



# BJÖRN BORG

## BJÖRN BORG AB YEAR-END REPORT JANUARY – DECEMBER 2014

### IMPROVED SALES AND PROFITABILITY DURING THE QUARTER

#### OCTOBER 1 – DECEMBER 31, 2014

- The Group's net sales increased by 36 percent to SEK 135.3 million (99.3). Excluding currency effects, net sales increased by 29 percent.
- The gross profit margin was 54.1 percent (52.2).
- Operating profit amounted to SEK 3.6 million (–12.5).
- Profit after tax amounted to SEK 5.9 million (–11.0).
- Earnings per share before and after dilution amounted to SEK 0.18 (–0.40).

#### JANUARY 1 – DECEMBER 31, 2014

- The Group's net sales increased by 9 percent to SEK 538.8 million (496.0). Excluding currency effects, net sales increased by 6 percent.
- The gross profit margin was 52.9 percent (51.5).
- Operating profit amounted to SEK 56.0 million (21.2).
- Profit after tax amounted to SEK 47.6 million (13.9).
- Earnings per share before and after dilution amounted to SEK 1.94 (0.86).
- The Board of Directors has decided to propose to the Annual General Meeting a distribution of SEK 1.50 (1.50) per share, totaling SEK 37.7 million (37.7).
- The Board of Directors has established financial objectives for the period 2015-2019.

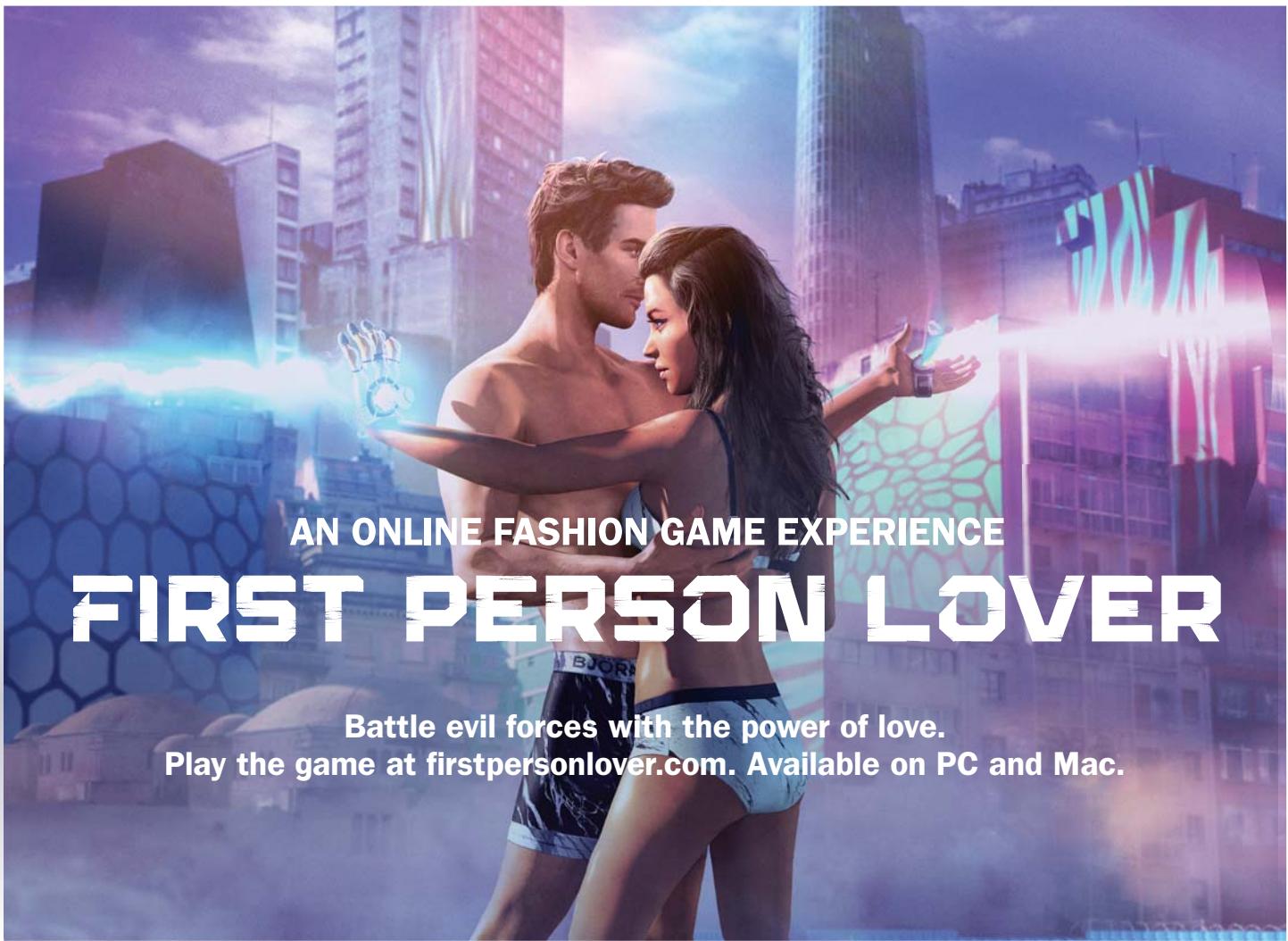
#### QUOTE FROM THE CEO

"2014 finished strongly with very good growth in our e-commerce," said Henrik Bunge, CEO of Björn Borg.

