

# ANNUAL REPORT 2013



BJÖRN BORG 





2	BJÖRN BORG IN BRIEF
4	A WORD FROM THE PRESIDENT
6	VISION, BUSINESS CONCEPT, GOALS AND STRATEGY
8	THE BRAND
12	BJÖRN BORG TAKES FINLAND
14	PRODUCT DEVELOPMENT
16	OPERATIONS
20	PRODUCT AREAS
24	GEOGRAPHICAL MARKETS
26	BJÖRN BORG'S CORPORATE RESPONSIBILITY
33	EMPLOYEES AND ORGANIZATION
36	FIVE-YEAR SUMMARY
37	QUARTERLY DATA FOR THE GROUP
38	BUSINESS SEGMENTS
39	BOARD OF DIRECTORS' REPORT
44	CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
45	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
47	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
48	CONSOLIDATED STATEMENT OF CASH FLOWS
49	PARENT COMPANY INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
50	PARENT COMPANY BALANCE SHEET
52	PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
53	PARENT COMPANY STATEMENT OF CASH FLOWS
54	SUPPLEMENTARY INFORMATION
69	AUDIT REPORT
70	THE SHARE
72	BOARD OF DIRECTORS AND AUDITORS
73	SENIOR MANAGEMENT
74	CORPORATE GOVERNANCE REPORT
78	DEFINITIONS
79	OTHER INFORMATION



Björn Borg's Swedish Exports campaign has become something of an institution. Our standing offer to our customers to photograph themselves to show how sexy, amusing, crazy or fantastic they look in their Björn Borgs still attracts thousands of our fans. You can see some of them in the annual report, and more at [bjornborg.com/SwedishExports](http://bjornborg.com/SwedishExports).

# THANK YOU BJÖRN!

You changed tennis from being a “white sport” to a colorful scene for the passionate and active. You started a revolution against conservatism and conformism that has spread from locker room to locker room all over the world. You showed us that being active and making a difference is far more attractive than playing it safe. It is this attitude that is the core of the Björn Borg brand. That’s how we create our fashion and how we inspire the people who wear it. And hey, it doesn’t hurt your chances to score either.

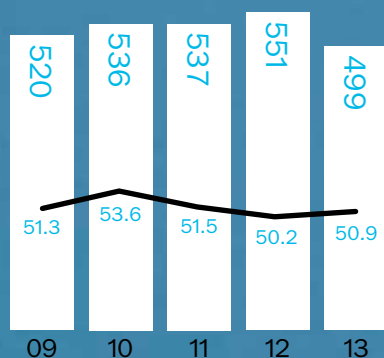
THE NUMBER OF BJÖRN BORG STORES AT YEAR-END WAS 38, 17 OF WHICH ARE GROUP-OWNED

# 38

DISTRIBUTION OF SEK 1.50 PER SHARE.

# 1.50

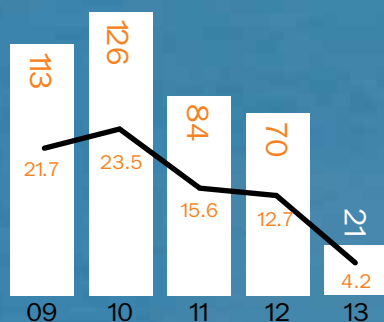
□ NET SALES (SEK MILLION)  
— OPERATING MARGIN (%)



THE GROSS PROFIT MARGIN WAS 50.9 PERCENT

# 50.9

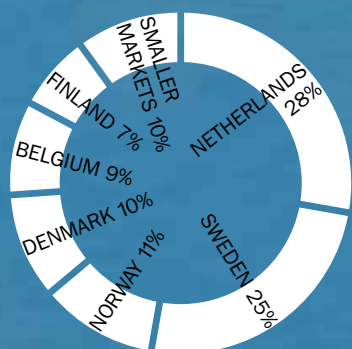
□ OPERATING PROFIT (SEK MILLION)  
— OPERATING MARGIN (%)



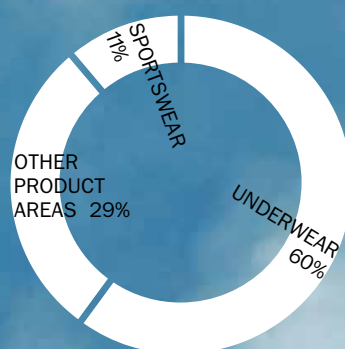
THE OPERATING MARGIN WAS 4.2 PERCENT

# 4.2

BRAND SALES BY COUNTRY



BRAND SALES BY PRODUCT AREA





# BJÖRN BORG IN BRIEF

## BJÖRN BORG GROUP

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The Björn Borg Group owns and develops the Björn Borg brand with a focus on underwear. It also offers sportswear, fragrances and footwear in certain markets as well as footwear, bags & luggage and eyewear through licensees. Björn Borg products are sold in around 30 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 and e-commerce. Operations comprise brand development and services for the network of licensees and distributors, and product development in the core underwear business. The Group is also responsible for distribution of underwear in Sweden, England and Finland, as well as footwear in Sweden, Finland and the Baltic countries. Moreover, Björn Borg is the principal owner of Björn Borg Sport, which designs and sells sportswear from its base in the Netherlands.

The Björn Borg share has been listed on NASDAQ OMX Nordic in Stockholm since 2007.

## THE YEAR IN NUMBERS

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- The Group's net sales decreased by 9 percent to SEK 499.2 million (551.4). Excluding currency effects, sales were down 8 percent.
- Profit for the year was negatively affected by a total of SEK 26 million, consisting of delivery delays of about SEK 12 million and non-recurring items in China and severance for the resigning CEO, totaling SEK 14 million.
- The gross profit margin was 50.9 percent (50.2).
- Operating profit amounted to SEK 21.2 million (69.8).
- Profit after tax amounted to SEK 13.9 million (47.2).
- Earnings per share before and after dilution amounted to SEK 0.86 (2.11).
- The Board of Directors has decided to propose to the Annual General Meeting a distribution of SEK 1.50 (3.00) per share, totaling SEK 37.7 million (75.4).

## BRAND SALES

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Total brand sales, excluding VAT, decreased by 5 percent from the previous year to SEK 1,521 million (1,598). Excluding currency effects, sales fell by 4 percent.

## THE BJÖRN BORG BRAND

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Björn Borg is distinguished by creative products with the brand's typically sporty identity – products that make customers feel active and attractive. A passion for underwear and willingness to challenge the industry shines through in our marketing communications and product development.

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

## MARKETS


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- Björn Borg is represented in over 25 markets, of which Netherlands and Sweden are the largest.
- Acquisition of Finnish operations from the previous distributor in early 2013.
- Björn Borg's Chinese operations were discontinued during the second half of 2013.
- Retailers in large parts of Europe continue to face challenging market conditions.

## NEW STORES

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During the year new stores were opened in England, Finland and Sweden. At year-end there were a total of 38 (60) Björn Borg stores, 17 (17) of which are Group-owned.

A man with a light beard and mustache, wearing a dark blue V-neck sweater over a red and white plaid shirt, is sitting and smiling at the camera. His hands are clasped in his lap. He is in a modern office or lounge area with large windows and blurred lights in the background. Another person is visible in the background, out of focus.

**“Our e-commerce and retail operations performed strongly during the year.”**

2013 WAS A TOUGH YEAR FOR THE INDUSTRY and for Björn Borg as well. At the same time we have to continue to invest for the long term: to be even stronger in our large and important markets, create greater consistency in our product range and become an even more exciting brand for our target group. These are among the most important tasks facing us in 2014, a year we feel may offer better opportunities for Björn Borg's continued development.

Weak demand and widespread market uncertainty among our partners affected Björn Borg's operations in 2013, with lower sales and earnings compared with the previous year. The main reason was our biggest market, the Netherlands, where our local distributor significantly reduced its network of retailers in a generally weak market. We have seen a sense of cautiousness among our retailers in Sweden and other markets as well, with some chains placing more focus on private labels. At the same time we are seeing a slight increase in follow-on orders, which shows that sales at the retail level have probably done a little better than retailers had hoped. We also saw a positive sales trend in our own operations in England and Finland.

We understand and follow the market carefully and closely to our customers: distributors and retailers. For Björn Borg, this means responding on a daily basis to the market's tough demands, delivering a high level of service, and staying flexible and

**“We understand and follow the market carefully and closely to our customers: distributors and retailers.”**

cost-effective in how we run our business. But it is just as much about looking forward and working continuously to strengthen the company's and brand's opportunities in the long term. Björn Borg won't neglect the future.

One thing we have learned in recent years is that it makes sense to focus on the markets where we are already established. Distributors in our newer markets in and outside Europe are doing a good job, and we will keep a foothold there. But we see potential in building our strength in larger markets in northern Europe and in our own operations in Sweden, England and especially Finland, where we acquired the business during the year. By utilizing our own marketing resources, we can decide the pace of expansion and level of investment in branding, marketing communications and Björn Borg stores, whereas it can be difficult for distributors to allocate resources for marketing in tough times. Our e-commerce and retail operations performed strongly during the year, a trend that shows we are getting better and more efficient at managing our sales channels and that the brand can hold its own even in tough market conditions.

We want an even stronger, more distinctive product range with a common thread running through every Björn Borg product, from underwear, socks and bags to workout gear and fragrances. Naturally there is some coordination today, but we can be even better at creating consistency, which is important in order to unify and strengthen the brand long-term.

To remain relevant to young people today – and tomorrow – we have to continue to build our brand in the right way, through the right channels and with our history as a starting point – sporty and attractive at the same time. We want to be the most exciting underwear brand, with products that create interest and attention. And we can be through smart, funny and engaging communication with our target audience and by being seen and heard in the channels our customers use, which mainly means social media and other digital channels. Several of last fall's campaigns show that limited resources can produce fantastic results in international social media, and which also spill over to traditional channels.

Looking ahead, we see opportunities for stability in our markets and signs of recovery. Of course, we realize that market uncertainty can lead to dramatic twists and turns and we are conscious of the tough economic situation that still exists in several of our markets. As we wrote in the year-end report in February, we still see good opportunities to improve Björn Borg's sales and earnings in 2014. With a fantastic brand, strong product range, upswing in our own markets and driven, passionate employees and partners, we have a strong foundation to continue Björn Borg's development.

Henrik Fischer  
Acting CEO



A man and a woman are posing in a tropical setting, possibly a jungle or a beach at night. The man is shirtless, wearing blue Björn Borg briefs with an orange waistband. The woman is wearing an orange and blue patterned bikini. They are both looking towards the camera. The background is dark with some foliage and a hint of a building or structure in the distance.

# VISION, BUSINESS CONCEPT, GOALS AND STRATEGY

## VISION

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**Our vision is to make a difference  
by helping people around the world  
look and feel active and attractive**

## BUSINESS CONCEPT

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**To deliver sporty fashion that  
makes you look and feel active  
and attractive**



## STRATEGY

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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, while building on an already strong position in mature markets – is rooted in 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.**

Björn Borg's core business is its largest and most profitable product area, underwear. The Group also manages the product areas for sportswear (through a separate subsidiary) and fragrances. Footwear, bags & luggage and eyewear operations are licensed out to optimize growth opportunities in these areas.

Björn Borg's products are sold through independent retailers as well as the Group's own and franchised Björn Borg stores. Björn Borg stores are important to the brand's exposure, and the aim is to grow through more Björn Borg stores in both established and newer markets.

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

Staying on the forefront in fashion underwear requires innovation, fast-paced product development and coordinated branding. Björn Borg's organization is in the process of continuous development to further strengthen competence, while increasing capacity and creativity in underwear development and design 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 Group ownership and control of the trademark and managing the core business – underwear – itself, while licensing out the other product areas. International sales are mainly generated through external distributors, which provides flexibility and opportunities for profitable expansion. Björn Borg owns and manages the operations in a number of strategic markets within the Group.

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

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

## FINANCIAL OBJECTIVES

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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 any new Björn Borg stores are opened.

# THE BJÖRN BORG BRAND

## BRAND DEVELOPMENT

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### MARKET POSITION AND COMPETITION

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 new product areas and geographical markets.

The brand increasingly stands on its own merits, distinct from Björn Borg the person, and a growing share 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 off the court still provide a strong platform for international expansion.

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

### DISTINCTIVE BRAND PLATFORM

With five product areas and sales in over 25 markets – mature as well as new 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 has been refined since then. The platform reflects the brand's distinctively sporty identity and products that make customers feel active and attractive, as well as a history of poking fun at Sweden's reputation for open-mindedness. This tagline – "Björn Borg says JA! to..." – conveys curiosity and attitude, while also denoting the brand's Swedish origin. It is mainly used to communicate Björn Borg's message of more love in the world, a recurring theme in various forms of marketing communications.

### SERVICE FOR DISTRIBUTORS AND LICENSEES

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 their markets. The aim is to create opportunities to build sales and brand awareness, while at the same time ensuring consistent branding.

Support for distributors and licensees includes branding guidelines and marketing support for ad campaigns, PR activities, media buying 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 create marketing communications that work across various markets and to explain and build support for the campaigns.



## MARKETING COMMUNICATIONS

### INTEGRATED AND INNOVATIVE CAMPAIGNS

The Björn Borg brand is profiled through innovative marketing activities. The strategy is to build the brand and drive sales consistently over the long term. To achieve cost efficiencies and broad impact, the Group focuses on integrated campaigns and activities mainly in spreadable channels such as PR, events and digital media, but also trade shows, fashion shows and store displays. Outdoor advertising and print ads are primarily used in established markets, usually through targeted activities in urban areas. The aim going forward is to focus on bigger campaigns with broader coverage in more channels to achieve greater impact.

### 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 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.

### DIGITAL MARKETING AND SOCIAL MEDIA

Social media have continued to grow in importance to the interaction between Björn Borg and the target groups who use its products, and the company sees these channels as both vital and cost-effective for branding and sales promotions. Björn Borg has a social media manager who works full-time with the company's activities in channels such as Instagram, Facebook, YouTube and Tumblr.

In 2013 Björn Borg intensified its work with social media, including Facebook, where the number of people who "liked" its pages doubled to 400,000. YouTube has become an increasingly important channel for Björn Borg, where it can display the changing contents of its



shows and campaigns. In 2013 Björn Borg's YouTube channel had over one and a half million views, double the previous year. Thanks to the impact of last fall's big commercial, Björn Borg became one of the fastest growing brand channels on YouTube in Sweden in October 2013. On the strength of its viewership, Björn Borg was among the ten largest brand channels on Swedish YouTube for the year as a whole. Last spring's "Björn Borg Says JA! to Unforgettable Nights" campaign was specifically focused on the image sharing platform Instagram; see also page 10.

### WEBSITE AND WEB SHOP

Through the web shop at bjornborg.com, Björn Borg products are sold practically around the world, and today the web shop has seven different language versions. The website 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 website and web shop.

A new platform with a new design for the web shop and other pages, and with an improved customer experience, was launched in the second half of 2012. The new site makes it easier to work with local versions and is designed to better accentuate the connection to the brand. The website and web shop are continuously being improved and during the year, for example, were adapted for mobile platforms.

### 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 launched a new retail concept in three trial stores to better showcase the products, distinguish the brand and attract customers. For more information on Björn Borg stores, see page 18.

## CAMPAIGNS AND EVENTS 2013

Björn Borg produced a number of campaigns and events during the year with exposure in several channels, at the same time that previously successful campaigns such as Swedish Exports, with images submitted by users around the world, continue to generate attention and remain popular among the target audience.

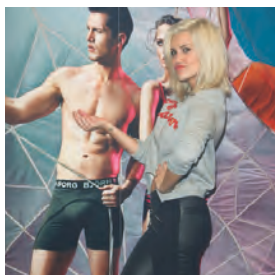


### BJÖRN BORG SAYS JA! TO UNFORGETTABLE NIGHTS

Under the tagline “Björn Borg Says JA to Unforgettable Nights,” a campaign was launched at the beginning of the year mainly through the fast-growing image sharing network Instagram. The goal was to get young people to capture their “unforgettable nights” in images they share on Instagram at the same time that noted nightlife photographers were hired to create their own versions. The campaign had a huge impact and presence in social networks, the media and blogs, and generated many visitors to the campaign website.

### BJÖRN BORG GETS IT ON

Together with the MTV Staying Alive Foundation, Björn Borg arranged a big event in London in September in connection with London Fashion Week. The Staying Alive Foundation is working to raise awareness of HIV/AIDS among young people. For Björn Borg, it is a mission worthy of support, so it launched a special collection, a portion of the revenue from which was donated to the foundation's work; for more information, see page 32. The event and the collection created considerable buzz in the media and social networks.



### BJÖRN BORG SAYS DA!

In September Björn Borg said DA! in a memorable ad in Russia's Moscow Times with an image of a pile of underwear in the colors of the rainbow, in connection with the launch of the Russian web shop. The company's message to love all quickly went viral and was praised in social media and by the press around Europe.

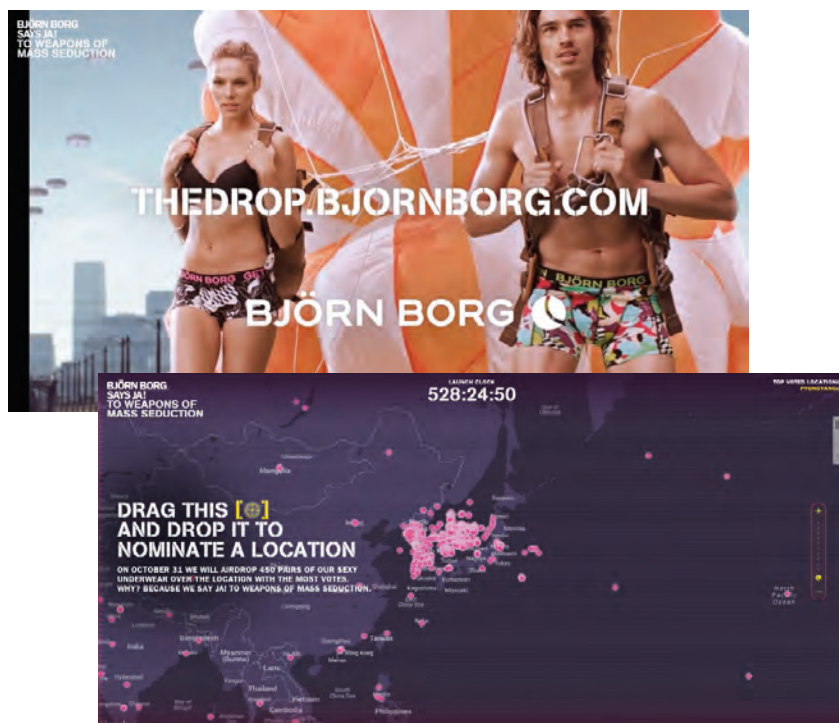






### BJÖRN BORG SAYS JA! TO WEAPONS OF MASS SEDUCTION

The London event also marked the start of last fall's big campaign, Björn Borg Says JA! to Weapons of Mass Seduction. The campaign, which was mainly spread in digital channels, attracted great attention in the company's key markets in Europe. In Sweden, for example, it was the most popular commercial on YouTube during the fall, with around 700,000 views in one month. As part of the campaign, a website was launched where people were invited to nominate a location anywhere in the world in need of love and seduction. Pyongyang, North Korea received the most votes. As a result, Björn Borg sent a journalist and photographer on location to deliver Björn Borg underwear, which was documented in a travel blog on the company's website.





# BJÖRN BORG TAKES FINLAND



The Nordic region is Björn Borg's natural home market, and Finland plays an important role in the company's future growth. The brand was established in the country through a distributor nearly 20 years ago. At the beginning of 2013 Björn Borg took over the Finnish operations together with a local partner. Next on the agenda is more growth, including through additional stores.

In early 2013 Björn Borg had the opportunity to acquire the Finnish operations from the previous distributor. For the Group, this was a chance to take over an important and growing market with good future prospects. Since its launch in the second half of the 90s, the brand has done well, and today Finland is Björn Borg's sixth largest market, with around twenty employees in the local company. Besides 200 retailers in the country, including Stockmann, Sokos and Viking Line, customers in Helsinki can shop at two Björn Borg stores. Underwear sales dominate, but Björn Borg sportswear, bags and footwear are also available.

**“Björn Borg is a strong brand in Finland, especially in underwear, and we see opportunities to be bigger in other product areas as well.”**

“We are pleased that Finland is now one of our own markets, alongside Sweden and England,” said Henrik Fischer, Acting CEO of Björn Borg. “We have only been on site for a year, but what we have seen so far is positive.”

#### **LOCAL PRESENCE IS IMPORTANT**

One piece of the acquisition puzzle was finding a local partner, which Björn Borg did in Ove Asplund, who is now a minority owner and CEO of the Finnish operations. With his background as a sales manager for JC and store manager for H&M in Finland, Ove provides local knowledge and experience in the Finnish retail sector.



“Björn Borg is a strong brand in Finland, especially in underwear, and we see opportunities to be bigger in other product areas as well,” said Ove Asplund. “During the year we worked hard to increase the number of retailers and succeeded in doing so. We have also boosted sales to existing customers in underwear and sportswear, despite a tough market. With a growth strategy and emphasis on supporting new and old customers in the best way possible, we believe we can continue to grow.”

#### **NEW STORE IN PRIME LOCATION**

Sales of Björn Borg products in Finland rose by 24 percent in 2013, with its share of total brand sales climbing to 7 percent. Sales at the wholesale level accounted for the largest gain, with new retailers and higher sales to existing customers, the biggest of which are growing in importance. Sales in Group-owned stores also rose during the year. In November Björn Borg opened a second store in Finland, in one of the country's best retail locations in Forum shopping center in Helsinki. The 40 m<sup>2</sup> store, designed with Björn Borg's new retail concept, mainly offers underwear, while the other store is larger and has a wider product assortment.

