



BJÖRN BORG

ANNUAL REPORT 2014

CONTENTS

6	BJÖRN BORG IN BRIEF
10	A WORD FROM THE PRESIDENT
12	VISION, BUSINESS CONCEPT, GOALS AND STRATEGY
18	THE BRAND
22	PRODUCT DEVELOPMENT
26	OPERATIONS
32	PRODUCT AREAS
40	GEOGRAPHICAL MARKETS
44	BJÖRN BORG'S CORPORATE RESPONSIBILITY
60	EMPLOYEES AND ORGANIZATION
66	FIVE-YEAR SUMMARY
68	QUARTERLY DATA FOR THE GROUP
70	BOARD OF DIRECTORS' REPORT
78	CONSOLIDATED FINANCIAL STATEMENTS
79	Consolidated income statement and statement of comprehensive income
80	Consolidated statement of financial position
82	Consolidated statement of changes in equity
83	Consolidated statement of cash flows
84	PARENT COMPANY'S FINANCIAL STATEMENTS
85	Parent Company income statement and statement of comprehensive income
86	Parent Company balance sheet
88	Parent Company statement of changes in equity
89	Parent Company statement of cash flows
90	SUPPLEMENTARY INFORMATION
112	SIGNATURES OF THE BOARD OF DIRECTORS
114	AUDIT REPORT
116	THE SHARE
120	BOARD OF DIRECTORS AND AUDITORS
122	SENIOR MANAGEMENT
124	CORPORATE GOVERNANCE REPORT 2014
128	AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE REPORT
130	DEFINITIONS
132	OTHER INFORMATION



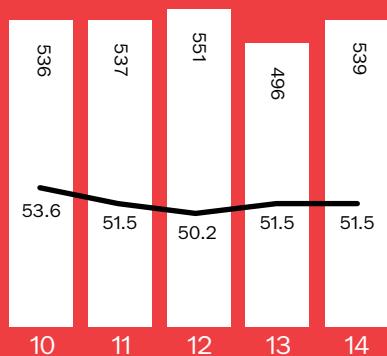
THANK YOU BJÖRN!

You changed tennis from being “a white sport” into a colourful scene for the passionate and the active. You started a revolution against conservatives and conformists 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 is how we create our fashion and that is how we inspire the people who wear it. And hey, it doesn’t hurt your chances to score more either.



BJÖRN BORG IN BRIEF

■ NET SALES, SEK MILLION
— GROSS PROFIT MARGIN (%)



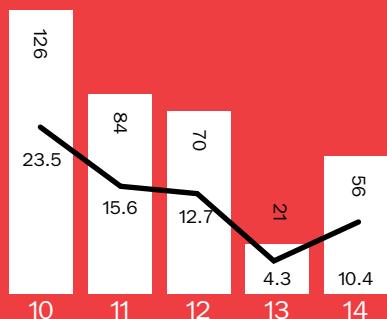
THE NUMBER OF BJÖRN BORG STORES
AT YEAR-END WAS 41, 18 OF WHICH
ARE GROUP-OWNED

DISTRIBUTION OF SEK 1.50 PER SHARE

41

1.50

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



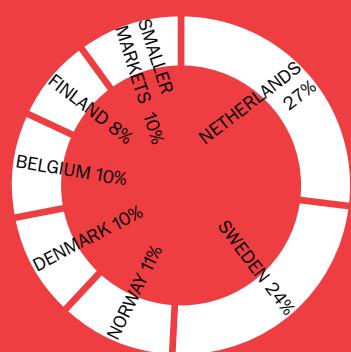
THE OPERATING MARGIN WAS
10.4 PERCENT

THE GROSS PROFIT MARGIN WAS
52.9 PERCENT

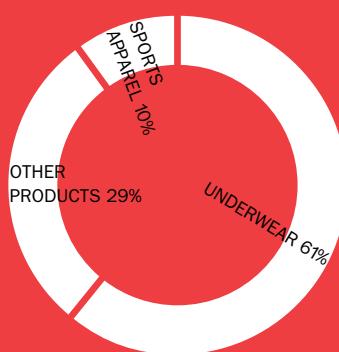
10.4

52.9

BRAND SALES BY COUNTRY



BRAND SALES BY PRODUCT AREA



BJÖRN BORG GROUP

The Björn Borg Group owns and develops the Björn Borg brand. The focus of the business is on underwear and sports apparel as well as the licensing of footwear, bags and eyewear. 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 as well as product development in the core underwear and sports apparel businesses. The Group is also responsible for distribution of underwear and sports apparel in Sweden, England and Finland, as well as footwear in Sweden, Finland and the Baltic countries. The sports apparel operations of the subsidiary Björn Borg Sport in the Netherlands are currently being transferred to the Swedish product company in Stockholm, which to date has only been responsible for the underwear product company.

The Björn Borg share has been listed on Nasdaq Stockholm since 2007.

THE YEAR IN NUMBERS

- The Group's net sales increased by 9 percent to SEK 538.8 million (496.0). Excluding currency effects, net sales rose 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).

BRAND SALES

Total brand sales, excluding VAT, decreased by 6 percent from the previous year to SEK 1,431 million (1,521). Excluding currency effects, sales fell by 9 percent.

THE BJÖRN BORG BRAND

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 sports fashion 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

- Björn Borg is represented in around 30 markets, of which Netherlands and Sweden are the largest.
- Good growth in e-commerce (www.bjornborg.com) in 2014, sales increased by 79 percent.
- Ongoing transfer of the sports apparel operations from the Dutch subsidiary to the underwear product company in Sweden in 2015, in line with the increased focus on sports fashion.

NEW STORES

During the year new stores were opened in Finland and Norway. At year-end there were a total of 41 (38) Björn Borg stores, 18 (17) of which are Group-owned.





A WORD FROM THE PRESIDENT

LET'S GO! I said, while Fredrik Lövstedt, Chairman of the Board of Björn Borg, concluded from the other side of the table that this was going to be fun. That was March 17, 2014, spring was coming and I had just signed a contract to become Björn Borg's new CEO. Since then a lot has happened and I have now said "Let's go" countless times.

2014 was a good year for Björn Borg, and in summing up the year as a whole we can report that the company improved on all its key indicators, raising sales and the gross margin and more than doubling operating profit. I would like to thank the team that made these results possible. My personal impact on the 2014 outcome was very limited, and the victory we are now celebrating has largely been achieved by the organization in place when I began my journey on August 1. Thank you!

But 2014 was also a year when much more was achieved than the short-term earnings improvements described above. We have agreed on long-term financial goals of SEK 1 billion in sales and a 15% profit margin by 2019.

“2014 was a good year for Björn Borg, and in summing up the year as a whole we can report that the company improved all its key indicators, raising sales and the gross margin and more than doubling operating profit.”

We have a shared, unified view of where we currently stand. Together, we have agreed on a few, selected initiatives and in our communication we have focused on taking a stand for love and the right to express it. We have created a new business plan, *Northern Star*, which will help Björn Borg as a company to reach its full potential.

Northern Star is challenging, daring and pragmatic. *Challenging* in our aim to expand the brand from being synonymous with men's underwear to being synonymous with sports fashion for those who aren't willing to compromise either "active" or "attractive." *Daring* in that it requires a clear change in focus. We simply can't do what we did yesterday better; we have to do other things. *Pragmatic* in that we know that sports fashion drives underwear sales, not the other way around. From consumer surveys in all our northern European markets we also know that consumers want to buy sports fashion from us.

The journey to SEK 1 billion is long and curvy, and the difference will be made by us, the employees, by the team. Of all the positive things we achieved during the year, I am by far most proud that our financial goals for 2019 were formulated together with our employees and received support from our distributors before being approved by the Board of Directors. Not the other way around.

The goal is that every new year will be better than the one before in terms of all our key performance indicators: retail sales, the employee index, sales and profitability. And in exactly the same way that we closed 2014 stronger than 2013, I personally feel confident that we will close 2015 stronger than we did 2014.

Spring seems to have returned outside my window and I am convinced that we have a great journey ahead of us, we as employees, our owners and not least our customers.

Let's go!
Henrik Bunge
Head Coach

A portrait of Björn Borg, a man with blonde hair and a beard, smiling. He is wearing a white t-shirt with the text "BJÖRN BORG" repeated in a staggered, overlapping font. The background is a bright, modern interior.

“The journey to
SEK 1 billion is
long and curvy,
and the
difference will
be made by us,
the employees,
by the team.”

VISION, BUSINESS CONCEPT, GOALS AND STRATEGY

WHERE WE ARE GOING

TO BE THE NO 1
SPORTS FASHION BRAND
FOR PEOPLE WHO
WANT TO FEEL ACTIVE
AND ATTRACTIVE

We are a sports brand with a fashion edge. We offer products that are perceived as having the unique combination of sport, fashion and fabulous fit. We target consumers that wish to stay active without having to compromise on being attractive. No matter if it comes to design, fit, performance or touching minds and hearts our aim is always to be No 1.

WHAT WE DO

To build a sports brand with a fashion edge, and leverage the consumers' willingness to buy clothes from our brand. Offer products that are perceived as having a combination of sport, fashion and high quality to capture the strong sports industry development. Use our strong brand awareness to further commercialize our cotton base under-wear offer and invest in sport fashion apparel.

HOW WE DO IT

With a daring attitude, winning comes easy. That is why we passionately throw ourselves towards bold new goals, and never ever give up. No matter the challenge. Swedish by birth, we trust individual strength, but are always driven by our collective mission: To spread more love in the world.

WHY WE DO IT

WE TAKE AN ACTIVE STAND FOR MORE LOVE IN THE WORLD

Performance makes the world go round, but love makes the ride worthwhile. That is why all of us at Björn Borg stand up for love in all its beautiful forms. That is why all our products, from design and function down to the smallest stitch, encourage people to feel active and attractive. That is why we are passionate about taking an active stand for more love in the world.

FINANCIAL OBJECTIVES

The Board of Directors of Björn Borg has set 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.







THE BJÖRN BORG BRAND

BRAND DEVELOPMENT

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. In its business plan Björn Borg has an explicit goal to be a leader in sports fashion and has therefore decided to focus on design and production of sports apparel.

With five product areas and sales in around 30 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 November 2014. They reflect the brand's sporty identity and products that make customers feel active and attractive. In its communication, Björn Borg takes an active stand for more love and everyone's equal value.

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.

MARKETING COMMUNICATIONS

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 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.

Social media have continued to grow in importance to the interaction between Björn Borg and its end consumers, and the company sees these channels as both vital and cost-effective for branding and sales promotions.

Björn Borg latest campaign, Five Person Lover, is a good example of the successful implementation of innovative marketing communications. Björn Borg chose to launch its latest spring collection with an online computer game and at the same time stand up for more love in the gaming community. The campaign was spread through PR and trailers online. It premiered in an Ocular Rift version in 3D, in store windows and in-store displays at NK and Selfridges, among others, and through digital outdoor advertising in a number of markets. The game and campaign have been experienced to date by over 15 million people in the target group and have generated widespread coverage on YouTube, where it was named "The Most Fabulous Game of the Year" by PewDiePie, YouTube's most subscribed channel.

Through the web shop at bjornborg.com, Björn Borg products are sold practically around the world. 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 user experience, was launched in the second half of 2014. The new site makes it easier to adapt local versions and is designed to better accentuate the connection to the brand.

The Björn Borg stores fill an important role as a marketing channel and to display the brand and current campaigns. During the year a new retail concept was launched in three trial stores to better showcase the products, distinguish the brand and attract customers.

CAMPAIGNS AND EVENTS 2014

During the year Björn Borg continued to take a stand for more love in the world at the same time that the brand began a journey to becoming a sports fashion brand.

BJÖRN BORG'S SPRING CAMPAIGN: NUDECLEAR POWER AND UNITE THE LOVERS

Björn Borg's spring campaign had the theme of "Nudeclear power" – a description of the sensual radiation emitted from wearing the company's products. For all the energy that was created, equivalent financial support was given to the organization Love Commandos, which protects couples in love who are fleeing arranged marriages in India. The campaign generated 26,000 hours of protection, which Björn Borg doubled to 52,000 hours for at-risk couples and created considerable PR value. It was also advertised in an outdoor campaign in Björn Borg's core markets.



BJÖRN BORG'S RUNWAY SHOW AT FASHION WEEK IN STOCKHOLM

The audience on opening night of Stockholm Fashion Week, August 26, was treated to a game-inspired look at Björn Borg's spring 2015 collection, First Person Lover, by Show Director Bea Åkerlund. The runway show was the most discussed of the week and generated tremendous PR value for Björn Borg: over 250 articles in print, TV and online.



BJÖRN BORG'S FALL CAMPAIGN: FLIRTUAL REALITY

During the fall Björn Borg launched a new campaign called Flirtual Reality. In a series of photos it followed a modern love triangle involving a robot. The trio is seen jogging in Central Park, lying in bed in a hotel room and strolling the streets of Manhattan. The campaign ran outdoors in all of the company's major markets and generated great attention.



BJÖRN BORG'S CHRISTMAS CAMPAIGN: LUST & FOUND

For Christmas Björn Borg used the theme of "All you need is lust" to find the right person and the perfect Christmas presents. The campaign ran outdoors and on www.bjornborg.com as a sales promotion campaign and was a big success with record-high sales during the holiday season.



AMBASSADORS

Björn Borg broke into sports fashion by collaborating with selected ambassadors such as Olympic freestyle skier Henrik Harlaut, Dutch speed skater Koen Verweij and Swedish parkour star Marcus "Zyrken" Gustafsson.





AN ONLINE FASHION GAME EXPERIENCE

FIRST PERSON LOVER

Battle evil forces with the power of love.

Play the game at firstpersonlover.com. Available on PC and Mac.

PRODUCT DEVELOPMENT

BRAND AND PRODUCTS

Björn Borg's dominant product area today is underwear. Like the other categories, it is distinguished by the brand's sporty identity – products that make customers feel active and attractive, values Björn Borg wants all its collections to express. This positioning is explained in the trend and design information presented each season internally to the design department and externally to licensees and which was reinforced in 2014 when the company hired a Creative Director who works cross-functionally with the brand's overarching direction in every channel, from product to store.

PRODUCT RANGE

Björn Borg has continued to develop products in the underwear segment and during the year developed, among other things, a limited collection for women and men – Iconic – which will reach consumers in stores next fall. A number of exclusive show pieces shown at last fall's runway show at Stockholm Fashion Week were available for sale in limited supply through the company's website.

The multipack trend continues to grow strongly in the market, especially in e-commerce, because of which the product range was expanded during the year to meet consumer demand. Socks, swimwear and loungewear remain important complements to underwear and contribute positively to the brand.

FOCUS GOING FORWARD

The focus going forward will be on incorporating more sportiness in the collections, which was why Björn Borg chose during the year to work more with functional underwear, in line with the company's goal of being a sports fashion brand. In keeping with that goal, Björn Borg acquired at the end of 2014 the remaining shares in Björn Borg Sport, the Dutch product development company that had been responsible for design and production of the brand's sports apparel, with plans to incorporate it into the Swedish organization in 2015. This will give Björn Borg greater control and ability to steer design as well as quality at the same time that it creates synergies in development and the supply chain.





OPERATIONS



BUSINESS MODEL

The Group's stable profitability and the successful positioning of the Björn Borg brand are largely based on 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 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.

BRAND

Since acquiring the trademark in 2006, the Group has global rights to the Björn Borg trademark for relevant categories of products and services. By owning the trademark, the Björn Borg Group can operate from a position of strength internationally and control the brand's development. At the same time ownership provides long-term security for the entire network of licensees and distributors.

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 retail sales. This depth gives the Group the best chance of ensuring the continued development and correct positioning of the Björn Borg brand.

The Group have specialists in brand management and development. 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 such as 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 sports apparel together with the Dutch distributor and with Björn Borg as the principal owner. In late 2014 Björn Borg acquired the remaining shares in Björn Borg Sport and in 2015 operations were transferred to the Swedish product company for underwear. The operations of Björn Borg Sport will be phased out in 2015.

In 2012 Björn Borg took over responsibility for the fragrances product area 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 and eyewear – is licensed to external parties.

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 resale 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 mostly to Asia – primarily China – but to a growing extent to Europe as well. Some production has been shifted to Europe in recent years – primarily Turkey – which means shorter lead times and better 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 44-59.

DISTRIBUTION

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

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

OWN DISTRIBUTION

Some distribution is handled by Group companies. In its main area, underwear, Björn Borg is responsible for distribution in Sweden, England and Finland through its own sales organizations in these markets. 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 fragrance products as well. Product development and manufacturing are outsourced to a specialist.

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 logistics, 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 a particular distributor cannot meet the requirements, Björn Borg can normally 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

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 sports apparel, 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. Björn Borg products are sold through a total of around 6,000 retailers.

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 decreasing 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 2014 Björn Borg continued to develop the "Locker Room" concept, which was test launched in 2013 and is now the retail concept used for all stores. At the same time Björn Borg has continued to focus on improving efficiencies in its own retail operations through better routines and oversight.

Björn Borg's aim is to grow its retail presence with more Björn Borg stores – its own and distributors' – in established as well as new markets. The idea is that the Group's own stores play a central role in building the brand in new markets. In established markets, the Group's retail operations are an important complement to consolidate Björn Borg's position in each market.

E-COMMERCE

E-commerce enables Björn Borg as a brand to showcase the breadth of its product range, which makes it a directly measurable channel to spot the latest consumer trends. Two distinctive trends in 2014 were increased demand for multipacks and the growing importance of sports apparel, although underwear continued to account for the majority of sales. A new web shop design was launched at the end of the year to accommodate mobile devices as the largest future source of traffic. Björn Borg's own e-commerce sales were strong in 2014 and continue to offer growth opportunities.

Sales through e-tailers continue to rise in local markets with small customers and in the international market through large customers 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.

BJÖRN BORG STORES AS OF DEC. 31, 2014

	Group-owned	Franchises
Sweden	14	–
Netherlands	–	7
Belgium	–	7
Norway	–	6
Finland	3	–
England	1	–
Chile	–	1
Slovenia	–	1
Germany	–	1
Total	18	23

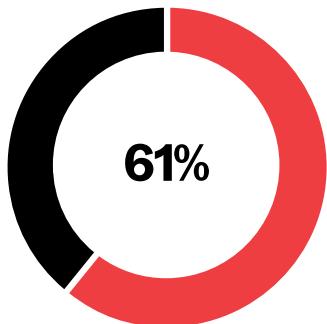


PRODUCT AREAS

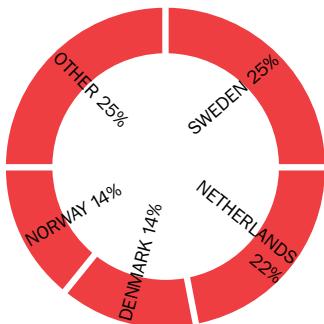


UNDERWEAR

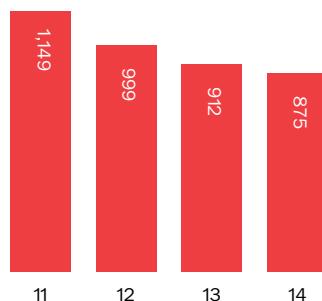
UNDERWEAR AS A SHARE OF TOTAL BRAND SALES 2014



UNDERWEAR BRAND SALES BY COUNTRY 2014



UNDERWEAR SALES TREND 2011–2014, SEK MILLION



Underwear is Björn Borg's largest product area, with models for men, women and children 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 functional sport collection and several bra models. The men's collection accounted for 79 percent of underwear sales during the year and the women's for 19 percent, based on packages sold. The kid's line accounted for about 10 percent of total underwear sales, based on packages sold.