MSEK	Oct-Dec 2014	Oct-Dec 2013	Full-year 2014	Full-year 2013
Net sales**	135.3	99.3	538.8	496.0
Gross profit margin**, %	54.1	52.2	52.9	51.5
Operating profit	3.6	–12.5	56.0	21.2
Operating margin, %	2.6	neg	10.4	4.3
Profit after tax	5.9	–11.0	47.6	13.9
Earnings per share, SEK	0.18	–0.40	1.94	0.86
Brand sales*	343	332	1,431	1,521

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

\*\* As of 2014 the company has changed its income statement format, which is now based on type of cost rather than function, as was done before. As net sales and cost of goods sold are defined with the new format, net sales and the gross profit margin for comparative periods in 2013 may deviate slightly from reported values in 2013.



## **CEO'S COMMENT**

The year finished strongly with net sales rising by 36% in Q4 compared with 2013. The result was driven by solid growth in e-commerce and strong re-order sales in our own markets, Sweden and Finland.

The quarterly sales increase was partly due to a weak comparable quarter, Q4 2013, when a large part of shipments was delayed until Q1 2014, but also because of increased sales volumes and positive currency effects driven by a strong dollar.

Operating profit for the quarter is significantly better than the same quarter in 2013, but is still low in relation to sales, since about SEK 9 million was allocated for part of the restructurings we initiated in 2014, mainly of the Group's sports apparel operations.

In Q4 Björn Borg finalized a new business plan, Northern Star, which centers on three areas: an increased focus on sports fashion, our own e-commerce and a stronger geographical presence in North Europe. The emphasis has been on creating a performance culture where the business

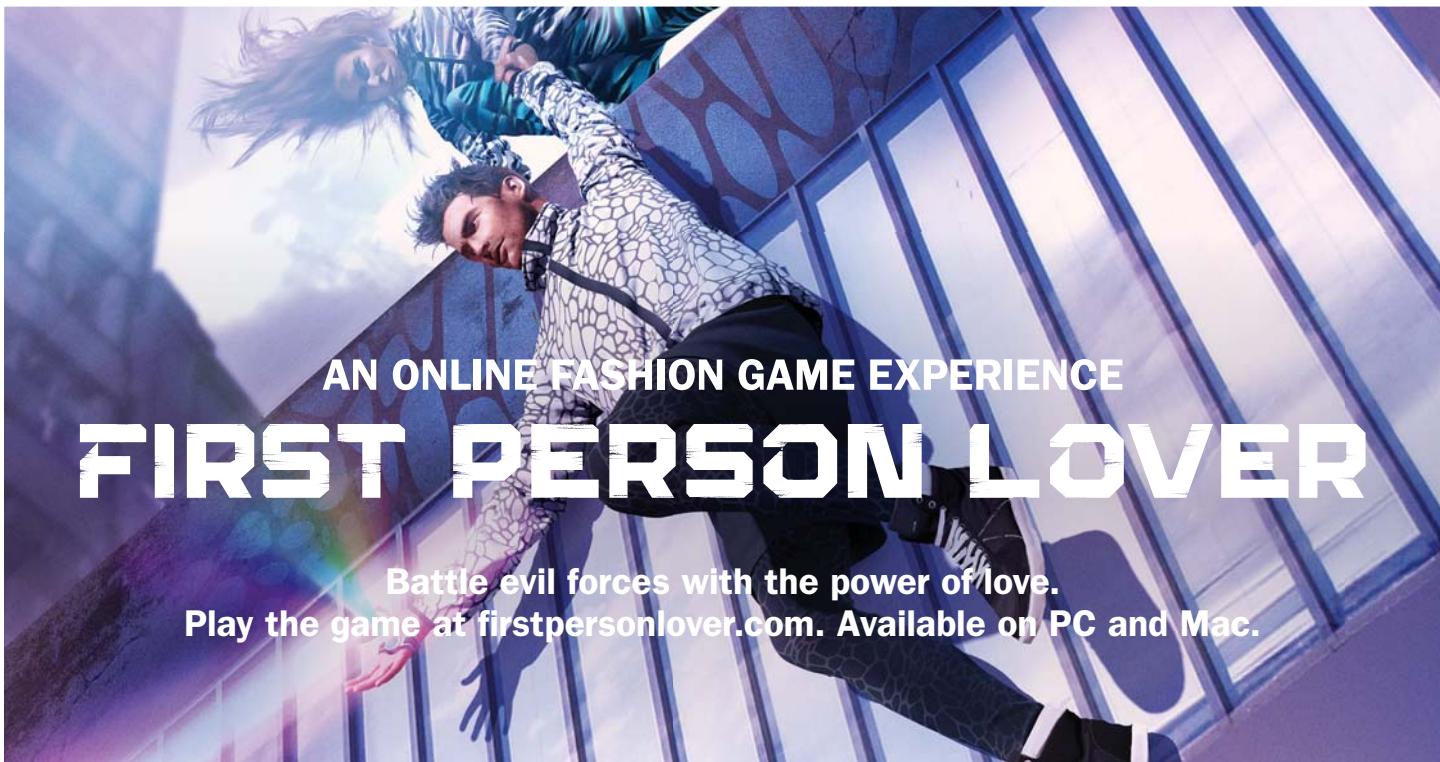
plan has been broken down to an individual level and individual measurable goals for 2015 have been created for everyone in the organization.

Björn Borg is maintaining its focus on underwear, innovative communication and takes an active stand for more love in the world. The business plan also establishes new financial objectives for the period through 2019, which are communicated in this report.

In summing up 2014, Björn Borg improved all its key indicators, with increased sales and gross margin and more than double the operating profit of the previous year, despite the above-mentioned provision of about SEK 9 million in Q4. For the full-year, part of the positive result is due to the shipment delays in early 2014 and positive currency effects.

