



# BJÖRN BORG

ANNUAL REPORT 2015

BORG

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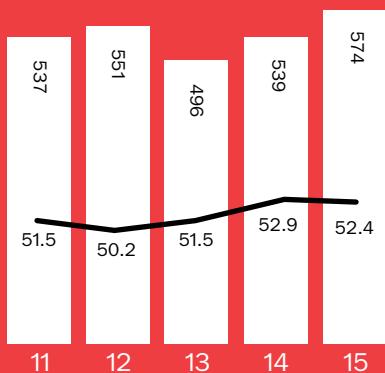
# THANK YOU BJÖRN!

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 (%)



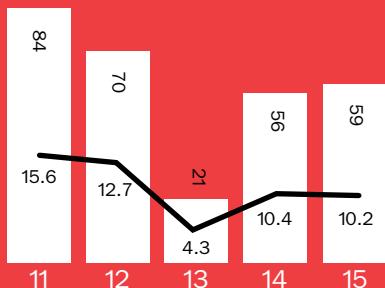
THE NUMBER OF BJÖRN BORG STORES  
AT YEAR-END WAS 41, 21 OF WHICH  
ARE GROUP-OWNED

DISTRIBUTION OF SEK 2.00 PER SHARE

**41**

**2.00**

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



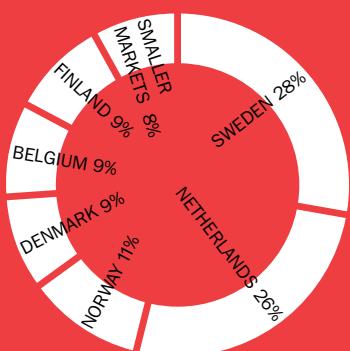
THE OPERATING MARGIN WAS  
10.2 PERCENT

THE GROSS PROFIT MARGIN WAS  
52.4 PERCENT

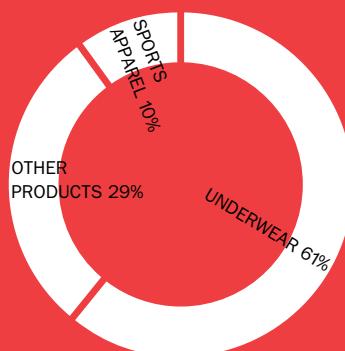
**10.2**

**52.4**

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 underwear and sports apparel as well as the licensing of footwear, bags and eyewear. Björn Borg products are sold in around 20 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 businesses, underwear and sports apparel. The Group is also responsible for distribution of underwear and sports apparel in Sweden, England and Finland, as well as footwear in Sweden, Finland, the Baltic countries and Denmark. The operations of Björn Borg Sport in the Netherlands are being wound down at the same time that a corresponding business has been started up in Sweden.

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

## THE YEAR IN NUMBERS

- The Group's net sales increased by 7 percent to SEK 574.3 million (538.8). Excluding currency effects, net sales decreased by 1 percent.
- The gross profit margin was 52.4 percent (52.9).
- Operating profit amounted to SEK 58.6 million (56.0).
- Profit after tax amounted to SEK 41.6 million (47.6).
- Earnings per share before dilution amounted to SEK 1.79 (1.94) and after dilution amounted to SEK 1.77 (1.94).
- The Board of Directors has decided to propose to the Annual General Meeting a distribution of SEK 2.00 (1.50) per share, totaling SEK 50.3 million (37.7).

## BRAND SALES

Total brand sales, excluding VAT, increased by 1 percent from the previous year to SEK 1,443 million (1,431). Excluding currency effects, sales fell by 1 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 shine 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.

## MARKETS

- Björn Borg is represented in around 20 markets, of which Sweden and the Netherlands are the largest.
- Good growth in e-commerce ([www.bjornborg.com](http://www.bjornborg.com)) in 2015; sales increased by 73 percent.
- Björn Borg terminated the distribution contract for the Netherlands, Belgium and Luxembourg in the fourth quarter in order to manage the distribution of Björn Borg products in these countries in-house. Current distributors will retain the distribution rights during the four-year term of notice, unless the parties agree on an earlier takeover.