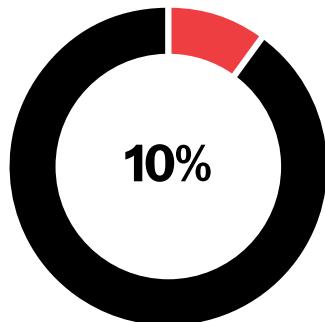
Björn Borg underwear is sold by independent retailers, apparel and sporting goods chains, department stores, Björn Borg stores and online. The underwear product company is owned and operated by the Björn Borg Group.

Brand sales in underwear decreased by 4 percent in 2014 to SEK 875 million, with the product company accounting for 61 percent of total brand sales. Among large markets, Finland saw good growth, while other major markets – the Netherlands, Sweden, Norway, Denmark and Belgium – reported declines. Among smaller markets, England posted good growth numbers.

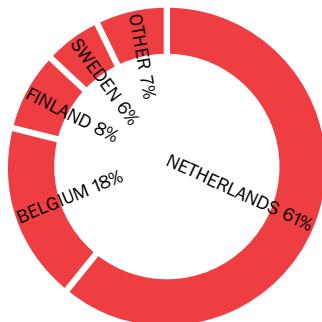


SPORTS APPAREL

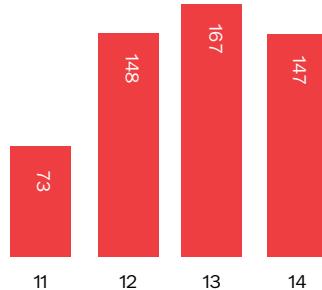
SPORTS APPAREL AS A SHARE OF TOTAL BRAND SALES 2014



SPORTS APPAREL BRAND SALES BY COUNTRY 2014



SPORTS APPAREL SALES TREND 2011–2014, SEK MILLION



Björn Borg offers apparel collections for women and men, mainly functional but fashionable sports apparel in colorful designs. The product range currently comprises two main categories: Performance and Sportswear.

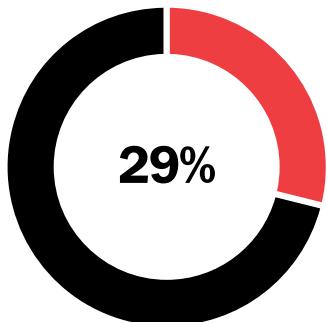
Björn Borg's sports apparel operations were launched in 2011 by a Dutch subsidiary, Björn Borg Sport. That year the company sold its remaining women's sample collections for the Dutch market. The first sports apparel collections reached stores in January 2012, initially in Björn Borg's established markets. Today Björn Borg sport apparel is sold in a total of eight markets. Retailers include sports apparel and sporting goods retailers and department stores as well as Björn Borg stores and online.

At the end of 2014 Björn Borg announced that it was moving the operations to the head office in Stockholm in 2015 as an element in the company's new business plan, which focuses on sports fashion. The subsidiary Björn Borg Sport will be phased out in 2015 and 2016.

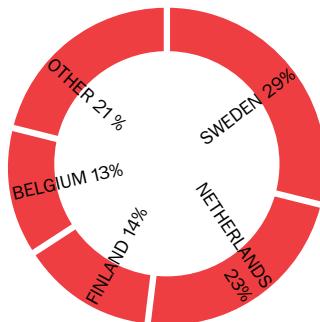


OTHER PRODUCTS

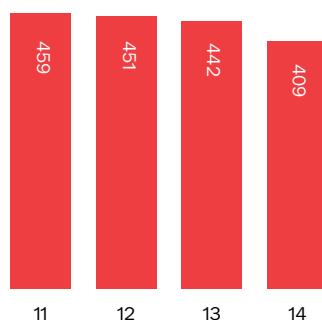
OTHER PRODUCTS AS A SHARE OF BRAND SALES 2014



OTHER PRODUCTS SALES BY COUNTRY 2014



OTHER PRODUCTS SALES TREND 2011–2014, SEK MILLION



FOOTWEAR

The footwear product area offers a range of casual and sporty designer shoes for men and women – sold by independent retailers, footwear and sporting goods chains, department stores, major e-tailers, Björn Borg stores and online at www.bjornborg.com. In recent years the licensee has expanded the footwear operations internationally to several markets. In 2014 Björn Borg shoes were sold in around twenty European markets, of which Sweden, the Netherlands and Belgium are the largest. The main growth targets are the UK and Germany.

BAGS

The bags product area falls into the fashion/trend segment and comprises handbags and gym bags 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 are mainly sold in Björn Borg's established markets in Northern 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.

FRAGRANCES

The product area continues to offer two lines: Björn Borg JA! for women and men, which includes fragrances and skincare products, and Björn Borg Heritage, a line of fragrances and deodorant sticks for men. Sales are generated in the Nordic markets primarily through major cosmetic chains such as Kicks and department stores such as Åhléns as well as independent retailers. Distribution in the travel retail segment is mainly to the inflight service system used by SAS and other airlines as well as to the travel company Thomas Cook, to Björn Borg stores, through www.bjornborg.com and through selected e-tailers.

OTHER PRODUCTS IN 2014

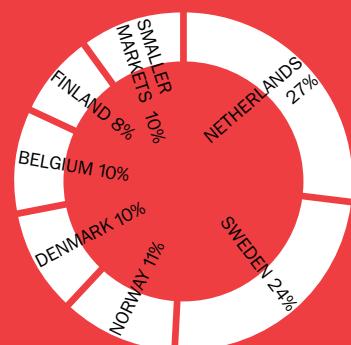
Total brand sales of other products amounted to SEK 409 million in 2014, a decrease of 7 percent compared with 2013. As a whole, other products accounted for 29 percent of total brand sales.

The footwear product area reported a decrease of 5 percent to SEK 306 million, or 22 percent of brand sales. Sports apparel brand sales amounted to SEK 147 million during the financial year, or 10 percent of total brand sales. Other product areas – mainly bags and eyewear – reported a combined sales decrease of 13 percent to SEK 103 million. Together they accounted for 7 percent of brand sales.



GEOGRAPHICAL MARKETS

BRAND SALES BY COUNTRY



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: Chile, France, Canada, Portugal, Switzerland, Spain, Germany, Austria and South Africa.

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 24 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 done selectively, but new product categories such as kids' underwear and sports apparel are creating openings with more retailers. Brand sales declined in 2014 compared with the previous year, consistent with a persistently weak retail market.

NETHERLANDS

The Netherlands was the Björn Borg brand's largest market in 2014, with 27 percent of total brand sales. Operations in the country date back to 1993, when the brand quickly established a market position through growing volumes and a broad presence. Against the backdrop of long-term market weakness, the Dutch distributor reconstructed its retail operations in 2013, resulting in a significantly smaller retail network now better adapted to demand and the business 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 six Björn Borg stores. 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. There are currently no Björn Borg stores in the country. Every product area is represented in Denmark. In 2014 brand sales declined compared with 2013.

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 10 percent of total brand sales. Underwear dominates the Belgian market, although all product areas are sold. 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 8 percent of total brand sales. In early 2013 Björn Borg acquired the business from the distributor together with an experienced local partner. Underwear is the dominant product area, although footwear and sports apparel are sold as well. There are three Björn Borg stores in Helsinki, one of which opened in late 2014. 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

Björn Borg's smaller markets together accounted for 10 percent of total brand sales in 2014, the same percentage as in 2013. Among smaller markets, England is managed by the Björn Borg Group, while 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 and an assessment is made of the market's potential.

ENGLAND

Björn Borg was established in England in 2006 with a launch at the department store Selfridges in London. In 2011 Björn Borg started its own operations together with a local partner after the previous distributor was terminated. Distribution has since been broadened to include several other well-known retailers such as Harvey Nichols and Harrods, at the same time that more categories have been added such as socks and sports apparel. Björn Borg's biggest marketing event was a London extravaganza in August 2013 in collaboration with MTV, which gained widespread attention in the media and fashion world. The company has an outlet at Wembley, London, which was opened in 2013. Brand sales in England rose in 2014.

OTHER SMALLER MARKETS

The retail market in southern Europe remains challenging. Galerie Lafayette (France) and El Corte Inglés (Spain) are among the major customers we are working with to build a cooperation – and who demand greater support. From a brand perspective, we reevaluated the collaborations with current distributors at the end of 2014 to create the right future positioning. Sales have been flat since 2013.

The agreement with the current distributor in Germany was terminated in 2014. The result was slightly weaker than in 2013. Until future operational plans are announced later in 2015, Björn Borg will work directly with active – and especially larger – customers from the Stockholm head office.

Austria's distribution experienced a challenging year. Ownership of Intersport Austria has been transferred to Intersport Germany. Ebyl, which had been an important customer of our partner, has a new owner in UK-based Sports Direct, which has hurt our partner. After changes in fall 2014, the partner is now working with a new positioning of distribution channels.

Portugal, Chile, South Africa, Switzerland and Canada remain small markets for the brand.



BJÖRN BORG'S CORPORATE RESPONSIBILITY

BJÖRN BORG'S OVERARCHING VIEW OF ITS RESPONSIBILITY

It is important for Björn Borg to take responsibility for managing risks and various types of adverse impacts that arise in its operations. We have actively embraced our responsibilities for years, and every year we increase our understanding, improve the way we work and raise our goals and get more concrete. We call the way we handle our corporate responsibilities "sustainability."

To make it easier to structure and plan our sustainability work, we divide it into four parts, as explained below. In practice, however, the various parts overlap, which is why we look at sustainability as a whole. Our goal is to apply a holistic approach to taking responsibility for adverse impacts that can arise in our operations and our other responsibilities, which include looking at impacts through the entire product lifecycle (see below).

Product – Our products shall be of high quality, so that they will last. The input materials we select and other decisions we face in the product development process must be consistent with our overall environmental objectives. Products may not contain any hazardous chemicals.

People – The individuals who work for Björn Borg – our own employees and workers in our product suppliers' factories – must be treated with respect and have reasonable working conditions. We also donate money or products to charities, e.g., supporting the homeless or children with cancer, or participating in other types of social projects.

Environment – It is about understanding, and reducing, impacts on the environment from our operations, e.g., through lower CO₂ emissions, more efficient water consumption, better waste management and the like. It also means using packaging that can be easily recycled and inputs for products and packaging that are better for the environment.

Business ethics – We run our business ethically. We have the routines and knowledge to prevent corruption and other irregularities and to discourage discrimination while promoting diversity.

APPROACH

We have formulated the following overarching sustainability goals:

- Sustainability will be integrated in our strategy and our day-to-day operations;
- The work will be done in a structured way with concrete sustainability goals;
- We will measurably improve our sustainability results over time; and
- Our sustainability work will be done openly and transparently.

We know that our stakeholders expect us to set concrete, measurable sustainability goals, and that we openly report our performance and that they are not satisfied with only general formulations and vague commitments.

To create structure in our sustainability work and successfully integrate it into the business as a whole, we formulate annual targets and concrete activities to achieve our long-term goals. These targets and activities are cascaded down to the department and individual level within the organization. In this way, we are able to achieve the goals and establish a structure to monitor our performance. Another important aspect is ensuring that there are working interfaces and open communication internally on these issues.

The goal is that every person at Björn Borg will understand their individual responsibilities and take responsibility for their decisions and actions, and in this way help to improve our overall sustainability performance. Because Björn Borg's Sustainability Director is a member of the management team, sustainability remains on management's agenda and is integrated in the company's strategy.

We want our sustainability work to reflect the transparency and openness our stakeholders – consumers, customers, employees, the stock market and others – expect. Our sustainability report, which is published once a year, is an important tool, as is the website (www.bjornborg.com). We maintain an open, honest dialogue with everyone who contacts us on sustainability issues, whether in academic studies or industry surveys, in response to consumer queries, when discussing our work with sustainability analysts, or when dialoguing with authorities and various types of organizations. Everyone who contacts Björn Borg, regardless of the issue, should feel that we provide the information they want and listen to their suggested improvements.

Goals	Status/comment
At least 67% of the total volume purchased for Björn Borg's own production will come from factories that have been approved through BSCI audits or similar standards, or which otherwise have widely accepted certificates such as SA8000 or WRAP.	All manufacturers of Björn Borg's own production* will sign the company's code of conduct. Unless another BSCI participant has already done so, we will formally take ownership (so-called RSP, concept of responsibility) of all our key producers, which means that we will meet the BSCI requirements on RSP holders at any given time in terms of implementing audits, among other things. At present about 85% of our products are manufactured at approved factories.
No chemicals prohibited by the EU's REACH regulation will be used in our products, and we will phase out so-called Substances of Very High Concern (SVHC) from our production.	All manufacturers of Björn Borg's own production will comply with Björn Borg's chemical requirements. Chemical tests will be conducted at all manufacturers of Björn Borg's own production each season.
The Björn Borg Group's CO ₂ emissions per SEK of sales will be reduced by 40% between 2013 and 2019.	Climate reporting according to the GHG protocol was introduced for Group operations in 2013. Annual goals and activities to reduce CO ₂ emissions are formulated and monitored.
We will significantly increase the share of sustainable materials in our core underwear offering by 2019.	In 2015 we will launch a limited underwear collection in organic cotton, which will reach stores in the fall.
We will take concrete measures in every stage of the product lifecycle to improve our environmental impact.	In 2015 we will conduct a concrete, comprehensive product lifecycle analysis, which will include identifying possible measures at different stages of the product lifecycle.

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

An important part of sustainability work is keeping our employees knowledgeable. In recent years we have put considerable effort into this, including through various types of training and workshops. To deal sensibly with sustainability issues, our employees have to understand the impact of what we do. The product department within Björn Borg, which works with design, product development and sourcing, plays a central role. A buyer, for example, may have to understand that price pressure could force the manufacturer to cut their costs by lowering wages or hiring younger or less trained workers, and that demands for short lead times can lead to factory overtime. Or a product developer and designer may have to understand that a certain material offers greater environmental benefits than another, and must have the necessary knowledge of chemicals.

LICENSED PRODUCTS

Björn Borg's licensed products in areas other than underwear, such as footwear and bags, are designed and sourced by external licensees, who contract their own manufacturers, dialogue with them and monitor working conditions and chemicals, among other things. We place concrete sustainability requirements on our licensees, however, coordinate actions and support each other in various ways, including by identifying and implementing best practices everyone can benefit from. We also monitor our licensees' sustainability work. Björn Borg's licensees for footwear and bags also participate in the Business Social Compliance Initiative (BSCI) and apply BSCI's code of conduct.



STAKEHOLDERS

Björn Borg has identified the following stakeholders for its sustainability work:

By openly reporting 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.

Stakeholders	Status/comment
Consumers	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. We want to earn this trust.
Commercial customers	Commercial customers such as retailers often set their own concrete sustainability requirements that Björn Borg as a company must meet.
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 we see our sustainability work as a way to create employee engagement and build our employer brand. We also want to be an employer that offers a positive, stimulating working environment – with diversity and without discrimination, where people can speak their minds and expose irregularities without the risk of negative consequences.
Stock market	Sustainability work creates value and minimizes risk. Shareholders are concerned about the value of the company and the brand and expect us to be transparent about our 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 them to better understand their expectations and to provide the information they request.
Media	The media's role is to report on the company's actions, including negative impacts. We actively monitor the issues being covered and debated in the media and address them in our sustainability work. These types of discussions reflect the world we live in and the expectations on us as a company.

BJÖRN BORG'S PARTNERS

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

- Business Social Compliance Initiative (BSCI)
- The Textile Importers' Association in Sweden
- Swerea IVF
- Sweden Textile Water Initiative (STWI)
- Tricorona
- Cotton Connect
- Numerous charity organizations

EXAMPLES OF ACTIVITIES CONDUCTED IN 2014

- Fully implemented climate reporting (based on CO₂ emissions) in our operations.
- Implemented structured sustainability evaluation scheme for manufacturers of Björn Borg's own production.
- Conducted review of Supplier Guide, including implementation of BSCI's new code of conduct and environmental requirements for suppliers.
- Collected worn-out clothing in stores under the banner of "Chain Reaction of Love."
- Campaign to support the organization Love Commando, which is dedicated to helping Indian couples who want to marry for love.

EXAMPLES OF ACTIVITIES PLANNED IN 2015

- Launch underwear in organic cotton and formulate overarching plan for further roll-out in order to reach a significantly higher share of sustainable materials by 2019.
- Structured analysis of product lifecycle to identify measures to reduce environmental impacts at different stages of the product lifecycle.
- Continue training on BSCI 2.0 (new code of conduct and approach) and sustainable materials.

CHALLENGES

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

Challenge	Comment
Production involves long chains of suppliers at various levels, which complicates transparency, control and oversight of working conditions and chemicals, for example.	We try to work as closely as possible with a limited number of manufacturers to implement and monitor sustainability requirements, and require them to place similar requirements backwards in the supply chain.
Commercial interests sometimes conflict with sustainability interests.	An open discussion is needed internally on the conflicts that can arise between stakeholders, e.g., that sustainable materials can be a more expensive alternative in a market with margin pressure or that compressed delivery schedules can increase the amount of overtime in factories or number of shipments by air. At the same time sustainability improvements can be cost-effective, for example, if they optimize shipments or lead to energy savings.
It can be difficult for manufacturers and the company's own employees to fully comprehend current laws and regulations, especially involving chemicals.	We continuously gather information on changes and developments over time and provide various types of training to keep employees properly informed and knowledgeable. We also cooperate with and receive support from external parties in each area.
Design and production of footwear and bags, for example, are handled by third-party licensees outside the company's organization and control.	We place concrete requirements on our licensees, coordinate sustainability policies and monitor licensees' sustainability work.
Shipping decisions are often made by Björn Borg's distributors, not the Group.	Björn Borg designs its sourcing process in a way that leaves enough time to choose environmentally friendlier shipping alternatives than air freight, while also encouraging distributors to choose better alternatives.

RESPONSIBLE PRODUCTION

NUMBER OF MANUFACTURERS AND GEOGRAPHICAL DISTRIBUTION

In 2014 Björn Borg outsourced production to a total of 12 manufacturers with production at 16 factories. China accounted for just over 80 percent of Björn Borg's total production, followed by Turkey (17 percent) and India (less than 1 percent). The large part of Björn Borg's production is in Guangdong province (southern China) and Fujian province (eastern China). In recent years some production has been shifted to Europe, primarily Turkey, which means shorter shipments and greater control.

WORKING CONDITIONS IN PRODUCTION FACILITIES

Björn Borg does not own the factories that produce the products, but takes various steps to ensure that the people who work in these factories have acceptable conditions.

We have a structured supply chain control system to identify sustainability challenges and risks. Some manufacturers have made more progress in terms of

sustainability, have good knowledge and understanding and are used to working with customers with sustainability requirements, while others do not fully understand or prioritize sustainability. These different conditions require different approaches, but the common denominator in our supplier control program is a desire to improve the sustainability performance of all our principal manufacturers, with an emphasis on so-called key manufacturers. Our key manufacturers typically produce a large share of our total production and/or products that are otherwise important to what we offer, where BSCI is an important element.

Our goal is to establish and maintain an open dialogue with our manufacturers to get them to understand why sustainability is important to us and how it can be integrated in their operations in order to improve their performance. As more and more customers demand fair working conditions from factories, it becomes obvious to more and more manufacturers that fair working conditions are essential in order to keep the customers and increase sales. It has proved valuable for us to work with just a few producers and we have worked with many of them for a long time. Several of these producers are smaller, local family run companies.