Together we created a clear business plan during the second half of the year and made progress in establishing a performance culture that will help us reach our future goals and celebrate the victories we achieve.

Head coach  
Henrik Bunge



## OPERATIONS

### Brand sales

Sales by distributors and licensees in the product areas underwear, sportswear and bags improved in the fourth quarter. Footwear and the smaller product areas fragrances and eyewear reported declines during the quarter. Total brand sales (excluding VAT) rose by 3 percent to SEK 343 million (332) for the fourth quarter, but decreased by 6 percent to SEK 1,431 million (1,521) for the full-year. Adjusted for currency effects, brand sales were unchanged for the quarter and down 9 percent for the full-year.

### Product areas for the full-year 2014

Brand sales in the underwear product area fell by 4 percent for the full-year. Underwear accounted for 61 percent (60) of brand sales.

Brand sales of sportswear declined by 12 percent. Sales also decreased in footwear, bags, eyewear and fragrances. In total, sales of licensed products fell by 9 percent for the full-year.

### Markets for the full-year 2014

Among large markets, Belgium and Finland saw good growth during the year, while the Netherlands, Sweden, Norway and Denmark reported declines. Among Björn Borg's smaller markets, England posted good growth numbers.

### Björn Borg stores

During the fourth quarter a third store was opened in Helsinki, Finland. The Norwegian distributor opened two new stores in Oslo. As of December 31, 2014 there were a total of 41 (38) Björn Borg stores, of which 18 (17) are Group-owned.

### Brand sales\* of Björn Borg products

Jan-Dec 2014. Total SEK 1,431 million (1,521)

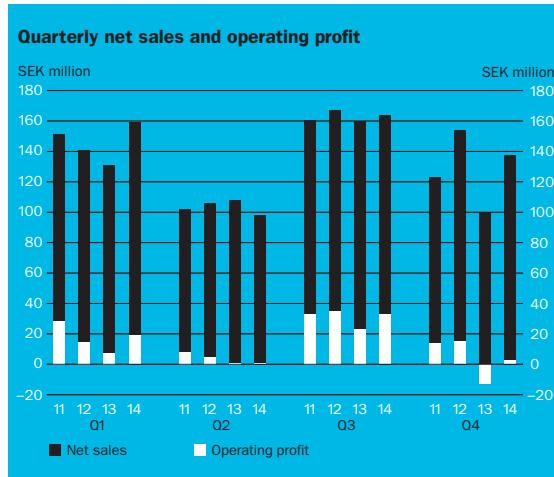


\* Estimated total sales of Björn Borg products at the consumer level, excluding VAT, based on reported sales at the wholesale level.

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

## THE GROUP'S DEVELOPMENT

Sales were higher during the fourth quarter with an improved operating profit compared with the same period in 2013.



### Sales

#### Fourth quarter, October-December 2014

The Group's net sales amounted to SEK 135.3 million (99.3) during the fourth quarter, up 36 percent. Excluding currency effects, the increase was 29 percent. The main reason for the sales increase is that the underwear product company shipped out a larger share of its spring/summer collection compared with the same quarter in 2013, which was affected by significant shipment delays. In addition, the collection was larger in 2014 in comparison with the same collection the previous year. The product company for sportswear also shipped out a larger share of its spring/summer collection compared with the same quarter in 2013. The Swedish wholesale company for underwear had a good quarter and saw increased sales, while the wholesale company for footwear declined slightly. The British and Finnish wholesaling operations performed positively. The Group-owned retail operations reported a slight decline during the quarter, while e-commerce developed very strongly. Total royalties increased slightly as a result of higher brand sales during the quarter.

#### Full-year 2014

The Group's net sales amounted to SEK 538.8 million (496.0) during the full-year 2014, an increase of 9 percent. Excluding currency effects, sales rose by 6 percent.

Previously announced shipment delays at the turn of 2014 in the underwear and sportswear product companies raised sales for 2014 by about SEK 25 million. Stronger foreign currencies also contributed to higher sales during the year, by about SEK 15 million. For the year as a whole, revenue in the two product companies including currency effects explain a significant share of the increase. The British and Finnish

wholesaling operations developed positively during the year. Sales for the Swedish wholesale companies for underwear and footwear decreased during the year, with tough market conditions leading to declining collections primarily in fall 2014. Group-owned retail sales declined, while e-commerce continued to perform strongly. Royalties decreased as a result of lower brand sales during the year.

### Profit

#### Fourth quarter, October-December 2014

The gross profit margin for the fourth quarter improved to 54.1 percent (52.2), partly due to higher margins in the sportswear product company and the Swedish underwear wholesaling company. Excluding currency effects, the margin would have been 55.1 percent.

Despite higher operating expenses during the quarter, a higher gross profit led to an increase in operating profit to SEK 3.6 million (+12.5). The operating margin was 2.6 percent (+12.6). Operating expenses excluding goods for resale were SEK 6.5 million higher year-on-year. Restructuring expenses of about SEK 9 million mainly related to the relocation of the sportswear operations to Sweden were charged against operating profit for the quarter. An expansion of the Parent Company's organization has led to higher staff costs. At the same time growth in e-commerce led to an increase in volume-related expenses within these operations.

Net financial items amounted to SEK 2.1 million (3.1). The positive net is mainly due to exchange rate fluctuations on receivables in foreign currency. The realized and unrealized return on investments, less interest on the bond loan, negatively affected the Group's net financial items by SEK 4.9 million (+0.8). Profit before tax was SEK 5.6 million (-9.4).