## NEW STORES

During the year four stores were opened, one in Sweden and three in Finland, at the same time that four stores were closed, one in Sweden and three owned by distributors. At year-end there were a total of 41 (41) Björn Borg stores, 21 (18) of which are Group-owned.





# A WORD FROM THE PRESIDENT

LET'S GO! echoed through the damp autumn woods as 200 people dressed in our latest sports apparel collection ran, biked, swam and climbed as fast as they could. Our innovative black Thermovest – with wind resistant front, Thinsulate for heat and an ingenious silver lining on the back that makes the vest attractive and reflective – was truly put to the test.

## **STRONG INDIVIDUALS TOGETHER CREATE STRONG RESULTS**

Looking back I feel that we had a good year together. We changed a lot, and quickly, without losing direction or internal engagement. The response rate to last fall's anonymous employee survey was 99%, and our employees are even more engaged than the previous year (+3%).

There are two keys to our strong engagement. One is a focus on fitness, where it is our strong belief that your physical well-being is directly tied to your ability to perform at your best. At our office we provide a mandatory hour of exercise, fitness testing and multisport competitions for all our employees. The second is a strong focus on shared goals. I am personally convinced that my most important duty as CEO is to ensure that everyone in the organization knows where we are headed and what we have to do to get there. Only then can we maximize our collective energy and skills. We use personal goal setting, where everyone in the entire organization has written down the company's goals, their department's goals, their individual goals and their individual activities. To the question "How well do I know our short term and our long term goals," 91% responded very well and 9% well. That's team strength!

## **DRIVING SELL-THROUGH**

Our most important key indicator is sell-through – our ability to get as many consumers as possible to buy our products before they go on sale in relation to how many products are sold wholesale. Here we have clearly made progress. Our success in driving sell-through is first a question of creating the right focus internally. During the year we all got better at always thinking about the value for the end customer, the consumer of our product, regardless of our job internally. In 2016 the aim is to understand consumers even better. Sell-through is also driven by visual merchandising, and not least the retail staff's knowledge and passion for the products. In 2015 we added more Point of Sale displays and developed several

merchandising solutions that will help us gain more exposure in 2016. Lastly, sell-through is driven by our unique brand and our ability to inspire and create an emotional attachment to the Björn Borg brand.

## **CONTINUE TO DEVELOP OUR BRAND AS SPORTS FASHION**

In 2015 we received positive reactions to several activities designed to push the brand more in the direction of sports fashion. We began the year with the successful "First Person Lover" campaign, a free online game where a character dressed in Björn Borg clothing chosen by the player fights evil in the world with love. One of the measurable results is 25 million views of the game. The campaign was awarded the 100-wattaren Swedish advertising prize for its commercial impact, won a silver in the Cannes Lions and a gold in Europe's Lovie Awards, honoring the best in digital marketing. We followed this up with a well-produced runway show during Stockholm Fashion Week in August. A totally unique sports apparel collection was presented on Långholm Island in Stockholm, which we transformed to look like the planet Mars. The next week Björn Borg had more digital mentions than Nike and Adidas together. During the fall we also launched "Sprinter," a fitness app that helps you find workout buddies. After its launch, it became one of the most heavily downloaded apps in the Swedish App Store. Another of the many concrete signs that we have successfully moved the brand into the sports fashion arena was being named "Sportswear Brand of the Year" by Café, a monthly Swedish men's magazine.

## **BUSINESS PLAN IN THE WORKS**

In our business plan, Northern Star, we announced a sales goal of SEK 1 billion with an operating margin of 15 percent for the financial year 2019. With 2015 now in the books, I can say that we are ahead of plan in both cases. Adjusted for one-offs, sales and profit rose by 12 percent in 2015. The high point was the third quarter, the best ever sales-wise



in the company's history. I am also pleased with our growth in the retail segment and increased presence in sports apparel distribution. Despite a temporary dip in the fourth quarter, we generated a gross margin for the full-year of over 52 percent. Growth is mainly driven by the retail segment (our own retail and e-commerce), where our e-commerce increased by just over 73 percent. Our retail and e-commerce operations now account for just over 20 percent of the Group's sales. For the first time in a while the segment is producing a positive result.