An important part of our supply chain control system is Business Social Compliance Initiative (BSCI). We have participated since 2008 in the Business Social Compliance Initiative (BSCI) and apply its Code of Conduct, which includes requirements in the following areas:

PRINCIPLES OF BSCI'S CODE OF CONDUCT

- The rights of freedom of association and collective bargaining
- No discrimination
- Fair remuneration
- Decent working hours
- Occupational health and safety
- No child labor
- Special protection for young workers
- No precarious employment
- No bonded labor
- Protection of the environment
- Ethical business behavior

Our manufacturers commit in writing to comply with the Code of Conduct and compliance is controlled. BSCI's Code of Conduct draws on the International Labour Organization (ILO) conventions, the UN declaration on human rights and the UN Convention on the Rights of the Child. The code is an integral part of Björn Borg's supplier control program.

Our supplier control program provides insight on what we have to do to help our manufacturers improve their sustainability performance along with us. It could mean formally introducing a manufacturer to BSCI's monitoring program or encouraging them to raise their skill level or improve routines. An important aspect of BSCI is the audits, which are conducted by participating companies, and where participants who buy merchandise from the same manufacturers can benefit from each other's audits and monitoring. Björn Borg's goal is that 67 percent of the total volume it purchases for its own production will come from factories that have undergone BSCI audits and received at least an acceptable score (currently level 1 of 2) or otherwise have a recognized certificate or certification, e.g., SA8000 and WRAP. If any of our key manufacturers has not already been introduced to the program by another BSCI participant, we will do so. Any non-compliance with the Code of Conduct detected during an audit is addressed through an action plan, after which a re-audit is conducted to verify that the discrepancies have been alleviated.

An important part of our supplier control program is the internal evaluation system, which we use for quarterly progress reports on our manufacturers. The system looks at various Key Performance Indicators (KPI) in the sustainability area, in addition to other factors such as price, quality and reliability. The results of BSCI audits are part of this, and other factors weigh in as well, such as other certificates or certifications, environmental certificates or documented efforts to reduce CO₂ emissions or better understand sustainable materials, as well as the manufacturer's commitment and willingness to develop. Each manufacturer receives a total score in the evaluation, and those who pass and develop over time have the chance to receive more orders from us and grow their business.

In 2014 nearly 85 percent of the total volume of sourced products came from factories that have reached at least Level 1 within BSCI (approved level, but needing improvement). The company's four largest manufacturers, which account over 70 percent of Björn Borg's production, have all reached Level 2 (Approved), the highest level within BSCI. One of them has an SA8000 certificate, an internationally recognized certification standard for decent workplaces. In 2014 we initiated a total of five audits among our suppliers. (Several were audited by other BSCI participants.) Only one of our external factories, which accounts for less than 4 percent of Björn Borg's own production, did not reach Level 1, which was due to non-compliance linked to insufficient documentation, e.g., with regard to payroll, time reporting and employment terms, as well as non-compliance regarding maximum working hours. Björn Borg does not have responsibility (RSP) for this factory and buys such small volumes from it that at present there is no question of taking over RSP for the manufacturer in the BSCI system. If the factory does not improve despite our demands, we will consider terminating our production there. Non-compliance on working hours and employment and wage documentation is unfortunately fairly common in audits. In reality, insufficient documentation does not always mean that employment terms or conditions are substandard, though it can be an indication that it is.

BSCI is in the process of reviewing its requirements for participants. For example, it will replace its previous model that required participants to buy at least 2/3 of their volume from manufacturers that have reached at least Level 1 with a new commitment formula that has not yet been finalized. BSCI will also replace the current 0-2 scale with a more diversified scale (A-E).



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. We consider, 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 our requirements or has the essential elements (resources, willingness and on) to meet them, with the company's support, within the foreseeable future. Normally we conduct a special audit before we contract a manufacturer.
Contracting of manufacturers	When we contract a new manufacturer, we require it to sign our code of conduct, which is based on BSCI's code, and pledge to comply with our other requirements, e.g., concerning chemicals.
Monitoring of manufacturers	Our most important manufacturers, so-called key manufacturers, are introduced into the BSCI system by us if they have not already been introduced by another buyer, and are monitored continuously through formal BSCI audits and our internal monitoring system. In addition, a continuous dialogue is maintained with manufacturers on working conditions. This is done most actively, and successfully, through product managers, as part of the day-to-day cooperation, e.g., in connection with on-site visits in the country of production. Manufacturers are also graded on concrete sustainability KPIs as part of our overall monitoring of suppliers.
Training	We encourage our manufacturers to participate in various forms of training such as BSCI workshops.

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.

Björn Borg takes measures to control that products do not contain hazardous chemicals which could harm the user (end customer) and that those who work in the company's production chain, such as factory workers, are not exposed to hazardous chemicals. The company's chemical control program is a key element in the sustainability work. Since all manufacturing is outsourced, a continuous dialogue is needed with manufacturers on the production methods and chemicals they use to ensure a safe product and safe working environment. Additional controls are required as well. Producers commit in writing to comply with 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 undertake to ensure that certain potentially hazardous chemicals are not used in Björn Borg's products. Chemical tests (sample testing) are continuously conducted on Björn Borg's products to verify that the stated requirements are being met. We now require our manufacturers to phase out so-called Substances of Very High Concern (SVHC) from our production, even though they are not yet prohibited by law.

Björn Borg also requires its manufacturers 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 factories facilitate our own controls.

Björn Borg requires its licensees to follow appropriate legal requirements as pertain to chemicals. Licensees in footwear and bags 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 issues and with the global services company Underwriters Laboratories (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. Skills training is provided on a continuous basis to give product developers and buyers the know-how and tools to create and buy attractive and safe products.

ENVIRONMENTAL RESPONSIBILITY

There is much discussion in the fashion industry about environmental challenges. Production, transportation and consumption of clothing impact the environment, and we in the industry are expected to take greater responsibility for the adverse impacts we cause directly or indirectly.

Production of raw materials such as cotton involves the use of pesticides and fairly large amounts of water, while fabric dying entails the use of chemicals. Products are transported from the country of manufacture far away to markets where they are sold. Washing by the consumer also impacts the environment. There are many challenges that have to be addressed.

BJÖRN BORG'S ENVIRONMENTAL IMPACT

The Björn Borg Group's operations generate carbon dioxide (CO₂) emissions, which contribute to global warming. As a company, we want to reduce our carbon footprint. We first have to understand how the things we do on a daily basis have an impact. Which choices and decisions we make result in more or less CO₂ emissions? Which changes in behavior would do the most to reduce our footprint? To create a structured model to measure and monitor CO₂ emissions, we have produced a climate report according to the GHG protocol since 2013. In this report we measure various aspects of our operations such as energy consumption, business travel and product transports to identify what we need to do to reduce CO₂ emissions. We have set a goal to reduce total CO₂ emissions per SEK of sales by 40% between 2013 and 2019. Each year we introduce concrete targets and activities to reach our long-term goal. These targets and activities cascade down to each department.

In our first complete comparative climate report, for 2014, we concluded that our total CO₂ emissions rose by about 1 percent. At the same time sales are up 9 percent. Measured in relation to sales, our total CO₂ emissions are therefore declining by 8 percent (per SEK of sales). The decrease is due to less travel, lower electricity consumption and a transition to renewable energy in most of our operations, among other things. We also determined that the share of products shipped by air rose during the year, which is negative and something we have to address going forward. It may also be because we were better at reporting in 2014 than 2013. We will use the climate report for 2014 as a baseline to formulate improvements for 2015 and beyond.

We are also looking at our environmental impact in a broader sense. We recycle office waste and factor the environment into RFPs and creative briefs for suppliers. We systematically turn every stone. At the same time we realize that the environmental impact of our operations is but a small part of our total environmental impact. This is why we also track our impact throughout the product lifecycle.

ENVIRONMENTAL IMPACTS DURING THE PRODUCT LIFECYCLE

The true impact of our business extends far beyond what is reported in our climate report. In order to address the overall climate impact of our operations, we have to look more closely at the entire product lifecycle, e.g., from the cotton farm all the way until the product nears the end of its lifetime at the conclusion of the consumption phase. A lifecycle analysis (LCA) we conducted a few years ago using a pair of underwear provided valuable insight on the environmental impact at various phases of the product lifecycle. It showed that by far the biggest impacts were in the production phase and the user phase. The latter, which includes washing the garment, in fact accounted for nearly 60 percent.

The big challenge in the production and consumption phases is that they are outside our immediate control. To improve our environmental impact in these phases, we have to influence others to change their ways. In terms of our suppliers, we do so by weighing environmental factors in our evaluation, when contracting new manufacturers and when monitoring and evaluating existing ones. A supplier that performs well in environmental respects, e.g., which has an environmental certificate or otherwise has worked actively to improve their CO₂ emissions, water consumption or chemical use, or has the knowledge and experience to buy sustainable materials, receives higher points in our evaluation and thereby has a greater chance to receive more orders from us. We expect our key suppliers to develop along with us in the sustainability area.

With regard to environmental impacts in the user phase, we feel that consumers are generally becoming more aware of sustainability and are increasingly adjusting their buying and usage habits accordingly. More consumers want sustainable products, including products made with sustainable materials, and weigh sustainability more than earlier in their choice of brands. More and more people are also realizing that changes in their own behavior, including washing, make a difference. We are trying to make consumers better aware of what they can do to reduce their environmental footprint, such as washing clothes at lower temperatures or hanging them to dry rather than using a dryer. But it is also a question of people's attitudes to clothing and consumption, e.g., the importance of buying high-quality products that last longer and not perceiving clothes as easily disposable.

WASHING ADVICE

- Wash less often
- Wash at lower temperatures
- Use less detergent and avoid fabric softeners
- Hang clothing to dry rather than using a dryer

Another topic of growing debate in the garment industry is water consumption. The manufacture of clothing often requires large amounts of water, e.g., to irrigate cotton fields and dye fabrics, at the same time that water shortages are becoming more common around the world. More and more clothing companies have therefore begun monitoring and addressing their water footprint. Björn Borg is now a member of the Sweden Water Textile Initiative (SWTI) and requires its manufacturers to implement the STWI Guidelines on Sustainable Water Use in Textiles, where applicable. Our goal is to increasingly understand our water footprint and formulate measures to improve it over time.

In 2015 we are planning to conduct a thorough, structured analysis of our product lifecycle, based on our previous lifecycle analysis. The aim is to identify potential measures at various stages of the product lifecycle. The goal is to be able to take concrete action at every stage by 2019 and in that way reduce our environmental impact. This work – especially implementation – will require the support of our production partners and consumers.

In 2015 we will also finalize our roll-out plan to significantly increase the share of sustainable material used in our core underwear collection. We will also launch a limited line in organic cotton during the year. We are partnering with Cotton Connect, among others, to establish a plan going forward.

WASTE AND PRODUCT RECYCLING

In 2014 Björn Borg partnered with Stadsmissionen, a Swedish humanitarian organization for the homeless. Under the banner "Chain Reaction of Love," we encouraged our customers to donate old clothing to the charity at selected Björn Borg stores around the country. In return, the customer received a discount on a future purchase. All types of clothing, footwear, bags and underwear were accepted, including from other brands. The donated merchandise was a welcome addition for Stadsmissionen, while it also reminded customers that worn-out clothing may in fact have more to give.

Björn Borg annually confiscates a large amount of counterfeit products. We have decided not to destroy these products and try instead to give them another life, though not with our brand name. We collaborate with His Church Charity in England, which masks our brand name, re-labels the products and donates them to the needy in England and parts of Africa. Underwear in particular is often in short supply among the homeless. Many counterfeits, including those confiscated in the Benelux countries, are also sent to our partner React in the Netherlands, which has a recycling facility that reuses the textile fibers.



BJÖRN BORG AS A WORKPLACE

Björn Borg wants to offer a positive, safe and healthy working environment where management and staff join together to create a sense of well-being and maintain a culture of mutual respect. We try 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. We expect employees to take responsibility for their actions and to be respectful and loyal in their relationships with others and with Björn Borg as a company. This includes not exploiting their position in the company or internal information in an illegal manner. Björn Borg does not accept discrimination based on race, skin color, ethnicity, age, religion, gender, sexual orientation or disability. This runs counter to the essence of our brand values.

We also aim for diversity. We apply a model for recruitment and promotion we call CPR. The model is based on Competence, Personality and Results and factors in our internal values as well as our brand values. In our experience this model leads to diversity: 66 percent of Björn Borg's employees are women (2014). We know that women are an important target group, not only because they buy women's products for themselves, but also because they buy men's products as gifts for their sons, husbands and fathers. Half our management team are women and half men, and on our Board of Directors we have 40 percent women. In December 2014 our management team had as many as 67 percent women, thanks of which we were cited in the Allbright Foundation's 2015 report. While it is ultimately the concrete criteria mentioned above that are the determining factor, we have an overarching goal that neither gender represent more than 60 percent of the members of the company's governing bodies.

ETHICS AT BJÖRN BORG

Björn Borg is against all forms of bribery and corruption, and we have a special internal policy on bribes. We also try to foster a working climate where people can say what they think and expose problems and irregularities openly and honestly without risking sanctions.

We try to run our business openly and transparently, which in practice tends to lead to a climate where actions and decisions have to pass muster externally. As a publicly listed company, we at the same time work actively to protect potentially price-sensitive information and ensure that all investors are treated equally.

We also work actively to stop the sale of pirated copies – counterfeit copies of Björn Borg products – which are sold in tourist destinations, market stands and online. The problem with counterfeiting is that it is often part of a wider criminal enterprise that may also involve the sale of drugs, prostitution and other shady businesses. We feel a responsibility to stop these sales and inform consumers of the downsides of buying counterfeit copies – namely, that they are supporting criminal enterprises.

BJÖRN BORG TAKES A STAND FOR MORE LOVE IN THE WORLD

Björn Borg as a brand is taking an active stand for more love in the world and the right to love whoever you want. This is a key part of our brand values. During the year it was reflected in a number of projects and campaigns, where we collected donations under this banner and took a number of other measures to try to make the world a little better, more loving place.

FIGHTING HIV IN COOPERATION WITH THE MTV STAYING ALIVE FOUNDATION

While we want to see more love in the world, we also feel a responsibility to stress the importance of protected sex. Our projects to fight HIV in cooperation with the MTV Staying Alive Foundation (SAF) were rolled out more extensively in 2014. We support the Chasing Zero project in England, which informs young people such as university students of the risks associated with HIV and AIDS by recruiting and working with local student ambassadors. The overarching goal is to eliminate AIDS-related deaths, new HIV infections and cases of discrimination against people who live with an HIV diagnosis. Björn Borg also supports SAF's Sidasos project in Belgium, which is engaging young people in an active dialogue on HIV and sexually transmitted diseases in order to change sexual behaviors and attitudes toward sex and protection. The number of HIV cases in Belgium is increasing at the same time that young people have limited knowledge about the disease. A number of ambassadors/trainers have been trained as part of these projects and several information campaigns have been conducted. The project goals were surpassed in 2014.

CLOTHING DONATIONS TO HUNGER PROJECT

In 2014 Björn Borg donated clothing to the Hunger Project's "Style it Forward," a fashion event to raise money to reduce global hunger and poverty. The campaign collected a total of over SEK 166,000 for the Hunger Project's work with poor women in rural Africa.

PROUD SPONSOR OF PRIDE FESTIVAL IN STOCKHOLM

Björn Borg was a proud sponsor in 2014 of the Pride Festival in Stockholm, which celebrates the rights and unalienable place of the LGBT community in society. We also produced the official Pride song.

PARTNERSHIP WITH PEACE PARKS

We have also collaborated with the organization Peace Parks as the first partner to launch their "print tax" concept in our stores during the year. Customers who buy articles with animal prints, e.g., leopard and zebra print underwear, have the option of rounding off their purchase by SEK 10, which we then match. The idea behind the project has been to give back a little to the animals that have inspired us in our designs through a special tongue-in-cheek "tax." The donations go to Peace Parks' efforts to protect endangered animals.

SUPPORT FOR LOVE COMMANDOS

In 2014 we also supported the organization Love Commandos, an Indian charity that offers protection and sanctuary to couples who want to marry for love. Upwards of 90 percent of all marriages in India are arranged. Founded in 2010, Love Commandos receives an average of 300 phone calls a day from couples in distress. To date the organization has assisted around 23,000 people through its offices in Delhi and 200 other safe houses around the country. The money generated through a campaign called Unitthelovers.com, which was launched in early April, has provided 52,000 hours of protection by the organization.





BJÖRN BORG

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 together build an internal culture characterized by high ambitions, drive and a strong passion for fashion and sports.

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. In a growing group like ours, with an expanding number of markets, we also need structure and standardized procedures – at the same time that we maintain our creativity.

Björn Borg's employees are generally highly skilled with extensive industry experience, including from large Swedish and international fashion companies and retailers, as well as unique competence in fashion and sports apparel. Employees have a strong interest in fashion and sports, which is reflected by a strong internal culture. To sustain a high level of innovation and creativity in product development, inspiration is sought at trade shows and international fashion events. The company also places great importance on creating an inspiring culture internally where the driving force is to inspire people to feel active and attractive.

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.

The company's mission is to "take an active stand for move love in the world," which we treat with the utmost seriousness. Everyone at Björn Borg is treated equally and has the same development opportunities regardless of race, ethnicity, age, religion, gender, sexual orientation or disability. We believe that "*Performance makes the world go around, but loves make the ride worthwhile.*"

ORGANIZATION DURING THE YEAR

In August 2014 Henrik Bunge took over as the new President and CEO of Björn Borg. Henrik Bunge has an excellent track record from executive positions involving strong retail brands, most recently as CEO of Peak Performance and Head of Adidas Group in the Nordic region. In both operations, Henrik Bunge successfully propelled the organizational development with a strong goal-oriented and motivated focus, and was able to generate volume growth and earnings increases in a short time.

During the year Björn Borg strengthened its organization through new recruitments in creative direction, management and HR. The company has mapped its organizational competencies with goals for additional areas to improve in the year ahead, so that the organization meets the needs of today and tomorrow. This is a long-term effort also aimed at creating a competence-oriented and stimulating working environment.

PERFORMANCE MANAGEMENT

A growing company requires a well-structured organization and clear delegation of responsibility. Björn Borg uses detailed job descriptions with measurable goals for each employee and takes a structured approach to creating an efficient working environment where people thrive and perform well. During the year a new business plan was formulated with clearly defined goals for 2015-2019.

Employees at every level of the organization were involved in the work, with support from senior management. The overarching goals were then broken down with the same degree of involvement by department and individual, so that everyone has clear goals and activities that lead to shared business objectives. The goals are followed up through individual monthly reviews to maintain focus and maximize results. In addition to strategic growth, the goals include improvements to the working environment, corporate culture and each individual's development professionally and personally. Everyone also has personal health goals.

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.

ORGANIZATION BY THE NUMBERS

The average number of employees in the Group was 129 in 2014, compared with 159 in 2013. The average employee age was 34, and 66 percent were women and 34 percent men.