#### Full-year 2014

The gross profit margin for the full-year increased to 52.9 percent (51.5). Excluding currency effects, the margin would have been 53.2 percent.

The sales increase and improved gross profit margin during the year, coupled with slightly lower operating expenses, explains the improvement in operating profit, which rose to SEK 56.0 million (21.2). The operating margin was 10.4 percent (4.3). Operating expenses excluding goods for resale decreased by SEK 2.5 million during the year despite a restructuring reserve of about SEK 9 million mainly related to the ongoing relocation of the sportswear operations to Sweden. The discontinued operations in China reduced expenses by about SEK 9.4 million compared with 2013. At the same time growth in e-commerce led to an increase in volume-related expenses within these operations, while more Group-owned stores also added to expenses.

Net financial items amounted to SEK 7.2 million (3.7). The increase is mainly due to exchange rate fluctuations on receivables in foreign currency. The realized and unrealized return on investments, less interest on the bond loan, negatively affected the Group's net financial items by SEK 3.4 million (+2.1). Profit before tax increased to SEK 63.1 million (24.8).

Business segment	Revenue source	Operating revenue, SEK thousands		Operating profit, SEK thousands		Operating margin	
		2014	2013	2014	2013	2014	2013
Brand	Royalties	78,481	77,499	19,569	14,697	25%	19%
Product development	Products	356,818	294,148	34,825	4,043	10%	1%
Wholesale	Wholesale revenues	220,018	256,386	6,282	15,526	3%	6%
Retail	Retailers	92,195	80,480	-4,726	-13,106	-5%	-16%
Less internal sales		-203,015	-209,267	-	-	-	-
<b>Total</b>		<b>544,497</b>	<b>499,246</b>	<b>55,950</b>	<b>21,160</b>	<b>10%</b>	<b>4%</b>

## **Development by business segment**

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

### **Brand**

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

The business segment's operating revenue amounted to SEK 78.5 million (77.5) in 2014. External operating revenue decreased to SEK 37.5 million (38.3) as a result of the year's lower brand sales. It should be noted that the royalties Björn Borg Sport receives from its customers are also reported in the Brand segment.

The additional purchase price paid annually to the former brand owner amounted to about SEK 28 million (30) in 2014. The annual additional purchase price is payable through December 31, 2016.

Operating profit amounted to SEK 19.6 million (14.7), an increase of 33 percent for the year. The improved operating result is due to lower net operating expenses for branding activities 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 operating revenue amounted to SEK 356.8 million (294.1) in 2014, an increase of 21 percent. External operating revenue amounted to SEK 233.8 million (187.1). The increase compared with 2013 is mainly due to the previously announced shipment delays in both product companies at the turn of 2014. The decrease in sales of mainly the large fall/winter underwear collection was partly compensated by a stronger spring/winter 2015 collection, revenues from which were recognized in the last quarter of 2014.

Operating profit increased to SEK 34.8 million (4.0) thanks to the higher sales as well as an improved gross profit margin in this segment, not least in sportswear. The previously announced shipment delays also positively affected profit for the year. A stronger USD had a positive effect on sales and operating profit as well. Operating expenses in the segment were in line with 2013.

### **Wholesale**

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

The segment's operating revenue decreased by 14 percent in 2014 to SEK 220.0 million (256.4). External operating revenue decreased to SEK 192.6 million (204.2). The British and Finnish operations saw sales growth, while the Swedish wholesaling operations for underwear and footwear had a weaker result compared with 2013.

Operating profit amounted to SEK 6.3 million (15.5) as a result of lower sales and higher operating expenses in the Finnish and British operations. A slightly positive currency effect was mainly due to a stronger EUR and GBP during the year.

### **Retail**

*The Björn Borg Group owns and operates a total of 18 stores and factory outlets in Sweden, Finland and England that sell underwear, adjacent products, sportswear and other licensed products. Björn Borg also sells online through [www.bjornborg.com](http://www.bjornborg.com).*

As of January 1, 2014 revenue and expenses attributable to the Group-owned stores in Finland and England are also reported in this segment. Previously these items were not reported separately from the wholesaling operations due to limited sales.

Operating revenue in the Retail segment increased by 15 percent in 2014 to SEK 92.2 million (80.5). External net sales rose by 16 percent during the year to SEK 80.6 million (69.2). The increase is due to a continued strong performance in e-commerce, where sales grew by 79 percent to SEK 22.2 million (12.4). Swedish retail revenue declined during the year. Sales for outlets and comparable Björn Borg stores in Sweden were down 7 percent year-on-year.

The operating loss for 2014 improved to SEK 4.7 million, against a year-earlier loss of SEK 13.1 million. The result is no longer charged with the operations in China.

### **Intra-Group sales**

Intra-Group sales for the full-year 2014 amounted to SEK 203.0 million (209.3).

### **SEASONAL VARIATIONS**

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

### **INVESTMENTS AND CASH FLOW**

The Group's cash flow from operating activities amounted to SEK 54.7 million (38.0) in 2014. A significant improvement in the operating result year-on-year was accompanied by increased tied-up working capital during the year. Previously announced shipment delays at the turn of 2014 resulted in unusually low accounts receivable as of December 31, 2013, due to which tied-up capital was higher than in 2013.

Total investments in tangible and intangible non-current assets amounted to SEK 2.8 million (9.6) for the year.

### **FINANCIAL POSITION AND LIQUIDITY**

The Björn Borg Group's cash & cash equivalents and investments amounted to SEK 218.2 million (218.8) and interest-bearing liabilities (the bond loan) amounted to SEK 187.7 million (192.9) at year-end. The year's distribution of SEK 37.7 million (75.4) was offset by positive cash flows from operating activities in 2014.

