björn Borg stores. This decision is rooted in the Dutch market's persistent weakness, due to which several stores have underperfor-

med. The distributor's wholesale operations, which generate the majority of brand sales in the country, are managed by a separate company not included in the reconstruction. These operations are profitable and have developed positively. The reconstruction is scheduled to be complete by December 31, 2013. Björn Borg anticipates that a reconstruction of the Dutch retail network according to the current plan would reduce the Group's annual sales by about 3-4 percent based on 2012 sales.

## THE GROUP'S DEVELOPMENT

Sales were slightly lower during the third quarter with a decrease in operating profit.



### Sales

#### Third quarter, July–September 2013

Group sales during the third quarter amounted to SEK 159.8 million (166.8), a decrease of 4 percent. Excluding currency effects, sales fell by 3 percent. The underwear product company reported lower revenue as a result of a smaller order book for the holiday collection. Sales for the sportswear product company also fell slightly compared with the same quarter in 2012. These decreases were mainly due to the situation in the Netherlands, where the distributor launched a reconstruction of its retail operations, adversely affecting sales. The largest increases were in the Group's Swedish retail operations, which had another good quarter, and the Finnish subsidiary, which was acquired earlier in the year. Swedish wholesale underwear declined, while footwear reported a slight increase. E-commerce posted continued strong growth. Other operations had no significant increases or decreases year-on-year.

#### Nine-month period, January–September 2013

Group sales amounted to SEK 399.0 million (412.8) during the first nine months of the year, a decrease of 3 percent. Excluding currency effects, sales were practically unchanged. The biggest decline was by the Swedish underwear product company due to a lower order book for the fall/winter and holiday collections, combined with a smaller share of the spring/summer collection shipped in early 2013 than the same period in 2012. Market conditions in the Netherlands, together with the ongoing reconstruction of the local distributor's retail operations, were the main reason for the smaller collections during the year. The Finnish subsidiary acquired earlier in the year has positively contributed to Group sales. Swedish wholesale footwear and the Group's Swedish retail operations saw their sales increase. Other Group companies reported only minor year-on-year increases or decreases during the first nine months.

### Profit

#### Third quarter, July–September 2013

The gross profit margin for the third quarter increased to 51.7 percent (49.5), partly due to improved margins in the underwear product company.

Operating profit decreased during the quarter by 33 percent to SEK 23.6 million (35.2) with an operating margin of 14.8 percent (21.1). The operations in China negatively affected operating profit by SEK 2.4 million (2.0). Since an improved gross profit margin compensated for the lower quarterly sales, the lower operating profit was largely due to higher operating expenses. In total, operating expenses rose by SEK 11.6 million during the quarter, partly due to a major event in London in September, the sponsorship of Stockholm Pride and other marketing activities. In addition, SEK 1.9 million was expensed on September 30 as severance for the resigning CEO.

The net financial expense improved to SEK 0.9 million, against a year-earlier expense of SEK 1.9 million. Profit before tax decreased to SEK 22.7 million (49.7).

#### Nine-month period, January–September 2013

The gross profit margin during the first nine months increased to 50.5 percent (49.7).

Operating profit decreased during the first nine months by 38 percent to SEK 33.7 million (54.7) with an operating margin of 8.4 percent (13.3). The lower sales reduced profit by SEK 3.5 million. The remaining decrease of SEK 17.5 million related to increased operating expenses, mainly additional expenses for the operations acquired in Finland and the Chinese operations. A larger number of Group-owned stores also added to operating expenses, mainly for personnel. Also included is the above-mentioned severance provision for the resigning CEO. The Chinese operations negatively affected operating profit by SEK 8.2 million (4.1).

Business segment	Revenue source	Sales, SEK thousands		Operating profit, SEK thousands		Operating margin	
		January–September 2013	2012	January–September 2013	2012	January–September 2013	2012
Brand	Royalties	62,030	62,118	13,378	14,506	22%	23%
Product development	Products	250,003	288,649	15,510	37,212	6%	13%
Wholesale	Wholesale revenues	202,281	170,345	17,413	12,597	9%	7%
Retail	Retailers	55,296	48,486	–12,607	–9,614	–23%	–20%
Less internal sales		–170,634	–156,821	–	–	–	–
<b>Total</b>		<b>398,976</b>	<b>412,777</b>	<b>33,694</b>	<b>54,701</b>	<b>8%</b>	<b>13%</b>

Net financial income increased to SEK 0.6 million, against a year-earlier expense of SEK 4.8 million. The realized and unrealized return on investments and cash & cash equivalents, less interest on the bond loan, positively affected the financial net by SEK 1.8 million. The remaining year-on-year increase is mainly due to the revaluation of financial assets and liabilities in foreign currency. Profit before tax decreased to SEK 34.2 million (49.9).