BJÖRN BORG BY THE NUMBERS



FIVE-YEAR SUMMARY

FIVE-YEAR SUMMARY

SEK thousands	2014	2013	2012	2011	2010
Income statement					
Operating revenue	544,497	499,246	551,432	536,509	536,040
Operating profit	55,950	21,160	69,786	83,706	126,005
Profit after financial items	63,148	24,849	68,877	84,626	123,995
Profit for the year	47,572	13,906	47,227	100,150	90,763
Balance sheet					
Intangible assets	211,187	211,246	206,048	207,786	208,334
Tangible non-current assets	12,334	16,519	13,952	14,741	7,808
Long-term receivable	9,800	13,400	—	—	—
Deferred tax assets	31,713	31,126	35,283	43,194	6,438
Inventories, etc.	40,381	39,031	35,688	34,559	26,239
Current receivables	85,973	86,425	123,244	91,978	85,344
Short-term investments	133,147	136,519	163,979	—	35,567
Cash & cash equivalents	85,080	82,304	116,195	158,042	194,275
Total assets	609,613	616,570	694,389	550,300	564,005
Equity	285,708	280,650	344,216	396,962	427,276
Non-current liabilities	201,030	217,042	223,269	28,754	34,724
Deferred tax liabilities	38,350	39,694	44,544	47,539	48,189
Current liabilities	84,524	79,184	82,361	77,045	53,816
Total equity and liabilities	609,613	616,570	694,389	550,300	564,005
Key figures					
Gross profit margin, %	52.9	51.5	50.2	51.5	53.6
Operating margin, %	10.4	4.3	12.7	15.6	23.5
Profit margin, %	11.7	5.0	12.5	15.8	23.1
Return on capital employed, %	14.8	7.0	15.9	19.5	25.7
Return on average equity, %	17.2	6.9	14.3	25.6	20.5
Profit attributable to Parent Company's shareholders	48,835	21,613	52,963	105,468	90,897
Equity/assets ratio, %	46.7	45.5	49.6	72.1	75.8
Equity per share, SEK	11.36	11.16	13.69	15.78	16.99
Investments in intangible non-current assets	1,428	1,533	2,679	12,110	4,878
Investments in tangible non-current assets	1,353	8,088	3,843	13,325	2,498
Investments in financial assets	1,410	6,547	—	—	9,046
Depreciation/amortization for the year	-8,877	-6,825	-6,438	-17,165	-7,136
Average number of employees	129	159	139	131	100
Data per share					
Earnings per share, SEK	1.94	0.86	2.11	4.19	3.61
Earnings per share (after dilution), SEK	1.94	0.86	2.11	4.19	3.57
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	25,148,384
Effect of dilution	—	—	—	32,190	321,818
Weighted average number of shares (after dilution)	25,148,384	25,148,384	25,148,384	25,180,574	25,470,202

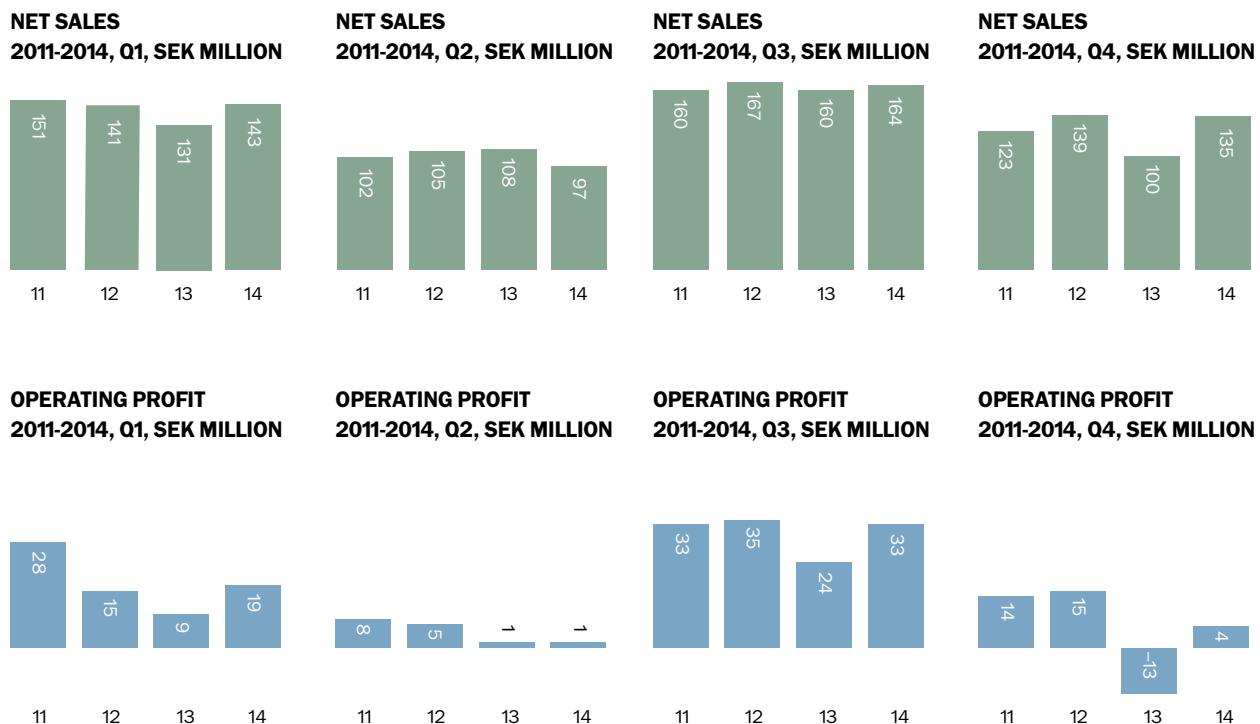
QUARTERLY DATA FOR THE GROUP

QUARTERLY DATA FOR THE GROUP

SEK thousands	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Net sales	135,278	163,723	96,969	142,783	100,269	159,791	107,771	131,414
Gross profit margin, %	54.1	52.4	52.5	52.8	52.5	51.7	50.1	49.4
Operating profit	3,560	32,821	522	19,048	-12,534	23,610	860	9,225
Operating margin, %	2.6	20.0	0.5	13.3	neg	14.8	0.8	7.0
Profit 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	4.1	5.4
Earnings per share, SEK	0.18	1.00	0.15	0.62	-0.40	0.74	0.23	0.30
Earnings per share 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

SEASONAL VARIATIONS

The Björn Borg Group is active in an industry with seasonal variations. The four quarters vary in terms of sales and earnings.



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 2014.

OPERATIONS

The Björn Borg Group owns and develops the Björn Borg brand. The focus of the business is on underwear and sports apparel as well as the licensing of footwear, bags and eyewear. 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 and sports apparel businesses. The Group is also responsible for the distribution of underwear and sports apparel in Sweden, England and Finland as well as footwear in Sweden, Finland and the Baltic countries. The sports apparel operations of the subsidiary Björn Borg Sport in the Netherlands are currently being transferred to the Swedish product company in Stockholm, which to date has only been responsible for the underwear product area.

The Björn Borg share has been listed on Nasdaq Stockholm since 2007.

BJÖRN BORG SHARE AND OWNERSHIP STRUCTURE

Björn Borg AB is listed on Nasdaq 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 6,327 shareholders at year-end. The largest shareholder as of December 31, 2014 was Fredrik Lövstedt through his companies. Fredrik Lövstedt directly and indirectly holds more than ten percent of the shares in Björn Borg.

There are no limitations on the right to transfer the Björn Borg share according to current laws or Björn Borg's Articles of Association. Nor is Björn Borg aware of any agreements between shareholders that could infringe upon the right to transfer Björn Borg shares. There are no material agreements to which Björn Borg is a party and which enter into force, are amended or cease to apply if control over the company changes as a result of a public takeover offer. The 2014 AGM granted the Board of Directors limited authorization to resolve to buy and transfer the company's own shares or issue not than 1,250,000 new shares.

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 2014 Annual General Meeting was held on April 10, 2014 in Stockholm. The AGM re-elected Isabelle Duccellier, Kerstin Hessius and Mats H Nilsson as Directors and re-elected

Fredrik Lövstedt as Chairman of the Board. Vilhelm Schotte-nius and Michael Storåkers declined re-election. Martin Bjäringer, Nathalie Schuterman and Anders Slettengren were elected as new Directors. The AGM also resolved to transfer earnings to shareholders through an automatic share redemption procedure and gave the Board limited authorization to resolve to acquire and transfer the company's own shares or issue new shares.

BOARD WORK

In 2014 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 business plan and 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 124. Note that the corporate governance report is a separate report, not part of the Board of Directors' report.

FINANCIAL OBJECTIVES

Björn Borg's financial objectives for the period 2015–2019 are as follows:

- The Group's objective for the financial year 2019 is to reach SEK 1 billion in sales 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 on 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 within sports fashion and expanded geographical distribution within all product groups.

DIVIDEND

The Board of Directors has decided to propose to the Annual General Meeting 2015 a distribution of SEK 1.50 per share for the financial year 2014, corresponding to 77 percent of net profit; 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 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 per share was paid, corresponding to 175 percent of net profit.

EVENTS IN 2014

Organization

On August 1, 2014 Henrik Bunge was appointed the new President and CEO of Björn Borg. Henrik Bunge has an excellent track record from executive positions involving strong retail brands, most recently as CEO of Peak Performance and head of Adidas Group in the Nordic region.

Markets

At the end of the year Björn Borg AB acquired the minority shareholding in the subsidiary Björn Borg BV in the Netherlands and thus owned all the shares in the subsidiary at December 31, 2014. The acquisition was a step in the ongoing transfer of the sports apparel operations to the Swedish product development company for underwear and gradual phase-out of the Dutch subsidiary.

Björn Borg stores

In 2014 Björn Borg opened a third store in Helsinki through the subsidiary in Finland. The Norwegian distributor opened two stores in Oslo. No other changes occurred during the year. At year-end there were a total of 41 (38) Björn Borg stores, of which 18 (17) are Group-owned.

THE GROUP'S DEVELOPMENT

Net sales

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. The shipment delays at the turn of 2014 in the underwear and sports apparel product companies announced in the previous annual report 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

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 8.5 million mainly related to the ongoing relocation of the sports apparel 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. Staff costs have also increased from the hiring of key employees for the organization needed for Björn Borg's shift to Sports Fashion. Although the total number of employees decreased in 2014 compared with 2013 due to the discontinuation of the operations in China and divestment of the inventory management company Anteros, total staff costs still increased year-on-year.

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).

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, where the higher investments in 2013 are largely due to new and renovated stores in Sweden and Finland.

FIVE-YEAR SUMMARY

	2014	2013	2012	2011	2010
Net sales, SEK million	538.8	496.0	551.4	536.5	536.0
Operating profit, SEK million	56.0	21.2	69.8	83.7	126.0
Operating margin, %	10.4	4.3	12.7	15.6	23.5
Profit before tax, SEK million	63.1	24.8	68.9	84.6	124.0
Profit for the year, SEK million	47.6	13.9	47.2	100.2	90.8
Earnings per share, SEK	1.94	0.86	2.11	4.19	3.61
Earnings per share after dilution, SEK	1.94	0.86	2.11	4.19	3.57
Equity/assets ratio, %	46.7	45.5	49.6	72.1	75.8
Equity per share, SEK	11.36	11.16	13.69	15.78	16.99

In 2013 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 total receivable as of December 31, 2014 amounted to SEK 13.4 million (17.0).

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 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 the 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.

SEGMENTS

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 annual contingent consideration paid to the former trademark owner amounted to about SEK 28 million (30) in 2014. The annual contingent consideration expires on 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 in the range of SEK 4 million.

Product development

The Björn Borg Group has global responsibility for development, design and production of underwear and adjacent products as well as sports apparel 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 sports apparel. 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 despite that they include restructuring expenses of about SEK 6.9 million for the transfer of the sports fashion operations to Sweden.

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 stronger EUR and GBP during the year resulted in a slightly positive currency effect.

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, sports apparel and other licensed products. Björn Borg also sells online through 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, which affected 2013 earnings by SEK 10.9 million.

Intra-Group sales

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

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. Retaining current employees and attracting new professionals to the organization is therefore one of management's top priorities. The company's current compensation system comprises a base salary and an individual bonus system for certain key employees, where the bonus is paid out when individual targets are met. There are currently no share-based incentive programs for employees. The average number of employees was 129 (159) for the full-year. The decrease is due to the discontinued operations in China and the inventory management company Anteros, which was divested in 2013. The distribution is 34 percent (41) men and 66 percent (59) women.

REMUNERATION GUIDELINES FOR THE CEO AND OTHER SENIOR EXECUTIVES

The Annual General Meeting on April 10, 2014 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 exceed the base salary only in exceptional cases. In the event of termination of employment by the company, the notice period shall not be longer than 12 months. Severance pay shall not be applied. Pension benefits are defined contribution and entitle senior executives to receive a pension from age 65.

The Board proposes that the 2015 AGM keep the remuneration guidelines for the CEO and other senior executives essentially unchanged.

RESEARCH AND DEVELOPMENT

Björn Borg does not conduct any research, although development and design work is done in the underwear and sports apparel product areas, which is recognized as development costs through profit or loss.

BJÖRN BORG'S SUSTAINABILITY WORK

Björn Borg embraces its responsibility for how people and the environment are affected by its operations and collaborates with the Group's network of licensees and distributors on similar issues.

Björn Borg maintains a close cooperation with the Group's 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 issues of social responsibility and the environment, including by setting requirements that suppliers must meet in the Group's contracts, code of conduct and chemical restrictions.

Björn Borg has been a member of the Business Social Compliance Initiative (BSCI) since January 2008 and applies the BSCI Code of Conduct as its working condition guidelines for suppliers. BSCI members apply the same manufacturing practices, which makes it easier for companies and suppliers to achieve improvements.

All of Björn Borg's suppliers pledge to abide by the company's code of conduct, and major suppliers are concretely introduced into the BSCI system and periodically undergo audits by independent, third-party auditing firms. With respect to chemical use 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, a review of the internal supplier control system, implementation of the updated code of conduct, internal training and various forms of industry collaborations to more effectively address chemical use in production. During the year Björn Borg produced a climate report for the second year, in addition to setting new, concrete sustainability goals. Björn Borg has no operations subject to authorizations.

For more information on Björn Borg's sustainability work, see pages 44–59.

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 solidify Björn Borg's position as a global fashion brand. Competitors control national and international brands, usually 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.

Legal risks

Björn Borg sells consumer products. There is a risk that the products in question could be associated with safety risks or harm users for other reasons. In certain countries such as the US, this type of product responsibility can lead to claims for damages by those affected, which could adversely impact the company's results and reputation. While it takes preventive measures, Björn Borg faces the risk that the marketing or sale of its products could infringe on a third party's intellectual property, and it could be accused, for example, of illegally using another party's trademarked or copyrighted material. Such a claim could leave the company liable for damages that adversely impact results and potentially harm the company's reputation.

Expansion of operations

The company's future growth is dependent on the network's ability to increase sales through existing channels, but 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 collaboration with one or more entrepreneurs in the network could adversely impact the company's growth and results. Björn Borg's distribution model with external distributors – both its own and licensees' – also creates the risk that these external parties do not make the investments or take the measures that are needed, for example, to achieve certain planned growth targets or certain types of changes.

Fashion trends

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

Cyclical

Like all retail sales, the sale of the company's products is affected by changes in economic conditions. A growing economy has a positive effect on household finances, which is reflected in spending patterns. A downturn in the economy has the opposite effect, which was especially evident in recent years, when instable demand in the market affected the Group's underwear and sports apparel 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. The online sale of pirated copies has increased in recent years. 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 built 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 that Björn Borg represents. If the parties in the network 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 could be damaged. Examples of reputational damage include negative publicity about working conditions in the factories that manufacture Björn Borg products, prohibited chemicals, safety concerns associated with products or allegations of sexist or misogynous advertising. In the long term, reputational damage will harm the company's growth and results.

OUTLOOK FOR 2015

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 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 59.7 million (49.9) during the full-year. Profit before tax amounted to 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 0.1 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. See also note 19 for a detailed description of the purchase price.

PROPOSED DISTRIBUTION OF PROFIT

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

Retained earnings, SEK	25,487,834
Profit for the year, SEK	63,978,708
89,466,542	

The Board proposes that:

Shareholders receive a distribution of SEK 1.50 per share, totaling SEK	37,722,576
Carried forward, SEK	51,743,966
89,466,542	

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 FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

SEK thousands	Note	2014	2013
Net sales		538,753	496,048
Other operating revenue		5,744	3,198
Operating revenue	4, 5	544,497	499,246
Goods for resale		-253,560	-240,574
Other external expenses		-122,732	-124,381
Staff costs		-102,617	-100,419
Depreciation/amortization of tangible/intangible non-current assets		-8,877	-6,828
Other operating expenses		-761	-5,884
Operating profit	4, 6, 7, 8, 9, 10, 11, 17, 18, 26	55,950	21,160
Interest income and similar income items	11, 13	22,762	16,171
Interest expenses and similar expense items	11, 13	-15,564	-12,483
Profit after financial items		63,148	24,849
Profit before tax		63,148	24,849
Tax on profit for the year	15	-15,577	-10,943
Profit for the year		47,572	13,906
Profit for the year attributable to:			
Parent Company's shareholders		48,835	21,613
Non-controlling interests		-1,263	-7,707
Earnings per share, SEK	16	1.94	0.86
Earnings per share before and after dilution, SEK	16	1.94	0.86

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Note	2014	2013
Profit for the year		47,572	13,906
Components that may be reclassified to profit or loss			
Translation difference for the year		-7,052	-2,035
Accumulated translation difference reclassified to profit or loss for discontinued operations		-	12
Total other comprehensive income for the year*		-7,052	-2,023
Total comprehensive income for the year		40,520	11,883
Total comprehensive income for the year attributable to			
Parent Company's shareholders		43,717	19,590
Non-controlling interests		-3,197	-7,707

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Note	Dec. 31, 2014	Dec. 31, 2013
ASSETS			
Non-current assets			
Intangible assets	17		
Goodwill		19,265	18,966
Trademarks		187,532	187,532
Licenses/customer relations		847	1,037
Other intangible assets		3,543	3,711
		211,187	211,246
Tangible non-current assets	18		
Property, plant and equipment		12,334	16,519
		12,334	16,519
Long-term receivable	22	9,800	13,400
Deferred tax assets	15	31,713	31,126
		41,513	44,526
Total non-current assets		265,034	272,291
Current assets			
Inventories			
Trading book		40,381	39,031
		40,381	39,031
Current receivables			
Accounts receivable	20, 22	68,232	52,321
Tax assets		507	14,725
Other current receivables		5,343	8,068
Prepaid expenses and accrued income	21	11,891	11,311
		85,973	86,425
Short-term investments			
Short-term investments	3, 22	133,147	136,519
		133,147	136,519
Cash & cash equivalents			
Cash and bank balances	22, 25	85,080	82,304
		85,080	82,304
Total current assets		344,580	344,279
TOTAL ASSETS		609,613	616,570

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Note	Dec. 31, 2014	Dec. 31, 2013
EQUITY AND LIABILITIES			
Equity			
Share capital		7,859	7,859
Other paid-in capital		182,145	182,145
Reserves		-14,969	-714
Retained earnings		115,317	104,893
Equity attributable to Parent Company's shareholders		290,352	294,183
Non-controlling interests		-4,645	-13,533
Total equity		285,708	280,650
Non-current liabilities			
Deferred tax liabilities	15	38,350	39,694
Other non-current liabilities	22, 25	201,030	217,042
		239,381	256,736
Current liabilities			
Accounts payable	22	25,064	26,549
Other current liabilities	22, 25	21,118	21,603
Accrued expenses and prepaid income	26	29,884	31,032
Provision for restructuring reserve	26	8,459	-
		84,524	79,184
Total liabilities		323,906	335,920
TOTAL EQUITY AND LIABILITIES		609,613	616,570
Memorandum items	27		
Pledged assets		252,857	273,091
Contingent liabilities		4,581	1,613