In April 2012 the company issued a bond loan 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. After transaction expenses of about SEK 1.3 million for the bond loan and repurchase of corporate bonds with a nominal value of SEK 11 million, the carrying amount of the bond loan amounted to SEK 187.7 million as of December 31, 2014.

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, 2014 investments had been made in bonds with a book value of SEK 133.1 million, which represents the fair value on the same date, compared with SEK 136.5 million on December 31, 2013. 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,

2014 the ratio was -0.47 (-0.93), i.e., a positive net cash balance, and the equity/assets ratio was 46.7 percent (45.5). A complete description of commitments and conditions of the bond loan is provided in the prospectus, which is available on the company's website and from the Swedish Financial Supervisory Authority.

No changes were otherwise made with regard to pledged assets and contingent liabilities compared with December 31, 2013.

## PERSONNEL

The average number of employees in the Group was 129 (159) for the full-year 2014, of whom 66 percent (59) are women. The decrease is due to the discontinued operations in China and the inventory management company Anteros, which was divested in 2013.

## TRANSACTIONS WITH RELATED PARTIES

There were no transactions with related parties during the year.

## SIGNIFICANT RISKS AND UNCERTAINTIES

In its operations the Björn Borg Group is exposed to risks and uncertainties. Information on the Group's risks and uncertainties can be found on pages 42-43 and in note 3 in the annual report 2013. The company's assessment of these risks and uncertainties has not changed since the assessment made in connection with the publication of the annual report for 2013.

## EVENTS AFTER THE BALANCE SHEET DATE

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

## 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 Sport BV, Björn Borg Inc. and Björn Borg Services AB. It also owns 80 percent of the shares in Björn Borg UK, 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 amounted to SEK 14.3 million (12.7) during the fourth quarter and SEK 59.7 million (49.9) during the full-year.

Profit before tax amounted to SEK 82.2 million (99.0) for the fourth quarter and SEK 62.7 million (54.3) for the full-year. Cash & cash equivalents and investments amounted to SEK 181.2 million (178.1) as of December 31, 2014. For the full-year investments in intangible and tangible non-current assets amounted to SEK 1.3 million (0.9).

As announced in the press release on December 8, 2014, the Parent Company acquired the remaining shares in Björn Borg Sport BV from the minority owners in December.

## NUMBER OF SHARES

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

## FINANCIAL OBJECTIVES

The Board of Directors of Björn Borg has established a business plan for the period 2015-2019 with the following long-term financial objectives for operations:

- For the financial year 2019 the Group has the objective of achieving sales of SEK 1 billion with an operating margin of 15 percent.
- An annual dividend of at least 50 percent of net profit.
- The equity/assets ratio should not fall below 35 percent.

## Comments to the financial objectives:

The sales objective for 2019 corresponds to average annual organic growth of 13 percent. The sales increase is expected to come from new product groups in sports fashion as well as expanded geographical distribution within all the product groups.

## DIVIDEND

The Board of Directors has decided to propose to the Annual General Meeting 2015 a distribution of SEK 1.50 (1.50) per share for the financial year 2014, corresponding to 77 percent of net income. 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 share, contingent on the approval of the AGM, is expected to be made around June 12, 2015.

The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 37.7 million (37.7). For 2013 a distribution of SEK 1.50 was paid per share, corresponding to 175 percent of net income.

## ANNUAL REPORT

The annual report for 2014 will be available on the company's website by April 20, 2015.

## ANNUAL GENERAL MEETING

The Annual General Meeting for the financial year 2014 will be held in Stockholm at 6 pm on May 11, 2015.

## ACCOUNTING PRINCIPLES

This condensed interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable provisions of the Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with chapter 9 of the Annual Accounts Act on interim reporting and RFR 2 Accounting in Legal Entities. The accounting principles applied in the interim report conform to the accounting principles applied in the preparation of the consolidated accounts and annual report for 2013, as described on page 54 in the annual report 2013, with the exceptions detailed below.

## New and amended accounting principles

New or amended IFRS and IFRIC interpretations effective as of January 1, 2014 have not had a significant effect on the interim report or consolidated financial statements. For further information, see the annual report 2013.

During the winter and spring 2013-2014, in connection with the implementation of a new enterprise system, Björn Borg conducted a review of its external financial statements. Against this backdrop, management has determined that an income statement format based on type of cost rather than function, as was done before, provides a more relevant and reliable income statement for users of Björn Borg's financial reports. Comparative figures in this year-end report have been restated in accordance with the revised classification by cost.

## AUDIT REPORT

This year-end report has not been reviewed by the company's auditors.

## OUTLOOK 2015

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

## CONSOLIDATED INCOME STATEMENT

### Condensed

SEK thousands	Note	Oct-Dec 2014	Oct-Dec 2013	Full-year 2014	Full-year 2013
Net sales		135,278	99,276	538,753	496,048
Other operating revenue		2,348	993	5,744	3,198
<b>Operating revenue</b>		<b>137,626</b>	<b>100,269</b>	<b>544,497</b>	<b>499,246</b>
Goods for resale		-62,142	-47,416	-253,560	-240,574
Other external expenses	1	-36,821	-33,928	-122,732	-124,381
Staff costs		-31,816	-29,316	-102,617	-100,419
Depreciation/amortization of tangible/intangible non-current assets		-3,159	-1,666	-8,877	-6,828
Other operating expenses		-129	-478	-761	-5,884
<b>Operating profit</b>		<b>3,559</b>	<b>-12,534</b>	<b>55,950</b>	<b>21,160</b>
Net financial items		2,053	3,135	7,198	3,689
<b>Profit before tax</b>		<b>5,612</b>	<b>-9,399</b>	<b>63,148</b>	<b>24,849</b>
Tax		292	-1,644	-15,577	-10,943
<b>Profit for the period</b>		<b>5,906</b>	<b>-11,043</b>	<b>47,572</b>	<b>13,906</b>
<b>Profit for the period attributable to:</b>					
Parent Company's shareholders		4,473	-10,088	48,835	21,613
Non-controlling interests		1,433	-955	-1,263	-7,707
Earnings per share before and after dilution, SEK		0.18	-0.40	1.94	0.86
Number of shares		25,148,384	25,148,384	25,148,384	25,148,384