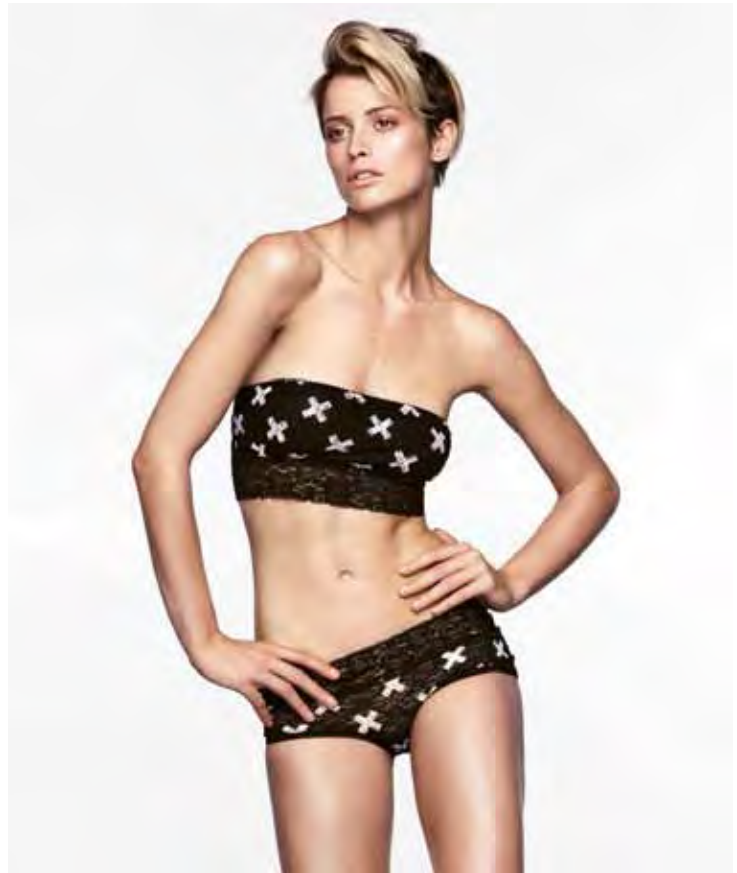
“We think there will eventually be room for more Björn Borg stores in prime locations in large Finnish cities. It is an exciting journey we have launched in our neighbor to the east,” said Henrik Fischer.

# 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. To compete, underwear brands have to meet customer expectations in terms of design and function, with new merchandise on a steady basis and attractive product displays in stores. Björn Borg's customers should always recognize the brand's products and packaging, but also be able to find something new and unexpected.



### EFFICIENT PRODUCT DEVELOPMENT

Fast and innovative product development is an important success factor in underwear. During the year the product development organization continued to improve efficiencies and quality in internal processes and supplier relations in order to free up more time for creative work. Among other things, a customized control system was introduced in product development in the first quarter 2013, which has improved control throughout the supply chain. At the same time the cooperation between product development and marketing was further strengthened, which has led to better coordination and consistency. A study of Björn Borg's target group during the year provided valuable insight for the product development process.

Björn Borg is distinguished by creative products with the brand's typically sporty identity – products that make customers feel active and attractive. In the largest product area, underwear, as well as other categories, every detail of every product and every collection must express the values synonymous with the brand. Björn Borg decides how to position the product range and provides trend and design information to licensees in the network prior to each season. A special person with design responsibility has the task of ensuring uniform brand development across every product group. This is a continuous effort that Björn Borg intensified during the year given the importance of clear, consistent positioning to the brand's development.

## PRODUCT RANGE

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### WIDE PRODUCT RANGE

In recent years Björn Borg has created a broader product range in its core business, underwear, to reach new target groups with more products in a variety of categories, from classic models to trendier, bolder models in exciting designs and new materials. The product range has also grown to new underwear categories, including a sport collection and a broader, more dynamic women's range with new bras.

### CONTINUOUS FLOW OF NEW MERCHANDISE

It is important to offer a flow of new merchandise every season and in every product segment to meet target group demand for exciting new fashions and to create interest in the product range and the brand.



Development work continued in 2013 and resulted in several new products. Much of the focus was on strengthening the women's collections, and this work produced a positive response from the target group. Among new items is a patterned hipster panty at a lower price point and patterned leggings. Several new bras in patterns, lace and polyamide were introduced as well. Parts of the sport collection have especially attracted attention. Among other things, one of Björn Borg's sport bras was selected as the best in a test by the Norwegian magazine Shape-up.

A number of new products were also introduced in the men's line, including a woven boxer and trunks with a new design. Classic models in the Heritage collection remain important to the product range, however. Underwear multipacks are a rapidly growing product in several markets, and the selection was updated during the year with new packaging. Extensive development work in the men's collection will result in a number of product launches and updates in 2014 and 2015.



### SPECIAL PRODUCTS ATTRACT ATTENTION

With products that stand out, Björn Borg can draw attention and drive sales, while at the same time strengthening the brand. Examples include men's underwear decorated with national flags in connection with the World Cup and special products tied to campaigns. In connection with the big event arranged with the MTV Staying Alive Foundation in London in September, Björn Borg presented its "Get It On" collection, which included tandem underwear. In the summer it launched new packaging for men's and women's underwear in the form of a soda can called Juicy Holiday, another example of how Björn Borg finds ways to catch the eye in retail settings.

### SOCKS, LOUNGEWEAR AND SWIMWEAR: IMPORTANT COMPLEMENTS

Björn Borg has continued to reinvigorate its men's sock line with bold colors and patterns typical of the brand. Socks have become an important fashion accessory for men in recent years, with colors and patterns playing an important role. Loungewear – especially sleepwear for women, men and children – is a good complement to the rest of the underwear line.



# OPERATIONS



## BUSINESS MODEL

The Group's stable profitability and the successful positioning of the Björn Borg brand is largely thanks to the 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 on the basis of a license from Björn Borg manage a product area and/or a geographical market. The network also includes Björn Borg stores operated by either the Group or external distributors or franchisees. Björn Borg owns strategically important parts of operations at each level of the value chain, from product development to retail sales.

Through the business model with a network of its own units and independent partners, Björn Borg can be involved in the key parts of the value chain and develop the brand internationally with a compact

organization and limited financial investment and risks. The business model is relatively capital efficient, since the external licensees and distributors in the network are responsible for marketing, including investments and inventory in their markets. A model that combines in-house operations with independent partners generates substantial consumer sales with limited risk and investment for Björn Borg.

- 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.



RUGBY BJÖRN BORG  
BY ALEXANDERSTERGAARD

## BRAND

Since acquiring the trademark in 2006, the Group has global rights to the Björn Borg trademark for specific 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.

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. As a service organization, Björn Borg can provide its distributors with the best prospects of success in their markets. This is done through, among other things, guidelines and tools for partners in the network, including marketing activities, displays and graphic identity material, which ensures branding consistency and is efficient for distributors.

In a network comprising 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 depth gives the Group 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. Since acquiring the Björn Borg trademark in 2006, the Group has been responsible for trademark registration and protection. Björn Borg devotes significant resources to combat the sale of counterfeit products, especially in the Netherlands, Denmark and tourist destinations in Turkey, Greece, Bulgaria and Southeast Asia.



## PRODUCT AREAS

The largest and strategically most important product area, underwear, is owned and managed by the Group. A new company, Björn Borg Sport, was started in 2011 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 and production have been outsourced, however, to an established fragrance company based on Björn Borg's guidelines. Product development in other areas – footwear, bags & luggage and eyewear – is licensed to external parties. In 2012 Björn Borg also launched a collaboration with Apple on iPhone cases and MacBook covers designed by Björn Borg.

Every product company, whether Group-owned or managed by a licensee, is responsible for design, development and sourcing of collections for every market, and for positioning 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 development 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, but to a growing extent to Europe as well. Some production has been shifted to Turkey in recent years, which means shorter lead times and increased control.

High demands are placed on quality and deliverability relative to price, and supplier performance is continuously evaluated. In production and logistics, Björn Borg is focused on increased flexibility and efficiency, two factors that have taken on greater importance in recent years in pace with the growing need for a responsive supply chain that can adapt to shifting fashions. The company requires suppliers to comply with Björn Borg's guidelines on working conditions and the environment. For more information on Björn Borg's corporate social responsibility, see pages 26-32.

## DISTRIBUTION

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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 and Finland through its own sales organizations in these markets. The Finnish operations were acquired at the beginning of 2013. The Group's operations in China were discontinued during the year.

The Group also handles footwear distribution in Sweden, Finland and the Baltic countries. Since the fragrances product area was incorporated into the Group, Björn Borg has been responsible for distribution of its products as well. Product development and manufacturing 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 in their markets through their sales forces. They are responsible for sourcing, sales support, inventory, regional marketing, media planning and training. Björn Borg provides support and guidelines in the form of joint marketing and PR campaigns, among other activities.

In their agreements, distributors commit to specific sales and investment targets in their markets. If they do not meet them, Björn Borg can terminate the agreement. The challenge for distributors, in the face of tight competition, is to establish and maintain their position as a supplier to chains, 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. Several times a year Björn Borg brings together all its distributors for sales meetings where the new collections and marketing campaigns are shown and strategies and planning are discussed. In addition, the performance of each market is evaluated. Close cooperation within the network is important to the successful expansion of the brand.

## RETAIL

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Björn Borg products are sold at department stores, chains and independent retailers, as well as through Group-owned and franchised Björn Borg stores and factory outlets. A growing share of products is sold in Björn Borg stores and online through various websites, including the Group's web shop. This retail mix creates the right positioning in the upper mid-price segment, while generating high sales volumes.

The large network of outside retailers represents an important interface with consumers. In all, around 4,000 retailers sell Björn Borg underwear and sportswear, including 850 in Sweden, 750 in Denmark, 600 in the Netherlands, 500 in Norway, 250 in Belgium and 200 in Finland. In smaller markets, around 850 retailers sell these products. Licensed products are sold through a total of around 6,000 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 displayed centrally in department stores, retail chains and fashion boutiques. From well-stocked displays, the products build brand awareness. Björn Borg provides the stores with flexible display solutions for small spaces, along with fast service and replenishment. This facilitates sales at the retail level – a strong sales argument for Björn Borg's distributors. In several major chains and department stores, Björn Borg products are displayed separately in so-called shop-in-shops with the brand's own décor.

### 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 2012 Björn Borg began development of a retail concept to better showcase the products and brand and improve the customer experience. This led to the test launch in 2013 of a totally new retail concept in two stores in Sweden and one in Finland, a section of which was decorated to look like a locker room, an environment many people naturally associate with underwear. The initial response has been positive and an evaluation is scheduled in 2014 prior to a potential rollout of the concept in more stores and other markets. At the same time Björn Borg has been improving efficiencies in its own retail operations through better routines and oversight.

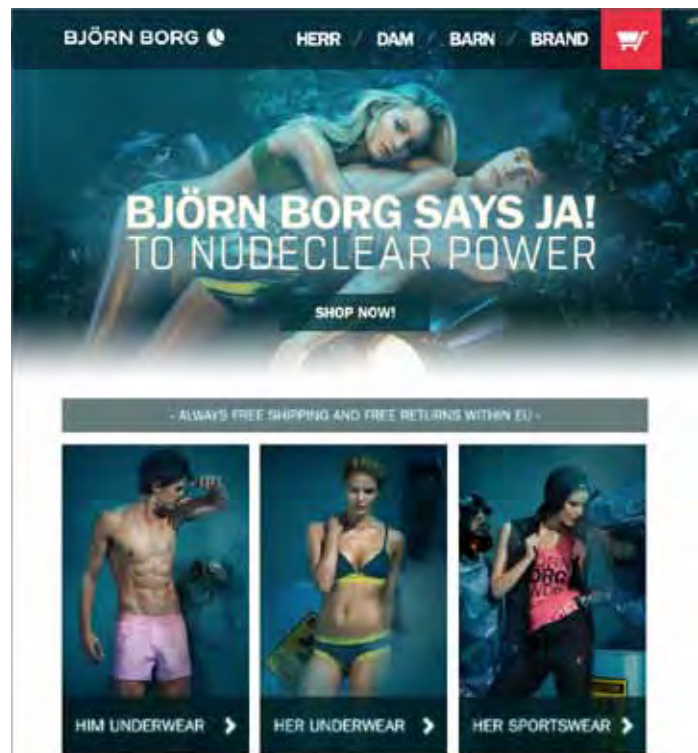
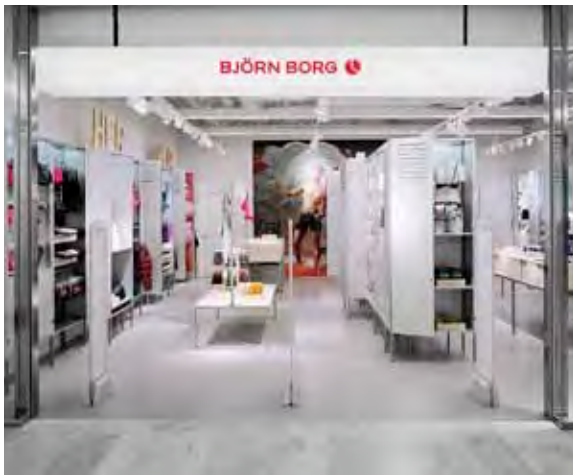




## E-COMMERCE

In many ways, underwear is well-suited to e-commerce, a channel that is becoming more important to Björn Borg's sales of underwear as well as other products and in recent years has grown substantially. Today Björn Borg's products are sold online at [www.bjornborg.com](http://www.bjornborg.com) and through a number of other established e-commerce sites around the world such as Zalando, Amazon and ASOS. 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.

Development work on the new global e-commerce platform, which was launched in 2012, continued during the year, as did improvements to the web shop. Among other things, the platform was adapted for tablets and smartphones, which is important considering that a significant share of purchases today is made using mobile devices. Björn Borg's online sales were strong in 2013, and it sees good opportunities for continued growth in this channel.

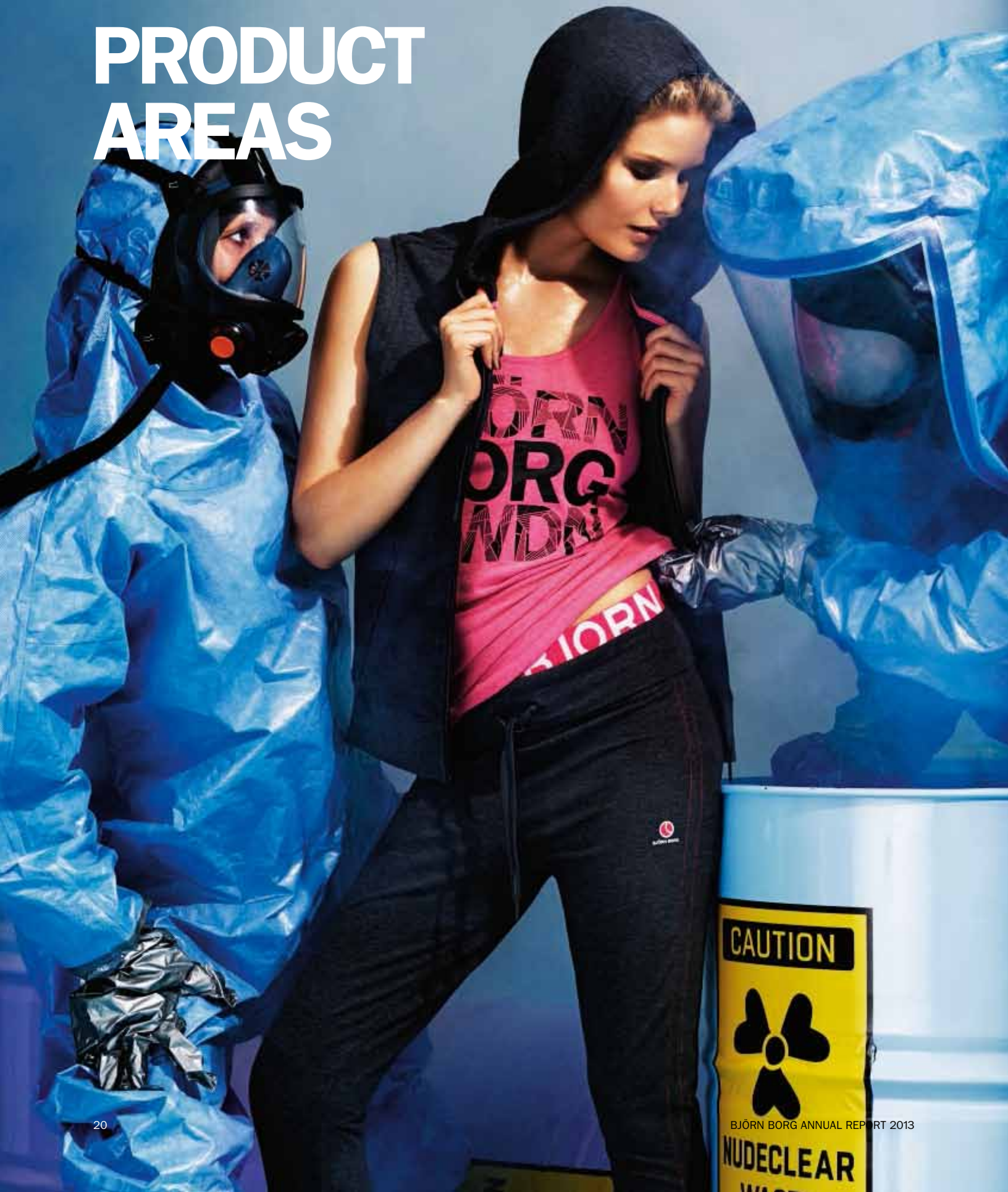


In recent years a new kiosk-like format has been introduced as well, including in the Gallerian shopping center in Stockholm. This smaller format is an interesting complement to traditional retail concepts and works especially well in certain retail settings such as malls. At the same time Björn Borg is continuously looking for new ways to display and sell its products. During the year a collaboration was launched with SATS, which runs a chain of gyms in the Nordic countries, where Björn Borg underwear is sold at a number of SATS facilities in Sweden. This venture has proved successful and was recently expanded.

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 feeling is that the Group's own 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.

Björn Borg stores as of Dec. 31, 2013	Group-owned	Franchises
Sweden	14	–
England	1	–
Belgium	–	7
Chile	–	1
Finland	2	–
Netherlands	–	7
Norway	–	4
Slovenia	–	1
Germany	–	1
<b>Total</b>	<b>17</b>	<b>21</b>

# PRODUCT AREAS





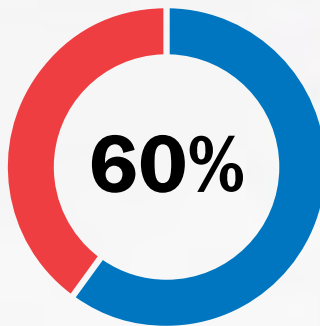
# UNDERWEAR

Underwear is Björn Borg's largest product area, with men's, women's and children's models in a variety of categories and segments. This is complemented by loungewear (mainly sleepwear), socks and swimwear. The range consists of trendy and fashionable products with the brand's characteristically bold prints and colors, as well as a line of classic models. The range also includes a sport collection and several bra models. The men's collection accounted for 74 percent of underwear sales during the year and the women's for 26 percent, based on packages sold. The kid's line accounted for about 8 percent of total underwear sales, based on packages sold.

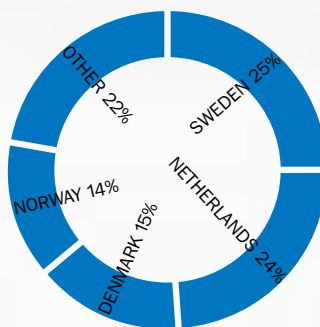
Björn Borg underwear is sold by independent retailers, apparel and sporting goods chains, department stores, Björn Borg stores and online. The underwear product company is owned and operated by the Björn Borg Group.

Brand sales in underwear decreased by 9 percent in 2013 to SEK 912 million, with the product company accounting for 60 percent of total brand sales. Among large markets, Belgium and Finland saw good growth and England also developed positively. The Netherlands, Sweden and Norway reported declines. Among smaller markets, England and France posted good growth numbers.

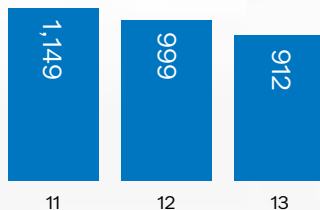
UNDERWEAR AS A SHARE OF TOTAL BRAND SALES 2013



UNDERWEAR BRAND SALES BY COUNTRY 2013



UNDERWEAR SALES TREND 2011-2013, SEK MILLION





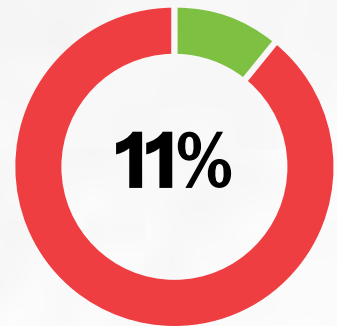
# SPORTS-WEAR

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

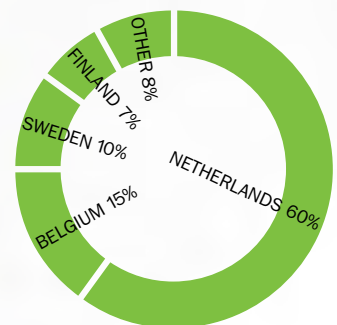
Björn Borg's sportswear operations were launched in 2011. During the year the company sold its remaining women's sample collections for the Dutch market. The first sportswear collections reached stores in January 2012, initially in Björn Borg's established markets. Today Björn Borg Sport products are sold by sports apparel and sporting goods retailers, department stores, Björn Borg stores and online.