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousands	Note	Share capital	Share premium reserve	Translation reserve	Retained earnings	Non-controlling interests	Total equity
Opening balance, January 1, 2013		7,859	182,145	1,322	162,726	-9,835	344,216
Total comprehensive income for the year		–	–	-2,023	21,613	-7,707	11,883
Transactions with shareholders							
Distribution for 2012 through share redemption	23	-3,929	–	–	-71,516	–	-75,445
Bonus issue		3,929	–	–	-3,929	–	–
Non-controlling interests that arose through acquisitions		–	–	–	–	6	6
Acquisition of non-controlling interests		–	–	–	–	–	–
Discontinued business		–	–	–	-4,003	4,003	–
Dividend to non-controlling interests		–	–	-12	–	–	-12
Total transactions with shareholders		–	–	-12	-79,448	4,009	-75,451
Closing balance, December 31, 2013		7,859	182,145	-714	104,893	-13,533	280,650
Opening balance, January 1, 2014		7,859	182,145	-714	104 893	-13 533	280,650
Total comprehensive income for the year		–	–	-5,118	48,835	-3,197	40,520
Transactions with shareholders							
Distribution for 2013 through share redemption	23	-3,929	–	–	-33,794	–	-37,723
Bonus issue		3,929	–	–	-3,929	–	–
Offset issue in subsidiary		–	–	–	–	9,466	9,466
Acquisition of minority shares		–	–	–	-9,822	2,619	-7,203
Total transactions with shareholders		–	–	–	-47,545	12,085	-35,460
Closing balance, December 31, 2014		7,859	182,145	-5,832	106,181	-4,645	285,708

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK thousands	Note	2014	2013
OPERATING ACTIVITIES			
Profit after tax		47,572	13,906
Income tax expensed through profit or loss		15,577	10,943
Financial expenses and income recognized through profit or loss	13	-7,198	-3,689
Depreciation/amortization of tangible/intangible non-current assets	17, 18	8,877	6,825
Other non-cash items		-1,732	4,353
Interest received		10,634	11,776
Interest paid	13	-9,854	-12,938
Taxes paid	13	-513	-17,794
Cash flow from operating activities before changes in working capital		63,363	13,382
Changes in working capital			
Change in inventories		-1,350	3,048
Change in accounts receivable		-12,311	28,273
Change in other receivables		-309	4,223
Change in accounts payable		-1,485	-6,231
Change in other current liabilities		6,826	-4,696
Change in working capital		-8,629	24,617
Cash flow from operating activities		54,734	37,999
INVESTING ACTIVITIES			
Investments in intangible assets	17	-1,428	-1,533
Investments in tangible non-current assets	18	-1,353	-8,088
Acquisition and disposal of subsidiaries		-	-8,916
Short-term investments	3	-62,425	-62,049
Sale of short-term investments	3	62,319	90,935
Cash flow from investing activities		-2,887	10,349
FINANCING ACTIVITIES			
Amortization of loans		-7,434	-7,207
Repurchase of bond loan		-5,833	-
Acquisition of minority shares		-1,410	-
Distribution	23	-37,723	-75,445
Cash flow from financing activities		-52,400	-82,652
CASH FLOW FOR THE YEAR		-553	-34,304
Cash & cash equivalents at beginning of year		82,304	116,195
Translation difference in cash & cash equivalents		3,329	413
Cash & cash equivalents at year-end		85,080	82,304
Increase/decrease in cash & cash equivalents		-2,776	33,891

PARENT COMPANY'S FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

SEK thousands	Note	2014	2013
Net sales		59,677	49,977
Other operating revenue		639	198
Operating revenue	5	60,316	50,175
Goods for resale		-2,147	-242
Other external expenses		-47,687	-46,997
Staff costs		-31,683	-31,425
Depreciation/amortization of tangible/intangible non-current assets		-2,125	-2,103
Other operating expenses		-819	-692
Operating profit/loss	4, 6, 7, 8, 9, 10, 11, 17, 18	-24,145	-31,284
Result from shares in subsidiaries	12	67,395	50,725
Group contributions received		30,246	43,755
Interest income and similar income items	13	16,639	15,794
Interest expenses and similar expense items	13	-28,305	-25,034
Profit after financial items		61,830	53,957
Appropriations	14	874	295
Profit before tax		62,704	54,252
Tax on profit for the year	15	1,275	296
Profit for the year		63,979	54,548

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Note	2014	2013
Profit for the year		63,979	54,548
Other comprehensive income		-	-
Total comprehensive income for the year		63,979	54,548

PARENT COMPANY BALANCE SHEET

SEK thousands	Note	Dec. 31, 2014	Dec. 31, 2013
ASSETS			
Non-current assets			
Intangible assets	17		
Retained expenditures		393	595
		393	595
Tangible non-current assets	18		
Property, plant and equipment		2,849	4,627
		2,849	4,627
Financial non-current assets			
Long-term receivable		9,800	13,400
Deferred tax assets		961	–
Shares in Group companies	19	335,331	321,243
		346,092	334,643
Total non-current assets		349,334	339,865
Current assets			
Current receivables			
Accounts receivable	20	1,173	328
Receivables from Group companies		268,278	182,141
Tax assets		657	2,415
Investments	3	133,147	136,519
Other current receivables		4,148	4,432
Prepaid expenses and accrued income	21	3,449	3,574
		410,852	329,409
Cash & cash equivalents			
Cash and bank balances	25	48,081	41,559
		48,081	41,559
Total current assets		458,932	370,968
TOTAL ASSETS		808,267	710,833

PARENT COMPANY BALANCE SHEET

SEK thousands	Note	Dec. 31, 2014	Dec. 31, 2013
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		7,859	7,859
Share premium reserve		46,817	46,817
		54,676	54,676
Unrestricted equity			
Retained earnings		25,488	8,663
Profit for the year		63,979	54,548
		89,467	63,211
Total equity		144,143	117,887
Untaxed reserves	24	1,014	1,888
Provisions			
Deferred tax liabilities	15	–	314
Non-current liabilities			
Bond loan	3, 25	187,738	192,927
Other non-current liabilities	25	5,792	–
		193,530	192,927
Current liabilities			
Accounts payable		4,705	5,407
Due to Group companies		453,461	382,447
Other current liabilities		1,082	1,112
Accrued expenses and prepaid income	26	10,332	8,851
Total current liabilities		469,581	397,816
Total liabilities		663,111	590,744
TOTAL EQUITY AND LIABILITIES		808,267	710,833
Memorandum items			
Pledged assets	27	41,431	40,216
Contingent liabilities		–	–

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK thousands	Note	Share capital	Statutory reserve	Retained earnings	Total equity
Opening balance, January 1, 2013		7,859	46,817	84,109	138,784
Distribution for 2012 through share redemption	23	-3,929	-	-71,516	-75,445
Bonus issue		3,929	-	-3,929	-
Total comprehensive income for the period		-	-	54,548	54,548
Closing balance, December 31, 2013		7,859	46,817	63,212	117,887
Opening balance, January 1, 2014		7,859	46,817	63,212	117,887
Distribution for 2013 through share redemption	23	-3,929	-	-33,794	-37,723
Bonus issue		3,929	-	-3,929	-
Total comprehensive income for the period		-	-	63,979	63,979
Closing balance, December 31, 2014		7,859	46,817	89,468	144,143

NUMBER OF SHARES

	Number of votes	Number of shares	Quota value, SEK thousands
Opening balance, January 1, 2013	25,148,384	25,148,384	7,858,870
Exercise of warrants	-	-	-
Closing balance, December 31, 2013	25,148,384	25,148,384	7,858,870
Opening balance, January 1, 2014	25,148,384	25,148,384	7,858,870
Exercise of warrants	-	-	-
Closing balance, December 31, 2014	25,148,384	25,148,384	7,858,870

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

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

PARENT COMPANY STATEMENT OF CASH FLOWS

SEK thousands	Note	2014	2013
OPERATING ACTIVITIES			
Profit after tax		63,979	54,548
Income tax expensed through profit or loss		-1,275	-296
Financial expenses and income recognized through profit or loss	13	11,666	9,239
Depreciation/amortization of tangible/intangible non-current assets	17, 18	2,125	2,283
Impairment of shares/receivables from subsidiaries		2,605	19,275
Other non-cash items		3,257	1,902
Appropriations	14	-874	-295
Group contributions received, unpaid		-30,246	-43,755
Dividends received, unpaid	12	-70,000	-70,000
Interest received	13	13,084	12,465
Interest paid	13	-23,939	-25,034
Taxes paid		1,758	-745
Cash flow from operating activities before changes in working capital		-27,860	-40,413
CHANGES IN WORKING CAPITAL			
Change in accounts receivable		-845	-108
Change in other receivables		5,069	26,727
Change in accounts payable		-702	2,641
Change in other current liabilities		72,465	36,282
Change in working capital		75,988	65,542
Cash flow from operating activities		48,128	25,129
INVESTING ACTIVITIES			
Shareholders' contribution to subsidiaries	19	-	-5,291
Investments in tangible non-current assets	18	-	-568
Investments in intangible non-current assets	17	-134	-308
Short-term investments	3	-62,425	-62,049
Sale of short-term investments	3	62,319	90,935
Cash flow from investing activities		-240	22,719
FINANCING ACTIVITIES			
Repurchase of bond loan		-5,833	-
Acquisition of minority shares	19	-1,410	-16
Amortization received from borrowers		3,600	-
Lending		-	-17,000
Distribution	23	-37,723	-75,445
Cash flow from financing activities		-41,366	-92,461
CASH FLOW FOR THE YEAR			
Cash & cash equivalents at beginning of year		6,521	-44,613
Cash & cash equivalents at year-end		48,080	41,559
Increase/decrease in cash & cash equivalents		-6,521	44,613

SUPPLEMENTARY DISCLOSURES

NOTE 1 ACCOUNTING PRINCIPLES

GENERAL

Björn Borg owns the Björn Borg trademark and currently has operations in the product areas underwear, sports apparel and footwear as well as bags, eyewear and fragrances. Björn Borg products are sold in around 20 markets, the largest of which are Sweden and the Netherlands. Operations are conducted through a network of product and distribution companies that are either part of the Group or independent companies with licenses for product areas and geographical markets. The Björn Borg Group has its own operations at every level from brand development to consumer sales in its own Björn Borg stores.

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 Stockholm. A list of the largest individual shareholders as of December 31, 2014 is provided on page 118 of this annual report. The annual report was approved by the Board of Directors and the CEO on April 15, 2015 and adopted by the Annual General Meeting of the Parent Company on May 11, 2015.

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, 2014. 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.

REVISED ACCOUNTING PRINCIPLES 2014

The following standards took effect in 2014, which Björn Borg has applied to the financial year 2014:

IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS

IFRS 10 replaces the sections of IAS 27 *Consolidated and Separate Financial Statements* that focus on when and how a parent company prepares consolidated financial statements. IFRS also replaces SIC 12, *Consolidation-Special Purpose Entities* in its entirety. The purpose of IFRS 10 is to establish a single control for consolidation of all companies, regardless of the nature of the investee. The definition of control comprises three elements: power over the investee; b) exposure, or rights, to variable returns from its involvement with the investee; and c) the ability to exert power over the investee to affect the amount of the investor's returns. Application of IFRS 10 has not had an impact on the consolidated financial statements.

IFRS 12 DISCLOSURE OF INTERESTS IN OTHER ENTITIES

IFRS 12 *Disclosure of Interests in Other Entities* is applied to companies with interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 establishes goals for disclosures and specifies the minimum disclosures a company must make to meet these goals. Companies are required to disclose information that enables users of their financial statements to evaluate the nature of, and risks associated with, its interests in other entities as well as the effects of those interests on the company's financial statements. Application of IFRS 12 has not had an impact on the consolidated financial statements other than additional disclosure requirements.

IAS 36 IMPAIRMENT OF ASSETS

The amendment to IAS 36, which applies from 2014 and removes the disclosure requirement for recoverable amounts, has been applied prospectively as of the financial year 2013.

OTHER IFRS CHANGES

No other new or amended IFRS and interpretations from IFRIC beyond those mentioned above have been applied or have not had a material impact on the Group's or Parent Company's financial position, results or disclosures.

REVISED INCOME STATEMENT FORMAT

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 determined that an income statement format based on type of cost rather than function as before makes the income statement more relevant and reliable for users of Björn Borg's financial reports. Comparative figures in this interim report have been restated in accordance with the revised classification by cost.

NEW ACCOUNTING PRINCIPLES AS OF 2015

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:
Improvements to IFRS 2010-2012 cycle	on or after July 1, 2014
Improvements to IFRS 2011-2013 cycle	on or after July 1, 2014
Improvements to IFRS 2012-2014 cycle ¹	on or after January 1, 2016
Amendments to IAS 1 Disclosure initiative ¹	on or after January 1, 2016
IFRS 9 Financial Instruments and the subsequent amendments to IFRS 9 and IFRS 7 ¹	on or after January 1, 2018
IFRS 15 Revenue from contracts with customers ¹	on or after January 1, 2017

¹ Has not yet been adopted by the EU

Interpretations	Will apply to financial years beginning:
-----------------	--

IFRIC 21 Levies on or after June 14, 2014

None of the standards and interpretations above has been applied prospectively.

New and amended standards as of 2015:

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

Björn Borg is currently analyzing the effects of the above amendments and does not intend to apply them until January 1, 2015 (i.e., the date these standards are binding within the EU). Björn Borg's preliminary assessment is that these amended standards will not have a material impact on the Group's financial position and results.

IFRS 9 *Financial Instruments* was issued on July 24, 2014 and replaces IAS 39 *Financial Instruments: Measurement and Disclosure*. The standard

contains rules on recognition and measurement, impairment and derecognition as well as general rules on hedge accounting. The standard has been issued in stages, and the version of IFRS 9 issued in 2014 replaces all previous versions. It is binding for periods beginning on or after January 1, 2018. Prospective application is possible. Björn Borg is currently analyzing the effects of an implementation of IFRS 9.

IFRS 15 *Revenue from Contracts with Customers* provides a model for recognizing nearly all revenue generated through contracts with customers, with the exception of leases, financial instruments and insurance contracts. The basic principle for revenue recognition is that companies must recognize revenue when all the risks and benefits associated with the goods and/or services transfer to the customers in exchange for consideration for these goods and/or services.

The new standard may have consequences for service contracts, sales of various types of goods and/or services, long-term contracts, consulting fees, licensed sales and possibly on underlying guarantees. Björn Borg is currently analyzing the effects of an implementation of IFRS 15.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the Parent Company and all entities over which the Parent Company exercises control. Control refers to companies in which Björn Borg has power over the company, is exposed or has the right to variable returns from its holding in the company, and is able to exert power over the company to affect its returns. This is usually achieved when it holds more than 50 percent of the capital and voting rights. The existence and impact of potential voting rights that 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. The Group's composition is shown in note 19.

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 are the result of an agreement on contingent consideration. Changes in the fair value of contingent consideration that arise when additional information is received after the acquisition date on facts and conditions that existed on the acquisition date qualify as adjustments during the valuation period and are applied retroactively, with a corresponding adjustment to goodwill. All other changes in the fair value of contingent consideration 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 that stem from 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 intercompany 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.

NON-CONTROLLING INTERESTS

In acquisitions of less than 100 percent where 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 statements 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 impact 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 wholesale level.

2. Product company revenue

The product companies for underwear and sports apparel 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 are not entitled to return merchandise or to any significant quantity discounts.

3. Distribution company revenue

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

4. Björn Borg store and web shop revenue

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

LEASING

In a finance lease, the economic risks and benefits associated with ownership of an asset are transferred in all essential respects from lessor to lessee. Other leases are classified as operating.

The Group as lessee

Assets held according to finance leases are recognized as non-current assets in the consolidated balance sheet at fair value at the start of the lease term or at the present value of the minimum lease fees, whichever is lower. The corresponding liability is carried in the balance sheet as a liability to the lessor. Lease payments are distributed between interest and principal. Interest is distributed over the lease term so that every reporting period is charged with an amount corresponding to a fixed interest rate on the recognized liability for each period. Depreciation of financially leased assets is carried for owned assets, with the exception of lease assets where it is unlikely Björn Borg will redeem the asset in question. In such cases, the asset is depreciated over its period of use or the lease term, whichever is shorter, taking into account residual values at the conclusion of each period.

Lease fees paid for operating leases are expensed on a straight-line basis over the lease term unless another systematic approach better reflects Björn Borg's use of the leased asset.

EMPLOYEE BENEFITS

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

Premiums received from employees for stock options have been recognized as an increase in equity. Any market-based consideration that the Group receives from employees for equity instruments it has issued is not expensed through profit or loss. In cases where the Group offers employees other remuneration in the form of share-based compensation, the Group recognizes an expense corresponding to the fair value of the allotted instruments accrued over the vesting period.

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy. The Group recognizes a liability and an expense in connection with a termination when Björn Borg is demonstrably committed to terminating employment before the normal retirement date or provides termination benefits as the result of an offer made to encourage voluntary redundancy.

Björn Borg recognizes a liability and an expense for bonuses when there is a legal or constructive obligation to pay such bonuses to employees as a result of past practice.

TAXES

The Group's total tax expense consists of current tax and deferred tax. Current tax is the tax paid or received for the current year and any adjustments to current tax in prior years. Deferred tax is calculated on the difference 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 any or all 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 also 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 amortization. Amortization 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, 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.

The necessary reserves for obsolescence are based on individual assessments. The change between the year's opening and closing obsolescence reserve affects operating profit in its entirety.

RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES AND OTHER FINANCIAL INSTRUMENTS

Financial instruments are measured 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 from the balance sheet 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 would otherwise be the case because it reduces the so-called accounting mismatch or because 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 their 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, funding, 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.

Restructuring

A provision for restructuring is allocated when the Group has formulated a detailed restructuring plan and created a well-founded expectation among those affected if the Group restructures. The restructuring reserve includes only direct expenditures that arise in the restructuring, i.e., only expenditures associated with the restructuring but with no connection to the Group's ongoing operations.

STATEMENT OF CASH FLOWS

The statement of cash flows has been prepared according to the indirect method. Reported cash flow comprises only transactions that entail receipts and disbursements.

PARENT COMPANY'S ACCOUNTING PRINCIPLES

The annual report of the Parent Company has been prepared according to the Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 2 Accounting in Legal Entities and statements from the Swedish Financial Reporting Board. RFR 2 means that the Parent Company, in the annual report for the legal entity, must apply all EU-approved IFRS and pronouncements as far as possible within the framework of the Annual Accounts Act and the Pension Obligations Vesting Act, taking into account the connection between reporting and taxation. The recommendation specifies the exemptions from and additions to IFRS. Differences between the accounting principles of the Group and the Parent Company are indicated below. Additions and amendments to RFR applicable as of 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 recognized 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 exception 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, 2014 amounted to SEK 31,713 thousand (31,126). For more information, see note 15.

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 17. The carrying amount for trademarks and goodwill as of December 31, 2014 amounted to SEK 206,797 thousand (206,498).

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. Total contingent consideration paid in the financial year 2014 amounted to around SEK 28 million (30). The variable portion is based on a percentage of sales at the wholesale level during the period 2006–2016 and therefore could not be reliably determined on the acquisition date. In accordance with IAS 38, the future payment of the contingent consideration has been discounted to present value, because of which the total cost of the trademark amounted to SEK 187,532 thousand and has been recognized among other financial liabilities in the amount of SEK 7,500 thousand (SEK 14,712 thousand) and among other current liabilities at SEK 7,211 thousand (SEK 6,934 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

Currency risk refers to the risk that the fair value of or future cash flows from a financial instrument vary due to fluctuations in foreign exchange rates. Exposure to currency risk arises because transactions occur in different currencies (transaction exposure). Fluctuations in foreign exchange rates also affect the Group when foreign subsidiaries are translated to SEK upon consolidation (translation exposure).