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### Condensed

SEK thousands		Oct-Dec 2014	Oct-Dec 2013	Full-year 2014	Full-year 2013
<b>Net profit for the period</b>		<b>5,906</b>	<b>-11,043</b>	<b>47,572</b>	<b>13,906</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Components that may be reclassified to profit or loss</b>					
Translation difference for the period		-3,131	-1,288	-7,052	-2,035
Accumulated translation difference reclassified to profit or loss for discontinued operations					12
<b>Total other comprehensive income for the period</b>		<b>-3,131</b>	<b>-1,288</b>	<b>-7,052</b>	<b>-2,023</b>
<b>Total comprehensive income for the period</b>		<b>2,775</b>	<b>-12,331</b>	<b>40,520</b>	<b>11,883</b>
<b>Total comprehensive income for the period attributable to</b>					
Parent Company's shareholders		1,999	-11,376	43,717	19,590
Non-controlling interests		776	-955	-3,197	-7,707

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Condensed

SEK thousands	Note	Dec 31 2014	Dec 31 2013
<b>Non-current assets</b>			
Goodwill		19,265	18,966
Trademarks		187,532	187,532
Other intangible assets		4,390	4,748
Tangible non-current assets		12,334	16,519
Long-term receivable	2	9,800	13,400
Deferred tax assets		31,713	31,126
<b>Total non-current assets</b>		<b>265,034</b>	<b>272,291</b>
<b>Current assets</b>			
Inventories, etc.		40,381	39,031
Accounts receivable		68,232	52,321
Other current receivables		19,573	34,104
Investments	2	133,147	136,519
Cash & cash equivalents		85,080	82,304
<b>Total current assets</b>		<b>346,414</b>	<b>344,279</b>
<b>Total assets</b>		<b>611,447</b>	<b>616,570</b>
<b>Equity and liabilities</b>			
Equity		285,708	280,650
Deferred tax liabilities		38,350	39,694
Other non-current liabilities		13,292	24,115
Bond loan	2	187,738	192,927
Accounts payable		25,064	26,549
Other current liabilities		61,295	52,635
<b>Total equity and liabilities</b>		<b>611,447</b>	<b>616,570</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Condensed

SEK thousands	Equity attributable to Parent Company's shareholders	Non- controlling interests	Total equity
<b>Opening balance, January 1, 2013</b>			
Total comprehensive income for the year	19,590	-7,707	11,883
Distribution for 2012	-75,445	-	-75,445
Non-controlling interests that arose through acquisition	-	6	6
Translation difference	-12	-	-12
Discontinued business	-4,003	4,003	-
<b>Closing balance, December 31, 2013</b>	<b>294,181</b>	<b>-13,533</b>	<b>280,650</b>
<b>Opening balance, January 1, 2014</b>			
Total comprehensive income for the period	43,717	-3,197	40,520
Distribution for 2013	-37,723	-	-37,723
Offset issue in subsidiary	-	9,466	9,466
Acquisition of minority shares	-9,822	2,619	-7,203
<b>Closing balance, December 31, 2014</b>	<b>290,353</b>	<b>-4,645</b>	<b>285,708</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

### Condensed

SEK thousands	Oct-Dec 2014	Oct-Dec 2013	Full year 2014	Full year 2013
<b>Cash flow from operating activities</b>				
Before changes in working capital	10,080	-4,320	63,363	13,382
Changes in working capital	48,626	41,317	-8,629	24,617
<b>Cash flow from operating activities</b>	<b>58,706</b>	<b>36,997</b>	<b>54,734</b>	<b>37,999</b>
Investments in intangible non-current assets	-1,294	-839	-1,428	-1,533
Investments in tangible non-current assets	-561	-4,013	-1,353	-8,088
Disposal of subsidiaries	-	-2,369	-	-2,369
Investments/divestments	1,404	10,354	-106	28,886
<b>Cash flow from investing activities</b>	<b>-451</b>	<b>3,133</b>	<b>-2,887</b>	<b>16,895</b>
Distribution	-	-	-37,723	-75,445
Acquisition of minority shares	-1,410	-	-1,410	-6,547
Amortization of loans	-1,861	-2,206	-7,434	-7,207
Repurchase of bond loan	-963	-	-5,833	-
<b>Cash flow from financing activities</b>	<b>-4,234</b>	<b>-2,206</b>	<b>-52,400</b>	<b>-89,199</b>
<b>Cash flow for the period</b>	<b>54,021</b>	<b>37,924</b>	<b>-553</b>	<b>-34,304</b>
Cash & cash equivalents at beginning of period	29,383	44,481	82,304	116,195
Translation difference in cash & cash equivalents	1,676	-101	3,329	413
<b>Cash &amp; cash equivalents at end of period</b>	<b>85,080</b>	<b>82,304</b>	<b>85,080</b>	<b>82,304</b>