#### **PROFITABILITY**

In terms of profitability, we have to be more effective. In 2015 our gross margin was currency neutral, in line with the previous year. With the dollar likely to remain strong and higher sales of the sports apparel, as well as a higher share of our own retail sales with lower margins, we have to be better at creating more with less in order to improve future profitability. Lower cotton prices and historically low oil prices help us somewhat, but the biggest impact on EBIT is in our own processes. In 2016 we will focus more on profitable growth and in 2017 expect a significant impact on operating profit since the supplemental purchase price we have been paying for the Björn Borg brand (SEK 20.6 million in 2015) is ending.

#### **SUSTAINABLE BUSINESS MODEL AND GROWTH**

Lastly, I would like to bring up something that is becoming more important to me and the company's future – sustainable growth – driving the business with the goal of creating long-term value. What we do today has to also create value tomorrow. A sustainable business model includes being better at rolling out sustainable materials in our collections and reducing our impact on the environment. During the fall we launched an organic cotton collection, and in 2016 we will focus more on sustainable growth by developing more with products sustainable materials and significantly reducing shipments by air.

#### **AMBITION**

My goal is that each year will be better than the one before it as measured by our key performance indicators: sell-through, employee engagement, sales and profitability. And just as we finished 2015 stronger than 2014 and finished 2014 stronger than 2013, I am confident that we will finish 2016 stronger than we finished 2015.

*Let's go!*  
Henrik Bunge  
Head Coach

# VISION, BUSINESS CONCEPT, GOALS AND STRATEGY

# **IN EVERY COUNTRY WE USE A SIMPLE FRAMEWORK, WHICH OFFERS THE KEY TO OUR FUTURE SUCCESS. WE CALL IT THE “BJÖRN BORG FRAMEWORK FOR PERFORMANCE.”**

The framework consists of five questions, all different but none more important than the others. The framework is also our process, a way to think, where each question always comes in the same order. To measure that we are progressing toward the goals that the questions point out, we break down them down into departments and individuals, and we make sure that the goals are *SMART* (*Specific, Measurable, Attractive, Relevant, Timely*).

The questions are: *Where are we going?* *Where are we?* *What to do?* *How do we do things?* and *Why do we do this?*

**THE FIRST QUESTION IS:****WHERE ARE WE GOING?**

To be the No 1 Sports Fashion Brand for people who want to feel active and attractive.

*SMART goals for 2019;*

- Sell-through 70%
- Employment engagement 90%
- Total sales 1 Billion SEK
- EBIT 15%

**THE SECOND QUESTION IS:****WHERE ARE WE?**

For the most part our annual report is describing exactly this, i.e. our current situation. However, this is strategically broken down to each department and each individual person. For us it is crucial to always look at the “brutal facts” and understand where you are before you can move forward.

**THE THIRD QUESTION IS:****WHAT TO DO?**

It is simply describing what we need to do to take us from where we are today to where we need to be tomorrow.

We have identified three cross-functional strategic themes for what we need to do.

- *Win the consumer at the Point of Sale*

We win when our product leaves the store, therefore all functions play to win the consumer at the Point of Sale.

- *Create a winning team*

To succeed we work as a strong and united team exploiting the full potential of all individuals – internal and external

- *Brand alignment*

To be able to reach through and make a difference to the consumer, we need to act and be perceived as one clear brand – in all channels, all markets and in everything we do, from products to communication

**THE FOURTH QUESTION DESCRIBES OUR VALUES:****HOW DO WE DO THINGS?**

We have agreed on three values that drive our behaviour at Björn Borg

- *Passion*

Firmly positioned deep on the baseline, attentively awaiting the serve, we see the entire court. It sounds quiet, but it's loud. It appears calm, but it's alive. It's fast moving and vibrant. We see the ball coming. Our passion inspires action.

- *Multiplying*

Here we see a seamless synergy where cooperation, acceptance, and camaraderie create an outcome stronger than the individual parts. One plus one equals more than three.

- *Winning attitude*

We perform when it matters the most, undeterred and engaged in the face of adversity. Our attitude is clear – you mustn't be pushed, the vision pulls you.