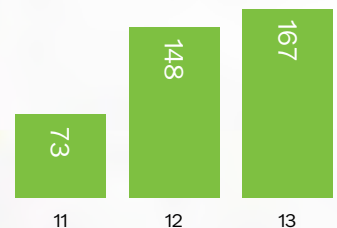
SPORTSWEAR AS A SHARE OF TOTAL BRAND SALES 2013



SPORTSWEAR BRAND SALES BY COUNTRY 2013



SPORTSWEAR SALES TREND 2011–2013, SEK MILLION



# OTHER PRODUCT AREAS



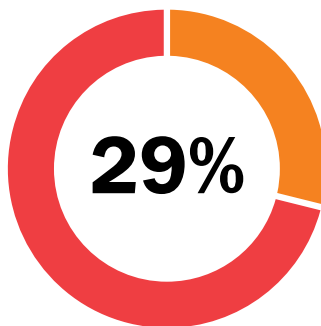
## FRAGRANCES

The product area offers a range of fragrances and skincare products in two lines: JA! for both women and men, and Heritage, a fragrance and skincare line for men. Both lines were introduced in 2012 to a positive response. Sales are generated in four markets through major cosmetic chains such as Kicks and department stores such as NK and Åhléns, as well as independent retailers, Björn Borg stores and online.

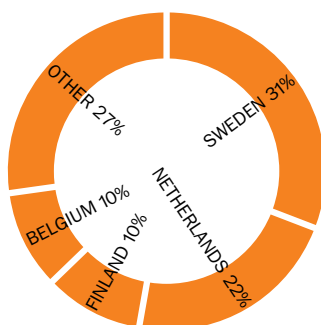
## FOOTWEAR

The footwear product area offers a range of casual designer shoes for men and women – sold by independent retailers, footwear and sporting goods chains, department stores and Björn Borg stores. In recent years Björn Borg has expanded the footwear operations internationally to several of its markets. In 2013 Björn Borg shoes were sold in around twenty European markets, of which Sweden and the Netherlands are the largest.

OTHER PRODUCT AREAS AS A SHARE  
OF BRAND SALES 2013



OTHER PRODUCT AREA SALES  
BY COUNTRY 2013



OTHER PRODUCT AREAS SALES  
TREND 2011–2013, SEK MILLION



## BAGS & LUGGAGE

The bags & luggage product area falls into 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 2013

Total brand sales of other products amounted to SEK 442 million in 2013, a decrease of 2 percent compared with 2012. As a whole, other products accounted for 29 percent of total brand sales.

The footwear product area reported good growth during the year, rising by 7 percent to SEK 323 million, or 21 percent of brand sales. Sportswear sales amounted to SEK 167 million during the financial year, or 11 percent of total brand sales. Other product areas – mainly bags & luggage and eyewear – reported a combined sales decrease of 20 percent to SEK 119 million. Together they accounted for 8 percent of brand sales.

# GEOGRAPHICAL MARKETS

Björn Borg's underwear product area is currently represented in 16 markets, of which Sweden, the Netherlands, Denmark, Norway, Belgium and Finland are the largest, in that order. Smaller markets include England and a number of markets where the brand has been introduced in recent years: Austria, Canada, Chile, France, Germany, Portugal, South Africa, Spain and Switzerland.

## 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 25 percent of total brand sales. Björn Borg products are sold by 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 2013 compared with the previous year, consistent a persistently weak retail market.

### NETHERLANDS

The Netherlands was the Björn Borg brand's largest market in 2013, with 28 percent of total brand sales. Operations in the country date back to 1993, after which the brand quickly carved out a market position through growing volumes and a broad-based presence. Against the backdrop of a persistent market sluggishness, the Dutch distributor reconstructed its retail operations in 2013, resulting in a dramatically reduced retail network now better adapted to demand and operations in general.

Björn Borg products are currently sold by around 600 retailers and seven Björn Borg stores. Björn Borg products from every product area are sold in the Dutch market, where brand sales were again affected by the weak retail market and fell for the year as a whole.

### NORWAY

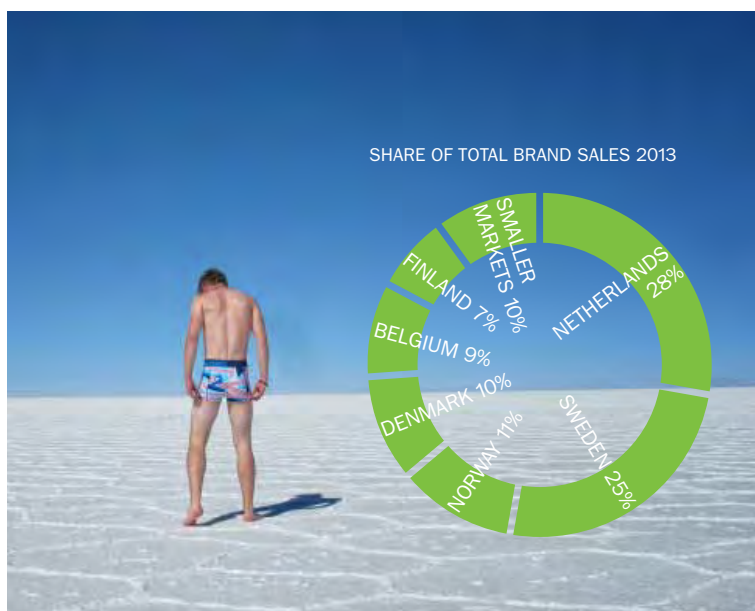
The brand was launched in the Norwegian market in the early 1990s. Norway today accounts for 11 percent of total brand sales. Products are sold through about 500 retailers around the country and in four Björn Borg stores in Oslo. All product groups are represented in Norway. Brand sales in the Norwegian market declined year-on-year.

### DENMARK

Björn Borg was launched in Denmark in 1992, and today it accounts for 10 percent of total brand sales. Björn Borg products are sold exclusively through around 750 external retailers, since there are currently no Björn Borg stores in the country. Every product area is represented in Denmark. In 2013 brand sales declined compared with 2012.

### BELGIUM

Björn Borg was launched in Belgium during the second half of the 1990s. In recent years the growth rate has been high, and today Belgium is Björn Borg's fifth largest market, with 9 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 in 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.





## FINLAND

The brand was established in Finland during the second half of the 1990s, has developed strongly in recent years and today accounts for about 7 percent of total brand sales. 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 are two Björn Borg stores in Helsinki, one of which opened in November. 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.

## SMALLER MARKETS

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Björn Borg's smaller markets together accounted for 10 percent of total brand sales in 2013, compared with 13 percent in the previous year. Among smaller markets, England is managed by the Björn Borg Group, while operations in other markets are managed by external distributors. The first two years of a distribution agreement in a new market are considered a trial period during which market conditions and the distributor's marketing opportunities are evaluated, after which an assessment is made of the market's future potential.

## ENGLAND

Björn Borg started operations in England in 2006 with a launch at the department store Selfridges in London. In 2011 it 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 have been added, including socks and sportswear. Björn Borg's biggest marketing event of the year was a London extravaganza in August together with MTV, which gained a lot of attention in the media and fashion world. During the year the first outlet was opened at Wembley, in London, while a small trial store in the Bluewater shopping center outside the city was closed. Brand sales in England rose significantly in 2013.

## OTHER SMALLER MARKETS

Instability in the retail market continued in Europe in 2013, especially southern Europe. In Spain, Björn Borg was launched at a number of El Corte Inglés department stores with positive results and the possibility of expanding sales to additional units. In France, trial sales were launched during the year at the department store Galerie Lafayette with favorable results. The number of retailers and brand sales in France has been growing, though still from low levels, since a new distributor took over operations in 2011.

Austria, one of Björn Borg's smaller markets, had grown steadily for years. However, 2013 was a weaker year with lower brand sales. The brand was established in the country in 2007 and currently sells all its product categories through an expanding number of retailers. The distributor in Austria also manages a Björn Borg store in Ljubljana, Slovenia.

Björn Borg launched in Germany in 2006, where the distributor had managed operations from 2009 until 2013, when its contract was terminated. Björn Borg is now evaluating various options for future operations in Germany. There is one Björn Borg outlet store and a number of retailers. Brand sales fell in 2013 in a weak retail market.

In South Africa, underwear sales were launched on a small scale during the year through an external distributor.

Björn Borg discontinued its operations in China during the year and as of 2014 no longer operates in the Chinese market.

# BJÖRN BORG'S CORPORATE RESPONSIBILITY

## BJÖRN BORG'S OVERARCHING VIEW OF ITS RESPONSIBILITY

One of Björn Borg's fundamental corporate values is to act responsibly. Björn Borg wants to be a good corporate citizen by taking responsibility in a number of areas: for the people who work for and with the company, for its environmental impacts, for the impact on the customer, and for operating ethically. Bottom line products shall be safe, of high quality and manufactured sustainably, and individuals who directly or indirectly work for Björn Borg shall be treated with respect and work under reasonable conditions. Also, efforts shall be made to minimize environmental impacts, e.g., through lower CO<sub>2</sub> emissions. This will be reflected in every business decision and in the way the company operates. Ultimately it means ensuring that everyone who works for Björn Borg takes responsibility for the impact of their decisions and actions. We also encourage our partners, especially manufacturers and licensees but also distributors, to work sustainably.

## APPROACH

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

This work includes control and monitoring of manufacturers and other partners to ensure their compliance with established requirements as well as measures to continuously improve the knowledge of Björn Borg's personnel and, to some extent, outside parties. The product department, which works with design, product development and sourcing, also plays a key role in the practical aspects of this work.

### 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 impacts on people and the environment. Björn Borg wants to earn this trust. Commercial customers such as retailers in addition often have their own concrete sustainability requirements that Björn Borg as a company must fulfill.
Employees	More and more employees expect their employer to take corporate responsibility and want to be proud of where they work. It is important for Björn Borg to meet these expectations and be an employer that also offers a positive, stimulating working environment.
Shareholders	Sustainability 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 sustainability work.
Authorities and interest groups	The role of authorities and NGOs is to ensure that companies comply with current laws and regulations. Björn Borg tries to maintain an open dialogue with these stakeholders to better understand their expectations and to share necessary information.
Media	The media's role is to monitor the company's actions, including negative impacts. Björn Borg tries to respond as openly and transparently as possible to queries on its sustainability work.

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

Björn Borg's licensed products in areas other than underwear, such as footwear and bags & luggage, are designed and sourced by external licensees, who contract their own manufacturers, dialogue with them and monitor working conditions and chemicals, among other things. Björn Borg places concrete sustainability requirements on its licensees, and helps them 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 its licensees' sustainability work.

### BJÖRN BORG'S PARTNERS

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

- Business Social Compliance Initiative (BSCI)
- The Textile Importers' Association in Sweden
- Swerea IVF
- Social Initiative
- Mathare Youth Sports Association MYSA
- Numerous charity organizations

### EXAMPLES OF ACTIVITIES CONDUCTED IN 2013

- Developed model to measure and monitor climate impacts, based on CO<sub>2</sub> emissions from Björn Borg's own operations.
- Developed structured evaluation scheme for manufacturers of Björn Borg's own production with concrete KPIs for sustainability, e.g., working conditions and the environment.
- Extensive training in sustainable fashion for Björn Borg's personnel through Sustainable Fashion Academy (SFA).

### EXAMPLES OF ACTIVITIES PLANNED IN 2014

- Implement climate reporting in Björn Borg's own operations, based on CO<sub>2</sub> emissions.
- Implement structured evaluation scheme for manufacturers of Björn Borg's own production.
- Review the Supplier Guide, including environmental requirements.
- Begin collecting worn-out clothing in stores on a trial basis.

### OVERARCHING GOALS AND RISKS

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

Goals	Status/comment
All manufacturers of Björn Borg's own production* must follow the company's code of conduct. Of total volumes purchased for Björn Borg's own production, at least i) 2/3 will come from factories that have been BSCI-audited and achieved at least level 1 (of 2) and ii) 50% will come from factories that have achieved the highest level (2).	All manufacturers of Björn Borg's own production have signed the company's code of conduct, 92 percent (based on total volumes purchased in 2013) have achieved at least BSCI level 1 and 86 percent have also achieved level 2. Read more on page 28 under Responsible production.
Björn Borg will maintain good control over chemical use in its own production and sample testing will be performed at all manufacturers of Björn Borg's own production each season.	All manufacturers of Björn Borg's own production have pledged to comply with Björn Borg's chemical requirements, and chemical tests are conducted at manufacturers of Björn Borg's own production each season. Björn Borg considers its chemical control satisfactory, but reviews its routines and requirements continuously. Read more on page 30 under Chemicals.
Significantly reduce CO <sub>2</sub> emissions from Björn Borg's own operations by 2020.	In 2014 Björn Borg will implement a climate measurement and monitoring model for its own production. Concrete goals for CO <sub>2</sub> emissions by 2020 and results for 2014 will be reported in 2015. Read more on page 30 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).



## CHALLENGES

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

Challenge	Comment
Production involves long chains of suppliers at various levels, which complicates transparency, control and oversight of working conditions and chemicals, for example.	Björn Borg cooperates with a limited number of manufacturers, tries to work as closely with them as possible to implement and monitor sustainability requirements, and requires them to place similar requirements backwards in the supply chain.
Commercial interests sometimes conflict with sustainability interests.	A serious discussion is needed about conflicts that can arise between different interests, e.g., that sustainable materials can be a more expensive alternative in a market with growing margin pressure and that short delivery schedules can increase overtime in factories or shipments by air. At the same time sustainability improvements can be cost-effective if they optimize shipments or lead to energy efficiencies.
It can be difficult for manufacturers and the company's own employees to fully comprehend current laws and regulations, not least in the chemical area.	Björn Borg continuously gathers information on changes and development over time 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 underwear, such as footwear and bags & luggage, are handled by third-party licensees outside the company's organization and control.	Björn Borg places concrete requirements on its licensees, coordinates sustainability policies, and monitors licensees' sustainability 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 freight, while also trying to encourage and influence its distributors to choose better alternatives.

## RESPONSIBLE PRODUCTION

### NUMBER OF MANUFACTURERS AND GEOGRAPHICAL DISTRIBUTION

Björn Borg outsources its production to a total of around 15 manufacturers with production at 18 factories. China accounts for about 90 percent of Björn Borg's total production, followed by Turkey and India. The large 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 fair working conditions. The company therefore places concrete requirements on its manufacturers in these areas. Björn Borg requires suppliers of its own production to comply with the company's code of

conduct. The code is based on BSCI's code of conduct, which in turn rests on several important international conventions on human rights. Compliance is monitored continuously. For more information, see below.

Björn Borg purposely works with a limited number of 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 that this provides good insight into production conditions and fosters a constructive dialogue on sustainability issues. Creating a dialogue, in Björn Borg's experience, is more effective than one-sided, formal demands to achieve real, lasting improvements in working conditions. This is a long-term process that requires persistence.

### BSCI AND CODE OF CONDUCT

Björn Borg has participated since 2008 in the Business Social Compliance Initiative, BSCI, which currently comprises over 1,000 retail, trading and import companies which are trying to improve working conditions in the supply chain. Several well-known brands and chains participate in BSCI. The idea behind BSCI is that when companies join together and place the same standardized requirements on production conditions they can achieve real improvements over time. Through the BSCI system, participants can

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

Activity	Process
Evaluation of potential manufacturers	Before Björn Borg decides to outsource to a new manufacturer, it must complete a prescreening according to criteria formulated for this purpose. The company considers, among other things, whether the manufacturer in question has received 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 so on) to meet them, with the company's support, within the foreseeable future.
Contracting of manufacturers	When it contracts 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 into 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. As of 2014 manufacturers will also be graded on concrete KPIs within the sustainability area.
Training	Björn Borg encourages its manufacturers to participate in various forms of training such as BSCI workshops.

benefit from each other's work, since 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

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

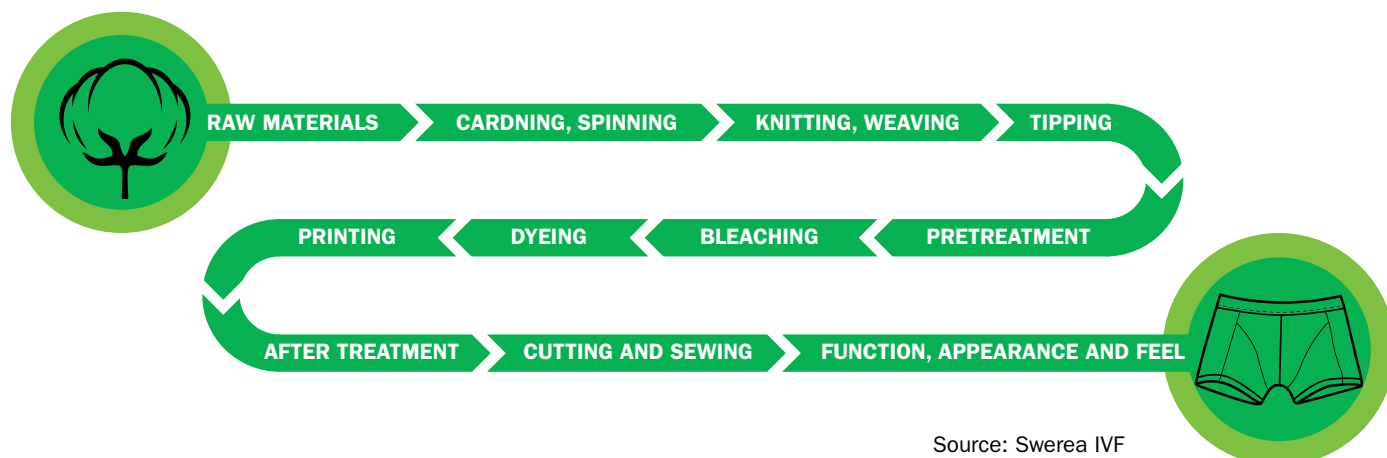
non-compliant and must implement a number of improvements. Level 1 ("Improvements needed") means that the producer has deviations that must be addressed, while Level 2 ("Good") means that the producer has been approved. If a supplier reaches Level 2, a re-audit is not conducted for another three years. 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 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.

Björn Borg currently meets the above requirements. In 2013 over 92 percent of its total production volume came from manufacturing units that have reached at least Level 1 within BSCI. A growing number of its manufacturers have reached the highest level, Level 2. Seven of the company's ten largest manufacturers, which account 86 percent of total purchases in 2013, achieve this level. One of the company's largest manufacturers, which previously had not reached Level 2 and which Björn Borg has worked closely with over an extended time to support its efforts, reached Level 2 in 2013 after having taken concrete improvement measures.

Björn Borg decides on a continuous basis whether to introduce additional producers into the BSCI system. Several of its producers are audited by other buyers within BSCI. An updated code of conduct is currently being implemented within BSCI and in 2014 Björn Borg will integrate it into its supplier requirements. This could mean, however, that some scheduled audits will have to be postponed until 2015, until the new code is fully implemented.

Several of Björn Borg's producers have received sustainability certification from SA8000 and WRAP, for example.

Björn Borg's licensees in the footwear and bags & luggage product categories are also members of, and active in, BSCI.



## 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 the illustration of the production chain above.

Björn Borg takes measures to avoid that products 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 a key element in its sustainability work. Since all manufacturing is outsourced, a continuous dialogue is needed with 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 pledge to ensure that certain potentially hazardous chemicals are not used. Chemical tests (sample testing) 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 as well as storage and use of chemicals in their production facilities. Regular visits to these factories facilitate Björn Borg's control.

Björn Borg requires its licensees to follow appropriate legal requirements as pertain to chemicals. Its licensees in 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 chemical questions and with the global services company UL on product testing. Björn Borg 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 environmental impact. Employees of Björn Borg also attend Swerea IVF's workshops and seminars to improve their competence in this area.

## ENVIRONMENTAL RESPONSIBILITY

### RESPONSIBILITY FOR CLIMATE CHANGE

Concern about climate change and shortages of natural resources are increasingly affecting the apparel industry and have made more businesses realize the importance of helping to conserve the planet's resources and in various ways addressing the risks of climate change. Buying new clothes all the time and just throw away old is not sustainable. For this reason, it is becoming more important for consumers to buy quality products that last. For Björn Borg, product quality has always been a core issue, but its importance has grown as it has also clearly become a sustainability issue. When consumers buy a quality product, they can use it longer. A product that lasts longer has less impact on the environment. Björn Borg places a great emphasis on assuring the quality of its products and production processes. Specialists in each product area are continuously refining every level of the manufacturing process, from design and material selection to production in order to achieve a high quality level. The aim is that the customer can and will want to use Björn Borg products longer. But of course, this is not enough. As a company, Björn Borg wants to do much more to take its share of responsibility for the environment.



## CO<sub>2</sub> EMISSIONS

Björn Borg's operations generate CO<sub>2</sub> emissions, which contribute to global warming. In 2013 the company formulated a model to measure and monitor CO<sub>2</sub> emissions from the Group's own operations. The model will be implemented in 2014 and targets and initial results will be reported from 2015. The focus will be on energy consumption, business travel and product transports. Shipments of goods from the country of origin to country of sale account for a significant share of CO<sub>2</sub> emissions, especially air freight. Only a limited share of Björn Borg's products is shipped by air, however. By far the majority are sent by sea, with deliveries within Europe made by truck. In 2014 the company will move additional production to Turkey, reducing the distance between the country of origin and country of sale. The company's policy is to factor CO<sub>2</sub> emissions into its choice of shipping modes, i.e., to choose the method with the least environmental impact unless there are strong reasons otherwise. In the current business model Björn Borg does not control the choice of shipping mode, since product deliveries are normally ordered by and shipped directly to distributors in each market. However, the company is taking measures to encourage its distributors to use the greenest alternative whenever possible, e.g., by designing and timing the sourcing process to allow for shipments by sea.