## KEY FIGURES

### Group

SEK thousands	Oct-Dec 2014	Oct-Dec 2013	Full year 2014	Full year 2013
Gross profit margin, %	54.1	52.2	52.9	51.5
Operating margin, %	2.6	neg	10.4	4.3
Profit margin, %	4.1	neg	11.7	5.0
Return on capital employed, %	14.8	7.0	14.8	7.0
Return on average equity, %	17.2	6.9	17.2	6.9
Profit attributable to Parent Company's shareholders	4,473	-10,088	48,835	21,613
Equity/assets ratio, %	46.7	45.5	46.7	45.5
Equity per share, SEK	11.36	11.16	11.36	11.16
Investments in intangible non-current assets	1,294	839	1,428	1,533
Investments in tangible non-current assets	561	4,013	1,353	8,088
Business combinations	1,410	-	1,410	6,547
Depreciation, amortization and impairment losses for the period	-3,159	-1,666	-8,877	-6,828
Average number of employees	-	-	129	159

## SUMMARY BY SEGMENT

Group	Oct-Dec 2014	Oct-Dec 2013	Full year 2014	Full year 2013
SEK thousands				
<b>Operating revenue</b>				
<b>Brand</b>				
External revenue	8,851	8,132	37,484	38,323
Internal revenue	8,773	7,337	40,997	39,176
	<b>17,624</b>	<b>15,469</b>	<b>78,481</b>	<b>77,499</b>
<b>Product development</b>				
External revenue	61,137	26,417	233,755	187,090
Internal revenue	25,012	17,728	123,063	107,058
	<b>86,149</b>	<b>44,145</b>	<b>356,818</b>	<b>294,148</b>
<b>Wholesale</b>				
External revenue	40,770	43,249	192,649	204,150
Internal revenue	6,634	10,856	27,369	52,236
	<b>47,404</b>	<b>54,105</b>	<b>220,018</b>	<b>256,386</b>
<b>Retail</b>				
External revenue	26,868	22,422	80,609	69,243
Internal revenue	2,738	2,762	11,586	11,237
	<b>29,606</b>	<b>25,184</b>	<b>92,195</b>	<b>80,480</b>
Less internal sales	-43,157	-38,634	-203,015	-209,267
<b>Operating revenue</b>	<b>137,626</b>	<b>100,269</b>	<b>544,497</b>	<b>499,246</b>
<b>Operating profit</b>				
Brand	3,861	1,318	19,569	14,697
Product development	-637	-11,467	34,825	4,043
Wholesale	-966	-1,887	6,282	15,526
Retail	1,301	-498	-4,726	-13,106
<b>Operating profit</b>	<b>3,559</b>	<b>-12,534</b>	<b>55,950</b>	<b>21,160</b>

### Reconciliation between operating profit and profit before tax

The difference between operating profit for reported segments, SEK 55 950 thousand (21 160), and profit before tax, SEK 63 148 thousand (24 849), is net financial items, SEK 7 198 thousand (3 689).

## QUARTERLY DATA

Group	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
SEK thousands								
Net sales	135,278	163,723	96,969	142,783	99,275	160,228	105,759	130,786
Gross profit margin, %	54.1	52.4	52.5	52.8	52.2	51.8	52.1	50.1
Operating profit/loss	3,559	32,821	522	19,048	-12,534	23,610	860	9,225
Operating margin, %	2.6	20.0	0.5	13.3	neg	14.7	0.8	7.1
Profit/loss after financial items	5,612	33,834	3,939	19,987	-9,399	22,695	4,467	7,086
Profit margin, %	4.1	20.7	4.1	14.0	neg	14.2	4.2	5.4
Earnings per share before/after dilution, SEK	0.18	1.00	0.15	0.62	-0.40	0.74	0.23	0.30
Number of Björn Borg stores at end of period	41	38	38	38	38	54	57	57
of which Group-owned Björn Borg stores	18	17	17	17	17	16	17	17
Brand sales	342,904	452,422	253,976	382,081	331,665	482,268	275,379	431,815

## PARENT COMPANY INCOME STATEMENT

Condensed

SEK thousands	Note	Oct-Dec 2014	Oct-Dec 2013	Full year 2014	Full year 2013
Net sales		14,347	12,711	59,677	49,855
Other operating revenue		422	230	639	320
<b>Operating revenue</b>		<b>14,769</b>	<b>12,941</b>	<b>60,316</b>	<b>50,175</b>
Goods for resale		-109	-63	-2,147	-242
Other external expenses	1	-13,766	-12,807	-47,687	-46,997
Staff costs		-9,921	-7,774	-31,683	-31,425
Depreciation/amortization of tangible/intangible non-current assets		-504	-568	-2,125	-2,103
Other operating expenses		15	-189	-819	-692
<b>Operating loss</b>		<b>-9,516</b>	<b>-8,460</b>	<b>-24,145</b>	<b>-31,284</b>
Result from shares in subsidiaries		67,395	50,725	67,395	50,725
Net financial items		-6,763	12,664	-11,666	-9,239
<b>Profit after financial items</b>		<b>51,116</b>	<b>54,929</b>	<b>31,584</b>	<b>10,202</b>
Group contributions received		30,246	43,755	30,246	43,755
Appropriations		874	295	874	295
<b>Profit before tax</b>		<b>82,236</b>	<b>98,979</b>	<b>62,704</b>	<b>54,252</b>
Tax		1,275	-107	1,275	296
<b>Profit for the period</b>		<b>83,511</b>	<b>98,872</b>	<b>63,979</b>	<b>54,548</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>83,511</b>	<b>98,872</b>	<b>63,979</b>	<b>54,548</b>