Transaction exposure

Transaction exposure is divided into commercial transaction exposure and financial transaction exposure.

Commercial transaction exposure refers to exposure attributable to purchases and sales in foreign currency. The Group's largest currency exposure is against USD-pegged currencies, of which USD represents the single largest exposure. Where mentioned below, USD also includes HKD. Approximately 50 percent of the Group's sales is in USD and the overwhelming majority of its goods purchases is in USD. The Group's transaction risk arises because Björn Borg's largest business segment, Product Development, primarily has sales in USD and purchases in USD, at the same time that the Wholesale business segment has sales in SEK and purchases in USD. 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 differences affected operating profit positively by SEK 4,702 thousand (negative 1,286).

Financial transaction exposure refers to exposure attributable to loans and investments in foreign currency.

Björn Borg has invested in corporate bonds in foreign currency. To reduce this currency risk, Björn Borg has entered into forward exchange contracts. The exposure as of December 31, 2014 amounted to EUR 2,200 thousand (2,000), NOK 6,000 thousand (0), USD 500 thousand (1,500) and GBP 0 thousand (850) after accounting for hedges.

Translation exposure

Fluctuations in foreign exchange rates affect the Group when the net assets of foreign subsidiaries are translated to SEK. 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. The exposure as of December 31, 2014 amounted to EUR –1,062 thousand (–2,359), USD –1,175 thousand (1,500) and GBP –1,921 thousand (–1,445).

SENSITIVITY ANALYSIS

Commercial transaction exposure

In 2014 the Björn Borg Group was positively impacted because the USD was stronger against the Swedish krona than in 2013. For the full-year 2014 the exchange rate was an average of about 5 percent higher than in 2013.

The more expensive USD versus SEK has adversely impacted the Wholesale business segment.

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 impact the currencies' total effect 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 commercial transaction exposure from changes in the currencies that most impact the Group's sales and goods purchases.

ESTIMATED CURRENCY EFFECT

2014	%	Estimated effect on revenue, %	Estimated effect on operating profit, %	Estimated effect on equity, %
Stronger USD vs. SEK	10	3	1	0,7
Weaker USD vs. SEK	–10	–3	–1	–0,7
Stronger EUR vs. SEK	10	2	2	1,4
Weaker EUR vs. SEK	–10	–2	–2	–1,4

The estimated effect on revenue and profit is calculated before tax.

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

The euro's fluctuations against the Swedish krona impact the Group's revenue mainly from revenue in Björn Borg Sport and Björn Borg Finland as well as invoicing of royalties to euro countries.

Financial transaction exposure

Following is a sensitivity analysis of the financial transaction exposure from changes in the currencies that are material to the Group.

ESTIMATED CURRENCY EFFECT

2014	%	Estimated effect on profit, SEK thousands	Estimated effect on equity, SEK thousands
EUR	+/-10	+/-2,600	+/-2,000
USD	+/-10	+/-500	+/-400
GBP	+/-10	+/-160	+/-130
NOK	+/-10	+/-2,300	+/-1,800

Translation exposure

Following is a sensitivity analysis for translation exposure due to changes in the currencies that are material to the Group.

ESTIMATED CURRENCY EFFECT

2014	Estimated effect on % equity, SEK thousands	
EUR	+/-10%	+/-800
USD	+/-10%	+/-700
GBP	+/-10%	+/-1,800

PRICE RISK

Price risk refers to the risk that the fair value of or future cash flows from a financial instrument vary due to changes in market prices (other than those that derive from interest rate or currency risk). As of December 31, 2014 Björn Borg had investments of SEK 133,147 thousand (136,519). An exchange fluctuation of 1 percent for the entire portfolio would affect the value of the bond portfolio (and related revenue) by approximately SEK 1,300 thousand (1,400). The corresponding effect on equity would be about SEK +/-1,000 thousand (1,100).

INTEREST RATE RISK

Interest rate risk refers to the risk that changes in market interest rates will impact the fair value of or cash flows from a financial instrument. Björn Borg's interest rate risk is primarily attributable to bank balances and investments as well as funding in the form of bond loans. The Group is also impacted by changes in market interest rates as a result of derivatives held to hedge the transaction exposure (see above). The fair value of the forward exchange contracts is impacted immediately when market interest rates change, which in turn impacts the consolidated income statement.

As of December 31, 2014 interest-bearing assets in the form of bank balances amounted to SEK 85,080 thousand (82,304) and in the form of corporate bonds amounted to SEK 133,147 thousand (136,519). Interest-bearing assets related to 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.

A change in market interest rates of one percentage point would impact the Group's net interest income and expenses for average interest-bearing assets by about SEK +/-400 thousand based on average interest-bearing assets in 2014. The effect on equity would have been about SEK +/-30 thousand (500).

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. As of December 31, 2014 Björn Borg had repurchased bonds with a nominal value of SEK 11,000 thousand. An increase in the 3-month STIBOR of 1 percentage point, all else being equal, would increase Björn Borg's interest expenses by SEK 1,890 thousand per year, and a decrease of 1 percentage point would result in a corresponding decrease. Equity would be affected correspondingly by about SEK +/-1,500 thousand.

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 by setting 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, 2014 there were outstanding receivables in the two product companies for underwear and sports apparel from a commercial counterparty corresponding to about 48 percent (45 percent) of the Group's total accounts receivable. In addition to the accounts receivable, the Group has a loan receivable of SEK 13,400 thousand (17,000) from the same counterparty. As of December 31, 2014 the market value of the holdings in three individual issuers amounted to SEK 10,560 thousand, SEK 10,375 thousand and SEK 10,300 thousand, or 23 percent of the portfolio's market value. The maximum credit risk corresponds to the carrying amount of the financial assets.

THE BJÖRN BORG GROUP'S OUTSTANDING CREDIT RISK AS OF DEC. 31, 2014

SEK thousands	Group		Parent Company	
	2014	2013	2014	2013
Receivable DBM, long-term portion	9,800	13,400	9,800	13,400
Accounts receivable	68,232	52,321	1,173	328
Other current receivables	5,851	8,068	3,293	4,432
Investments	133,147	136,519	133,147	136,519
Cash and bank balances	85,080	82,304	48,081	41,559
	292,310	279,212	185,694	182,838

During the year Björn Borg invested in corporate bonds and derivatives (forward exchange contracts) corresponding to a nominal amount of SEK 62,425 thousand, corresponding to "Investments" of SEK 133,147 thousand (136,519) in the table above. According to Group policy, investments may be made only in bonds issued by companies with stable, positive cash flows. Investments are made in corporate bonds and mortgage bonds primarily with variable interest rates and maturities that by rule 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 SEK 20 million must be hedged. The investment portfolio is evaluated monthly by the investment team and quarterly by the Board of Directors. The credit quality of the holdings is as follows:

THE BJÖRN BORG GROUP'S OUTSTANDING CREDIT RISK AS OF DEC. 31, 2014

	BBB	BB	B	Non-rated	Total
Corporate bonds	9,133	44,609	44,512	35,052	133,306
Derivatives	-	-	-	-159	-159
	9,133	44,609	44,512	34,893	133,147

Of the investments of SEK 133,147 thousand (136,519), the equivalent of SEK 22,332 thousand is in NOK holdings, SEK 19,229 thousand in EUR holdings and SEK 4,035 thousand in USD 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, 2014 (contractual and undiscounted cash flows):

Dec. 31, 2014	Up to 3 months	3–12 months	1–5 years	Over 5 years
Long-term receivable	900	–	8,900	–
Accounts receivable	68,232	–	–	–
Other receivables	5,851	–	–	–
Investments 1	4,298	8,935	119,915	–
Cash and bank balances	85,080	–	–	–
Other liabilities	–	–51,002	–2,509	–
Accounts payable	–25,064	–	–	–
Bond loans	–1,758	–5,273	–209,119	–
Total	137,539	–47,339	–82,813	–

Dec. 31, 2013	Up to 3 months	3–12 months	1–5 years	Over 5 years
Long-term receivable	1,142	3,344	14,802	–
Accounts receivable	52,321	–	–	–
Other receivables	8,068	–	–	–
Investments 1	–	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	–
Total	115,197	–46,367	–96,231	–

1 Including derivatives

CAPITAL

Capital refers to shareholders' equity and loan capital. The Group's goal in managing capital is to safeguard its 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, while the elements included in the reserves are shown in consolidated statement of changes in equity. See also notes 16 (Earnings per share), 22 (Financial assets and liabilities) and 24 (Dividend per share).

The Group's bond loan contains certain covenants, as indicated in note 25.

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, with the exception that external sales are presented including other operating revenue.

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 licensees.

PRODUCT DEVELOPMENT

The product companies for sports apparel and underwear 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 sports apparel, underwear and footwear product areas generate revenue for the Björn Borg Group from the sale of products to retailers.

RETAIL

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

SUMMARY BY SEGMENT 2014

SEK thousands	Product				Total	Eliminations	Group
	Brand	Development	Wholesale	Retail			
Revenue							
External sales	37,484	233,755	192,649	80,609	544,497	–	544,497
Internal sales	40,997	123,063	27,369	11,586	203,015	–203,015	–
Total revenue	78,481	356,818	220,018	92,195	747,512	–203,015	544,497
Operating profit							
Non-current assets	201,534	11,928	7,830	6,828	228,120	36,913	265,034
Inventory	–	10,003	31,411	15,871	57,284	–16,904	40,381
Other current assets	1,239,122	365,480	223,050	90,528	1,918,181	–1,573,601	344,580
Total assets	1,440,656	387,411	262,291	113,227	2,203,585	–1,553,592	609,413
Other liabilities	1,047,430	376,755	218,693	113,799	1,756,677	–1,432,771	323,906
Total liabilities	1,047,430	376,755	218,693	113,799	1,756,677	–1,432,771	323,906
Investments in tangible and intangible non-current assets	134	25	1,639	983	2,781	–	2,781
Depreciation/amortization	–2,162	–1,890	–1,516	–3,309	–8,877	–	–8,877

SUMMARY BY SEGMENT 2013

SEK thousands	Product				Total	Eliminations	Group
	Brand	Development	Wholesale	Retail			
Revenue							
External sales	38,323	187,090	204,150	69,243	499,246	–	499,246
Internal sales	39,176	107,058	52,236	11,237	209,267	–209,267	–
Total revenue	77,499	294,148	256,386	80,480	708,513	–209,267	499,246
Operating profit							
Non-current assets	207,709	9,862	8,197	9,129	234,897	37,394	272,291
Inventory	–	7,265	27,816	17,446	52,527	–13,496	39,031
Other current assets	1,014,675	212,633	146,125	62,577	1,436,010	–1,130,762	305,248
Total assets	1,222,385	229,760	182,138	89,152	1,723,434	–1,106,864	616,570
Other liabilities	832,554	257,991	178,952	110,490	1,379,987	–1,044,067	335,920
Total liabilities	832,554	257,991	178,952	110,490	1,379,987	–1,044,067	335,920
Investments in tangible and intangible non-current assets	876	1,305	2,797	4,643	9,621	–	9,621
Depreciation/amortization	–2,283	–604	–978	–2,960	–6,825	–	–6,825

RECONCILIATION BETWEEN OPERATING PROFIT AND PROFIT FOR TAX PURPOSES

The difference between operating profit for segments for which information is disclosed, 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).

INTERNAL PRICING

Sales between segments are executed on market terms. Revenue from external parties reported to management is valued in the same way as in the income statement.

ELIMINATIONS

The column for eliminations refers strictly to internal transactions.

GEOGRAPHICAL AREAS

SEK thousands	Sweden		Netherlands		Norway		Finland		Other		Group	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net sales	191,700	201,822	158,091	146,191	44,544	25,085	65,004	54,085	85,158	72,062	544,497	499,246
Assets	214,288	249,251	176,719	180,547	49,793	30,980	72,663	66,796	95,192	88,996	608,654	616,570
Investments	1,990	6,026	–	871	–	–	609	–	181	2,724	2,780	9,621
Depreciation/amortization	–5,798	–5,733	–1,683	–457	–	–	–792	–	–604	–635	–8,877	–6,825

The Group presents revenue for its four largest markets: Sweden, the Netherlands, Norway and Finland. Revenue of approximately SEK 137,415 thousand (125,149) relates to a single external customer. This revenue is attributable to the Brand and Product Development segments.

NOTE 5 REVENUE DISTRIBUTION

NET SALES AND OTHER OPERATING REVENUE

SEK thousands	Group		Parent Company	
	2014	2013	2014	2013
Royalty revenue	37,484	38,371	–	–
Service revenue	–	–	60,316	50,175
Product company revenue	233,754	187,090	–	–
Wholesale revenue	192,649	204,386	–	–
Retail revenue	80,609	69,399	–	–
544,496	499,246	60,316	50,175	

Other operating revenue of 5,744 (3,198) essentially consists of currency effects.

NOTE 6 OTHER EXTERNAL EXPENSES

SEK thousands	Group		Parent Company	
	2014	2013	2014	2013
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
122,732	124,381	47,687	46,997	

NOTE 7 REVENUE AND EXPENSES BETWEEN GROUP COMPANIES

The Parent Company's revenue from subsidiaries amounted to SEK 60,309 thousand (48,129). The Parent Company's expenses for subsidiaries amounted to SEK 1,226 thousand (787). The Parent Company's sales to subsidiaries mainly consist of compensation to cover shared costs for rents, central administration, shared systems and marketing services.

NOTE 8 INFORMATION ON PERSONNEL AND COMPENSATION TO BOARD, CEO AND OTHER SENIOR EXECUTIVES

WAGES, SALARIES, OTHER COMPENSATION AND SOCIAL SECURITY CONTRIBUTIONS

SEK thousands	Group		Parent Company	
	2014	2013	2014	2013
Wages, salaries and other compensation	69,703	73,420	19,542	17,745
Social security contributions	17,274	19,031	6,851	7,032
Pension costs	5,988	7,884	3,613	5,538
Total	92,965	100,335	30,006	30,315

WAGES, SALARIES AND OTHER COMPENSATION DIVIDED BETWEEN SENIOR EXECUTIVES AND OTHER EMPLOYEES

SEK thousands	Group		Parent Company	
	2014	2013	2014	2013
Board, CEO and other Senior Executives	11,562	11,981	10,384	10,922
Other employees	58,141	61,439	9,158	6,823
Total	69,703	73,420	19,542	17,745

AVERAGE NUMBER OF EMPLOYEES¹

SEK thousands	Group		Parent Company	
	2014	2013	2014	2013
Women	85	94	16	15
Men	44	65	9	9
Total	129	159	25	24

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

GENDER DISTRIBUTION AMONG DIRECTORS AND SENIOR EXECUTIVES

SEK thousands	Group		2014		2013	
	Men	Women	Men	Women	Men	Women
Board	4	3	4	2		
Other Senior Executives	4	3	4	2		
Total	8	6	8	4		

COMPENSATION AND OTHER BENEFITS TO DIRECTORS

SEK thousands	2014		2013	
	Board fees	Other compensation	Board fees	Other compensation
<i>Chairman of the Board</i>				
Fredrik Lövstedt	342	100	325	100
<i>Other Directors:</i>				
Mats H Nilsson	135	65	125	65
Vilhelm Schottenius	–	–	125	–
Michael Storåkers	–	–	125	–
Anders Slettengren	135	–	–	–
Martin Bjäringer	135	–	–	–
Nathalie Schuterman	135	–	–	–
Isabelle Duccellier	135	–	125	–
Kerstin Hessius	135	50	125	50
Total	1,152	215	950	215

COMPENSATION AND OTHER BENEFITS TO SENIOR EXECUTIVES 2014

SEK thousands	Variable			
	Base salary	compensation	Pension	Severance
CEO*	1,500	–	240	–
EVP**	1,581	1,701	552	–
Other Senior Executives	4,773	640	1,245	–
Total	7,854	2,341	2,037	–
				12,233

* Relates to the period August to December 2014.

** The EVP was acting CEO during the period January to July 2014.

COMPENSATION AND OTHER BENEFITS TO SENIOR EXECUTIVES 2013

SEK thousands	Variable			
	Base salary	compensation	Pension	Severance
CEO	2,855	–	848	1,481
EVP	1,456	–	514	–
Other Senior Executives	4,083	342	968	–
Total	8,394	342	2,330	1,481
				12,547

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 1,142 thousand (950) in 2014. The Chairman received SEK 342 thousand (325), while other Directors received SEK 135 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 2014 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

From January to July 2014 the EVP served as Acting CEO. The new CEO began on August 1, 2014. Björn Borg's CEO received a salary and other remuneration of SEK 1,500 thousand after August 1, 2014 (SEK 2,855 million for the full-year 2013). In addition, the new CEO received variable compensation of SEK 500 thousand (0) for 2014. These SEK 500 thousand have been classified as part of his base salary, however, since the CEO's variable compensation for 2014 and 2015 is guaranteed in his employment contract. The CEO, according to his contract, 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. The EVP's variable compensation of SEK 1,701 thousand for 2014 was paid out in the form of an extra pension contribution. The variable compensation was calculated based on the Group's sales and operating profit in relation to the budget approved by the Board of Directors. In 2014 the EVP reported gross salary deductions of SEK 120 thousand for extra premium pension contributions.

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 2013 and severance corresponding to 6 months' salary were expensed in 2014. No variable compensation was 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 contribution.

The CEO has a term of notice of 9 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 Lövstedt 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 Group Management. In 2014 Senior Executives referred to the CEO, EVP and six other executives. Base salaries paid to Senior Executives amounted to SEK 7,854 thousand (8,394) in 2014, in addition to which they receive variable compensation if the Group's sales and results exceed the Board's established budget. Variable compensation for 2014 amounted to SEK 2,341 thousand (342). 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 2014 amounted to SEK 2,037 thousand (2,330). If terminated by the company, Senior Executives are entitled to a term of notice of 3–6 months. The shareholdings of Senior Executives of Björn Borg are described below.

SHAREHOLDINGS OF BOARD, CEO AND OTHER SENIOR EXECUTIVES AS OF DEC. 31, 2014

SEK thousands	No. of shares
Fredrik Lövstedt	2,750,040
Mats H Nilsson	1,588,440
Martin Bjäringer	773,235
Anders Slettengren	–
Isabelle Duceillier	30
Kerstin Hessius	31,000
Nathalie Schuterman	–
CEO	100,000
Other Senior Executives	14,000
Total number of shares	5,256,745

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 2014 amounted to SEK 6.0 million (7.9).

INCENTIVE SCHEME

As of December 31, 2014 there are no outstanding warrants or other incentive programs related to shares or other financial instruments in the company.

NOTE 9 AUDITORS' FEES

SEK thousands	Group		Parent Company	
	2014	2013	2014	2013
Deloitte AB				
Statutory audit	988	981	800	701
Other attestation services	–	–	–	–
Tax advisory services	110	216	103	–
Other services	85	50	85	100
	1,183	1,247	988	801
Other accounting firms				
Statutory audit	78	80	–	–
Other attestation services	–	38	–	–
Tax advisory services	–	–	–	–
Other services	–	–	–	17
	78	118	–	17
Total	1,261	1,365	988	818

NOTE 10 OPERATING LEASES

SEK thousands	Group		Parent Company	
	2014	2013	2014	2013
Rental and lease expenses during the year amount to				
	20,245	18,632	8,335	7,769
Future lease fees amount to				
– within 1 year	20,342	18,921	8,634	7,894
– later than 1 year but within 5 years	85,152	79,062	36,128	32,878
Total	125,739	116,615	53,097	48,540

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. The expense for variable rents in 2013 and 2014 was insignificant.

As of the closing day, December 31, 2014, the Björn Borg Group had no finance leases.