### Development by business segment

The Group consists of a total of 14 companies, eleven of which operate under the Björn Borg brand on every level from product development to wholesaling and consumer sales in its own Björn Borg stores.

#### Brand

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

Net sales reached SEK 62.0 million (62.1) during the first nine months of 2013. External sales amounted to SEK 30.2 million (33.6) and are reasonable relative to the slightly lower brand sales during the first nine months and the fact that the royalties Björn Borg Sport receives from its customers are also reported in the Brand segment.

Operating profit amounted to SEK 13.4 million (14.5), a decrease of 8 percent for the period, in line with the external revenue during the period as well as slightly higher expenses for branding activities during the first nine months of 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 250.0 million (288.6) during the first nine months of 2013, a decrease of 13 percent. External sales amounted to SEK 160.7 million (207.0), down 22 percent year-on-year. The decrease is due to the lower order book for the fall/winter underwear collection and the holiday collection shipped during the second and third quarters as well as a lower volume of underwear delivered during the first quarter compared with the previous year. External sportswear sales declined during the first nine months. As mentioned, the Dutch distributor's situation is a major reason for the decline in the collections. A stronger SEK had a negative effect on sales of about SEK 7.1 million for both product companies.

Operating profit decreased to SEK 15.5 million (37.2) due to the lower sales. Operating expenses were instead slightly lower than the same period in 2012. A weaker USD has also hurt operating profit.

#### Wholesale

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

Net sales for the wholesaling operations increased by 19 percent to SEK 202.3 million (170.3) during the first nine months of 2013. External sales amounted to SEK 161.1 million (130.4). The main reason for the growth was the Finnish operations, which are incorporated in the Group as of 2013. Swedish footwear wholesaling and the British operations noted slight increases, while Swedish underwear wholesaling declined slightly.

Operating profit amounted to SEK 17.4 million (12.6), in line with the higher net sales. A weaker USD has positively affected gross profit and operating profit in this segment.

#### Retail

*The Björn Borg Group owns and operates a total of 14 stores mainly in Sweden that sell underwear, sportswear and other products. Björn Borg also manages two factory outlets and e-commerce operations. This segment also includes the operations in China.*

Sales in the Retail segment increased by 14 percent during the first nine months of 2013 to SEK 55.3 million (48.5). External net sales in the Retail segment rose by 12 percent during the first nine months to SEK 47.0 million (41.8). The increase was due to continued strong growth in e-commerce and slight growth in the Group's Swedish stores. Outlets and comparable Björn Borg stores reported unchanged sales during the first nine months compared with the same period in 2012. The trend was more positive during the last two quarters, however, with an increase of 11 percent for comparable units in the third quarter.

The operating loss for the first nine months of the year amounted to SEK 12.6 million, against a year-earlier loss of SEK 9.6 million, partly due to the operations in China, asset write-offs in connection with the closure of the Helsingborg store and an expanded e-commerce organization.

#### Intra-Group sales

Intra-Group sales amounted to SEK 170.6 million (156.8) for the period.

### SEASONAL VARIATIONS

The Björn Borg Group is active in an industry with seasonal variations. Sales and earnings vary by quarter. See the figure on quarterly net sales and operating profit on page 4.

### INVESTMENTS AND CASH FLOW

Cash flow from operating activities in the Group amounted to SEK 1.0 million (12.3) during the first nine months of 2013. Lower operating profit was partly offset by lower tied-up working capital during the first nine months compared with the same period in 2012. At the same time tied-up working capital was higher than on September 30, 2012, mainly due to a higher inventory for the new operations in Finland as well as goods purchased for the Fragrances product area and lower accounts payable as of the closing date. Accounts receivable have decreased, however, compared with both September 30, 2012 and December 31, 2012.

Total investments in tangible and intangible non-current assets amounted to SEK 4.8 million (4.3) for the period, with the higher investments in 2013 largely due to the Swedish Group-owned stores.

During the quarter the company granted a loan of SEK 17 million to the Dutch distributor maturing on March 31, 2017 with quarterly amortizations of SEK 900,000 beginning on December 31, 2013. The purpose of the loan is to reduce older unsecured receivables from the Dutch distributor through a collateralized, interest-bearing loan. As of September 30 the company had paid out SEK 12.8 million of the loan limit. The lending has been classified in the statement of cash flows as part of the change in working capital during the period.

### FINANCIAL POSITION AND LIQUIDITY

The Björn Borg Group's cash & cash equivalents and investments amounted to SEK 189.5 million (254.3) at the end of the period. During the first nine months cash & cash equivalents and investments decreased by SEK 90.6 million, compared with a year-earlier increase of SEK 96.3 million. The decrease was largely due to the year's dividend of SEK 75.4 million.

In April 2012 the company issued a bond loan listed on NASDAQ OMX Stockholm that 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 2.2 million amounted to SEK 192.8 million as of September 30, 2013.