## ENVIRONMENTAL IMPACTS DURING THE PRODUCT LIFECYCLE

Björn Borg plans over time to significantly reduce the environmental impacts from its operations in a broader sense as well, by applying a lifestyle perspective that takes into account impacts in production and at the user level. Achieving concrete improvements in these parts of the product lifecycle is a major challenge, however, since they require commitment and actions by outside parties. A close dialogue is needed with production partners to encourage them to reduce impacts from their operations, along with influencing consumers on washing, recycling and reusing products. Consumers can limit their impacts, for example, by filling up their washing machine, washing at lower temperatures, using less detergent and hanging their clothes to dry rather than using a dryer. A lifecycle analysis (LCA) conducted by Björn Borg a few years ago showed that the biggest environmental impact from a garment, nearly 60 percent, is from the end user's washing. By simply lowering the temperature from 60°C to 40°C, they can significantly reduce their impact. Possible measures that would broaden environmental efforts include initiating concrete environment projects in suppliers' factories, using less resource-intensive and environmentally damaging materials and production methods, and helping to extend product lifecycles by encouraging end-users to sell or donate usable products instead of throwing them away. With respect to the latter, Björn Borg has already taken certain action, as described below.

## SMARTER RESOURCE CONSUMPTION

Cotton is a very popular material, especially for underwear, but poses an environmental challenge in that a great deal of water and chemicals is needed to produce textiles from conventional cotton. Recently the company has devoted considerable resources to increasing knowledge by its personnel, especially designers and buyers, of alternative, more sustainable materials. These efforts will continue in 2014. The hope is to significantly increase the share of sustainable material over time.

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

Material	% of total volume
95% cotton, 5% elastane	75
Synthetic blends	17
Other cotton blends	5
100% cotton	2
<b>Total</b>	<b>100</b>

\* Refers to products invoiced by the company in 2013.

Björn Borg's collections from its own production are delivered in plastic or cardboard packaging. Plastic packaging is produced in recognized materials such as polyethylene terephthalate (PET), ethylene vinyl acetate (EVA) or polypropylene (PP). All Björn Borg packaging is recyclable, with sorting symbols clearly displayed. The company's packaging is designed to withstand rough handling before reaching and when in stores. A number of measures are being taken to ensure that the packaging will last as long as it should with as little environmental impact as possible.

In spring 2014 certain Björn Borg stores will begin collecting worn-out products from consumers on a trial basis with the goal of recycling or reusing them in an appropriate way rather than having them thrown away by the consumer. Major progress has been made in recent years in the research and practical application of textile recycling, and it is now becoming feasible to take fibers from old garments to make new fibers that can be spun into yarn for new garments. Material that can't be recycled in this way can sometimes be converted into something else, such as various types of composites. There is growing discussion in the industry about "closing the loop" and "cradle to cradle." The goal is to reuse the planet's resources in a new product lifecycle rather than just let them go to waste.

About a year ago Björn Borg introduced a limited 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. By taking production waste and putting it to use again, Björn Borg is reducing its impact on the environment.

## COMMUNITY ENGAGEMENT

Björn Borg wants to give back to society. For about four years, since 2011, it has provided financial support to the Mathare Youth Sports Association (MYSA), a self-help program that combines team sports with leadership training to assist children and young adults in the slums of Nairobi, Kenya. In total, nearly SEK 6 million has been donated to MYSA and contributed to a library and information center as well as to decentralizing operations and increasing the number of active girls. In 2013 Björn Borg's support was primarily used to strengthen MYSA's internal organization and regulations. Björn Borg's partner, Social Initiative, conducts an annual follow-up to verify that established plans and budgets are being followed, that support is reaching recipients and having an impact, and that the organization is producing positive results.

In 2013 Björn Borg began a collaboration with the MTV Staying Alive Foundation, which supports HIV prevention through small, local projects often run by young social entrepreneurs with a passion for making a difference. During the year Björn Borg launched a limited underwear collection designed to increase awareness of HIV, which affects people, especially young people, around the world. One euro from each item sold was donated to the foundation.

Björn Borg also continues to support human rights. One issue dear to the company is the fight for LGBT (Lesbian, Gay, Bisexual and Transsexual) rights. In 2013 Björn Borg was one of the main sponsors of Stockholm Pride and participated in the Pride Parade and on the festival grounds. The company also produced the official Pride film. In fall 2013 Björn Borg advertised a full-page ad in the Moscow Times to support LGBT rights, which have been denied by the Russian government. Björn Borg will continue to fight for human rights.



In 2013 Björn Borg donated money or products to, among other charities:

- Radiohjälpen (administers donations to global children's charities)
- Stadsmissionen (humanitarian organization for the homeless)
- Unga Reumatiker (supports young rheumatism sufferers)
- Pediatric cancer ward at Astrid Lindgren Children's Hospital
- Ung Cancer (nonprofit helping young cancer sufferers)
- Movember

Björn Borg has made a policy decision not to throw away or destroy usable products, including inventory from old collections or confiscated fake products (so called counterfeits), unless absolutely necessary. In 2013 Björn Borg began collaborating with His Church Charity in England. Whenever practical, Björn Borg sends primarily counterfeit products to the charity, which resews them, covers the Björn Borg label and donates the clothing to the needy.

In total, gifts with an estimated value of SEK 2 million have been donated to the above-mentioned charities.

# EMPLOYEES AND ORGANIZATION

With their competence, creativity and drive, Björn Borg's employees contribute to the development of the brand and the Group and are essential to the company's success. As an employer, Björn Borg tries to offer a stimulating work environment where management and staff join together to create a sense of well-being and maintain a culture of mutual respect.

One of management's top priorities is to provide current employees with development opportunities and 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 like ours, with an expanding number of markets, needs structure and standardized procedures – but it also has to maintain its 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 sustain a high level of innovation and creativity in product development, inspiration is sought at trade shows and international fashion events. Great importance is placed on creating an inspiring climate internally with close collaboration between departments.

## SHARED VALUES

Shared values play an important unifying function for Björn Borg, with its extensive 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 works and all communication internally and externally.

Björn Borg tries to maintain a flat organization where personal initiative is encouraged and where everyone is free to say what they want and call attention to irregularities openly and honestly without negative repercussions. The company expects everyone in the organization to take responsibility for their actions, to be respectful and loyal in their relationships with others, and to avoid all forms of harassment. At Björn Borg, everyone is treated equally and has the same development opportunities regardless of race, ethnicity, age, religion, gender, sexual orientation or disability.

## ORGANIZATION DURING THE YEAR

A growing company requires a well-structured organization and clear delegation of responsibility. In addition to detailed job descriptions, Björn Borg sets clear goals for every employee and team, so 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 2013.

During the year Björn Borg continued to map its organizational competencies to determine which areas need improvement in order to meet the needs of today and the future. This is a long-term effort also aimed at creating a competence-oriented working environment that is stimulating for employees.

The company's compensation system comprises a base salary and variable compensation for certain key employees, where the latter pays out when individual targets are met.

During the year Björn Borg continued to increase the collaboration between departments and to adapt operations to the focus areas the company has established. After five years as President and CEO, Arthur Engel stepped down in November. Henrik Fischer, former Deputy CEO and International Sales Director, took over as Acting CEO, a position he will retain until a new CEO is recruited.

The operations in Finland were acquired from the former distributor at the beginning of the year with Björn Borg as the principal owner, which means that the 20-odd employees in the Finnish market are now employees of the Group. Björn Borg terminated its Chinese operations in 2013.

## ORGANIZATION BY THE NUMBERS

The average number of employees in the Group was 159 in 2013, compared with 139 in 2012. On December 31, 2013 the Group had 130 employees. The increase in the number of employees is mainly due to the new operations in Finland. The average employee age was 34, and 41 percent were men. Employee turnover was 16 percent (4) in 2013. The figures exclude divested or discontinued operations as well as store personnel in the Swedish retail company.



**MORE THAN  
JUST A NUMBER**





# FIVE-YEAR SUMMARY

SEK thousands	2013	2012	2011	2010	2009
<b>Income statement</b>					
Net sales	499,246	551,432	536,509	536,040	519,915
Operating profit	21,160	69,786	83,706	126,005	112,594
Profit after financial items	24,849	68,877	84,626	123,995	111,658
Profit for the year	13,906	47,227	100,150	90,763	80,902
<b>Balance sheet</b>					
Intangible assets	211,246	206,048	207,786	208,334	204,913
Tangible non-current assets	16,519	13,952	14,741	7,808	11,150
Long-term receivable	13,400	—	—	—	—
Deferred tax assets	31,126	35,283	43,194	6,438	—
Inventories, etc.	39,031	35,688	34,559	26,239	26,455
Current receivables	86,425	123,244	91,978	85,344	65,719
Investments	136,519	163,979	—	35,567	—
Cash & cash equivalents	82,304	116,195	158,042	194,275	296,484
<b>Total assets</b>	<b>616,570</b>	<b>694,389</b>	<b>550,300</b>	<b>564,005</b>	<b>604,720</b>
Equity	280,650	344,216	396,962	427,276	460,956
Non-current liabilities	217,042	223,269	28,754	34,724	40,889
Deferred tax liabilities	39,694	44,544	47,539	48,189	40,011
Current liabilities	79,184	82,361	77,045	53,816	62,864
<b>Total equity and liabilities</b>	<b>616,570</b>	<b>694,389</b>	<b>550,300</b>	<b>564,005</b>	<b>604,720</b>
<b>Key figures</b>					
Gross profit margin, %	50.9	50.2	51.5	53.6	51.3
Operating margin, %	4.2	12.7	15.6	23.5	21.7
Profit margin, %	5.0	12.5	15.8	23.1	21.5
Return on capital employed, %	7.0	15.9	19.5	25.7	20.9
Return on average equity, %	6.9	14.3	25.6	20.5	18.5
Profit attributable to Parent Company's shareholders	21,613	52,963	105,468	90,897	80,867
Equity/assets ratio, %	45.5	49.6	72.1	75.8	76.2
Equity per share, SEK	11.16	13.69	15.78	16.99	18.33
Investments in intangible non-current assets	1,533	2,679	12,110	4,878	3,160
Investments in tangible non-current assets	8,088	3,843	13,325	2,498	1,380
Investments in financial assets	6,547	—	—	9,046	—
Depreciation/amortization for the year	-6,825	-6,438	-17,165	-7,136	-7,024
Average number of employees	159	139	131	100	92
<b>Data per share</b>					
Earnings per share, SEK	0.86	2.11	4.19	3.61	3.22
Earnings per share (after dilution), SEK	0.86	2.11	4.19	3.57	3.21
Number of shares	25,148,384	25,148,384	25,148,384	25,148,384	25,148,384
Weighted average number of shares	25,148,384	25,148,384	25,148,384	25,148,384	25,111,217
Effect of dilution	—	—	32,190	321,818	118,910
Weighted average number of shares (after dilution)	25,148,384	25,148,384	25,180,574	25,470,202	25,230,128



# QUARTERLY DATA FOR THE GROUP

SEK thousands	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Net sales	100,269	159,791	107,771	131,414	138,655	166,761	105,478	140,538
Gross profit margin, %	52.5	51.7	50.1	49.4	51.6	49.5	52.1	48.0
Operating profit	-12,534	23,610	860	9,225	15,085	35,222	4,848	14,631
Operating margin, %	neg	14.8	0.8	7.0	10.9	21.1	4.6	10.4
Profit after financial items	-9,399	22,695	4,467	7,086	18,948	33,368	3,830	12,730
Profit margin, %	neg	14.2	4.1	5.4	13.7	20.0	3.6	9.1
Earnings per share, SEK	-0.40	0.74	0.23	0.30	0.45	1.11	0.10	0.44
Earnings per share after dilution, SEK	-0.40	0.74	0.23	0.30	0.45	1.11	0.10	0.44
Number of Björn Borg stores at end of period	38	54	57	57	60	59	57	56
of which Group-owned Björn Borg stores	17	16	17	17	17	13	13	14
Brand sales	331,665	482,268	275,379	431,815	376,244	484,938	288,360	447,640

## SEASONAL VARIATIONS

The Björn Borg Group is active in an industry with seasonal variations.

The four quarters vary in terms of sales and earnings.

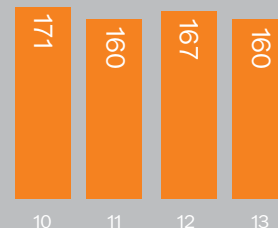
NET SALES 2010–2013  
Q1, SEK MILLION



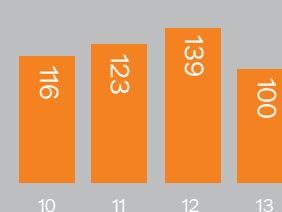
NET SALES 2010–2013  
Q2, SEK MILLION



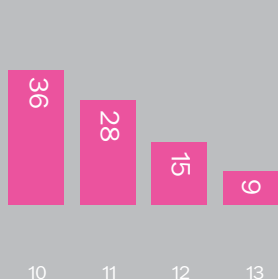
NET SALES 2010–2013  
Q3, SEK MILLION



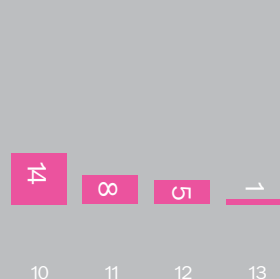
NET SALES 2010–2013  
Q4, SEK MILLION



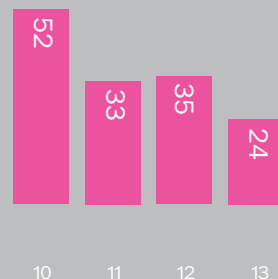
OPERATING PROFIT 2010–2013  
Q1, SEK MILLION



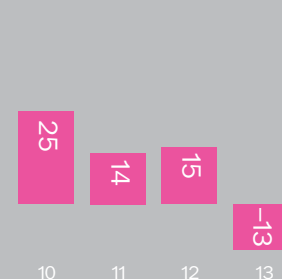
OPERATING PROFIT 2010–2013  
Q2, SEK MILLION



OPERATING PROFIT 2010–2013  
Q3, SEK MILLION



OPERATING PROFIT 2010–2013  
Q4, SEK MILLION



# BUSINESS SEGMENTS

## BUSINESS SEGMENTS AND REVENUE

Björn Borg reports revenue for four business segments.

### BRAND

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 2013 net sales amounted to SEK 77.5 million (81.3) with operating profit of SEK 14.7 million (16.3).

### PRODUCT DEVELOPMENT

Sales in the Product Development segment are generated by the product companies for underwear and sportswear through their sales to distributors in all markets. In 2013 net sales amounted to SEK 294.1 million (385.3) with operating profit of SEK 4.0 million (48.6).

### WHOLESALE

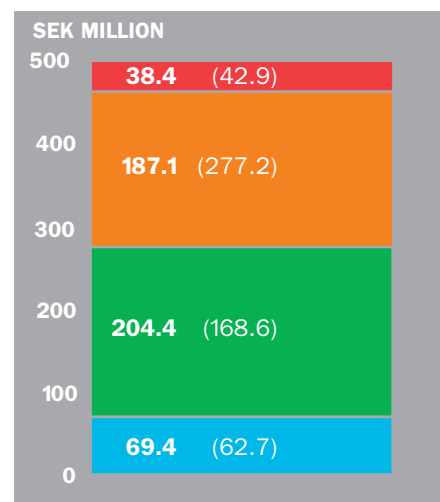
Sales in the Wholesale segment are generated by the Group's own underwear distributors in Sweden, England and Finland, and its footwear distributors in Sweden, Finland and the Baltic countries. In 2013 net sales amounted to SEK 256.4 million (221.3) with operating profit of SEK 15.5 million (14.6).

### RETAIL

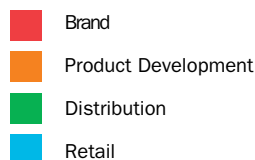
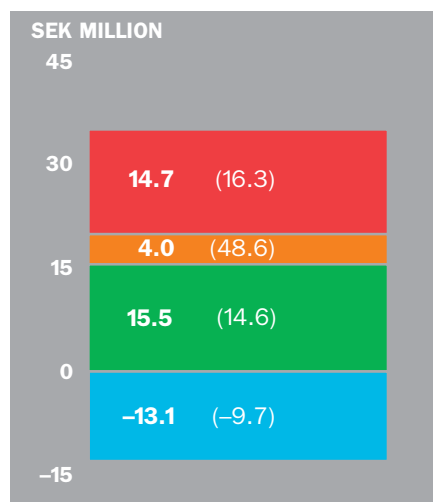
Sales in the Retail segment are currently generated by the Group's own Björn Borg stores and its own e-commerce operations. Net sales in Retail amounted to SEK 80.5 million (73.0) in 2013 with an operating loss of SEK 13.1 million, against a year-earlier loss of SEK 9.7 million.

## NET SALES BY SEGMENT

After eliminating internal sales



## OPERATING PROFIT BY SEGMENT



# BOARD OF DIRECTORS' REPORT

The Board of Directors and the CEO of Björn Borg AB (publ), company registration number 556658-0683, herewith present the annual report and consolidated financial statements for the financial year 2013.

## OPERATIONS

Björn Borg AB owns the Björn Borg brand with a focus on underwear. It also offers sportswear, fragrances and footwear in certain markets as well as footwear, bags & luggage and eyewear through licensees. Björn Borg products are sold in over 25 markets, of which Sweden and the Netherlands are the largest. Underwear is currently sold in 16 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 branding 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 6,888 shareholders at year-end. The largest shareholder as of December 31, 2013 was Fredrik Löfstedt through his companies. The two largest shareholders, SEB Fonder and Fredrik Löfstedt, each directly and indirectly owned approximately 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 2013 Annual General Meeting was held on April 17, 2013 in Stockholm. The AGM reelected Mats H Nilsson, Vilhelm Schottenius, Kerstin Hessius and Michael Storåkers as Directors, with Fredrik Löfstedt as Chairman of the Board. Isabelle Ducellier was elected as a new Director by the AGM, which 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 2013 the Board held six scheduled meetings, four of which were in connection with the quarterly financial reports, one by circulation in connection with the preparations for the AGM and one 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.

In 2014 the Board of Directors will draft new financial objectives for the period 2015-2019.

## DIVIDEND

The Board of Directors has decided to recommend to the Annual General Meeting 2014 that a distribution of SEK 1.50 per share be paid for the financial year 2013, corresponding to 175 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 1.50 per share. Payment for the redemption shares, contingent on the approval of the AGM, is expected to be made around May 20, 2014. The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 37.7 million (75.4). For the financial year 2012 a distribution of SEK 3.00 was paid per share, corresponding to 142 percent of net income

## EVENTS IN 2013

### Markets

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 two Björn Borg stores. Björn



Borg is the principal owner (75 percent), while a local partner is a minority owner. The total purchase price was approximately SEK 9 million. For further information, see note 21 in this report. The acquired Finnish operations contributed positively to the Group's operating profit in 2013. The Board of Directors decided during the third quarter to discontinue Björn Borg's operations in China in 2013. The exit has progressed according to plan, and as of January 1, 2014 the company is dormant.

During the fourth quarter the Group sold the wholly owned subsidiary Anteros Lagerhantering AB to Aditro Logistics AB. As of December 1, 2013, Aditro manages the inventory and shipping needs of the Group's Swedish companies. The aim of the divestment is to find a more cost-effective inventory management solution for the Group. The sale did not affect the Group's result for the financial year 2013.

Björn Borg's distributor in the Netherlands has completed a reconstruction of its retail operations. As a result, its retail network has now been reduced to seven Björn Borg stores. This decision is rooted in the Dutch market's persistent sluggishness, due to which a number of stores underperformed. The distributor's wholesaling operations, which generate the majority of brand sales in the country, are managed by a separate company not part of the reconstruction. Those operations are profitable.

Björn Borg estimates that reconstruction of the Dutch retail network will reduce consolidated sales by about 3-4 percent, based on sales for 2012.

#### **Björn Borg stores**

Björn Borg opened three stores during the year: one in the Forum shopping center in Helsinki, one in the new Hornstull shopping center in Stockholm, and an outlet in Wembley, in London. During the year it closed the store in Helsingborg as well as a test store in Bluewater shopping center in England and the two stores in China. The retail reconstruction by the Dutch distributor has progressed according to plan. During the year a total of 21 stores were closed and at year-end the distributor had seven stores remaining. At year-end there were a total of 38 (60) Björn Borg stores, of which 17 (17) are Group-owned.

### **THE GROUP'S DEVELOPMENT**

#### **Net sales**

Group sales amounted to SEK 499.2 million (551.4) during the full-year. Lower orders in the underwear product company are the main reason for the sales decline, combined with shipment delays of approximately SEK 20 million at the end of the year compared with year-end 2012. Björn Borg Sport declined during the year, partly due to shipment delays, while footwear wholesaling and the British

operations performed positively. Sales for Swedish underwear wholesaling decreased, mainly from lower sales of the holiday collection to Swedish stores. The Finnish company acquired during the year contributed to Group sales. The Group's own retail operations contributed a solid increase, mainly due to growth in e-commerce. Royalties fell as a result of lower brand sales during the year.

#### **Profit**

The gross profit margin for the full-year increased to 50.9 percent (50.2). Excluding currency effects, the margin would have been 50.4 percent. Operating profit decreased during the year by 70 percent to SEK 21.2 million (69.8) with an operating margin of 4.2 percent (12.7). Lower revenue in the underwear product company as well as Björn Borg Sport and Swedish wholesaling, mainly during the fourth quarter, is the biggest reason for the profit decline. Earnings were also charged with higher operating expenses, mainly for personnel and premises in the Group's own retail operations, a provision for the resigning CEO for 2014 (SEK 2.9 million) and expenses for China. The now discontinued Chinese operations generated a charge against the Group's operating profit of SEK 10.9 million (7.0) during the year.

Net financial income increased to SEK 3.7 million, against a year-earlier expense of SEK 0.9 million, partly due to receivables in foreign currency. The realized and unrealized return on investments and cash & cash equivalents, less interest on the bond loan, positively affected the financial net by SEK 3.1 million (4.6). Profit before tax decreased to SEK 24.8 million (68.9).