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

SEK thousands	Group	
	2014	2013
Accounts and loans receivable	1,178	3,901
Financial liabilities at amortized cost	942	-77
Financial assets at fair value through profit or loss	-4,367	1,036
Total	-2,247	4,860

NOTE 12 RESULT FROM SHARES IN SUBSIDIARIES

SEK thousands	Parent Company	
	2014	2013
Anticipated dividend	70,000	70,000
Impairment of shares and receivables in subsidiaries	-2,605	-19,275
67,395	50,725	

NOTE 13 NET FINANCIAL ITEMS

SEK thousands	Group		Parent Company	
	2014	2013	2014	2013
Change in exchange rates	6,863	3,336	3,555	2,293
Interest income ¹	10,634	11,777	13,084	12,465
Other financial income ²	5,265	1,059	—	1,036
Total financial income	22,762	16,171	16,639	15,794
Change in exchange rates	—	-5	—	—
Interest expenses ¹	-9,854	-11,265	-23,939	-25,034
Interest expense	—	—	—	—
Trademarks ¹	-866	-1,132	—	—
Other financial expenses ²	-4,844	-80	-4,367	—
Total financial expenses	-15,564	-12,482	-28,305	-25,034
Net financial items	7,198	3,689	-11,666	-12,194

¹ 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 7.9 million (10.2) related to assets measured at fair value.
² Of which SEK -4,367 thousand (1,427) relates to unrealized changes in short-term investments at fair value through profit or loss.

NOTE 14 APPROPRIATIONS

SEK thousands	Parent Company	
	2014	2013
Appropriations		
Change in accelerated depreciation/amortization	874	295
874	295	

NOTE 15 TAXES

TAX ON PROFIT FOR THE YEAR

SEK thousands	Group		Parent Company	
	2014	2013	2014	2013
Current tax on profit for the year	-14,730	-11,430	-	-
Deferred tax expense	-847	487	1,275	295
Total recognized tax expense	-15,577	-10,943	1,275	295

RECONCILIATION BETWEEN CURRENT TAX RATE AND EFFECTIVE TAX RATE

SEK thousands	Group		Parent Company	
	2014	2013	2014	2013
Recognized profit before tax	63,148	24,849	62,704	54,252
Tax according to current tax rate in Sweden	-13,892	-5,467	-13,795	-11,935
<i>Tax effect of:</i>				
Non-deductible expenses	-730	-224	-646	-3,764
Tax-exempt income	162	317	15,716	15,994
Deferred tax assets, previously unrecognized	1,387	-	-	-
Effect of tax rates in other countries	-115	505	-	-
Effect of unreported tax loss carryforwards	-1,290	-6,074	-	-
Effect of change in tax rates	-	-	-	-
Tax related to previous years	-1,099	-	-	-
Recognized tax expense	-15,577	-10,943	1,275	295

DEFERRED TAXES

SEK thousands	Group		Parent Company	
	2014	2013	2014	2013
<i>Deferred tax assets recognized in the balance sheet</i>				
Short-term investments	961	-	961	-
Tax loss carryforwards	30,752	31,126	-	-
Total deferred tax assets	31,713	31,126	961	-
<i>Deferred tax liabilities recognized in the balance sheet</i>				
Trademarks	41,257	41,196	-	-
Short-term investments	-	314	-	314
Untaxed reserves	815	1,153	-	-
Internal gain on inventories (receivable)	-3,722	-2,969	-	-
Total deferred tax liabilities	38,350	39,694	-	314

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

TAX LOSS CARRYFORWARDS AND UNRECOGNIZED DEFERRED TAX ASSETS

The Group has recognized deferred tax assets related to tax loss carryforwards totaling SEK 30,753 thousand (31,126). The taxable value of these tax loss carryforwards is SEK 139,874 thousand (154,709), of which SEK 30,000 thousand expires in 7-9 years. The remainder 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 44,917 thousand (43,162) as of December 31, 2014 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

SEK thousands	2014	2013
Earnings per share, SEK	1.94	0.86
Earnings per share, SEK (after dilution)	1.94	0.86
Number of shares	25,148,384	25,148,384
Number of shares, weighted average	25,148,384	25,148,384
Effect of dilution	-	-
Number of shares, weighted average (after dilution)	25,148,384	25,148,384

As of year-end 2014 there were no outstanding warrants.

NOTE 17 INTANGIBLE ASSETS

GROUP			SEK thousands	Dec. 31, 2014	Dec. 31, 2013
Goodwill					
Accumulated cost					
Opening balance	18,966	13,944			
Acquisition of subsidiary	–	4,992			
Translation differences for the year	299	30			
Carrying amount at year-end	19,265	18,966			
Trademarks					
Accumulated cost					
Opening balance	187,532	187,532			
Carrying amount at year-end	187,532	187,532			
License					
Accumulated cost					
Opening balance	1,209	–			
Investments	–	1,209			
Translation differences for the year	190	–			
Closing balance	1,399	1,209			
Accumulated amortization					
Opening balance	–172	–			
Amortization for the year	–276	–251			
Translation differences for the year	–104	79			
Closing balance	–552	–172			
Carrying amount at year-end	847	1,037			
Tenancy rights					
Accumulated cost					
Opening balance	1,725	2,725			
Disposals and discontinued operations	–	–1,000			
Closing balance	1,725	1,725			
Accumulated amortization					
Opening balance	–1,442	–1,575			
Disposals and discontinued operations	–	250			
Amortization for the year	–100	–117			
Closing balance	–1,542	–1,442			
Carrying amount at year-end	183	283			
Capitalized expenditure for software					
Accumulated cost					
Opening balance	16,640	15,106			
Investments	1,428	1,534			
Disposals and discontinued operations	–	–			
Translation differences for the year	260	–			
Closing balance	18,328	16,640			
Accumulated amortization					
Opening balance	–13,212	–11,685			
Disposals and discontinued operations	–	–			
Amortization for the year	–1,706	–1,451			
Translation differences for the year	–50	–76			
Closing balance	–14,968	–13,212			
Carrying amount at year-end	3,360	3,428			
PARENT COMPANY					
Capitalized expenditure for software					
Accumulated cost					
Opening balance	2,596	2,288			
Investments	134	308			
Closing balance	2,730	2,596			
Accumulated amortization					
Opening balance	–2,001	–1,535			
Amortization for the year	–336	–466			
Closing balance	–2,337	–2,001			
Carrying amount at year-end	393	595			
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					
Carrying amount at year-end	183	283			
SEK thousands					
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	5,321	5,022			
	19,265	18,966			
Trademarks					
Björn Borg Brands AB	187,532	187,532			
	187,532	187,532			

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 2015 for each unit. Cash flows are subsequently based on an annual growth assumption of 2 percent (1 percent). Management bases its assumptions of future growth on previous experience and detailed discussions with distributors and licensees. Impairment tests conducted as of December 31, 2014 applied a discount rate before tax of approximately 15 percent (19) and an assumed annual growth rate of 1 percent (0) for the period beyond the forecast horizon. This growth rate is a cautious assumption as of December 2014 based on current economic conditions in the markets mainly in Europe where Björn Borg is active. The forecast period stretches from 2015 to 2019, i.e., a five-year period. 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 2015. Valuations as of December 31, 2014 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 2017 and beyond. 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 -1 percent instead of the assumed +1 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 either.

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 2015 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

SEK thousands	Group		Parent Company	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
<i>Accumulated cost</i>				
Opening balance	43,374	37,825	11,530	10,962
<i>Investments</i>	1,353	8,088	—	568
Acquisition of subsidiary	—	524	—	—
Sales and disposals	—	-3,063	—	—
Translation differences for the year	317	—	—	—
Closing balance	45,044	43,374	11,530	11,530
<i>Accumulated depreciation</i>				
Opening balance	-26,855	-23,873	-6,903	-5,087
Sales and disposals	—	2,275	—	—
Depreciation for the year	-6,795	-5,257	-1,778	-1,816
Translation differences for the year	—940	—	—	—
Closing balance	-32,710	-26,855	-8,681	-6,903
Carrying amount at year-end	12,334	16,519	2,849	4,627

NOTE 19 FINANCIAL NON-CURRENT ASSETS

SHARES IN SUBSIDIARIES

SEK thousands	Parent Company	
	Dec. 31, 2014	Dec. 31, 2013
Opening cost	321,243	327,132
Acquisition of minority shares	7,202	5,307
Offset issue	9,491	—
Writedown	-2,605	-11,196
Closing accumulated cost	335,331	321,243

In 2014 Björn Borg acquired the remaining shares in the subsidiary BB Sport BV from the minority owners. The purchase price amounted to SEK 1,410 thousand in cash and contingent consideration based on future purchase volumes from the seller of the shares of SEK 5,792 thousand. The contingent consideration is measured at fair value and recognized in the same way as the cash price, i.e., as a transaction between shareholders, and has not affected goodwill. Subsequent revaluations of the item are recognized through profit or loss.

The contingent consideration is calculated as a percentage rate (4%) based on the former minority shareholder's future purchases from BB Sport, or about EUR 5 million annually during the period 2015-2017. If purchase volumes from the seller exceed EUR 5 million annually, contingent consideration will be paid corresponding to 4% of that volume. Based on Björn Borg's best assessment of future sales volumes to the former minority shareholder, a liability has been calculated for the contingent consideration. Björn Borg has fairly extensive historical sales data, based on which it has valued the obligation at SEK 5,792 thousand. The possibility of higher or lower volumes in the future cannot be ruled out, which would have a positive or negative impact on the Group's results and future cash flows.

SHARES IN SUBSIDIARIES AND THE GROUP'S COMPOSITION

SEK thousands	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	100,000	100	14,545
Björn Borg Services AB	556537-3551	Stockholm	5,000	100	262,088
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	
					335,331

NOTE 20 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.

ACCOUNTS RECEIVABLE

SEK thousands	Group		Parent Company	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Accounts receivable, gross	69,353	53,625	1,173	328
Reserve for impaired receivables	-1,121	-1,304	-	-
Total accounts receivable, net after reserve for impaired receivables	68,232	52,321	1,173	328

As of December 31, 2014 the Group and the Parent Company had recognized SEK 1,121 thousand (1,304) 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

The age of these receivables is distributed as follows:

OVERDUE RECEIVABLES

SEK thousands	Group		Parent Company	
	2014	2013	2014	2013
Not overdue	32,012	31,658	473	-
1-30 days	33,479	14,646	611	313
31-90 days	2,508	3,832	76	-
91-180 days	858	892	13	-
>180 days	496	2,597	-	15
Total	69,353	53,625	1,173	328

As of December 31, 2014 the Group had SEK 36,222 thousand (20,663) in overdue receivables which were not considered impaired. These receivables relate to a number of customers which previously had not had payment difficulties.

The age of these receivables is distributed as follows:

OVERDUE RECEIVABLES NOT CONSIDERED IMPAIRED

SEK thousands	Group		Parent Company	
	2014	2013	2014	2013
Not overdue	32,012	31,658	473	-
1-30 days	33,479	14,644	611	313
31-90 days	2,017	3,774	76	-
91-180 days	348	664	13	-
>180 days	376	1,579	-	15
Total	68,232	52,321	1,173	328

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

IMPAIRED RECEIVABLES – RECONCILIATION

SEK thousands	Group		Parent Company	
	2014	2013	2014	2013
Provisions at beginning of year	-1,304	-795	-	-
Reversed provisions for the period	426	413	-	-
Provisions for the period	-1,121	-1,304	-	-
Established losses	878	382	12	-
	-1,121	-1,304	12	-

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

NOTE 21 PREPAID EXPENSES AND ACCRUED INCOME

SEK thousands	Group		Parent Company	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Accrued royalty revenue	2,682	1,842	–	–
Prepaid rents	5,085	4,640	2,335	2,284
Other	4,124	4,829	1,114	1,290
	11,891	11,311	3,449	3,574

NOTE 22 FINANCIAL ASSETS AND LIABILITIES

GROUP 2014

SEK thousands	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	–	9,800	–	9,800	9,800	–	9,800
Accounts receivable	–	68,232	–	68,232	68,232	–	68,232
Investments	133,147	–	–	133,147	133,147	–	133,147
Cash and bank balances	–	85,080	–	85,080	85,080	–	85,080
Total financial assets	133,147	163,112	–	296,259	296,259	–	296,259
Other non-current liabilities	5,792	–	195,238	201,030	194,732	–	201,030
Other current liabilities	–	–	7,212	7,212	7,212	13,906	21,118
Accounts payable	–	–	25,064	25,064	25,064	–	25,064
Total financial liabilities	–	–	227,514	233,306	227,008	15,740	247,212

GROUP 2013

SEK thousands	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
Total financial assets	136,519	148,024	–	284,544	284,544	–	284,544
Other non-current liabilities	–	–	217,042	217,042	212,290	–	217,042
Other current liabilities	–	–	6,934	6,934	6,934	14,669	21,603
Accounts payable	–	–	26,549	26,549	26,549	–	26,549
Total financial liabilities	–	–	250,525	250,525	245,773	14,669	265,194

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.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

SEK thousands, Group 2014	Level 1	Level 2	Level 3
Securities held for trading	133,306	–	–
Derivatives held for trading	–	–159	–
Contingent consideration (liability)	–	–	–5,792
Total assets	133,306	–159	–5,792
SEK thousands, Group 2013	Level 1	Level 2	Level 3
Securities held for trading	136,285	–	–
Derivatives held for trading	–	234	–
Total assets	136,285	234	–

Björn Borg has measured the contingent consideration to the seller of the minority holding in the subsidiary BB Sport BV at fair value; for more information on the valuation, see note 19. The carrying amount of financial instruments recognized at amortized cost corresponds to the fair value as of December 31, 2014, with the exception of the bond loan, the fair value of which amounted to SEK 180,441 thousand, compared with a carrying amount of SEK 187,738 thousand. The valuation was based on the quoted price of the outstanding bond loan.

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.

NOTE 23 DIVIDEND PER SHARE

The Annual General Meeting on April 10, 2014 approved a distribution of SEK 37,723 thousand for the financial year 2013, corresponding to SEK 1.50 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 2014. 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 June 12, 2015. The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 37,723 thousand (37,723).

NOTE 24 UNTAXED RESERVES

SEK thousands	Parent Company	
	Dec 31, 2014	Dec 31, 2013
Untaxed reserves		
Accumulated accelerated depreciation/amortization	1,014	1,888
	1,014	1,888

NOTE 25 LIABILITIES

NON-CURRENT AND CURRENT INTEREST-BEARING LIABILITIES

SEK thousands	Group		Parent Company	
	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
Bank overdraft facilities	20,000	20,000	20,000	20,000
Total available credit lines	20,000	20,000	20,000	20,000
Unused credit lines	20,000	20,000	20,000	20,000

Bank overdraft facilities were used to a limited extent in 2014. The company pays annual contractual interest of 0.3% on the facility.

OTHER NON-CURRENT LIABILITIES

Other non-current liabilities include the Group's bond loan of SEK 187,738 thousand (192,927), a liability to the seller of the Björn Borg trademark of SEK 7,500 thousand (14,712) and a liability to the seller of the shares in BB Sport of SEK 5,792 thousand (–). The total liability to the seller of the trademark amounts to SEK 14,712 thousand (21,646), of which SEK 7,212 thousand will be paid within 12 months and SEK 7,500 thousand within 2 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.

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 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 terminates in 2016. The bond loan has an annual coupon rate corresponding to the three-month STIBOR + 3.25 percentage points and matures in April 2017. The bond loan was listed on Nasdaq Stockholm in early May 2012. During the period 2012-2014 the company repurchased corporate bonds with a nominal value of SEK 11 million 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 1.3 million amounted to SEK 187.7 million as of December 31, 2014.

The fair value of the bond loan (nominal value of SEK 189 million after the repurchase) amounted to SEK 181 million (188) as of December 31, 2014. 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, 2014 the ratio was -0.47 (-0.93) (positive net cash) and the equity/assets ratio was 46.7 percent (45.5). 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.

CONTINGENT LIABILITIES

SEK thousands	Group		Parent Company	
	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
Rental guarantee and other guarantees	4,581	2,002	–	–
	4,581	2,002	–	–

See also note 25.

NOTE 26 ACCRUED EXPENSES AND DEFERRED INCOME

SEK thousands	Group		Parent Company	
	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
Accrued royalty expenses	5,144	4,658	–	–
Personnel-related items	11,321	10,961	5,494	5,131
Marketing expenses	2,647	–	2,647	–
Other	10,773	15,413	2,191	3,719
	29,884	31,032	10,332	8,850
Provisions				
Restructuring reserve	8,459	–	–	–
	8,459	–	–	–

In connection with the transfer of the sports apparel operations from the subsidiary Björn Borg Sport B.V. in the Netherlands to the subsidiary Björn Borg Clothing AB in Sweden, Björn Borg allocated total restructuring expenses of SEK 6,891 thousand as of December 31, 2014. Of this amount, SEK 4,430 thousand was personnel related and the remaining SEK 2,461 thousand primarily related to reserves for terminated leases. An additional SEK 1,568 thousand related to the restructuring of the retail operations.

NOTE 28 NON-CONTROLLING INTERESTS

INFORMATION ON NON-CONTROLLING INTERESTS

SEK thousands	Dec 31, 2014	Dec 31, 2013
Opening balance	–13,533	–9,829
Share of profit for the year	–1,263	–
Share of total comprehensive income for the year	–3,197	–7,707
Offset issue in subsidiary (BB Sport)	9,466	–
Effect of discontinued operations	–	4,003
Change as a result of acquisition of shares from non-controlling interests	2,619	–
Closing balance	–4,645	–13,533

The Björn Borg Group has two subsidiaries with material non-controlling interests as of December 31, 2014: Björn Borg Finland Oy and Björn Borg UK Ltd. Björn Borg owns 75 percent and 80 percent of the shares and votes in these two companies, respectively. The remaining shares are owned by the local CEO of each company.

DOTTERFÖRETAG

SEK thousands	Result distributed to non-controlling interests		Cumulative holdings of non-controlling interests	
	2014	2013	2014	2013
Björn Borg UK Ltd	–1,075	–1,474	–4,661	–3,053
Björn Borg Finland Oy	–112	140	38	146
Other non-controlling interests	–76	–6,373	–22	–10,626
Total	–1,263	–7,707	–4,645	–13,533

NOTE 27 PLEDGED ASSETS AND CONTINGENT LIABILITIES

PLEDGED ASSETS

SEK thousands	Group		Parent Company	
	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
Chattel mortgages	18,000	18,000	–	–
Securities	1,215	–	1,215	–
Shares in subsidiaries	233,642	255,091	40,216	40,216
	252,857	273,091	41,431	40,216

Note 28, continued

CONDENSED FINANCIAL INFORMATION

The financial information below shows figures prior to eliminations.

INCOME STATEMENT

SEK thousands	Björn Borg UK		Björn Borg Finland	
	2014	2013	2014	2013
Revenue	21,353	14,010	43,737	37,386
Expenses	-26,728	-21,380	-44,183	-36,844
Profit/loss for the year	-5,375	-7,370	-446	542
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-5,375	-7,370	-446	542

STATEMENT OF FINANCIAL POSITION

SEK thousands	Björn Borg UK		Björn Borg Finland	
	2014	2013	2014	2013
Non-current assets	1,760	1,889	5,786	5,930
Current assets	8,218	7,083	4,405	16,305
Total assets	9,978	8,972	10,191	22,235
Equity	-23,307	-15,267	152	585
Non-current liabilities	-	-	-	-
Current liabilities	33,285	24,239	10,039	21,650
Total liabilities	33,285	24,239	10,039	21,650
Total equity and liabilities	9,978	8,972	10,191	22,235

CASH FLOWS

SEK thousands	Björn Borg UK		Björn Borg Finland	
	2014	2013	2014	2013
From operating activities	-1,328	-	650	-
From investing activities	-1,264	-	45	-
From financing activities	-	-	-	-
Total cash flow	-2,592	-	695	-

SIGNATURES OF THE BOARD OF DIRECTORS

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, April 15, 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
CEO

Our audit report was submitted on April 17, 2015
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, 2014 – December 31, 2014. The annual accounts and consolidated financial statements of the company are included in the printed version of this document on pages 70–113.