The surplus liquidity from the issuance of the bond loan is 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 September 30 investments had been made in bonds with a book value of SEK 145.1 million, which represents the fair value on the same date. As a rule, bonds in foreign currency are hedged.

### COMMITMENTS AND CONTINGENT LIABILITIES

As a commitment for the above-mentioned bond loan, the company has pledged to ensure that the ratio between the Group's net debt and operating profit before depreciation and amortization does not exceed 3.00 on the last day of each quarter and that the Group maintains an equity/assets ratio of at least 30 percent at any given time. As of September 30, 2013 the former ratio was 0.06 and the equity/assets ratio was 46.3 percent (48.3). A complete description of commitments and conditions of the bond loan is provided in the prospectus, which is available on the company's website and from the Swedish Financial Supervisory Authority.

No changes were otherwise made with regard to pledged assets and contingent liabilities compared with December 31, 2012.

### PERSONNEL

The average number of employees in the Group was 165 (131) for the 12-month period ending September 30, 2013, of whom 60 percent (60) are women. The increase in the number of employees was mainly due to the new operations in China and Finland.

### TRANSACTIONS WITH RELATED PARTIES

No transactions with related parties have been executed during the period.

### SIGNIFICANT RISKS AND UNCERTAINTIES

In its operations the Björn Borg Group is exposed to risks and uncertainties. Information on the Group's risks and uncertainties can be found on pages 46-47 and in note 3 in the annual report 2012.

### EVENTS AFTER THE BALANCE SHEET DATE

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

### NOMINATION COMMITTEE

In accordance with the resolution of the Annual General Meeting, Björn Borg's Nomination Committee for the 2014 AGM will be appointed by having the Chairman of the Board contact the company's four largest shareholders based on voting rights as of August 31, 2013, each of which appoints one member. Björn Borg's Nomination Committee for the 2014 AGM has the following composition:

- Fredrik Lövestedt, Chairman of the Board;
- Mats Nilsson, representing himself as a shareholder;
- Marianne Flink, representing Swedbank Robur funds;
- Johan Strandberg, representing SEB funds.

### ANNUAL GENERAL MEETING

The Annual General Meeting for the financial year 2013 will be held in Stockholm on April 10, 2014.

### 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 (dormant). In addition, the company owns 80 percent of the shares in Björn Borg UK, 75 percent of the shares in Björn Borg (China) Ltd, 75 percent of the shares in Björn Borg Finland Oy and 51 percent of the shares in Björn Borg Sport BV.

The Parent Company's net sales for the third quarter amounted to SEK 12.5 million (12.9). During the first nine months of the year the Parent Company's net sales amounted to SEK 37.2 million (37.7).

The loss before tax amounted to SEK 27.1 million for the third quarter, against a year-earlier loss of SEK 6.5 million, and SEK 44.7 million for the year's first nine months, compared with a loss before tax of SEK 30.2 million a year earlier. Due to the discontinuation of the Chinese operations, shares in and receivables from the subsidiary, totaling about SEK 13.5 million, were completely written off as of September 30. Cash & cash equivalents and short-term investments amounted to SEK 148.1 million (194.3) on September 30, 2013. Investments in tangible and intangible non-current assets amounted to SEK 0.5 million (1.2) for the period.

### NUMBER OF SHARES

Björn Borg currently has 25,148,384 shares outstanding.

### FINANCIAL OBJECTIVES

The financial objectives of Björn Borg's operations 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 to the financial objectives:

The long-term objectives will be achieved if established markets grow slightly below the average growth target and new markets contribute stronger growth.

The surplus liquidity generated while taking into account the new 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 any new Björn Borg stores are opened.

### ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. This condensed interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable provisions of the Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with chapter 9 of the Annual Accounts Act on interim reporting and RFR 2 Accounting in Legal Entities. The accounting principles applied in the interim report conform to the accounting principles applied in the preparation of the consolidated accounts and annual report for 2012, as described on page 56 in the annual report 2012, with the exception of the changes and new standard below.

### IFRS 13 Fair Value Measurement

The new standard IFRS 13 replaces the previous guidance in each standard on measurement at fair value. 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 the sale of an asset or the consideration that would be paid to transfer a debt in a normal transaction between market players on the measurement date ("exit price"). IFRS 13 has been applied prospectively as of January 1, 2013. The introduction of IFRS 13 has not had a material effect on the measurement of financial instruments by the Group and Parent Company.

IFRS 13 requires several quantitative and qualitative disclosures on measurement at fair value in the annual report. As a result of the requirements in IFRS 13, IAS 34 Interim Reporting has also been updated to include a requirement that interim reports released as of 2013 must also contain specific disclosures with respect to financial reports at fair value. The revision to IAS 34 also requires the disclosure in the interim report of the fair value of financial instruments recognized at amortized cost. See note 1 for these disclosures in the interim report.