Profit after tax amounted to SEK 13.9 million (47.2). The high tax expense in relation to profit before tax is mainly due to recognized losses in international subsidiaries, including the discontinued operations in China for which no deferred tax assets have been recognized.

#### **Investments and cash flow**

The Group's cash flow from operating activities amounted to SEK 38.0 million (31.2) in 2013. A decline in operating profit was offset by significantly lower tied-up working capital through a reduction in accounts receivable. This is the result of markedly lower delivery volumes in December compared with the previous year owing to lower orders for spring/summer 2014 collection and shipment delays until 2014. Inventory increased slightly to SEK 39.0 million compared with December 31, 2012 (35.7) due to the new operations in Finland and goods purchased for the Fragrances product area.

Total investments in tangible and intangible non-current assets amounted to SEK 9.6 million (6.5) for the year, with the higher investments largely due to new and renovated stores in Sweden and Finland.

<b>Condensed income statement</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Net sales, SEK million	499.2	551.4	536.5	536.0	519.9
Operating profit, SEK million	21.2	69.8	83.7	126.0	112.6
Operating margin, %	4.2	12.7	15.6	23.5	21.7
Profit before tax, SEK million	24.8	68.9	84.6	124.0	111.7
Profit for the year, SEK million	13.9	47.2	100.2	90.8	80.9
Earnings per share, SEK	0.86	2.11	4.19	3.61	3.22
Earnings per share after full dilution, SEK	0.86	2.11	4.19	3.57	3.21
Pro forma earnings per share excluding deferred tax assets, SEK	–	–	2.66	–	–

During the year the company granted the Dutch distributor a loan of SEK 17 million maturing on March 31, 2017 with quarterly amortizations of SEK 900,000 beginning on December 31, 2013. The purpose of the loan was to reduce the risk in older receivables from the Dutch distributor. The collateralized loan is interest-bearing. The loan 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 218.8 million (280.2) at the end of the year. In 2013 cash & cash equivalents and investments decreased by SEK 61.4 million, compared with a year-earlier increase of SEK 122.1 million. The change is largely due to the year's shareholder dividend of SEK 75.4 million (100.6).

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 2.1 million amounted to SEK 192.9 million (192.3) as of December 31, 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 December 31, 2013 investments had been made in bonds with a book value of SEK 136.5 million (164.0), which represents their 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 December 31, 2013 the ratio was -0.93 (-0.75), i.e., a positive net cash balance, and the equity/assets ratio was 45.5 percent (49.6). 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.

### **SEGMENTS**

#### **Brand**

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

Net sales reached SEK 77.5 million (81.3) in 2013, a decrease of 5 percent. External sales decreased to SEK 38.4 million (42.9) as a consequence of 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.

The annual additional purchase price paid to the former brand owner amounted to SEK 30 million (31) in 2013. This additional purchase price is payable up to December 31, 2016. See also note 2.

Operating profit amounted to SEK 14.7 million (16.3), a decrease of 10 percent for the year. The lower operating result is due to lower royalties, even though branding expenses decreased 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 294.1 million (385.3) in 2013, a decrease of 24 percent. External sales amounted to SEK 187.1 million (277.2). This decrease of 33 percent compared with 2012 is mainly due to weaker sales of the last three underwear collections (fall/winter, holiday and most recently spring/summer 2014) and shipment delays for both companies, which shifted about SEK 25 million in revenue to the first quarter 2014 compared with year-end 2012. The total decline in collection sales is partly due to very tough conditions in the Dutch market as well as the Dutch distributor's reconstruction of its retail network, which was initiated and has now been completed.

Operating profit decreased to SEK 4.0 million (48.6) due to the lower external sales. Operating expenses in the segment were in line with 2012.

#### **Wholesale**

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

Net sales for wholesaling operations rose by 16 percent to SEK 256.4 million (221.3) in 2013. External sales amounted to SEK 204.4 million (168.6). The increase mainly comes from the acquired Finnish operations, but also because the British operations and the Group's footwear wholesaling saw sales growth compared with 2012. Swedish underwear wholesaling performed weakly in 2013 in a tough retail climate.

Operating profit amounted to SEK 15.5 million (14.6). Additional operating expenses of SEK 12.5 million in Finland are the reason why the segment's profit did not increase more despite the sales growth. A weaker USD has positively affected gross profit and operating profit in this segment by about SEK 3 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. Björn Borg also operates two factory outlets and sells online through [www.bjornborg.com](http://www.bjornborg.com).

Sales in the Retail segment increased by 10 percent in 2013 to SEK 80.5 million (73.0). External net sales rose by 10 percent in 2013 to SEK 69.4 million (62.7). The increase is mainly due to strong development in e-commerce during the year, but also to growth in Swedish stores mainly during the second half-year. Sales for outlets and comparable Björn Borg stores increased by 2 percent compared with 2012.

The operating loss for 2013 amounted to SEK 13.1 million, against a year-earlier loss of SEK 9.7 million, partly due to the discontinued operations in China, new and renovated stores and an expanded e-commerce organization.

### **Intra-Group sales**

Intra-Group sales amounted to SEK 209.3 million (209.5) for 2013.

### **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 with development opportunities and attract new employees with the right skills to the organization. The company's compensation system comprises a base salary and variable compensation for certain key employees, where the latter pays out when individual targets are met. Bonuses are maximized at three months' salary. There are currently no share-based incentive programs for employees.

The average number of employees was 159 (139) for the full-year. The increase is mainly due to the new subsidiary in Finland and the now discontinued operations in China. The distribution is 41 percent (40) men and 59 percent (60) women.

#### **Remuneration guidelines for the CEO and other senior executives**

The Annual General Meeting on April 17, 2013 resolved that remuneration for the CEO and other members of senior management shall comprise a base salary, variable compensation 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 2014 AGM keep the remuneration guidelines for the CEO and other senior executives unchanged.

### **RESEARCH AND DEVELOPMENT**

Björn Borg does not conduct any research, although development and design work is done in underwear and sportswear, 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 applies the BSCI Code of

Conduct to factory conditions, among other things. 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 with corporate responsibility issues, including through BSCI audits, requirement reviews and routines for supplier monitoring, internal training and the drafting a model for measuring and monitoring CO<sub>2</sub> emissions. Björn Borg has no operations subject to authorizations.

For more information on Björn Borg's CSR work, see pages 26–32.

### **RISKS, UNCERTAINTIES AND RISK MANAGEMENT**

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

#### **Financial risks**

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

#### **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, frequently focused 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 acquisitions or existing channels, though also on identifying 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 retail 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 collabora-



tion with one or more entrepreneurs in the network could adversely impact the company's growth and results.

#### **Fashion trends**

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

#### **Cyclicality**

Like all retail sales, the sale of the company's products is affected by changes in economic conditions. A growing economy has a positive effect on household finances, which is reflected in spending patterns. A downturn in the economy has the opposite effect, which was especially evident in 2012 and 2013, 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. 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 are available. 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. Other events can also damage the brand's reputation, including inadequate working conditions in the factories that manufacture Björn Borg products or products that contain a prohibited chemical.

#### **OUTLOOK FOR 2014**

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. (US) and Björn Borg Services AB (dormant). In addition, the company owns 80 percent of the shares in Björn Borg Ltd (UK), 51 percent of the shares in Björn Borg Sport BV, 75 percent of the shares in Björn Borg (China) Ltd and 75 percent of the shares in Björn Borg Finland Oy. The Parent Company's net sales for the full-year 2013 amounted to SEK 50.2 million (49.7). Profit before tax amounted to SEK 54.3 million (77.3). Cash & cash equivalents and short-term investments amounted to SEK 178.1 million (250.2) on December 31, 2013. Investments in tangible and intangible non-current assets amounted to SEK 0.9 million (1.2) for the full year.

Profit for the year includes dividends from subsidiaries of SEK 70.0 million (75.0). Profit for the year has also been charged with the impairment of shares in and receivables from subsidiaries totaling SEK 19.3 million (-). The impairment losses relate to the now dormant subsidiary in China and the US subsidiary.

#### **Proposed distribution of profit**

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

Retained earnings, SEK	8,662,469
Profit for the year, SEK	54,547,941
	63,210,410
The Board proposes that:	
Shareholders receive a distribution of SEK 1.50 per share, totaling SEK	37,722,576
Carried forward, SEK	25,487,834
	63,210,410

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	2013	2012
Net sales	4, 5	499,246	551,432
Cost of goods sold		-245,060	-274,803
<b>Gross profit</b>		<b>254,186</b>	<b>276,628</b>
Distribution expenses		-158,707	-144,694
Administrative expenses		-60,445	-51,016
Development expenses		-13,874	-11,133
<b>Operating profit</b>	4, 7, 8, 9, 10, 11	<b>21,160</b>	<b>69,786</b>
Interest income and similar income items	11, 13	16,171	12,770
Interest expenses and similar expense items	11, 13	-12,482	-13,679
<b>Profit after financial items</b>		<b>24,849</b>	<b>68,877</b>
<b>Profit before tax</b>		<b>24,849</b>	<b>68,877</b>
Tax on profit for the year	15	-10,943	-21,650
<b>Profit for the year</b>		<b>13,906</b>	<b>47,227</b>
<b>Profit for the year attributable to:</b>			
Parent Company's shareholders		21,613	52,963
Non-controlling interests		-7,707	-5,736
Earnings per share, SEK	16	0.86	2.11
Earnings per share after dilution, SEK	16	0.86	2.11

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Note	2013	2012
<b>Profit for the year</b>		<b>13,906</b>	<b>47,227</b>
<b>Components that may be reclassified to profit or loss</b>			
Translation difference for the year		-2,035	892
Accumulated translation difference reclassified to profit or loss for discontinued operations		12	-
<b>Total comprehensive income for the year *</b>		<b>-2,023</b>	<b>892</b>
<b>Comprehensive income for the year</b>		<b>11,883</b>	<b>48,119</b>
<b>Total comprehensive income for the year attributable to</b>			
Parent Company's shareholders		19,590	53,855
Non-controlling interests		-7,707	-5,736

\* The Group has no items that will not be reclassified to the statement of income.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Note	Dec. 31, 2013	Dec. 31, 2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>	17		
Goodwill	20	18,966	13,944
Trademarks		187,532	187,532
Licenses/customer relations		1,037	–
Other intangible assets		3,711	4,572
		<b>211,246</b>	<b>206,048</b>
<b>Tangible non-current assets</b>			
Property, plant and equipment	18	16,519	13,952
		<b>16,519</b>	<b>13,952</b>
Long-term receivable	23	13,400	–
Deferred tax assets	15	31,126	35,283
		<b>44,526</b>	<b>35,283</b>
<b>Total non-current assets</b>		<b>272,291</b>	<b>255,283</b>
<b>Current assets</b>			
<b>Inventories</b>			
Trading book		39,031	35,688
		<b>39,031</b>	<b>35,688</b>
<b>Current receivables</b>	23		
Accounts receivable	21, 23	52,321	93,994
Tax assets		14,725	8,360
Other current receivables	23	8,068	4,589
Prepaid expenses and accrued income	22	11,311	16,301
		<b>86,425</b>	<b>123,245</b>
<b>Short-term investments</b>			
Short-term investments	3, 23	136,519	163,979
		<b>136,519</b>	<b>163,979</b>
<b>Cash &amp; cash equivalents</b>			
Cash and bank balances	23, 26	82,304	116,195
		<b>82,304</b>	<b>116,195</b>
<b>Total current assets</b>		<b>344,279</b>	<b>439,106</b>
<b>TOTAL ASSETS</b>		<b>616,570</b>	<b>694,389</b>



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Note	Dec. 31, 2013	Dec. 31, 2012
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		7,859	7,859
Other paid-in capital		182,145	182,145
Reserves		-714	1,322
Retained earnings		104,893	162,726
<b>Equity attributable to Parent Company's shareholders</b>		<b>294,183</b>	<b>354,050</b>
Non-controlling interests		-13,533	-9,835
<b>Total equity</b>		<b>280,650</b>	<b>344,216</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	15	39,694	44,544
Other non-current liabilities	23, 26	217,042	223,269
		<b>256,736</b>	<b>267,813</b>
<b>Current liabilities</b>			
Accounts payable	23	26,549	32,780
Other current liabilities	23, 26	21,603	19,964
Accrued expenses and deferred income	27	31,032	29,617
		<b>79,184</b>	<b>82,361</b>
<b>Total liabilities</b>		<b>335,920</b>	<b>350,173</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>616,570</b>	<b>694,389</b>
<b>Memorandum items</b>			
	28		
Pledged assets		263,762	302,929
Contingent liabilities		1,613	4,020

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousands	Note	Share capital	Other paid-in capital	Translation reserve	Retained earnings	Non-controlling interests	Total equity
<b>Opening balance, January 1, 2012</b>		<b>7,859</b>	<b>182,145</b>	<b>430</b>	<b>210,383</b>	<b>-3,854</b>	<b>396,962</b>
Total comprehensive income for the year		–	–	892	52,963	-5,736	48,119
<b>Transactions with shareholders</b>							
Distribution for 2011 through share redemption	24	-3,929	–	–	-96,665	–	-100,594
Bonus issue		3,929	–	–	-3,929	–	–
Non-controlling interests that arose through acquisitions		–	–	–	–	2	2
Acquisition of non-controlling interests		–	–	–	-26	-79	-105
Dividend to non-controlling interests		–	–	–	–	-168	-168
<b>Total transactions with shareholders</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>-100,620</b>	<b>-245</b>	<b>-100,865</b>
<b>Closing balance, December 31, 2012</b>		<b>7,859</b>	<b>182,145</b>	<b>1,322</b>	<b>162,726</b>	<b>-9,835</b>	<b>344,216</b>
 <b>Opening balance, January 1, 2013</b>		 <b>7,859</b>	 <b>182,145</b>	 <b>1,322</b>	 <b>162,726</b>	 <b>-9,835</b>	 <b>344,216</b>
Total comprehensive income for the year		–	–	-2,035	21,613	-7,707	11,871
<b>Transactions with shareholders</b>							
Distribution for 2012 through share redemption	24	-3,929	–	–	-71,516	–	-75,445
Bonus issue		3,929	–	–	-3,929	–	–
Non-controlling interests that arose through acquisitions		–	–	–	–	6	6
Discontinued operations		–	–	–	-4,003	4,003	–
<b>Total transactions with shareholders</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>-79,448</b>	<b>4,009</b>	<b>-75,451</b>
<b>Closing balance, December 31, 2013</b>		<b>7,859</b>	<b>182,145</b>	<b>-714</b>	<b>104,893</b>	<b>-13,533</b>	<b>280,650</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

SEK thousands	Note	2013	2012
<b>OPERATING ACTIVITIES</b>			
Profit after tax		13,906	47,227
Income tax expensed through profit or loss		10,943	21,650
Financial expenses and income recognized through profit or loss	13	-3,689	909
Depreciation/amortization of tangible/intangible non-current assets	9	6,825	6,438
Capital gains/losses		1,547	2,562
Other non-cash items		2,806	-2,220
Interest received	13	11,776	9,535
Interest paid	13	-12,938	-10,263
Taxes paid		-17,794	-13,378
<b>Cash flow from operating activities before changes in working capital</b>		<b>13,382</b>	<b>62,460</b>
Changes in working capital			
Change in inventories		3,048	-1,129
Change in accounts receivable		28,273	-36,151
Change in other receivables		4,223	743
Change in accounts payable		-6,231	7,077
Change in other current liabilities		-4,696	-1,761
<b>Change in working capital</b>		<b>24,617</b>	<b>-31,220</b>
<b>Cash flow from operating activities</b>		<b>37,999</b>	<b>31,240</b>
<b>INVESTING ACTIVITIES</b>			
Investments in intangible assets	17	-1,533	-2,679
Investments in tangible non-current assets	18	-8,088	-3,843
Business combinations	20	-6,547	-
Disposal of subsidiaries	20	-2,369	-
Short-term investments	3	-62,049	-185,220
Sale of short-term investments	3	90,935	24,010
<b>Cash flow from investing activities</b>		<b>10,349</b>	<b>-167,734</b>
<b>FINANCING ACTIVITIES</b>			
Amortization of loans		-7,207	-6,667
Issuance of other loans		-	8,899
Issuance of bond loan		-	196,778
Repurchase of bond loan		-	-4,950
Distribution	24	-75,445	-100,594
<b>Cash flow from financing activities</b>		<b>-82,652</b>	<b>93,466</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>-34,304</b>	<b>-43,028</b>
Cash & cash equivalents at beginning of year		116,195	158,042
Translation difference in cash & cash equivalents		413	-1,182
<b>Cash &amp; cash equivalents at year-end</b>		<b>82,304</b>	<b>116,195</b>

# PARENT COMPANY INCOME STATEMENT

SEK thousands	Note	2013	2012
Net sales	5	50,175	49,667
Cost of goods sold		-934	-740
<b>Gross profit</b>		<b>49,241</b>	<b>48,927</b>
Distribution expenses		-52,341	-49,304
Administrative expenses		-20,131	-18,963
Development expenses		-8,053	-7,585
<b>Operating profit</b>	4, 6, 7, 8, 9, 10	<b>-31,284</b>	<b>-26,925</b>
Result from shares in subsidiaries	12	50,725	75,000
Group contributions received		43,755	41,047
Interest income and similar income items	13	15,794	12,682
Interest expenses and similar expense items	13	-25,033	-24,876
<b>Profit after financial items</b>		<b>53,957</b>	<b>76,928</b>
Appropriations	14	295	355
<b>Profit before tax</b>		<b>54,252</b>	<b>77,283</b>
Tax on profit for the year	15	296	-2,207
<b>Profit for the year</b>		<b>54,548</b>	<b>75,076</b>

# PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Note	2013	2012
<b>Profit for the year</b>		<b>54,548</b>	<b>75,076</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>54,548</b>	<b>75,076</b>



# PARENT COMPANY BALANCE SHEET

SEK thousands	Note	Dec. 31, 2013	Dec. 31, 2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>	17		
Retained expenditures		595	753
		<b>595</b>	<b>753</b>
<b>Tangible non-current assets</b>	18		
Property, plant and equipment		4,627	5,876
		<b>4,627</b>	<b>5,876</b>
<b>Financial non-current assets</b>			
Long-term receivable	19	13,400	–
Shares in Group companies	20	321,243	327,132
		<b>334,643</b>	<b>327,132</b>
<b>Total non-current assets</b>		<b>339,865</b>	<b>333,761</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Accounts receivable	21	328	220
Receivables from Group companies		182,141	103,444
Tax assets		2,415	1,680
Investments	3	136,519	163,979
Other current receivables		4,432	71
Prepaid expenses and accrued income	22	3,574	3,428
		<b>329,409</b>	<b>272,822</b>
<b>Cash &amp; cash equivalents</b>			
Cash and bank balances	26	41,559	86,172
		<b>41,559</b>	<b>86,172</b>
<b>Total current assets</b>		<b>370,968</b>	<b>358,994</b>
<b>TOTAL ASSETS</b>		<b>710,833</b>	<b>692,754</b>

# PARENT COMPANY BALANCE SHEET

SEK thousands	Note	Dec. 31, 2013	Dec. 31, 2012
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		7,859	7,859
Statutory reserve		46,817	46,817
		<b>54,676</b>	<b>54,676</b>
<b>Unrestricted equity</b>			
Retained earnings		8,663	9,032
Profit for the year		54,548	75,075
		<b>63,211</b>	<b>84,108</b>
<b>Total equity</b>		<b>117,887</b>	<b>138,784</b>
Untaxed reserves	25	1,888	2,183
<b>Provisions</b>			
Deferred tax liabilities	15	314	609
<b>Non-current liabilities</b>			
Bond loan	3, 26	192,927	192,283
<b>Current liabilities</b>			
Accounts payable		5,407	2,766
Due to Group companies		382,447	345,377
Other current liabilities		1,112	1,153
Accrued expenses and deferred income	27	8,851	9,599
<b>Total current liabilities</b>		<b>397,817</b>	<b>358,895</b>
<b>Total liabilities</b>		<b>590,744</b>	<b>551,179</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>710,833</b>	<b>692,754</b>
<b>Memorandum items</b>			
	28		
Pledged assets		40,216	40,216
Contingent liabilities		–	1,968

# PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK thousands	Note	Share capital	Statutory reserve	Retained earnings	Total equity
<b>Opening balance, January 1, 2012</b>		<b>7,859</b>	<b>46,817</b>	<b>109,627</b>	<b>164,302</b>
Distribution for 2011 through share redemption	24	-3,929	–	-96,665	-100,594
Bonus issue		3,929	–	-3,929	–
Total comprehensive income for the year		–	–	75,076	75,076
<b>Closing balance, December 31, 2012</b>		<b>7,859</b>	<b>46,817</b>	<b>84,109</b>	<b>138,784</b>
<b>Opening balance, January 1, 2013</b>		<b>7,859</b>	<b>46,817</b>	<b>84,109</b>	<b>138,784</b>
Distribution for 2012 through share redemption	24	-3,929	–	-71,516	-75,445
Bonus issue		3,929	–	-3,929	–
Total comprehensive income for the year		–	–	54,548	54,548
<b>Closing balance, December 31, 2013</b>		<b>7,859</b>	<b>46,817</b>	<b>63,212</b>	<b>117,887</b>
Number of shares		Number of votes	Number of shares	Quota value, SEK 000	
<b>Opening balance, January 1, 2012</b>		<b>25,148,384</b>	<b>25,148,384</b>	<b>7,858,870</b>	
Exercise of warrants		0	0	0	
<b>Closing balance, December 31, 2012</b>		<b>25,148,384</b>	<b>25,148,384</b>	<b>7,858,870</b>	
<b>Closing balance, December 31, 2013</b>		<b>25,148,384</b>	<b>25,148,384</b>	<b>7,858,870</b>	

All shares are common shares and are fully paid-in.