## PARENT COMPANY BALANCE SHEET

Condensed

SEK thousands	Note	Dec 31 2014	Dec 31 2013
<b>Non-current assets</b>			
Intangible non-current assets		393	595
Tangible non-current assets		2,849	4,627
Long-term receivable	2	9,800	13,400
Deferred tax		961	-
Shares in Group companies		335,331	321,243
<b>Total non-current assets</b>		<b>349,334</b>	<b>339,865</b>
<b>Current assets</b>			
Receivables from Group companies		392,513	182,141
Current receivables		14,143	10,749
Investments	2	133,147	136,519
Cash & cash equivalents		48,081	41,559
<b>Total current assets</b>		<b>587,884</b>	<b>370,968</b>
<b>Total assets</b>		<b>937,218</b>	<b>710,833</b>
<b>Equity and liabilities</b>			
Equity		144,143	117,887
Untaxed reserves		1,014	1,888
Deferred tax		-	314
Bond loan	2	187,738	192,927
Other non-current liabilities		5,792	-
Due to Group companies		573,668	382,447
Accounts payable		4,725	5,407
Other current liabilities		20,138	9,963
<b>Total equity and liabilities</b>		<b>937,218</b>	<b>710,833</b>

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Condensed

SEK thousands	Full year 2014	Full year 2013
<b>Opening balance</b>	<b>117,887</b>	<b>138,784</b>
Distribution	-37,723	-75,444
Total comprehensive income for the period	63,979	54,548
<b>Closing balance</b>	<b>144,143</b>	<b>117,887</b>

## SUPPLEMENTARY DISCLOSURES

### NOTE 1 OTHER EXTERNAL EXPENSES

	Group		Parent Company	
	Full-year 2014	Full-year 2013	Full-year 2014	Full-year 2013
Cost of premises	28,735	26,294	9,322	8,385
Selling expenses	23,439	28,108	3,147	5,926
Marketing expenses	35,876	32,949	19,940	16,853
Administrative expenses	22,338	30,743	13,217	14,926
Other	12,344	6,287	2,061	907
<b>Total</b>	<b>122,732</b>	<b>124,381</b>	<b>47,687</b>	<b>46,997</b>

### NOTE 2 FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

Net investments in the company's portfolio of corporate bonds amounted to SEK 106 thousand for the full-year 2014.

#### Financial assets at fair value

through profit or loss	Level 1	Level 2	Level 3
Securities held for trading	133,306	–	–
Derivatives held for trading	–	–159	–
<b>Total assets</b>	<b>133,306</b>	<b>–159</b>	<b>–</b>

Björn Borg has recorded a liability for the additional purchase price to the seller of the minority interest in Björn Borg Sport at fair value. As of December 31, 2014, the carrying amount was SEK 5,792 thousand (0) and is included in Level 3. The carrying amount of financial instruments at amortized cost coincides with their fair value as of December 31, 2014, with the exception of the bond loan, whose fair value amounted to SEK 181,440 thousand, compared with a carrying amount of SEK 187,738 thousand.

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 900,000 as of December 31, 2013.

## DEFINITIONS

### Gross profit margin

Net sales less cost of goods sold divided by net sales.

### Operating margin

Operating profit as a percentage of net sales.

### Profit margin

Profit before tax as a percentage of net sales.

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

Earnings in relation to the weighted average number of shares during the period and earnings per share adjusted for any dilution effect.

### Return on capital employed

Profit after financial items (over a rolling 12-month period) plus financial expenses as a percentage of average capital employed.

### Return on equity

Net profit (over a rolling 12-month period) according to the income statement as a percentage of average equity. Average equity is calculated by adding equity at January 1 to equity at December 31 and dividing by two.

### Equity/assets ratio

Equity as a percentage of total assets.

### Operating expenses

Refers to operating expenses excluding goods for resale, i.e., other external expenses, staff costs, depreciation/amortization and other operating expenses.

### Brand sales

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

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

Stockholm, February 19, 2015

Fredrik Lövstedt  
Chairman

Martin Bjäringer  
Board Member

Isabelle Duccellier  
Board Member

Kerstin Hessius  
Board Member

Mats H Nilsson  
Board Member

Nathalie Schuterman  
Board Member

Anders Slettengren  
Board Member

Henrik Bunge  
President and CEO

#### **UPCOMING INFORMATION DATES**

Annual report in April 2015

Annual General Meeting 2014 held on May 11, 2015 at 18:00 (CET)

Interim report January–March 2015 released on May 11, 2015 at 18:00 (CET)

Interim report January–June 2015 released on August 12, 2015

Interim report January–September 2015 released on November 6, 2015

#### **FOR FURTHER INFORMATION, PLEASE CONTACT:**

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

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Björn Borg is required to make public the information in this year-end report in accordance with the Securities Market Act.  
The information was released for publication on February 19, 2015 at 7:30 am (CET).

## **ABOUT THE BJÖRN BORG GROUP**

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The Group owns the Björn Borg trademark and its core business is underwear and sportswear. It also offers footwear, luggage & bags and eyewear through licensees. Björn Borg products are sold in around thirty markets, of which Sweden and the Netherlands are the largest. The Björn Borg Group has operations at every level from branding to consumer sales in its own Björn Borg stores. Total sales of Björn Borg products in 2014 amounted to about SEK 1.4 billion, excluding VAT, at the consumer level. Group net sales amounted to SEK 539 million in 2014, with an average of 129 employees. The Björn Borg share has been listed on NASDAQ Stockholm since 2007.