**IAS 1 Presentation of Financial Statements (Presentation of items in other comprehensive income)**

The amendments in IAS 1 Presentation of Financial Statements require additional disclosures in other comprehensive income so that items in other comprehensive income are grouped into 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. Björn Borg's application of the amendments introduced in IAS 1 is indicated in the consolidated statement of comprehensive income. Because Björn Borg has no significant transactions related to items that will not be transferred to profit or loss, the introduction of the amendments to IAS 1 has not had a significant effect on the layout of the statement.

**Other IFRS revisions**

No new or revised IFRS standards and interpretations from IFRIC besides those mentioned above have been applied or have had a significant effect on the Group's or Parent Company's financial position, results or disclosures. Björn Borg has no significant defined-benefit pension plans, because of which the revised IAS 19 does not have any impact.

**AUDIT REPORT**

This interim report has been reviewed by the company's auditors. The review report can be found on page 14.

**OUTLOOK 2013**

As a policy, the company does not issue earnings forecasts.

## CONSOLIDATED INCOME STATEMENT

### Condensed

SEK thousands	Note	July–Sept 2013	July–Sept 2012	Jan–Sept 2013	Jan–Sept 2012	Oct 2012– Sept 2013	Full-year 2012
<b>Net sales</b>		<b>159,791</b>	<b>166,761</b>	<b>398,976</b>	<b>412,777</b>	<b>537,631</b>	<b>551,432</b>
Cost of goods sold		–77,204	–84,173	–197,473	–207,743	–264,533	–274,803
<b>Gross profit</b>		<b>82,587</b>	<b>82,588</b>	<b>201,503</b>	<b>205,034</b>	<b>273,098</b>	<b>276,628</b>
Distribution expenses		–41,229	–33,096	–115,146	–105,030	–154,810	–144,694
Administrative expenses		–15,077	–11,809	–42,787	–37,250	–56,533	–51,016
Development expenses		–2,671	–2,461	–9,876	–8,053	–12,956	–11,133
<b>Operating profit</b>		<b>23,610</b>	<b>35,222</b>	<b>33,694</b>	<b>54,701</b>	<b>48,779</b>	<b>69,786</b>
Net financial items		–915	–1,854	553	–4,773	4,417	–909
<b>Profit before tax</b>		<b>22,695</b>	<b>33,368</b>	<b>34,247</b>	<b>49,928</b>	<b>53,196</b>	<b>68,877</b>
Tax		–7,167	–8,313	–9,298	–14,585	–16,363	–21,650
<b>Profit for the period</b>		<b>15,527</b>	<b>25,055</b>	<b>24,949</b>	<b>35,343</b>	<b>36,833</b>	<b>47,227</b>
<b>Profit for the period attributable to:</b>							
Parent Company's shareholders		18,523	27,809	31,701	41,557	43,107	52,963
Non-controlling interests		–2,995	–2,754	–6,752	–6,214	–6,274	–5,736
Earnings per share before and after dilution, SEK		0.74	1.11	1.26	1.65	1.71	2.11
Number of shares		25,148,384	25,148,384	25,148,384	25,148,384	25,148,384	25,148,384

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### Condensed

SEK thousands	July–Sept 2013	July–Sept 2012	Jan–Sept 2013	Jan–Sept 2012	Oct 2012– Sept 2013	Full-year 2012
<b>Net profit for the period</b>	<b>15,527</b>	<b>25,055</b>	<b>24,949</b>	<b>35,343</b>	<b>36,833</b>	<b>47,227</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
<b>Components that will be reclassified to net profit for the period</b>						
Currency effect on translation of foreign operations	249	992	–736	1,126	–970	892
<b>Other comprehensive income for the period</b>	<b>249</b>	<b>992</b>	<b>–736</b>	<b>1,126</b>	<b>–970</b>	<b>892</b>
<b>Total comprehensive income for the period</b>	<b>15,776</b>	<b>26,047</b>	<b>24,213</b>	<b>36,469</b>	<b>35,863</b>	<b>48,119</b>
<b>Total comprehensive income attributable to</b>						
Parent Company's shareholders	18,772	28,801	30,965	42,683	42,137	53,855
Non-controlling interests	–2,995	–2,754	–6,752	–6,214	–6,274	–5,736