No shares are reserved for transfer according to warrant agreements or other agreements.

# PARENT COMPANY STATEMENT OF CASH FLOWS

SEK thousands	Note	2013	2012
<b>OPERATING ACTIVITIES</b>			
Profit after tax		54,548	75,076
Income tax expensed through profit or loss		-296	2,207
Financial expenses and income recognized through profit or loss	13	9,239	12,194
Depreciation/amortization of tangible/intangible non-current assets	9	2,283	2,404
Impairment of shares/receivables in subsidiaries		19,275	-
Other non-cash items		3,329	444
Appropriations	14	-295	-355
Dividends received, unpaid	12	-70,000	-75,000
Group contributions received, unpaid		-43,755	-41,047
Unrealized change in value		-1,427	-2,768
Interest received	13	12,465	12,682
Interest paid	13	-25,034	-24,876
Taxes paid		-745	-1,600
<b>Cash flow from operating activities before changes in working capital</b>		<b>-40,413</b>	<b>-40,639</b>
<b>CHANGES IN WORKING CAPITAL</b>			
Change in accounts receivable		-108	330
Change in other receivables		26,727	215,527
Change in accounts payable		2,641	-4,423
Change in other current liabilities		36,282	-129,817
<b>Change in working capital</b>		<b>65,542</b>	<b>81,617</b>
<b>Cash flow from operating activities</b>		<b>25,129</b>	<b>40,978</b>
<b>INVESTING ACTIVITIES</b>			
Shareholders' contribution to subsidiaries	19	-5,291	-5,905
Business combinations	19, 20	-16	-
Investments in tangible non-current assets	18	-568	-1,196
Investments in intangible non-current assets	17	-308	-
Short-term investments	3	-62,049	-185,220
Sale of short-term investments	3	90,935	24,010
<b>Cash flow from investing activities</b>		<b>22,703</b>	<b>-168,311</b>
<b>FINANCING ACTIVITIES</b>			
Lending	23	-17,000	-
Issuance of bond loan		-	196,778
Repurchase of bond loan		-	-4,950
Distribution	24	-75,445	-100,594
<b>Cash flow from financing activities</b>		<b>-92,445</b>	<b>91,234</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>-44,613</b>	<b>-36,099</b>
Cash & cash equivalents at beginning of year		86,172	122,271
<b>Cash &amp; cash equivalents at year-end</b>		<b>41,559</b>	<b>86,172</b>



# SUPPLEMENTARY INFORMATION

## NOTE 1 ACCOUNTING PRINCIPLES

### GENERAL

Björn Borg owns the Björn Borg trademark and currently has operations in the product areas underwear, sportswear and footwear as well as bags & luggage, eyewear and fragrances. Björn Borg products are sold in over 25 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, 2013 is provided on page 71 of this annual report. The annual report was approved by the Board of Directors and the CEO on March 17, 2014 and adopted by the Annual General Meeting of the Parent Company on April 10, 2014.

### ACCOUNTING AND VALUATION PRINCIPLES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the EU as of December 31, 2013. 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 financial statements 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 2013

The following standards took effect in 2013, which Björn Borg has applied to the financial year 2013: Amendments to IFRS 13 Fair Value Measurement and Amendments to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income.

### IFRS 13 FAIR VALUE MEASUREMENT

The new standard IFRS 13 replaces the guidance on fair value measurement in previous standards. The standard applies to the measurement at fair value of 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 has been applied prospectively as of January 1 2013. The introduction of IFRS 13 has not had a material effect on the Group's and Parent Company's measurement of financial instruments.

IFRS 13 requires the presentation of several quantitative and qualitative disclosures on fair value measurement in the annual report.

### IFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURES

The amendments to IFRS 7 have increased the disclosure requirements on off-setting financial assets and financial liabilities. Björn Borg has derivatives which are covered by netting agreements.

### IAS 1 PRESENTATION OF FINANCIAL STATEMENTS – PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

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. Björn Borg's application of the amendments introduced in IAS 1 is indicated in the consolidated statement of comprehensive income.

### OTHER IFRS CHANGES

The amendment to IAS 36, which applies from 2014 and removes the disclosure requirement on recoverable amounts, has been applied in advance as of the financial year 2013. Since Björn Borg does not have any defined benefit pension plans, the amended IAS 19 has not had any effect. No other new or amended IFRS and interpretations from IFRIC beyond those mentioned above have been applied or have not had a material effect on the Group's or Parent Company's financial position, results or disclosures.

### NEW ACCOUNTING PRINCIPLES AS OF 2014

The International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRSIC) have issued a number of new and amended standards which have not yet taken effect, of which Björn Borg have determined that the following are applicable to the Group:

Standards	Will apply to financial years beginning:
IFRS 10 <i>Consolidated Financial Statements</i>	on or after January 1, 2014
IFRS 12 <i>Disclosure of Interests of Other Entities</i>	on or after January 1, 2014
Amendments to IFRS 10, IFRS 11 and IFRS 12 (transitional provisions)	on or after January 1, 2014
Amendments to IAS 27 <i>Separate Financial Statements</i>	on or after January 1, 2014
Amendments to IAS 32 <i>Financial Instruments: Presentation (Offsetting the financial assets and financial liabilities)</i>	on or after January 1, 2014
Improvements to IFRS	on or after July 1, 2014
IFRS 9 <i>Financial Instruments</i> and the subsequent amendments to IFRS 9 and IFRS 7	on or after January 1, 2018

None of the above interpretations has been applied in advance.

### New and amended standards that affect the Group's financial reporting as of 2014:

IFRS 10 Consolidated Financial Statements replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses when and how a group prepares consolidated financial statements. IFRS 10 also replaces SIC-12 – When is a Special Purpose Entity (SPE) consolidated? – in its entirety. The purpose of IFRS 10 is to establish consistency in the consolidation of all companies regardless of the nature of the investee. The key element is control, the definition of which contains the following three elements: a) power over the investee, b) exposure, or rights, to variable returns from its involvement in the investee, and c) the ability to use its power over the investee to affect its return. IFRS 10 contains detailed guidance on how an entity should apply the principle of control in a number of situations, including agency relationships and holdings of potential voting rights.

IFRS 12 Disclosure of Interests of Other Entities applies to entities with interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 established objectives for disclosures and specifies an entity's minimum disclosures to meet these objectives. Entities must provide information that helps users of its financial reports to determine the nature of and risks associated with holdings in other units as well as the effect of these holdings on the company's financial reports.

In June 2012 IASB published IASB amendments to IFRS 10, IFRS 11 and IFRS 12 to clarify certain transitional provisions upon initial application of these standards.

Annual improvements to IFRS refer to the cycle of improvements in a number of different standards and interpretations.

Björn Borg's preliminary assessment is that these new standards, with the exception of IFRS 9, will not have a material effect on the Group's financial position and results, but could affect supplemental disclosures in the annual report. IFRS 9 Financial Instruments, as 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 Björn Borg is currently analyzing the effects of an implementation of IFRS 9.

## CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the Parent Company and all entities over which the Parent Company exercises control. These are companies in which Björn Borg has the right to formulate financial and operational strategies, generally through a shareholding of more than 50 percent of the capital and voting rights. 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 financial statements. Unrealized losses are also eliminated unless the transaction provides evidence of impairment.

## ASSOCIATES

Associates are companies in which the Group holds at least 20 and not more than 50 percent of the voting rights or where the Group can otherwise 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 measured 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.

## REVENUE RECOGNITION

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

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

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

1. Royalty revenue  
Royalty revenue is generated through sales of Björn Borg products by distributors (Group-owned and independent) and the product companies to retailers, and is calculated as a percentage of these sales. Royalties are recognized through profit or loss at the same time as the distributor's sale at the whole-sale level.
2. Product company revenue  
The product companies for underwear and 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.

## 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.

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, which is not larger than a business segment. Goodwill has an indeterminate period of use and is recognized at cost less accumulated impairment losses.

##### 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.

#### Website development

Costs to maintain software and websites are expensed as they arise. Development costs directly attributable to the development and testing of identifiable software, including websites controlled by the Group, are recognized as intangible assets when the following criteria are met: it is technically possible to complete the website, there are opportunities to utilize the website for commercial purposes and it can be demonstrated that it will generate future economic benefits, and the expenses attributable to the development of the website can be reliably estimated. Directly attributable expenses primarily relate to outside consultants hired to build the website as well as expenses for employees. Development costs for the website 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 may not be reversed to such an extent that the carrying amount, after the reversal, exceeds what would have been recognized after depreciation/amortization if the impairment had not been made. 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.

#### 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, estimated 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.

### TRANSACTIONS WITH RELATED PARTIES

There were no transactions with related parties unless otherwise specified in the notes.

### 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 2013 have not had a material effect 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 accounting estimates 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, 2013 amounted to SEK 31,126 thousand (35,283). For more information, see Note 16.

#### 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 18. The carrying amount for trademarks and goodwill as of December 31, 2013 amounted to SEK 206,498 (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 2007–2016 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 14,712 thousand (SEK 21,646 thousand) and among other current liabilities at SEK 6,934 thousand (SEK 6,667 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 1,286 thousand (2,012).

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 2013 the Björn Borg Group was affected negatively because the HKD was weaker against the Swedish krona than in 2012. For the full-year 2013 the exchange rate was an average of about 4 percent lower than in 2012.

The less expensive HKD versus SEK has affected the Wholesale business segment positively.

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) 2013	Percent	Estimated	Estimated
		effect on revenue	effect on operating profit
Stronger HKD vs. SEK	10%	3%	0%
Weaker HKD vs. SEK	-10%	-3%	0%
Stronger EUR vs. SEK	10%	2%	2%
Weaker EUR vs. SEK	-10%	-2%	-2%

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 Björn Borg Finland as well as 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, 2013 Björn Borg had investments of SEK 136,519 thousand (163,979), 99.8 percent of which referred to corporate bonds and 0.2 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 approximately SEK 1,400 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, 2013 interest-bearing assets in the form of bank balances amounted to SEK 82,304 thousand (116,195) and in the form of corporate bonds amounted to SEK 136,285 thousand (163,023). 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, 2013.

	Percentage point	Effect on net interest income
Higher interest rate	1%	SEK 600 thousand
Lower interest rate	-1%	SEK -600 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.

# 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, 2013 there were outstanding receivables in the two product companies for underwear and sportswear from a commercial counterparty (the Dutch distributor) corresponding to about 34 percent (45 percent) of the Group's total accounts receivable. As of December 31, 2013 the market value of the holdings in three individual issuers amounted to SEK 12,185 thousand, SEK 10,450 thousand and SEK 10,260 thousand, or 24 percent of the portfolio's market value. The maximum credit risk corresponds to the carrying amount of the financial assets. In 2013 the company granted an interest-bearing, SEK 17 million collateralized loan to the Dutch distributor expiring on March 31, 2017 with quarterly amortizations of SEK 900 thousand as of December 31, 2013.

## The Björn Borg Group's outstanding credit risk as of Dec. 31, 2013

	Group		Parent Company	
	2013	2012	2013	2012
Accounts receivable	52,321	93,994	328	220
Other current receivables	8,068	4,589	4,432	71
Investments	136,519	163,979	136,519	163,979
Cash and bank balances	82,304	116,195	41,559	86,172
	<b>279,212</b>	<b>378,757</b>	<b>182,838</b>	<b>250,442</b>

During the year Björn Borg invested in corporate bonds and derivatives (forward exchange contracts corresponding to a nominal amount of SEK 36,496 thousand), corresponding to "Investments" of SEK 136,519 thousand (163,979) in the table

above. According to Group policy, investments may only be made in bonds issued by companies with stable, positive cash flows. Investments are generally made in corporate bonds and mortgage bonds primarily with variable interest rates and maturities that do not stretch beyond 2017. Investments are permitted in bonds with maturities through 2019, though with an investment limit of SEK 50 million. 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	B	Non-rated	Total
Corporate bonds	8,959	25,445	27,866	22,730	51,285	136,285
Derivatives	-	-	-	-	234	234
	<b>8,959</b>	<b>25,445</b>	<b>27,866</b>	<b>22,730</b>	<b>51,519</b>	<b>136,519</b>

Of the investments of SEK 136,519 thousand (163,979), the equivalent of SEK 24,141 thousand is in EUR holdings, SEK 10,593 thousand in USD holdings, SEK 9,013 thousand in GBP holdings and SEK 16,209 thousand in NOK holdings. The remainder is invested in SEK.

# 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, 2013 (contractual and undiscounted cash flows):

Dec. 31, 2013	Up to 3 mos.	3-12 mos.	1-5 yrs.	Over 5 yrs.
Long-term receivable	1,142	3,344	14,802	-
Accounts receivable	52,321	-	-	-
Other receivables	8,068	-	-	-
Investments*	-	9,193	127,326	-
Cash and bank balances	82,304	-	-	-
Other liabilities	-	-52,637	-19,165	-
Accounts payable	-26,549	-	-	-
Bond loans	-2,089	-6,267	-219,194	-
<b>Total</b>	<b>115,197</b>	<b>-46,367</b>	<b>-96,231</b>	<b>-</b>

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	-
<b>Total</b>	<b>179,724</b>	<b>-29,241</b>	<b>-109,491</b>	<b>-</b>

\*) including derivatives

# CAPITAL

Capital refers to shareholders' equity and loan capital. The Group's goal in managing its capital is to safeguard the Group's survival and freedom of action and to ensure that shareholders receive a return on their investment. The distribution between shareholders' equity and loan capital should be such that a good balance is achieved between risk and return. If necessary, the capital structure is adapted to changing economic conditions and other market factors. To maintain and adapt its capital structure, the Group can distribute funds, raise shareholders' equity by issuing new shares or capital contributions, or reduce or increase liabilities. The Group's liabilities and equity are shown in the consolidated statement of financial position and the elements included in the reserves are shown in consolidated statement of changes in equity. See also notes 3 (Financial risk management), 16 (Earnings per share), 23 (Financial assets and liabilities) and 24 (Dividend per share).

## NOTE 4 SEGMENT REPORTING

The CEO 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 financial statements, 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.

### 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.

### Summary by segment

SEK thousands	Brand		Product Development		Wholesale		Retail		Total		Eliminations		Groupn	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Revenue														
External sales	38,371	42,900	187,090	277,236	204,386	168,626	69,399	62,669	499,246	551,431	–	–	499,246	551,432
Internal sales	39,128	38,392	107,058	108,107	52,000	52,701	11,081	10,296	209,267	209,496	–209,267	–209,495	–	–
<b>Total revenue</b>	<b>77,499</b>	<b>81,292</b>	<b>294,148</b>	<b>385,343</b>	<b>256,386</b>	<b>221,327</b>	<b>80,480</b>	<b>72,965</b>	<b>708,513</b>	<b>760,928</b>	<b>–209,267</b>	<b>–209,495</b>	<b>499,246</b>	<b>551,432</b>
<b>Operating profit</b>	<b>14,697</b>	<b>16,281</b>	<b>4,043</b>	<b>48,589</b>	<b>15,526</b>	<b>14,636</b>	<b>–13,106</b>	<b>–9,720</b>	<b>21,160</b>	<b>69,786</b>	<b>–</b>	<b>–</b>	<b>21,160</b>	<b>69,786</b>
Non-current assets	207,709	204,577	9,862	6,141	8,197	4,895	9,129	8,871	234,897	224,483	37,394	30,800	272,291	255,283
Inventory	–	–	7,265	5,131	27,816	28,339	17,446	14,239	52,527	47,709	–13,496	–12,022	39,031	35,688
Other current assets	1,014,675	875,227	212,633	121,745	146,125	69,860	62,577	43,828	1,436,010	1,110,659	–1,130,762	–707,241	305,248	403,418
<b>Total assets</b>	<b>1,222,385</b>	<b>1,079,804</b>	<b>229,760</b>	<b>133,017</b>	<b>182,138</b>	<b>103,094</b>	<b>89,152</b>	<b>66,937</b>	<b>1,723,434</b>	<b>1,382,851</b>	<b>–1,106,864</b>	<b>–688,464</b>	<b>616,570</b>	<b>694,389</b>
Other liabilities	832,554	626,337	257,991	150,215	178,952	93,806	110,490	78,964	1,379,987	949,322	–1,044,067	–599,149	335,920	350,172
<b>Total liabilities</b>	<b>832,554</b>	<b>626,337</b>	<b>257,991</b>	<b>150,215</b>	<b>178,952</b>	<b>93,806</b>	<b>110,490</b>	<b>78,964</b>	<b>1,379,987</b>	<b>949,322</b>	<b>–1,044,067</b>	<b>–599,149</b>	<b>335,920</b>	<b>350,172</b>
Investments in tangible and intangible non-current assets	876	1,196	1,305	743	2,797	594	4,643	3,989	9,621	6,523	–	–	9,621	6,523
Depreciation/amortization	–2,283	–2,404	–604	–368	–978	–344	–2,960	–3,322	–6,825	–6,438	–	–	–6,825	–6,438

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

The difference between operating profit for segments for which information is disclosed, SEK 21,160 thousand (69,786), and profit before tax, SEK 24,849 thousand (68,877), is net financial items, SEK 3,689 thousand (–909).

### INTERNAL PRICING

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

### ELIMINATIONS

The column for eliminations refers strictly to internal transactions.

### Geographical areas

	Sweden		Netherlands		Norway		Denmark		Other		Group	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Net sales	201,822	202,190	146,191	190,512	25,085	41,424	28,793	37,330	97,354	79,976	499,246	551,432
Assets	249,251	634,373	180,547	37,106	–	–	–	–	186,772	22,910	616,570	694,389
Investments	6,026	5,895	871	141	–	–	–	–	2,724	487	9,621	6,523
Depreciation/amortization	–5,733	–5,775	–457	–368	–	–	–	–	–635	–296	–6,825	–6,439

The Group presents revenue for its four largest markets: Sweden, the Netherlands, Norway and Denmark. Revenue of approximately SEK 84,487 thousand (121,938) relates to a single external customer. This revenue is attributable to the Brand and Product Development segments.

## NOTE 5 REVENUE DISTRIBUTION

Net sales SEK thousands	Group		Parent Company	
	2013	2012	2013	2012
Royalty revenue	38,371	42,900	–	–
Service revenue	–	–	50,175	49,667
Product company revenue	187,090	277,237	–	–
Distributor company revenue	204,386	168,626	–	–
Concept store revenue	69,399	62,669	–	–
	<b>499,246</b>	<b>551,432</b>	<b>50,175</b>	<b>49,667</b>

## NOTE 6 REVENUE AND EXPENSES BETWEEN GROUP COMPANIES

The Parent Company's revenue from subsidiaries amounted to SEK 48,129 thousand (49,231). The Parent Company's expenses for subsidiaries amounted to SEK 787 thousand (2,504). The Parent Company's sales to subsidiaries mainly consist of compensation to cover shared costs for rents, central administration, shared systems and marketing services. All transactions are executed on market terms.

## NOTE 7 INFORMATION ON PERSONNEL AND COMPENSATION TO BOARD, CEO AND OTHER SENIOR EXECUTIVES

Wages, salaries, other compensation and social security contributions	Group		Parent Company	
	2013	2012	2013	2012
Wages, salaries and other compensation	73,420	65,344	17,745	19,645
Social security contributions	19,031	15,172	7,032	5,537
Pension costs	7,884	5,263	5,538	3,396
<b>Total</b>	<b>100,335</b>	<b>85,778</b>	<b>30,315</b>	<b>28,577</b>

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

Board, CEO and other Senior Executives	11,981	9,776	10,922	8,836
Other employees	61,439	55,568	6,823	10,809
<b>Total</b>	<b>73,420</b>	<b>65,344</b>	<b>17,745</b>	<b>19,645</b>

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

Women	94	84	15	18
Men	65	55	9	11
<b>Total</b>	<b>159</b>	<b>139</b>	<b>24</b>	<b>29</b>

Group	2013		2012	
	Men	Women	Men	Women
Gender distribution among Directors and Senior Executives				
Board	4	2	5	1
Other Senior Executives	4	2	4	1
<b>Total</b>	<b>8</b>	<b>4</b>	<b>9</b>	<b>2</b>

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

Compensation and other benefits to Directors	2013		2012	
	Board fees	Other compensation	Board fees	Other compensation
<i>Chairman of the Board</i>				
Fredrik Löfstedt	325	100	325	100
<i>Other Directors:</i>				
Mats H Nilsson	125	65	125	65
Fabian Månsson	–	–	125	–
Vilhelm Schottenius	125	–	125	–
Michael Storåkers	125	–	125	–
Isabelle Ducellier	125	–	–	–
Kerstin Hessius	125	50	125	50
<b>Total</b>	<b>950</b>	<b>215</b>	<b>950</b>	<b>215</b>

### Compensation and other benefits to Senior Executives

	2013		2012	
	Base salary	Variable compensation	Pension	Severance
CEO	2,855	–	848	1,481
EVP	1,456	–	514	–
Other Senior Executives	4,083	342	968	–
<b>Total</b>	<b>8,394</b>	<b>342</b>	<b>2,330</b>	<b>1,481</b>
	2013		2012	
	Base salary	Variable compensation	Pension	Severance
CEO	2,076	1,250	635	–
EVP	1,310	920	470	–
Other Senior Executives	2,875	180	551	–
<b>Total</b>	<b>6,261</b>	<b>2,350</b>	<b>1,656</b>	<b>–</b>

## BENEFITS TO BOARD, CEO 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 (950) in 2013. The Chairman received SEK 325 thousand (325), while other Directors received SEK 125 thousand (125) 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 2013 and the members of the Audit Committee received a total of SEK 175 thousand (175). All compensation complies with the Board compensation resolved by the AGM.