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, 2014 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, 2014 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, 2014–December 31, 2014.

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, April 17, 2015

Deloitte AB

Fredrik Walméus
Authorized Public Accountant

THE SHARE

The Björn Borg share was listed on the Mid Cap list of Nasdaq Stockholm on May 7, 2007, but has been on the Small Cap list since January 2, 2014. 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, 2014 was SEK 23.50, giving Björn Borg a market capitalization of about SEK 590 million. A total of 11,643,071 shares were traded in 2014 at a value of approximately SEK 291 million. The average daily turnover was 46,759 shares. The share price fell during the year by SEK 6.90, which was 22.7 percent lower than the previous year. The share reached a high of SEK 33.30 and

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 + 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, 2014 the ratio was -0.47 (-0.93), i.e., positive net cash, and the equity/assets ratio was 46.7 percent (45.5). The bonds have been listed on Nasdaq 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 2015–2019, at least 50 percent of net profit will be distributed annually to the company's shareholders.

DIVIDEND PROPOSAL

The Board of Directors has recommended to the AGM a distribution of SEK 1.50 per share for 2014, corresponding to 77 percent of net profit. 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 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 profit.

SHAREHOLDERS

As of December 30, 2014 Björn Borg had 6,327 shareholders (6,888), according to Euroclear, based on shareholders grouped by company. Björn Borg's ten largest shareholders owned shares corresponding to 49.8 percent of the votes and capital. Institutional investors owned 32 percent.

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	2Redemption of warrants	89,200	25,148,384	27,875	7,858,870	0.31	33

LARGEST SHAREHOLDERS

	No. of shares	Votes/capital, %
Fredrik Lövstedt, directly and through companies	2,750,040	10.94
Swedbank Robur funds	1,886,065	7.50
Mats H Nilsson	1,588,440	6.32
Danske Invest Sweden	1,458,934	5.80
Vilhelm Schottenius	1,023,520	4.07
Fourth Swedish National Pension Fund	1,016,774	4.04
Martin Bjäringer	773,235	3.07
Avanza Pension	722,471	2.87
Håkan Roos	712,000	2.83
Länsförsäkringar	621,000	2.47
Total, largest shareholders	12,552,479	49.91
Total, other	12,595,905	50.09
Total number of shares	25,148,384	100.00

According to share register on December 30, 2014, 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

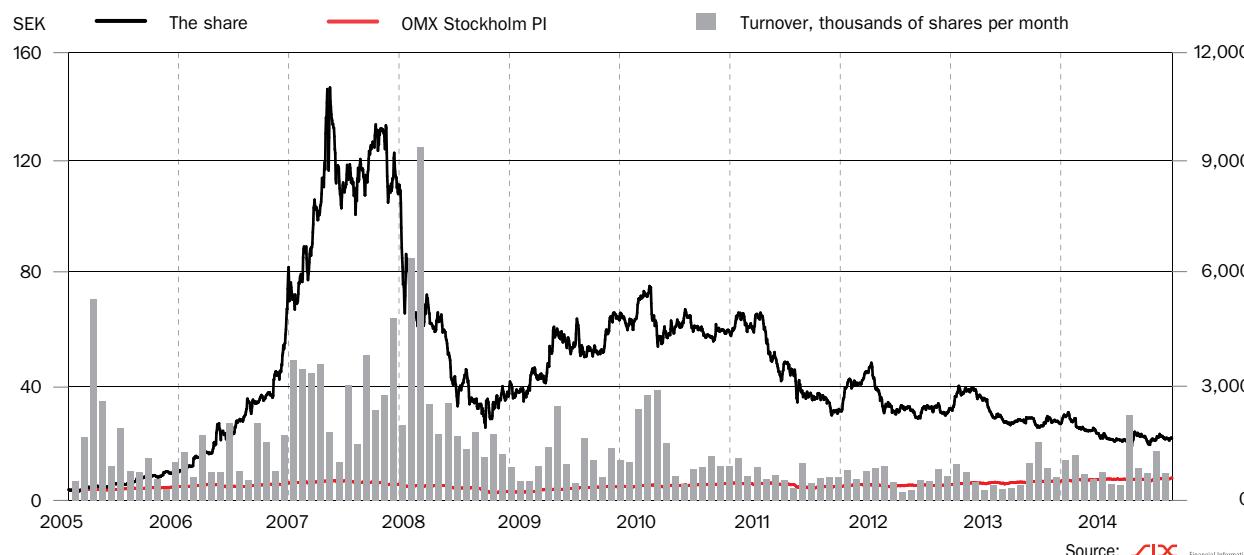
Size of holding	No. of shareholders	No. of shares	Capital and votes, %
1 – 500	4,192	763,907	3.04
501 – 1,000	967	846,613	3.37
1,001 – 5,000	918	2,205,720	8.77
5,001 – 10,000	117	896,538	3.56
10,001 – 15,000	33	406,359	1.62
15,001 – 20,000	30	544,006	2.16
20,001 –	70	19,485,241	77.48
Total	6,327	25,148,384	100.00

Source: Euroclear Sweden AB on December 30, 2014, shareholders grouped by company

DATA PER SHARE

	2014	2013	2012	2011	2010
Earnings per share before dilution, SEK	1.94	0.86	2.11	4.19	3.61
Earnings per share after full dilution, SEK	1.94	0.86	2.11	4.19	3.57
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	25,148,384
Average number of shares outstanding after dilution	25,148,384	25,148,384	25,148,384	25,180,574	25,470,202

SHARE PRICE PERFORMANCE



BOARD OF DIRECTORS AND AUDITORS

**Fredrik Lövstedt**

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: 2,750,040

Independent from the company and management but not from major shareholders.

**Martin Bjäringer**

Director since 2014
b. 1959
B.Sc. Econ
Other assignments: Director of Fine Art Fund Group, London
Background: Various positions at Alfred Berg, founder of Monterro PE, Chairman of Protect Data, Svensk Bevakningstjänst and Svenska Orient Linien, and Director of Gunnebo, Björn Borg, Resco, Pricer and Erik Penser Fondkommission
Shares in Björn Borg: 773,235

Independent from the company and management as well as from major shareholders.

**Isabelle Ducellier**

Director since 2013
b. 1969
Master's degree, International Marketing, EM Lyon; Executive MBA, INSEAD
Other assignments: CEO of Pernod Ricard Sweden, Chairman of French Association of Foreign Trade Advisors
Background: Sales Manager at Pernod France, Director of International Marketing at Wyborowa SA (Poland) and Director of Sales and Marketing at Pernod Ricard Sweden
Shares in Björn Borg: 30

Independent from the company and management as well as from major shareholders.

**Kerstin Hessius**

Director since 2010
b. 1958
B.Sc. Econ
Other assignments: CEO of Third Swedish National Pension Fund (AP3), Director of Vasakronan AB, Hemö Fastighets AB, SPP Pension och Försäkring AB, Svedab, AIAB and Öresundskonsortiet
Shares in Björn Borg: 31,000

Independent from the company and management as well as from major shareholders.

**Mats H Nilsson**

Director since 1998
b. 1955
B.Sc. Econ
Other assignments: Director of Credentity 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: 1,588,440

Independent from the company and management as well as from major shareholders.

**Nathalie Schuterman**

Director since 2014
b. 1966
American College, London, Bachelor of Fashion Merchandising
Other assignments: CEO of Nathalie Schuterman AB
Background: Founder and owner of Nathalie Schuterman AB and owner of the Nordiska Kompaniet (NK) stores Tory Burch and Nathalie Schuterman
Shares in Björn Borg: 0

Independent from the company and management as well as from major shareholders.

**Anders Slettengren**

Director since 2014
b. 1968
B.Sc. Econ
Other assignments: CEO of Industrifonden
Background: Former CEO of Novax AB, prior to which he worked in marketing, sales and business development in retail and consumer goods at Microsoft and Unilever, among others; Chairman of Filippa K and Designitorget; and Director of RNB Retail and Brands AB, WeSC AB, Himla AB, RCO, Svensk Bevakningstjänst and Concept Motion
Shares in Björn Borg: 0

Independent from the company and management as well as from major shareholders.

Auditors

Deloitte AB.
Fredrik Walmeus, Authorized Public Accountant

Shareholdings as of December 31, 2014.

SENIOR MANAGEMENT



Henrik Bunge
CEO
b. 1973
Recruited 2014
LL.B. University of Uppsala, Sales
Management Harvard
Background: CEO of Peak Performance,
Managing Director Group of Area Nordic,
Adidas and VP Sales and Marketing
Hästens sängar
Shares in Björn Borg: 100,000



Henrik Fischer
COO
b. 1967
Recruited 2008
Business School Economics
Background: Former President of Polarn
o. Pyret, COO of Gant, President of Gant
Sweden
Shares in Björn Borg: 12,000

**Fredrika Erlandsson**

Product Development Director
b. 1973

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

**Lena Nordin**

HR Director
b. 1972

Recruited 2014
B.Sc. Econ, HR Management at Stockholm School of Economics
Background: HR Director at Peak Performance, HR Director at Adidas area Nordic, HR Director at SATS
Shares in Björn Borg: 0

**Jonas Lindberg Nyvang**

Marketing Director
b. 1975

Recruited: 2012
Msc in Business Economics, MA in Design Futures
Background: Business Development Director at Starcom Nordics, Marketing Director at MySpace Nordics, CEO of State of the Arts
Shares in Björn Borg: 3,257

**Marie Paulsson**

Creative Director
b.1974

Recruited: 2014
Industrial Design, Fashion Design, Beckmans School of Design, Public Relations at University of Gothenburg
Background: Conceptual Design Manager POC, Design Consult, Designer Mountain Works/Ocean Works, Designer Electrolux
Shares in Björn Borg: 0

**Joacim Sjödin**

Global Sales Director
b. 1975
Recruited 2015
Background: Country manager at Adidas Group, 2006-2012; European Sales Director at Peak Performance, 2012-2015
Shares in Björn Borg: 20,000

**Victoria Swedjemark**

General Counsel and Sustainability Director
b. 1974
Recruited: 2011
L.L.M. Stockholm University, Master of Science in Business Law, Linköping University, and Bachelor of Science in Business Administration, Linköping University
Background: General Counsel at Tilgin AB, Senior Associate at Advokatfirman Delphi
Shares in Björn Borg: 1,005

**Magnus Teeling**

Financial Manager
b. 1973
Recruited 2011
B.Sc. Econ
Background: Tilgin AB, Aroma AB, KPMG.
Shares in Björn Borg: 2,000

**Lisa Udd**

Management Assistant
b. 1961
Recruited: 2014
Distribution/Office & Language at University
Background: Peak Performance, Entreprenörföretagen, Plåtslageriernas Riksförbund, Accuray Scandinavia, FRA, Nam-Nam
Shares in Björn Borg: 200

Shareholdings as of December 31, 2014.

CORPORATE GOVERNANCE REPORT 2014

The Björn Borg share is listed on Nasdaq 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. The only noncompliance with the Code during the year is that Mats H. Nilsson, a member of the Board of Directors, has been Chairman of the Nomination Committee. The reason for this noncompliance from the Code is that the Nomination Committee felt that Mats H. Nilsson's background as a major shareholder for many years qualified him as Chairman to effectively lead the Nomination Committee's work.

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 2015

The next AGM will be held in Stockholm on May 11, 2015. 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 2014

The 2014 AGM was held in Stockholm on April 10, 2014. The AGM resolved to reelect Directors Mats H Nilsson, Kerstin

Hessius, Isabelle Duccellier and Fredrik Lövstedt, with the latter as Chairman. Nathalie Schuterman, Martin Bjäringer and Anders Slettengren were elected as new Directors. The AGM also resolved to transfer earnings to the shareholders through an automatic redemption and granted limited authorization to the Board to resolve 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 2014 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, 2014 and ask them to appoint one person each to participate in the Nomination Committee. The Nomination Committee, whose composition is published on the Group's website in October 2014, consists of the following members for the 2015 AGM:

- Fredrik Lövstedt, Chairman of the Board and himself the company's largest shareholder
- Mats H Nilsson, shareholder
- Marianne Flink, Swedbank Robur Fonder
- Vilhelm Schottenius, shareholder

Mats H Nilsson has been named Chairman of the Nomination Committee. According to the resolution of Björn Borg's 2014 AGM, the Nomination Committee's mandate is to propose to the 2015 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 March 15, 2015 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 2014 AGM reelected Directors Fredrik Lövstedt, Mats H Nilsson, Isabelle Duccellier and Kerstin Hessius, and elected Martin Bjäringer, Nathalie Schuterman and Anders Slettengren as new Directors. Fredrik Lövstedt was elected Chairman of the Board.

The Board fulfills the requirements of the Code that no more than one Director elected by the AGM is employed in the company's management or the management of the company's subsidiary, that a majority of the Directors are independent in relation to the company and the management, and that at least two Directors are independent in relation to the company's major shareholders. Prior to the 2014 AGM the Nomination Committee concluded that all of the nominated Directors were independent from the company and the management as well as from major shareholders, with the exception that the Chairman of the Board, Fredrik Lövstedt, was not considered independent in relation to the company's major shareholders due to his shareholding.

The Board is assisted by an attorney, who serves as external secretary. For more information on the Directors, see page 120 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 May 16, 2014, define the principles for Board work, the delegation between the Board and the CEO, and financial reporting.

Board work

In 2014 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 business plan and budget. Directors' attendance at the year's Board meetings is shown in the table below.

Compensation Committee

The Board has established a Compensation Committee consisting of Chairman Fredrik Lövstedt and Mats H Nilsson to prepare proposals on remuneration and other terms of employment for Senior Executives. In 2014 the Committee held two meetings, which both members attended. The Compensation Committee is a drafting committee.

Audit Committee

Björn Borg's Board of Directors has established an Audit Committee consisting of Chairman Fredrik Lövstedt, 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 2014, all in connection with the quarterly reports. All of the Committee's members attended all of the meetings. In 2014 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 May 16, 2014. 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.

Henrik Bunge (b. 1973) took over as CEO on August 4, 2014, replacing Henrik Fischer (b. 1967), who had served as Acting CEO since November 2013. Neither own shares in any companies with which Björn Borg has significant business interests. For more information on the CEO, see page 122 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 2014 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 auditors' election will be held at the 2015 AGM.

Further information on the auditors can be found on page 120 in the annual report. Information on the auditors' fee can be found in note 9.

REMUNERATION TO DIRECTORS AND SENIOR EXECUTIVES

Remuneration to the Chairman and other Directors is resolved by the AGM. According to the resolution of the 2014 AGM, the Chairman received remuneration of SEK 350,000 and other Directors received SEK 140,000. For committee work in 2014, 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 2014 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. Any variable compensation is based on the results relative to defined, measurable targets and is maximized relative to the target salary.

The fixed and variable salary components and benefits for the CEO and the management of Björn Borg are indicated in Note 8 of the annual report.

INCENTIVE SCHEME

Björn Borg has no outstanding incentive schemes based on shares or other financial instruments in the company.

FINANCIAL REPORTING

The quality of the financial reporting is ensured by the Board of Directors' policies and instructions on delegation of

DIRECTORS' ATTENDANCE IN 2014

	Feb 13	Mar 6**	May 16	Aug 19	Sep 30	Nov 14
No. of attendees	6 (of 6)	6 (of 6)	6 (of 7)	7 (of 7)	6 (of 7)	7 (of 7)
Fredrik Lövstedt	1	1	1	1	1	1
Martin Bjäringer*	*	*	1	1	1	1
Mats H Nilsson	1	1	1	1	1	1
Nathalie Schuterman*	*	*	1	1	–	1
Anders Slettengren*	*	*	1	1	1	1
Kerstin Hessius	1	1	1	1	1	1
Isabelle Ducellier	1	1	–	1	1	1
Michael Storåkers*	1	1	*	*	*	*
Vilhelm Schottenius*	1	1	*	*	*	*

* The person in question left or was elected to the Board at the 2014 AGM.

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

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 2014 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 Swedish subsidiaries are 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 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 6,327 shareholders at year-end. The largest shareholder as of December 31, 2014 was Fredrik Lövstedt, through companies and directly, with 10.94 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

TEN LARGEST SHAREHOLDERS DEC. 30, 2014

	No. of shares	%
Fredrik Lövstedt, directly through companies	2,750,040	10.94
Swedbank Robur funds	1,886,065	7.50
Mats H Nilsson, directly or through related parties	1,588,440	6.32
Danske Bank Sweden	1,458,934	5.80
Vilhelm Schottenius	1,023,520	4.07
Fourth Swedish National Pension Fund	1,016,774	4.04
Martin Bjäringer, directly or through related parties	773,235	3.07
Avanza Pension	722,471	2.87
Håkan Roos	712,000	2.83
Länsförsäkringar	621,000	2.47
Total	12,552,479	49.91
Total number of shares	25,148,384	100.00

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 2014 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, April 17, 2015
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 (per rolling 12-month period) plus finance expense as a percentage of average capital employed.

RETURN ON EQUITY

Net profit (per 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 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. (sports apparel) as well as the external licensees EGOptiska International AB (eyewear), Libro Gruppen AB (bags) 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

OTHER INFORMATION

ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders will be held on Monday, May 11, 2015 at 6:00 pm (CET) at the company's office, Tulegatan 11, Stockholm. Registration begins at 5:15.

To be entitled to participate in the Annual General Meeting, shareholders must be entered in the shareholders' register maintained by Euroclear Sweden AB by Tuesday, May 5, 2015 and must notify the company of their intention to participate by this date (Tuesday, May 5, 2015) in writing to Björn Borg AB, Tulegatan 11, SE-113 53 Stockholm, Sweden, by telephone to +46 8 506 33 700, through the company's website (<http://corporate.bjornborg.com/sv>) or by e-mail to stamma@bjornborg.com. When notifying the company, please include your name, personal identification or company registration number, address, telephone number and the names of those accompanying you.

Proxies and representatives of legal entities are advised to submit authorization documents well in advance of the meeting. A proxy template is available through Björn Borg's website (address above).

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 Tuesday, May 5, 2015, shareholders must inform nominees well in advance of this date.

2015 CALENDAR

Annual General Meeting 2015	May 11, 2015
Interim report January-March 2015	May 11, 2015
Interim report, January-June 2015	August 12, 2015
Interim report, January-September 2015	November 6, 2015

FINANCIAL REPORTS

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

SHAREHOLDER CONTACT

Henrik Bunge, CEO
E-mail: henrik.bunge@bjornborg.com
Tel: +46 8 506 33 700
Mobile: +46 702 34 76 20

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

SPREAD MORE LOVE IN THE WORLD





BJÖRN BORG

The logo consists of the brand name in a bold, white, sans-serif font. To the right of the text is a white circular emblem. The emblem features a stylized, swooping line that starts at the top right, dips down, and then curves back up towards the top left, creating a dynamic, tennis racket-like shape.

BJÖRN BORG AB

Tulegatan 11, SE-113 53 Stockholm, Sweden

Tel +46 8 506 33 700

Fax +46 8 506 33 701

www.bjornborg.com