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### Condensed

SEK thousands	Note	Sept 30 2013	Sept 30 2012	Dec 31 2012
<b>Non-current assets</b>				
Goodwill	2	18,526	13,944	13,944
Trademarks		187,532	187,532	187,532
Other intangible assets		4,446	5,502	4,572
Tangible non-current assets		13,982	13,227	13,952
Long-term receivable	1	12,750	–	–
Deferred tax assets		35,314	43,062	35,283
<b>Total non-current assets</b>		<b>272,550</b>	<b>263,267</b>	<b>255,283</b>
<b>Current assets</b>				
Inventories, etc.		44,462	35,685	35,688
Accounts receivable		85,318	103,202	93,994
Other current receivables		40,964	32,138	29,250
Investments	1	145,067	144,424	163,979
Cash & cash equivalents		44,481	109,882	116,195
<b>Total current assets</b>		<b>360,292</b>	<b>425,331</b>	<b>439,106</b>
<b>Total assets</b>		<b>632,842</b>	<b>688,598</b>	<b>694,389</b>
<b>Equity and liabilities</b>				
Equity		292,991	332,565	344,216
Deferred tax liabilities		44,258	47,212	44,544
Other non-current liabilities		25,637	23,754	30,985
Bond loan	1	192,765	192,121	192,283
Accounts payable		22,536	39,431	32,780
Other current liabilities		54,656	53,515	49,581
<b>Total equity and liabilities</b>		<b>632,842</b>	<b>688,598</b>	<b>694,389</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### Condensed

SEK thousands	Equity attributable to Parent Company's shareholders	Non- controlling interests	Total equity
<b>Opening balance, January 1, 2012</b>	<b>400,815</b>	<b>–3,854</b>	<b>396,962</b>
Total comprehensive income for the period	42,683	–6,214	36,469
Distribution for 2011	–100,594	–	–100,594
Acquisition of non-controlling interests	–26	–79	–105
Dividend to non-controlling interests	–	–168	–168
Non-controlling interests that arose through formation of subsidiaries	–	2	2
<b>Closing balance, September 30, 2012</b>	<b>342,878</b>	<b>–10,314</b>	<b>332,565</b>
<b>Opening balance, January 1, 2012</b>	<b>400,815</b>	<b>–3,854</b>	<b>396,962</b>
Total comprehensive income for the year	53,855	–5,736	48,119
Distribution for 2011	–100,594	–	–100,594
Acquisition of non-controlling interests	–26	–79	–105
Dividend to non-controlling interests	–	–168	–168
Non-controlling interests that arose through formation of subsidiaries	–	2	2
<b>Closing balance, December 31, 2012</b>	<b>354,050</b>	<b>–9,835</b>	<b>344,216</b>
<b>Opening balance, January 1, 2013</b>	<b>354,050</b>	<b>–9,835</b>	<b>344,216</b>
Total comprehensive income for the period	30,965	–6,752	24,213
Distribution for 2012	–75,444	–	–75,444
Non-controlling interests that arose through acquisition	–	6	6
<b>Closing balance, September 30, 2013</b>	<b>309,571</b>	<b>–16,581</b>	<b>292,991</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

### Condensed

SEK thousands	Note	July–Sept 2013	July–Sept 2012	Jan–Sept 2013	Jan–Sept 2012	Full-year 2012
<b>Cash flow from operating activities</b>						
Before changes in working capital		18,219	27,985	17,701	43,952	62,460
Changes in working capital		–14,730	–25,622	–16,700	–31,657	–31,220
<b>Cash flow from operating activities</b>		<b>3,489</b>	<b>2,363</b>	<b>1,001</b>	<b>12,295</b>	<b>31,240</b>
Investments in intangible non-current assets		–328	–1,155	–694	–2,209	–2,679
Investments in tangible non-current assets		–1,380	–583	–4,075	–2,122	–3,843
Business combinations	2	–	–	–6,547	–	–
Investments/divestments		10,175	–3,968	18,532	–143,661	–161,211
<b>Cash flow from investing activities</b>		<b>8,467</b>	<b>–5,706</b>	<b>7,216</b>	<b>–147,992</b>	<b>–167,734</b>
Dividend/distribution		–	–	–75,444	–100,594	–100,594
Amortization of loans		–1,790	–1,667	–5,001	–5,001	–6,667
Change in long-term liabilities		–	–	–	–	8,899
Issuance of bond loan		–	–	–	196,778	196,778
Repurchase of bond loan		–	–	–	–4,950	–4,950
<b>Cash flow from financing activities</b>		<b>–1,790</b>	<b>–1,667</b>	<b>–80,445</b>	<b>86,233</b>	<b>93,466</b>
<b>Cash flow for the period</b>		<b>10,166</b>	<b>–5,010</b>	<b>–72,228</b>	<b>–49,464</b>	<b>–43,028</b>
Cash & cash equivalents at beginning of period		33,768	113,619	116,195	158,042	158,042
Translation difference in cash & cash equivalents		547	1,273	514	1,304	1,182
<b>Cash &amp; cash equivalents at end of period</b>		<b>44,481</b>	<b>109,882</b>	<b>44,481</b>	<b>109,882</b>	<b>116,195</b>