### Compensation to the CEO and EVP

According to his contract, the CEO is entitled to a base salary as well as variable compensation if certain predefined targets are met. In addition, the CEO is entitled to certain other benefits such as a company car and certain insurance. The CEO is also entitled to a monthly pension provision corresponding to 25 percent of his base salary. Compensation to the former CEO of SEK 2,855 thousand (2,076) was expensed during the year. The former CEO stepped down in November 2013 and was replaced by the EVP as Acting CEO, in connection with which the outgoing CEO's base salary for his three month term of notice in 2014 and severance corresponding to 6 months' salary were expensed during the year. No variable compensation has been paid to the CEO for 2013. However, the former CEO has received compensation for an unused company car in the form of an extra pension allocation. Variable compensation for the CEO and EVP in 2012 totaling SEK 2,170 thousand has been settled through an additional premium pension payment. Compensation of SEK 1,456 thousand (1,310) was expensed during the year for the Acting CEO (before November 2013 EVP), of which SEK 243 thousand was in his capacity as Acting CEO.

The CEO has a term of notice of 6 months if terminated by the company. If he resigns, there is a 6 month term of notice. A proposal on the terms of the compensation package for the CEO is made by a compensation committee consisting of Fredrik Löfstedt and Mats H Nilsson and approved by the Board. The CEO's holding of shares and warrants is described below.

### Compensation to Senior Executives

Senior Executives refer to the CEO, EVP and four other executives who comprised Group Management in 2013. Base salaries paid to Senior Executives amounted to SEK 4,083 thousand (2,875) in 2013, in addition to which they receive variable compensation if the Group's sales and results exceed the Board's established budget. Variable compensation for 2013 amounted to SEK 342 thousand (180). 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 2013 amounted to SEK 968 thousand (551). 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, CEO and other Senior Executives as of Dec. 31, 2013

	No. of shares
Fredrik Löfstedt	2,600,040
Mats H Nilsson	1,478,440
Vilhelm Schottenius	1,023,520
Michael Storåkers	40,000
Isabelle Ducellier	–
Kerstin Hessius	21,000
Acting CEO	12,000
Other Senior Executives	–
<b>Total number of shares</b>	<b>5,175,000</b>

### PENSIONS

The Group has only defined contribution pension plans. A defined contribution plan is a plan where the Group pays fixed premiums to a separate legal entity. After it has paid the premium, Björn Borg has no further obligation to the Group's employees. The fees are recognized as staff costs in the period to which the fees relate and in 2013 amounted to SEK 7.9 million (5.3).

### INCENTIVE SCHEME

Currently there are no warrant programs.



**NOTE 8 AUDITORS' FEES**

	Group		Parent Company	
	2013	2012	2013	2012
<b>Deloitte AB</b>				
Statutory audit	981	1,092	701	666
Tax advisory services	216	112	–	79
Other services	50	84	100	43
	<b>1,247</b>	<b>1,288</b>	<b>801</b>	<b>788</b>
<b>Other accounting firms</b>				
Statutory audit	80	52	–	–
Other attestation services	38	–	–	–
Tax advisory services	–	–	–	–
Other services	–	–	17	–
	<b>118</b>	<b>52</b>	<b>17</b>	<b>–</b>
<b>Total</b>	<b>1,365</b>	<b>1,340</b>	<b>818</b>	<b>788</b>

**NOTE 9 DEPRECIATION/AMORTIZATION****Depreciation/amortization of intangible and tangible non-current assets by function**

	Group		Parent Company	
	2013	2012	2013	2012
Distribution expenses	4,680	4,185	1,484	1,563
Administrative expenses	1,849	1,610	571	601
Development expenses	296	644	228	240
<b>Total</b>	<b>6,825</b>	<b>6,438</b>	<b>2,283</b>	<b>2,404</b>

**NOTE 10 OPERATING LEASES**

	Group		Parent Company	
	2013	2012	2013	2012
Rental and lease expenses				
during the year amount to	18,632	17,013	7,769	6,900
Future lease fees amount to				
– within 1 year	18,921	17,853	7,894	7,059
– later than 1 year but within 5 years	79,062	73,319	32,877	28,710
<b>Total</b>	<b>116,615</b>	<b>108,185</b>	<b>48,540</b>	<b>42,669</b>

The Björn Borg Group leases offices and retail space. The leases are signed on market terms with regard to price and duration. Certain leases are variable and include both a minimum rent and a portion contingent on sales.

As of the closing day, December 31, 2013, the Björn Borg Group had no finance leases.

**NOTE 11 NET PROFIT/LOSS FOR EACH CATEGORY OF FINANCIAL INSTRUMENT**

	Parent Company	
	2013	2012
Accounts and loans receivable	3,901	–894
Financial liabilities at amortized cost	–77	–633
Financial assets at fair value through profit or loss	1,036	3,748
<b>Total</b>	<b>4,860</b>	<b>2,221</b>

**NOTE 12 RESULT FROM SHARES IN SUBSIDIARIES**

	Parent Company	
	Dec. 31 2013	Dec. 31 2012
Anticipated dividend	70,000	75,000
Impairment of shares and receivables in subsidiaries	–19,275	–
	<b>50,725</b>	<b>75,000</b>

**NOTE 13 NET FINANCIAL ITEMS**

	Group		Parent Company	
	2013	2012	2013	2012
Change in exchange rates	3,336	73	2,293	–
Interest income*	11,776	9,535	12,465	8,934
Other financial income**	1,059	3,162	1,036	3,748
<b>Total financial income</b>	<b>16,171</b>	<b>12,770</b>	<b>15,794</b>	<b>12,682</b>
Change in exchange rates	–5	–3,343	–	–1,551
Interest expenses*	–11,265	–8,874	–25,034	–23,325
Interest expense Trademarks*	–1,132	–1,389	–	–
Other financial expenses*	–80	–72	–	–
<b>Total financial expenses</b>	<b>–12,482</b>	<b>–13,679</b>	<b>–25,034</b>	<b>–24,876</b>
<b>Net financial items</b>	<b>3,689</b>	<b>–909</b>	<b>–9,239</b>	<b>–12,194</b>

\* 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 10.2 million (5.6) related to assets measured at fair value.

\*\* Of which SEK 1,427 thousand (2,768) relates to unrealized changes in short-term investments at fair value through profit or loss.

**NOTE 14 APPROPRIATIONS**

	Parent Company	
	Dec. 31 2013	Dec. 31 2012
<b>Appropriations</b>		
Change in accelerated depreciation/amortization	295	355
	<b>295</b>	<b>355</b>

## NOTE 15 TAXES

Tax on profit for the year	Group		Parent Company	
	2013	2012	2013	2012
Current tax on profit for the year	-11,430	-15,136	-	-
Tax attributable to previous periods	-	-1,598	-	-1,598
Deferred tax expense	487	-4,916	296	-609
<b>Total recognized tax expense</b>	<b>-10,943</b>	<b>-21,650</b>	<b>296</b>	<b>-2,207</b>
Reconciliation between current tax rate and effective tax rate	Group		Parent Company	
	2013	2012	2013	2012
Recognized profit before tax	24,849	68,877	54,252	77,283
Tax according to current tax rate in Sweden	-5,467	-18,115	-11,935	-20,325
Tax effect of:				
Non-deductible expenses	-224	-257	-3,764	-128
Tax-exempt income	317	344	15,995	19,725
Effect of tax rates in other countries	505	-126	-	-
Effect of unreported tax loss carryforwards	-6,074	-4,552	-	-
Effect of change in tax rates	-	2,654	-	120
Tax related to previous years	-	-1,598	-	-1,598
<b>Recognized tax expense</b>	<b>-10,943</b>	<b>-21,650</b>	<b>295</b>	<b>-2,207</b>
Deferred taxes	Group		Parent Company	
	2013	2012	2013	2012
<i>Deferred tax assets recognized in the balance sheet</i>				
Tax loss carryforwards	31,126	35,283	-	-
<b>Total deferred tax assets</b>	<b>31,126</b>	<b>35,283</b>	<b>-</b>	<b>-</b>
<i>Deferred tax liabilities recognized in the balance sheet</i>				
Trademarks	41,196	41,196	-	-
Short-term investments	314	609	314	609
Interior (non-current asset) goodwill	217	-	-	-
Untaxed reserves	936	5,384	-	-
Internal gain on inventories (receivable)	-2,969	-2,645	-	-
<b>Total deferred tax liabilities</b>	<b>39,694</b>	<b>44,544</b>	<b>314</b>	<b>609</b>

No tax items have been recognized directly against equity or other comprehensive income. A deferred tax liability of SEK 290 thousand, which has not been recognized through profit or loss, arose in connection with the acquisition of the Finnish operations.

### TAX LOSS CARRYFORWARDS AND UNRECOGNIZED DEFERRED TAX ASSETS

The Group has recognized deferred tax assets related to tax loss carryforwards totaling SEK 31,126 thousand (35,283). The taxable value of these tax loss carryforwards is SEK 140,099 thousand (154,709), of which SEK 15,208 thousand expires in nine years. The remainder (SEK 124,891 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 amounts to SEK 28,380 thousand (25,386) as of December 31, 2013 and is attributable to the operations in the US, the Netherlands 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 16 EARNINGS PER SHARE

	2013	2012
Earnings per share, SEK	0.86	2.11
Earnings per share, SEK (before and after dilution)	0.86	2.11
Number of shares	25,148,384	25,148,384
Number of shares, weighted average (before and after dilution)	25,148,384	25,148,384

As of year-end 2013 there were no outstanding warrants.

## NOTE 17 INTANGIBLE ASSETS

Group	Dec. 31 2013	Dec. 31 2012
<b>Goodwill</b>		
<i>Accumulated cost</i>		
Opening balance	13,944	13,944
Acquisition of subsidiary	4,992	-
Translation difference	30	-
<b>Carrying amount at year-end</b>	<b>18,966</b>	<b>13,944</b>
<b>Trademarks</b>		
<i>Accumulated cost</i>		
Opening balance	187,532	187,532
<b>Carrying amount at year-end</b>	<b>187,532</b>	<b>187,532</b>
<b>Repurchased license/customer relations</b>		
<i>Accumulated cost</i>		
Opening balance	-	-
Acquisition of subsidiary	1,209	-
<b>Closing balance</b>	<b>1,209</b>	<b>-</b>
<i>Accumulated amortization</i>		
Opening balance	-	-
Amortization for the year	-251	-
Translation differences for the year	79	-
<b>Closing balance</b>	<b>-172</b>	<b>-</b>
<b>Carrying amount at year-end</b>	<b>1,037</b>	<b>-</b>
<b>Tenancy rights</b>		
<i>Accumulated cost</i>		
Opening balance	2,725	2,725
Disposals and discontinued operations	-1,000	-
<b>Closing balance</b>	<b>1,725</b>	<b>2,725</b>
<i>Accumulated amortization</i>		
Opening balance	-1,575	-1,267
Disposals and discontinued operations	250	-
Amortization for the year	-117	-308
<b>Closing balance</b>	<b>-1,442</b>	<b>-1,575</b>
<b>Carrying amount at year-end</b>	<b>283</b>	<b>1,150</b>
<b>Capitalized expenditure for software</b>		
<i>Accumulated cost</i>		
Opening balance	15,106	17,413
Investments	1,534	2,679
Disposals and discontinued operations	-	-4,986
<b>Closing balance</b>	<b>16,640</b>	<b>15,106</b>
<i>Accumulated amortization</i>		
Opening balance	-11,685	-12,560
Disposals and discontinued operations	-	2,468
Amortization for the year	-1,451	-1,574
Translation differences for the year	-76	-18
<b>Closing balance</b>	<b>-13,212</b>	<b>-11,685</b>
<b>Carrying amount at year-end</b>	<b>3,428</b>	<b>3,422</b>

Note 17, continued

Parent Company	Dec. 31 2013	Dec. 31 2012
<b>Capitalized expenditure for software</b>		
<i>Accumulated cost</i>		
Opening balance	2,288	2,288
Investments	308	–
<b>Closing balance</b>	<b>2,596</b>	<b>2,288</b>
<i>Accumulated amortization</i>		
Opening balance	–1,535	–1,068
Amortization for the year	–466	–467
<b>Closing balance</b>	<b>–2,001</b>	<b>–1,535</b>
<b>Carrying amount at year-end</b>	<b>595</b>	<b>753</b>

#### IMPAIRMENT TESTING OF GOODWILL AND TRADEMARKS

Goodwill has been allocated to four cash-generating units: Björn Borg Brands AB, Björn Borg Clothing AB, Björn Borg Footwear AB and Björn Borg Finland Oy.

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 2013	Dec. 31 2012
Björn Borg Brands AB	9,330	9,330
Björn Borg Clothing AB	658	658
Björn Borg Footwear AB	3,956	3,956
Björn Borg Finland Oy	5,022	–
	<b>18,966</b>	<b>13,944</b>
Trademarks	Dec. 31 2013	Dec. 31 2012
Björn Borg Brands AB	187,532	187,532
	<b>187,532</b>	<b>187,532</b>

Each year the Group tests goodwill and trademarks for impairment in accordance with the accounting principle described in Note 1. 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 2014 for each unit. Cash flows are subsequently based on an annual growth assumption of 1 percent (same assumption as previous year). Management bases its assumptions of future growth on previous experience and detailed discussions with distributors and licensees. Impairment tests conducted as of December 31, 2013 applied a discount rate before tax of approximately 19 percent (17) and an assumed annual growth rate of 0 percent (0) for the period beyond the forecast horizon. This zero growth rate is a cautious assumption as of December 2013 based on current economic conditions in the markets mainly in Europe where Björn Borg is active. The forecast period stretches from 2014 to 2023. 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 2014. Valuations as of December 31, 2013 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.

Other goodwill items have been tested if an impairment need is determined through a calculation of value in use. The discount rate has been set at 10–15 percent. Future cash flows are based on the 2014 budget established by the Board and subsequently on future cash flows assuming annual revenue growth of 1–2 percent. The assumptions are based on management's previous experience and future assessment of each market. Sensitivity analyses that have been performed do not indicate any impairment need given a reasonable change in the significant assumptions in the impairment test.

#### NOTE 18 TANGIBLE NON-CURRENT ASSETS

	Group		Parent Company	
	Dec. 31 2013	Dec. 31 2012	Dec. 31 2013	Dec. 31 2012
<b>Accumulated cost</b>				
Opening balance	37,825	33,982	10,962	9,766
Investments	8,088	3,843	568	1,196
Acquisition of subsidiary	524	–	–	–
Sales and disposals	–3,063	–	–	–
<b>Closing balance</b>	<b>43,374</b>	<b>37,825</b>	<b>11,530</b>	<b>10,962</b>
<b>Accumulated depreciation</b>				
Opening balance	–23,873	–19,241	–5,087	–3,149
Sales and disposals	2,275	–	–	–
Depreciation for the year	–5,257	–4,632	–1,816	–1,937
<b>Closing balance</b>	<b>–26,855</b>	<b>–23,873</b>	<b>–6,903</b>	<b>–5,087</b>
<b>Carrying amount at year-end</b>	<b>16,519</b>	<b>13,952</b>	<b>4,627</b>	<b>5,876</b>

#### NOTE 19 FINANCIAL NON-CURRENT ASSETS

Parent Company	Dec. 31 2013	Dec. 31 2012
<b>Shares in subsidiaries</b>		
Opening cost	327,132	321,227
Acquired companies	5,307	5,905
Writedown of company	–11,196	–
<b>Closing accumulated cost</b>	<b>321,243</b>	<b>327,132</b>

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	
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 Finland Oy	2126188-3	Helsinki	100	75	16
Björn Borg Limited (China) Limited CR	1671008	Hong Kong	7,500	75	
Björn Borg (Shanghai) Trading Co. Ltd	310000400680797	Shanghai	n/a	100	
					<b>321,243</b>

In 2013 the Björn Borg Group divested the shares in Anteros Lagerhantering AB, discontinued the operations of Björn Borg (Shanghai) Trading Co. Ltd, which is now dormant, and acquired 75 percent of the shares in Björn Borg Finland Oy (see also note 20).

## NOTE 20 ACQUISITIONS AND DIVESTMENTS OF SUBSIDIARIES

In early 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 company changed its name shortly after acquisition to Björn Borg Finland Oy. Björn Borg Finland Oy is consolidated in the Group from January 1, 2013.

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

Since the consolidation date at the beginning of the year, the Finnish operations have contributed SEK 37.4 million to the Group's revenue, with operating profit of SEK 1.0 million. 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, with the remainder scheduled to be paid in February 2014 (EUR 262,500, of which Björn Borg's share is EUR 196,875). The effect on cash flow was SEK 6,547 thousand, i.e., the cash paid and purchase price of SEK 6,788 thousand after deducting acquired cash & cash equivalents of SEK 239 thousand. There are no conditions associated with the contingent consideration. Acquisition costs of approximately SEK 260 thousand were expensed in 2013 and 2013.

### Carrying amounts of acquired net assets as of acquisition date (amounts in SEK thousands)

	SEK thousands
<b>Non-current assets</b>	
Customer relations/licenses	1,209
Other non-current assets	524
<b>Current assets</b>	
Inventory	6,391
Accounts receivable	1,588
Other current assets	309
<b>Current liabilities</b>	
Accounts payable	3,971
Other current liabilities	1,890
Deferred tax liabilities	290
<b>Identifiable asset and liabilities, net</b>	<b>3,870</b>
<b>Goodwill arising from acquisition (amounts in SEK thousands)</b>	<b>SEK thousands</b>
Transferred compensation including non-controlling interest	8,862
Less: Fair value of acquired net assets	3,870
<b>Goodwill on acquisition*</b>	<b>4,992</b>

The goodwill that arose in connection with the acquisition and is recognized locally in the Finnish company is expected to be tax deductible. Goodwill that arose in connection with the acquisition the Finnish operations primarily relates to future synergies and development opportunities in the Finnish market. These benefits have not been recognized separately from goodwill, since they do not meet the criteria for recognition of identifiable intangible assets.

The shares in the subsidiary Anteros Lagerhantering AB were sold in November 2013. The proceeds amounted to SEK 1,042 thousand and the effect on the Group's cash flow after deducting acquired cash & cash equivalents was SEK -2,369 thousand.

## NOTE 21 ACCOUNTS RECEIVABLE

The credit quality of financial assets that are not due for payment or in need of impairment is determined primarily by evaluating the counterparty's payment history. In cases where external credit ratings are available, such information is obtained to support the credit evaluation.

	Group		Parent Company	
	Dec. 31 2013	Dec. 31 2012	Dec. 31 2013	Dec. 31 2012
<b>Accounts receivable</b>				
Accounts receivable, gross	53,625	94,789	328	220
Reserve for impaired receivables	-1,304	-795	-	-
<b>Total accounts receivable, net after reserve for impaired receivables</b>	<b>52,321</b>	<b>93,994</b>	<b>328</b>	<b>220</b>

As of December 31, 2013 the Group and the Parent Company had recognized SEK 1,304 thousand (795) in impaired receivables. Individually assessed receivables considered to be in need of impairment largely relate to individual customers who are in financial difficulty and cannot meet their obligations to Björn Borg.

The age of these receivables is distributed as follows:

	Group		Parent Company	
	Dec. 31 2013	Dec. 31 2012	Dec. 31 2013	Dec. 31 2012
<b>Overdue receivables</b>				
Not overdue	31,658	46,900	-	-
1-30 days	14,646	41,777	313	-
31-90 days	3,832	5,342	-	-
91-180 days	892	179	-	20
>180 days	2,597	591	15	200
<b>Total</b>	<b>53,625</b>	<b>94,789</b>	<b>328</b>	<b>220</b>

As of December 31, 2013 the Group had SEK 20,663 thousand (47,139) in overdue receivables which were not considered impaired. These receivables relate to a number of customers which previously had not had payment difficulties.

The age of these receivables is distributed as follows:

	Group		Parent Company	
	Dec. 31 2013	Dec. 31 2012	Dec. 31 2013	Dec. 31 2012
<b>Overdue receivables not considered impaired</b>				
Not overdue	31,658	46,855	-	-
1-30 days	14,646	41,757	313	-
31-90 days	3,774	5,244	-	-
91-180 days	664	-25	-	20
>180 days	1,579	162	15	200
<b>Total</b>	<b>52,321</b>	<b>93,994</b>	<b>328</b>	<b>220</b>

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

	Group		Parent Company	
	Dec. 31 2013	Dec. 31 2012	Dec. 31 2013	Dec. 31 2012
<b>Impaired receivables - reconciliation</b>				
Provisions at beginning of year	-795	-1,318	0	0
Reversed provisions for the period	413	569	0	0
Provisions for the period	-1,304	-795	0	0
Established losses	382	749	0	0
	<b>-1,304</b>	<b>-795</b>	<b>0</b>	<b>0</b>

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

## NOTE 22 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	Dec. 31 2013	Dec. 31 2012	Dec. 31 2013	Dec. 31 2012
Accrued royalty revenue	1,842	3,130	-	-
Prepaid rents	4,640	3,389	2,284	1,452
Other	4,829	9,782	1,290	1,976
	<b>11,311</b>	<b>16,301</b>	<b>3,574</b>	<b>3,428</b>



## NOTE 23 FINANCIAL ASSETS AND LIABILITIES

Group Dec. 31, 2013	Measured at fair value through profit or loss	Accounts receivable and liabilities	Other financial liabilities	Total carrying amount	Fair value	Non-financial assets and liabilities	Total assets
Long-term receivable	–	13,400	–	13,400	13,400	–	13,400
Accounts receivable	–	52,321	–	52,321	52,321	–	52,321
Investments	136,519	–	–	136,519	136,519	–	136,519
Cash and bank balances	–	82,304	–	82,304	82,304	–	82,304
<b>Total financial assets</b>	<b>136,519</b>	<b>148,025</b>	<b>–</b>	<b>284,544</b>	<b>284,544</b>	<b>–</b>	<b>284,544</b>
Other non-current liabilities	–	–	217,043	217,043	212,291	–	217,043
Other current liabilities	–	–	6,934	6,934	6,934	14,669	21,603
Accounts payable	–	–	26,549	26,549	26,549	–	26,549
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>250,526</b>	<b>250,526</b>	<b>245,774</b>	<b>14,669</b>	<b>265,195</b>
Group Dec. 31, 2012	Measured at fair value through profit or loss	Accounts receivable and liabilities	Other financial liabilities	Total carrying amount	Fair value	Non-financial assets and liabilities	Total assets
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
<b>Total financial assets</b>	<b>163,979</b>	<b>210,189</b>	<b>–</b>	<b>374,169</b>	<b>374,169</b>	<b>–</b>	<b>374,169</b>
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
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>262,714</b>	<b>262,714</b>	<b>265,433</b>	<b>13,297</b>	<b>276,012</b>

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

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

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

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

The bonds are listed on an active market, so their fair value is determined according to level 1. Björn Borg recognizes all derivatives at fair value according to level 2. Valuations are based on market interest rates and the present value of estimated future cash flows.