## KEY FIGURES

### Group

SEK thousands	July–Sept 2013	July–Sept 2012	Jan–Sept 2013	Jan–Sept 2012	Oct 2012– Sept 2013	Full-year 2012
Gross profit margin, %	51.7	49.5	50.5	49.7	50.8	50.2
Operating margin, %	14.8	21.1	8.4	13.3	9.1	12.7
Profit margin, %	14.2	20.0	8.6	12.1	9.9	12.5
Return on capital employed, %	12.5	15.5	12.5	15.5	12.5	15.9
Return on average equity, %	13.8	26.4	13.8	26.4	13.8	14.3
Profit attributable to Parent Company's shareholders	18,523	27,809	31,701	41,557	43,107	52,963
Equity/assets ratio, %	46.3	48.3	46.3	48.3	46.3	49.6
Equity per share, SEK	11.65	13.22	11.65	13.22	11.65	13.69
Investments in intangible non-current assets	328	1,155	694	2,209	1,164	2,679
Investments in tangible non-current assets	1,380	583	4,075	2,122	5,796	3,843
Business combinations	–	–	6,547	–	6,547	–
Depreciation, amortization and impairment losses for the period	–1,945	–1,567	–5,006	–4,926	–6,518	–6,438
Average number of employees	–	–	165	141	165	139

## SUMMARY BY SEGMENT

### Group

SEK thousands	July–Sept 2013	July–Sept 2012	Jan–Sept 2013	Jan–Sept 2012	Oct 2012– Sept 2013	Full-year 2012
<b>Operating revenue</b>						
<b>Brand</b>						
External revenue	12,844	13,140	30,191	33,567	39,524	42,900
Internal revenue	12,900	9,526	31,839	28,551	41,680	38,392
	<b>25,744</b>	<b>22,666</b>	<b>62,030</b>	<b>62,118</b>	<b>81,204</b>	<b>81,292</b>
<b>Product development</b>						
External revenue	64,047	84,275	160,673	207,038	230,871	277,236
Internal revenue	37,030	32,985	89,330	81,611	115,826	108,107
	<b>101,077</b>	<b>117,260</b>	<b>250,003</b>	<b>288,649</b>	<b>346,697</b>	<b>385,343</b>
<b>Wholesale</b>						
External revenue	63,427	53,292	161,136	130,383	199,379	168,626
Internal revenue	17,568	16,495	41,145	39,962	53,884	52,701
	<b>80,995</b>	<b>69,787</b>	<b>202,281</b>	<b>170,345</b>	<b>253,263</b>	<b>221,327</b>
<b>Retail</b>						
External revenue	19,473	16,054	46,977	41,789	67,858	62,669
Internal revenue	2,822	2,269	8,319	6,697	11,917	10,296
	<b>22,295</b>	<b>18,323</b>	<b>55,296</b>	<b>48,486</b>	<b>79,775</b>	<b>72,965</b>
Less internal sales	–70,320	–61,275	–170,634	–156,821	–223,308	–209,495
<b>Operating revenue</b>	<b>159,791</b>	<b>166,761</b>	<b>398,976</b>	<b>412,777</b>	<b>537,631</b>	<b>551,432</b>
<b>Operating profit</b>						
Brand	6,995	4,379	13,378	14,506	15,153	16,281
Product development	5,517	19,523	15,510	37,212	26,887	48,589
Wholesale	12,893	13,737	17,413	12,597	19,452	14,636
Retail	–1,795	–2,417	–12,607	–9,614	–12,713	–9,720
<b>Operating profit</b>	<b>23,610</b>	<b>35,222</b>	<b>33,694</b>	<b>54,701</b>	<b>48,779</b>	<b>69,786</b>

## QUARTERLY DATA

### Group

SEK thousands	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Net sales	159,791	107,771	131,414	138,655	166,761	105,478	140,538	123,100
Gross profit margin, %	51.7	50.1	49.4	51.6	49.5	52.1	48.0	52.4
Operating profit	23,610	860	9,225	15,085	35,222	4,848	14,631	14,143
Operating margin, %	14.8	0.8	7.0	10.9	21.1	4.6	10.4	11.5
Profit after financial items	22,695	4,467	7,086	18,948	33,368	3,830	12,730	15,026
Profit margin, %	14.2	4.1	5.4	13.7	20.0	3.6	9.1	12.2
Earnings per share before/after dilution, SEK	0.74	0.23	0.30	0.45	1.11	0.10	0.44	1.92
Number of Björn Borg stores at end of period	54	57	57	60	59	57	56	56
of which Group-owned Björn Borg stores	16	17	17	17	13	13	14	15
Brand sales	482,268	273,093	431,815	376,244	484,938	288,360	447,640	384,133

## PARENT COMPANY INCOME STATEMENT

### Condensed

SEK thousands	Note	July–Sept 2013	July–Sept 2012	Jan–Sept 2013	Jan–Sept 2012	Oct 2012– Sept 2013	Full-year 2012
<b>Net sales</b>		<b>12,540</b>	<b>12,940</b>	<b>37,234</b>	<b>37,736</b>	<b>49,165</b>	<b>49,667</b>
Cost of goods sold		–197	–156	–682	–694	–728	–740
<b>Gross profit</b>		<b>12,343</b>	<b>12,784</b>	<b>36,552</b>	<b>37,042</b>	<b>48,437</b>	<b>48,927</b>
Distribution expenses		–14,881	–10,317	–38,594	–35,550	–52,348	–49,304
Administrative expenses		–5,724	–3,968	–14,844	–13,674	–20,133	–18,963
Development expenses		–2,289	–1,587	–5,938	–5,469	–8,054	–7,585
<b>Operating loss</b>		<b>–10,551</b>	<b>–3,088</b>	<b>–22,824</b>	<b>–17,651</b>	<b>–32,098</b>	<b>–26,925</b>
Dividend from subsidiary		–	–	–	–	75,000	75,000
Group contributions received		–	–	–	–	41,047	41,047
Net financial items		–16,572	–3,401	–21,903	–12,548	–21,549	–12,194
<b>Profit/loss before tax</b>		<b>–27,123</b>	<b>–6,489</b>	<b>–44,727</b>	<b>–30,199</b>	<b>62,400</b>	<b>76,928</b>
Appropriations		–	–	–	–	355	355
Tax		–	–	403	–1,598	–206	–2,207
<b>Profit for the period</b>		<b>–27,123</b>	<b>–6,489</b>	<b>–44,324</b>	<b>–31,797</b>	<b>62,549</b>	<b>75,076</b>
Other comprehensive income		–	–	–	–	–	–
<b>Total comprehensive income for the period</b>		<b>–27,123</b>	<b>–6,489</b>	<b>–44,324</b>	<b>–31,797</b>	<b>62,549</b>	<b>75,076</b>

## PARENT COMPANY BALANCE SHEET

### Condensed

SEK thousands	Note	Sept 30 2013	Sept 30 2012	Dec 31 2012
<b>Non-current assets</b>				
Intangible non-current assets		403	870	753
Tangible non-current assets		4,988	6,347	5,876
Long-term receivable	1	12,750	–	–
Shares in Group companies		321,243	325,764	327,132
<b>Total non-current assets</b>		<b>339,384</b>	<b>332,981</b>	<b>333,761</b>
<b>Current assets</b>				
Receivables from Group companies		178,345	227,412	103,444
Current receivables		7,128	7,637	5,399
Investments	1	145,067	144,424	163,979
Cash & cash equivalents		3,017	49,845	86,172
<b>Total current assets</b>		<b>333,557</b>	<b>429,318</b>	<b>358,994</b>
<b>Total assets</b>		<b>672,941</b>	<b>762,299</b>	<b>692,754</b>
<b>Equity and liabilities</b>				
Equity		19,014	31,911	138,784
Untaxed reserves		2,183	2,538	2,183
Deferred tax		609	–	609
Bond loan	1	192,765	192,121	192,283
Due to Group companies		438,798	521,572	345,377
Accounts payable		4,699	5,679	2,766
Other current liabilities		14,873	8,478	10,752
<b>Total equity and liabilities</b>		<b>672,941</b>	<b>762,299</b>	<b>692,754</b>

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

### Condensed

SEK thousands	Jan–Sept 2013	Jan–Sept 2012	Full-year 2012
<b>Opening balance</b>	<b>138,784</b>	<b>164,302</b>	<b>164,302</b>
Dividend/distribution	–75,444	–100,594	–100,594
Total comprehensive income for the period	–44,324	–31,797	75,076
<b>Closing balance</b>	<b>19,014</b>	<b>31,911</b>	<b>138,784</b>



## SUPPLEMENTARY DISCLOSURES

### NOTE 1 FINANCIAL ASSETS AND LIABILITIES

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 other 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.

Securities held for trading relate to investments in corporate bonds quoted on NASDAQ OMX and have been measured at their quoted prices. Forward exchange contracts are measured according to level 2 based on observable information as of the closing date with respect to exchange rates and market interest rates for the remaining maturities.

#### Financial assets at fair value through profit or loss

	Level 1	Level 2	Level 3
Securities held for trading	144,905	–	–
Derivatives held for trading	–	162	–
<b>Summa tillgångar</b>	<b>144,905</b>	<b>162</b>	<b>–</b>

Björn Borg currently has no liabilities measured at fair value. The carrying amount of financial instruments at amortized cost coincides with their fair value as of September 30, 2013, with the exception of the bond loan, whose fair value amounted to SEK 188,175 thousand, compared with a carrying amount of SEK 192,765 thousand.