The company is confident that there is no material difference between a fair value calculation based on discounted future cash flows, where the most important input is a discount rate that reflects the credit risk, and the carrying amount of financial assets and liabilities included in level 2. Carrying amounts are therefore considered a good approximation of fair value of all financial assets and liabilities according to level 2.

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

	Level 1	Level 2	Level 3
Securities held for trading	136,285	–	–
Derivatives held for trading	–	234	–
<b>Total assets</b>	<b>136,285</b>	<b>234</b>	<b>–</b>

Björn Borg currently has no liabilities measured at fair value. The carrying amount of financial instruments recognized at amortized cost agrees with their fair value as of December 31, 2013, with the exception of the bond loan, the fair value of which amounted to SEK 188,175 thousand, which compares with a carrying amount of SEK 192,927 thousand.

In 2013 the company granted the Dutch distributor an interest-bearing loan of SEK 17 million maturing on March 31, 2017 with quarterly amortizations of SEK 900,000 beginning on December 31, 2013.

The company is confident that the carrying amount of the receivable essentially agrees with its fair value on the closing day. This is based on an estimate of future cash flows in level 2.

## NOTE 24 DIVIDEND PER SHARE

The Annual General Meeting on April 17, 2013 approved a distribution of SEK 75,445 thousand for the financial year 2012, corresponding to SEK 3.00 per share.

The Board of Directors has decided to recommend to the AGM a distribution of SEK 1.50 per share for the financial year 2013. As proposed, the distribution would be paid through an automatic redemption, where every share is divided into one common share and one redemption share. The redemption shares will then automatically be redeemed for SEK 1.50 per share. Payment for the redemption shares, contingent on the approval of the AGM, is expected to be made around May 20, 2014. The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 37,723 thousand (75,445).

## NOTE 25 UNTAXED RESERVES

	Parent Company	
	Dec. 31 2013	Dec. 31 2012
<b>Untaxed reserves</b>		
Accumulated accelerated depreciation/amortization	1,888	2,183
	<b>1,888</b>	<b>2,183</b>

**NOTE 26 LIABILITIES**

Non-current and current interest-bearing loans	Group		Parent Company	
	Dec. 31 2013	Dec. 31 2012	Dec. 31 2013	Dec. 31 2012
Bank overdraft facilities	20,000	20,000	20,000	20,000
<b>Total available credit lines</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>
<b>Unused credit lines</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>

Bank overdraft facilities were not used at any point in 2013. 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 recognized liability to the seller of the Björn Borg trademark totaling SEK 21,646 thousand (of which SEK 6,934 thousand will be paid within 12 months and SEK 14,712 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 2012. 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 2.1 million amounted to SEK 192.9 million as of December 31, 2013.

The fair value of the bond loan (nominal value of SEK 195 million after the repurchase) amounted to SEK 188 million (190) as of December 31, 2013. 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, 2013 the ratio was -0.93 (-0.75) (positive net cash) and the equity/assets ratio was 45.5 percent (49.6). 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 website and from the Swedish Financial Supervisory Authority.

**NOTE 27 ACCRUED EXPENSES AND DEFERRED INCOME**

	Group		Parent Company	
	Dec. 31 2013	Dec. 31 2012	Dec. 31 2013	Dec. 31 2012
Accrued royalty expenses	4,658	6,313	–	–
Personnel-related items	10,961	11,082	5,131	4,426
Other	15,413	12,222	3,719	5,172
	<b>31,032</b>	<b>29,617</b>	<b>8,850</b>	<b>9,599</b>

**NOTE 28 PLEDGED ASSETS AND CONTINGENT LIABILITIES**

Pledged assets	Group		Parent Company	
	Dec. 31 2013	Dec. 31 2012	Dec. 31 2013	Dec. 31 2012
Chattel mortgages	18,000	18,000	–	–
Shares in subsidiaries	245,762	284,929	40,216	40,216
	<b>263,762</b>	<b>302,929</b>	<b>40,216</b>	<b>40,216</b>

**Contingent liabilities**

Rental guarantee and other guarantees	Group		Parent Company	
	Dec. 31 2013	Dec. 31 2012	Dec. 31 2013	Dec. 31 2012
	1,613	4,020	–	1,968
	<b>1,613</b>	<b>4,020</b>	<b>–</b>	<b>1,968</b>

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

The undersigned certify that the consolidated financial statements 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 17, 2014

Fredrik Lövestedt  
Chairman

Kerstin Hessius

Isabelle Ducellier

Mats H Nilsson

Vilhelm Schottenius

Michael Storåkers

Henrik Fischer  
Acting CEO

Our audit report was submitted on March 18, 2014  
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 financial statements**

We have audited the annual accounts and consolidated financial statements of Björn Borg AB (publ) for the financial year January 1, 2013–December 31, 2013. The annual accounts and consolidated financial statements of the company are included in the printed version of this document on pages 39–68.

## **Responsibilities of the Board of Directors and the CEO for the annual accounts and consolidated financial statements**

The Board of Directors and the CEO are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated financial statements 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 CEO determine is necessary to enable the preparation of annual accounts and consolidated financial statements 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and other information in the annual accounts and consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated financial statements, 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 financial statements 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 CEO, as well as evaluating the overall presentation of the annual accounts and consolidated financial statements.

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, 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act,

and the consolidated financial statements 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, 2013 and of its 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 financial statements.

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 financial statements, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the CEO of Björn Borg AB (publ) for the financial year January 1, 2013–December 31, 2013.

## **Responsibilities of the Board of Directors and the CEO**

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 CEO 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 financial statements, 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 CEO is liable to the company. We also examined whether any member of the Board of Directors or the CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

## **Opinions**

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

Stockholm, March 18, 2014  
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 30, 2013 was SEK 30.40, giving Björn Borg a market capitalization of SEK 765 million. A total of 8,640,736 shares were traded in 2013 at a value of approximately SEK 275 million. The average daily turnover was 34,563 shares. The share price fell during the year by SEK 1.80, or 5.7 percent lower than the previous year. The share reached a high of SEK 40.50 and fell to a low of SEK 27.00.

## INCENTIVE SCHEME

There are currently no outstanding 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. As a condition for the 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, 2013 the ratio was -0.93 (-0.75), i.e., positive

net cash, and the equity/assets ratio was 45.5 percent (49.6). The bonds have been listed on NASDAQ OMX Stockholm since May 4, 2012 and are traded under the ticker symbol BORG 001 02.

## DIVIDEND POLICY

According to Björn Borg's financial objectives for the period 2012–2014, at least 50 percent of net profit will be distributed to the company's shareholders. As part of the financial objectives, the company will strive to maintain long-term cash reserves equivalent to 10–20 percent of annual sales. The surplus liquidity that is generated while taking into account the new financial objectives will be transferred to the shareholders in stages during the forecast period.

## DIVIDEND PROPOSAL

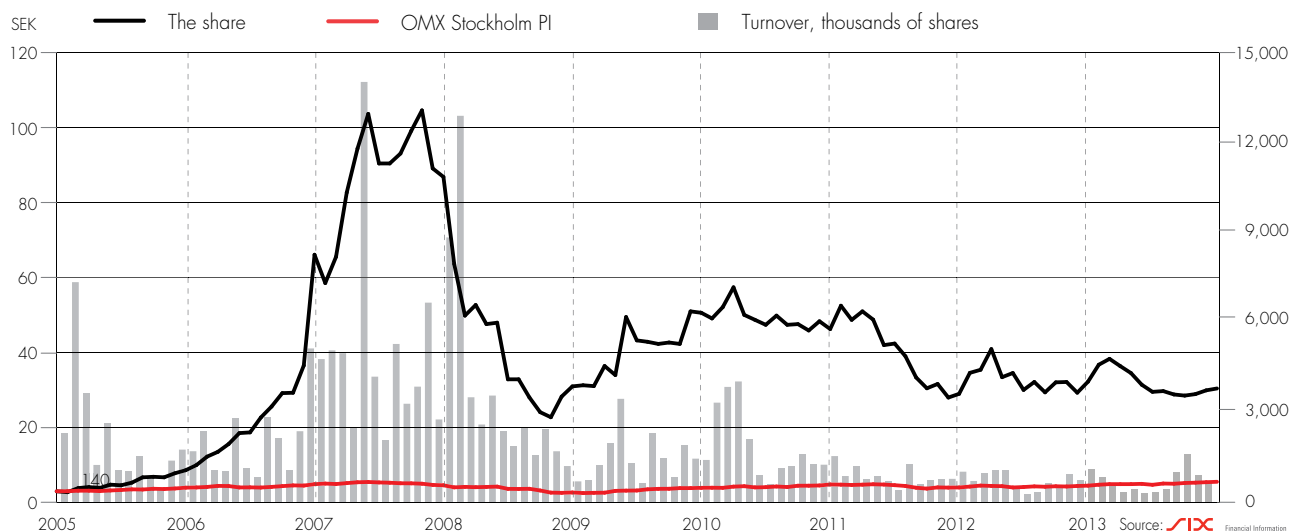
The Board of Directors has recommended to the AGM a distribution of SEK 1.50 per share for 2013, corresponding to 175 percent of net income. As proposed, the distribution would be paid through an automatic redemption, where every share is divided into one common share and one redemption shares. The redemption shares will then automatically be redeemed for SEK 1.50 per share. Payment for the redemption shares, contingent on the approval of the AGM, is expected to be made around May 20, 2014.

The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 37.7 million (75.4). For 2013 a distribution of SEK 3.00 was paid per share, corresponding to 142 percent of net income.

## SHAREHOLDERS

As of December 30, 2013 Björn Borg had 6,888 shareholders (6,665), according to Euroclear, based on shareholders grouped by company. Björn Borg's ten largest shareholders owned shares corresponding to 54.9 percent of the votes and capital. Institutional investors owned 27 percent.

## SHARE PRICE PERFORMANCE



## CHANGES IN SHARE CAPITAL

Year	Transaction	Change in no. of shares	Total no. of shares	Change in share capital, 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, %
Fredrik Lövestedt through companies	2,600,040	10.34
SEB	2,408,941	9.58
Robur	1,886,065	7.50
Mats H Nilsson directly or through related parties	1,478,440	5.88
Danske Invest Sverige	1,090,000	4.33
Vilhelm Schottenius	1,023,520	4.07
Fourth Swedish National Pension Fund	989,748	3.94
JPM Chase NA	926,753	3.69
JP Morgan Bank	723,500	2.88
Nils Vinberg	690,000	2.74
<b>Total, 10 largest shareholders</b>	<b>13,817,007</b>	<b>54.94</b>
<b>Total, other</b>	<b>11,331,377</b>	<b>45.06</b>
<b>Total number of shares</b>	<b>25,148,384</b>	<b>100.00</b>

According to share register on December 30, 2013, 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	4,728	857,075	3.41
501 – 1,000	1,066	935,421	3.72
1,001 – 5,000	881	2,016,994	8.02
5,001 – 10,000	103	771,375	3.07
10,001 – 15,000	25	323,562	1.29
15,001 – 20,000	20	345,016	1.37
20,001 –	65	19,898,941	79.12
<b>Total</b>	<b>6,888</b>	<b>25,148,384</b>	<b>100.00</b>

Source: Euroclear Sweden AB on December 30, 2013, shareholders grouped by company

## DATA PER SHARE

	2013	2012	2011	2010	2009
Earnings per share before dilution, SEK	0.86	2.11	4.19	3.61	3.22
Earnings per share after full dilution, SEK	0.86	2.11	4.19	3.57	3.21
Number of shares outstanding on closing day	25,148,384	25,148,384	25,148,384	25,148,384	25,148,384
Average number of shares outstanding	25,148,384	25,148,384	25,148,384	25,148,384	35,111,217
Average number of shares outstanding after dilution	25,148,384	25,148,384	25,180,574	25,470,202	25,230,128

# BOARD OF DIRECTORS AND AUDITORS



## **Fredrik Löfstedt**

Chairman since 2005  
Director since 2004  
b. 1956  
M.Sc. Eng., KTH Royal Institute of Technology;  
MBA, INSEAD  
Other assignments: Chairman of Alertsec AB.  
CEO of AB Durator  
Background: Former EVP of Protect Data AB  
(1996–2001). Has run his own company  
since 1984.  
Shares in Björn Borg: 2,600,040



## **Isabelle Ducellier**

Director since 2013  
b. 1969  
Master's degree, International Marketing,  
EM Lyon; Executive MBA, INSEAD  
Other assignments: CEO of Pernod Ricard  
Sweden  
Background: Sales Manager at Pernod  
France, Director of International Marketing  
at Wyborowa SA and Director of Sales and  
Marketing at Pernod Ricard Sweden  
Shares in Björn Borg: 0



## **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, Öresunds-  
konsortiet and Emory Center for Alternative  
Investments  
Background: Former CEO of Stockholms-  
börsen, 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



## **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,  
Ernstströmsgruppen AB, Collector AB, Nilörn-  
gruppen 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. Norex International AB,  
Stayhard AB, RCL Holding  
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.  
Chairman of FLX AB, Director of McCann  
EMEA Ltd, Bukowskis AB and Rodebjer AB  
Background: Former Director of the Stock-  
holm 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 as of December 31, 2013.

# SENIOR MANAGEMENT



## Henrik Fischer

Acting CEO and International Sales Director  
b. 1967  
Recruited 2008  
Business School Economics  
Other assignments: Former CEO of Polarn  
O. Pyret, COO of Gant, CEO of Gant Sweden  
Shares in Björn Borg: 12,000



## 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



## Fredrika Erlandsson

Business Area Manager Underwear  
b. 1973  
Recruited 2012  
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



## 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



## Magnus Teeling

Financial Manager  
b. 1973  
Recruited 2011  
B.Sc. Econ  
Background: CFO of Tilgin AB, Finance  
Manager at Aroma AB, accountant and  
consultant with KPMG  
Shares in Björn Borg: 0

Shareholdings as of December 31, 2013.

# CORPORATE GOVERNANCE REPORT 2013

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, it must explain the noncompliance, describe the solution it has selected and state the reasons why. In 2013 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 CEO. 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 2014

The next AGM will be held in Stockholm on April 10, 2014. 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 2013

The 2013 AGM was held in Stockholm on April 17, 2013. The AGM resolved to reelect Directors Mats H Nilsson, Vilhelm Schottenius, Michael Storåkers and Kerstin Hessius, and reelected Fredrik Lövestedt as Chairman. Fabian Månsson declined reelection and stepped down from the Board, and Isabelle Ducellier was elected

as a new Director. 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 2013 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, 2013. The Nomination Committee consists of the following members for the 2014 AGM:

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

Mats H Nilsson has been named Chairman of the Nomination Committee. According to the resolution of Björn Borg's 2013 AGM, the Nomination Committee's mandate is to propose to the 2014 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, 2014 the Nomination Committee has held five 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 April 17, 2013 reelected Directors Fredrik Lövestedt, Mats H Nilsson, Vilhelm Schottenius, Michael Storåkers and Kerstin Hessius, and elected Isabelle Ducellier as a new Director. Fabian Månsson stepped down from the Board. Fredrik Lövestedt 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 2013 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 Lövestedt, was not considered independent in relation to the company's major shareholders due to his shareholding.

The Board is assisted by an attorney, who serves as 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 CEO. The Board lays down the company's goals and strategy, adopts critical policy documents and continuously monitors compliance thereto. The Board also has ultimate responsibility for its various committees. The Board's rules of procedure, which were adopted at the Board meeting on August 22, 2013, define the principles for Board work, the delegation between the Board and the CEO, and financial reporting.

### Board work

In 2013 the Board held six scheduled meetings, four of which were in connection with the quarterly financial reports, one by circulation in connection with the preparations for the AGM and one to adopt the budget. In addition, extensive training was provided for the Board during the year. Directors' attendance at the year's Board meetings is shown in the table below.

### Compensation Committee

The Board has established a Compensation Committee consisting of Chairman Fredrik Lövestedt and Mats H Nilsson to prepare proposals on remuneration and other terms of employment for Senior Executives. In 2013 the Committee held two meetings, and both members attended both meetings. The Compensation Committee is a drafting committee.

### Audit Committee

Björn Borg's Board of Directors has established an Audit Committee consisting of Chairman Fredrik Lövestedt, Mats H Nilsson and Kerstin Hessius. 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 2013, all in connection with the quarterly reports. All of the Committee's members attended all of the meetings. In 2013 the CEO attended the meetings as a co-opted member. The Audit Committee is a drafting committee.

### CEO

The Board has established an instruction for the CEO's work and role, which in its current wording was adopted on August 22, 2013. The CEO 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.

Arthur Engel (b. 1967), who had been CEO of Björn Borg since November 3, 2008, stepped down on November 11, 2013 and was replaced by Henrik Fischer (b. 1967), former EVP, as Acting CEO. Neither own any shares in companies with which Björn Borg has significant business interests. For more information on the CEO, 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 CEO. After every financial year the auditors submit an audit report to the AGM. The 2013 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 2014 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 2013 AGM, the Chairman received remuneration of SEK 325,000 and other Directors received SEK 125,000. For committee work in 2013, 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 2013 AGM, the remuneration for the CEO and other members of management includes a base salary, variable compensation, any 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 CEO 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.

### Directors' attendance in 2013

	Feb 13	Mar 6**	May 16	Aug 22	Nov 7	Dec 11
Fredrik Lövestedt	1	1	1	1	1	1
Vilhelm Schottenius	1	1	1	1	1	1
Mats H Nilsson	1	1	1	1	1	1
Michael Storåkers	—	1	1	1	1	—
Fabian Månsson*	1	1	*	*	*	*
Kerstin Hessius	1	1	1	1	1	1
Isabelle Ducellier*	*	*	1	1	1	1
<b>No. of attendees</b>	<b>5 (av 6)</b>	<b>6 (av 6)</b>	<b>6 (av 6)</b>	<b>6 (av 6)</b>	<b>6 (av 6)</b>	<b>5 (av 6)</b>

\* Left and joined the Board, respectively, at the 2013 AGM.

\*\* Meeting held by circulation with all members participating in the decisions.

## 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 CEO on financial reporting, among other things. Prior to each of its meetings, the Board receives the latest financial reports and at each meeting it discusses the financial situation of the Parent Company and the Group. The Board also discusses the interim and annual reports. At least once a year the company's auditors report on whether the company has ensured that its accounts, their management and financial controls are working satisfactorily. After the formal report the 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 2013 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 CEO 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 are continuously reviewed as well if there is a risk of material errors. Assessed risks in major balance sheet and income statement items are graded and monitored. The

risk analysis has identified a number of critical processes. The greatest 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 6,888 shareholders at year-end. The largest shareholder as of December 31, 2013 was Fredrik Lövestedt, through companies, with 10.3 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, 2013

Fredrik Lövestedt through companies	2,600,040	10.3%
SEB	2,408,941	9.6%
Robur	1,886,065	7.5%
Mats H Nilsson directly or through related parties	1,478,440	5.9%
Danske Bank Sweden	1,090,000	4.3%
Vilhelm Schottenius	1,023,520	4.1%
Fourth Swedish National Pension Fund	989,748	3.9%
JPM Chase NA	926,753	3.7%
JP Morgan Bank	723,500	2.9%
Nils Vinberg	690,000	2.7%
<b>Total</b>	<b>13,817,007</b>	<b>54.9%</b>
<b>Total number of shares</b>	<b>25,148,384</b>	<b>100.0%</b>

# 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 2013 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 financial statements.

Stockholm, March 18, 2014  
Deloitte AB

Fredrik Walméus  
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

Refers to the over 25 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 B.V (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 giving 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, 2014.

# OTHER INFORMATION

## ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders will be held on Thursday, April 10, 2014 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 Friday, April 4, 2014 and must notify the company of their intention to participate by this date (Friday, April 4, 2014) 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](mailto: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 website ([corporate.bjornborg.com/sv](http://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 Friday, April 4, 2014, shareholders must inform nominees well in advance of this date.

## 2014 CALENDAR

Annual General Meeting 2014	April 10, 2014
Interim report January–March 2014	May 19, 2014
Interim report, January–June 2014	August 22, 2014
Interim report, January–September 2014	November 17, 2014

## FINANCIAL REPORTS

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

## SHAREHOLDER CONTACT

Henrik Fischer, Acting CEO  
E-mail: [henrik.fischer@bjornborg.com](mailto:henrik.fischer@bjornborg.com)  
Tel: +46 8 506 33 700  
Mobile: +46 701 81 65 00

Magnus Teeling, CFO  
E-mail: [magnus.teeling@bjornborg.com](mailto:magnus.teeling@bjornborg.com)  
Tel: +46 8 506 33 700  
Mobile: +46 708 50 55 37

ACTING BIRD ABOVE  
MONT BLANC  
BY FREDRIK KOCKUM











**BJÖRN BORG AB**

Tulegatan 11, SE-113 53 Stockholm, Sweden

Telefon: +46 8 506 33 700

Fax: +46 8 506 33 701

[www.bjornborg.com](http://www.bjornborg.com)