During the quarter the company granted an interest-bearing, SEK 17 million collateralized loan to the Dutch distributor with quarterly amortizations of SEK 900,000 as of December 31, 2013. The company had paid out SEK 12.8 million of the loan limit as of September 30.

### NOTE 2 ACQUISITION OF SUBSIDIARY

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 to Björn Borg Finland Oy in February 2013.

The Finnish operations currently consist of wholesaling of underwear, sportswear and bags as well as one Björn Borg store in Helsinki. The brand is strongly positioned in Finland, which today is Björn Borg's six largest market. The company sees the potential for continued growth.

During the first nine months of the year the operations contributed SEK 27.8 million to the Group's sales and SEK 1.8 million to operating profit. The acquired operations are included in the Wholesale segment as of the acquisition date.

The total purchase price amounted to EUR 1,052,500 including the non-controlling interest, of which 75 percent (EUR 789,375, of which Björn Borg's share is EUR 592,031) was paid in cash on the acquisition date, with the remainder payable in February 2014 (EUR 262,500, of which Björn Borg's share is EUR 196,875). The effect on cash flow amounted to EUR 6,547 thousand, i.e., the total purchase price paid in cash of SEK 6,788 thousand less acquired cash & cash equivalents of SEK 239 thousand. There are no conditions associated with the purchase price. Acquisition expenses amounted to SEK 260 thousand and have been expensed in 2012 and 2013.

#### Carrying amount as of acquisition date of acquired net assets SEK thousand

<b>Non-current assets</b>	
Customer relations/licenses	1,209
Other non-current assets	524
<b>Current assets</b>	
Inventories	6,391
Accounts receivable	1,588
Other current assets	309
<b>Current liabilities</b>	
Accounts payable	3,971
Other current liabilities	1,592
<b>Identifiable assets and liabilities, net</b>	<b>4,458</b>
<b>Goodwill arising through acquisitions</b>	
Transferred consideration including non-controlling interest	8,862
Minus: Fair value of acquired net assets	4,458
<b>Goodwill upon acquisition</b>	<b>4,404</b>

The goodwill that arose in connection with the acquisition and recognized locally in the Finnish company is expected to be tax deductible.

## DEFINITIONS

#### Gross profit margin

Net sales less cost of goods sold divided by 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 (over a rolling 12-month period) plus financial expenses as a percentage of average capital employed.

#### Return on equity

Net profit (over a rolling 12-month period) 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 by two.

#### Earnings per share/Earnings per share after dilution

Earnings in relation to the weighted average number of shares during the period and 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 sales at the wholesale level.

The Board of Directors and the CEO certify that the interim report provides a true and fair overview of the operations, financial position and results of the Parent Company and the Group and describes the material risks and uncertainties faced by the Parent Company and the companies in the Group.

Stockholm, November 8, 2013

Fredrik Lövestedt  
Chairman

Kerstin Hessius  
Board Member

Isabelle Ducellier  
Board Member

Mats H Nilsson  
Board Member

Vilhelm Schottenius  
Board Member

Michael Storåkers  
Board Member

Arthur Engel  
President and CEO

## REVIEW REPORT

### Introduction

We have reviewed the interim report for Björn Borg AB (publ) for the period January 1 to September 30, 2013. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of review

We conducted our review in accordance with the Standard on Review Engagements (SÖG) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with the International Standards of Auditing (ISA) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material aspects, prepared in accordance with IAS 34 and the Annual Accounts Act for the Group and in accordance with the Annual Accounts Act for the Parent Company.

Stockholm, November 8, 2013  
Deloitte AB

Fredrik Walméus  
Authorized Public Accountant

## ABOUT THE BJÖRN BORG GROUP

The Group owns the Björn Borg trademark and its core business is underwear. It also offers sportswear and fragrances as well as footwear, luggage & bags and eyewear through licensees. Björn Borg products are sold in around thirty markets, of which Sweden and the Netherlands are the largest. The Björn Borg Group has operations at every level from branding to consumer sales in its own Björn Borg stores. Total sales of Björn Borg products in 2012 amounted to around SEK 1.6 billion, excluding VAT, at the consumer level. Group net sales amounted to SEK 551 million in 2012, with 139 employees. The Björn Borg share has been listed on NASDAQ OMX Nordic in Stockholm since 2007.



#### **Upcoming information dates**

The year-end report for 2013 will be released on February 14, 2014.

The annual report will be published in March 2014.

The Annual General Meeting for 2014 will be held on April 10, 2014.

For further information, please contact:

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Magnus Teeling, CFO, telephone +46 8 506 33 700

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Björn Borg is required to make public the information in this interim report in accordance with the Securities Market Act.

The information was released for publication on November 8, 2013 at 7:30 am (CET).