**THE FIFTH QUESTION DESCRIBES WHAT INSPIRES AND MOTIVATES US:****WHY DO WE DO THIS?**

We believe all humans carry the will to make a difference – for themselves, for someone else, or for the world. We believe that we all can be different and make things better. Together we can change the game and break what is impossible.

**FINANCIAL OBJECTIVES**

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

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







# 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 are the brand's roots and 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 stage. 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 20 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 2015. They reflect the brand's sporty identity and products that make customers feel active and attractive.

Björn Borg tries to provide the best possible service to its distributors and licensees, which commit to a specific level of 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 Point of Sale displays – packaged for each market's needs, 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 Point of Sale 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.

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.

Through the web shop at [bjornborg.com](http://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.

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 to better showcase the products, distinguish the brand and attract customers.

# CAMPAIGNS AND EVENTS 2015

During the year Björn Borg continued to position itself in sports and fashion through three main activities.

## **BJÖRN BORG'S SPRING CAMPAIGN: FIRST PERSON LOVER**

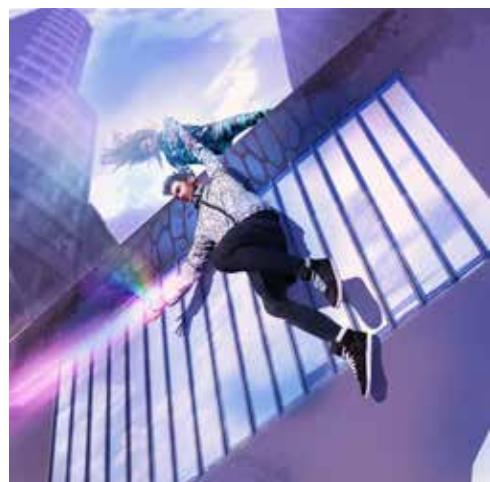
Björn Borg's spring campaign, First Person Lover, received several advertising awards during the year for innovative marketing communications. Björn Borg chose to launch its latest spring collection with an online game and at the same time stand up for more love in the gaming world. The campaign was spread through PR and trailers online. It premiered in 3D through Oculus Rift, in store windows and Point of Sale displays at retailers such as NK and Selfridges, and through digital outdoor advertising in a number of markets. The game and campaign have to date produced over 25 million views on YouTube, where it was named "The Most Fabulous Game in the Universe" by PewDiePie.

## **BJÖRN BORG'S RUNWAY SHOW AT STOCKHOLM FASHION WEEK**

The audience on opening night of Stockholm Fashion Week on August 24 was treated to a Mars-inspired display of Björn Borg's spring 2016 collection produced by Show Director Naomi Itkes. They got an early glimpse of a collection themed "Training for Mars." The most talked-about show at Fashion Week, it generated record-high PR value for Björn Borg in print media, TV and online.

## **BJÖRN BORG'S FALL CAMPAIGN: SPRINTER**

During the fall Björn Borg launched its first mobile fitness app – Sprinter – a free iPhone app that helps you to find workout buddies. In campaign images, the app was shown being used by athletes working out together to reach their goals. The campaign generated over 15,000 matches and has been downloaded by over 50,000 users in Björn Borg's markets. Most importantly, the campaign, along with a smart media strategy, generated a great deal of online distribution and strong coverage in sports and fitness media.



BJÖRN BORG   
made for love



# SWEAT SWIPE SOCIALIZE

Sprinter is the new way to find workout buddies.  
Download for free on the App Store.

# PRODUCT DEVELOPMENT

## BRAND AND PRODUCTS

Björn Borg is a sports fashion brand offering a number of different products, including sports apparel (both functional athletic wear and cotton-based sporty clothing), underwear (both fashion and functional athletic underwear), swimwear, socks and loungewear. The largest product area in terms of sales is still underwear, and in this category the share of functional sports underwear is steadily growing. Björn Borg's products are distinguished by the brand's sporty identity – products that make customers feel active and attractive, values that 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. The design expression was further strengthened in 2015 through an updated design platform and a more cross-functional approach to the brand's overarching direction in every channel, from product to store.

## IMPORTANT EVENTS IN 2015

In 2015 Björn Borg moved the design and product development of sports apparel to the head office in Stockholm from the Dutch subsidiary, Björn Borg Sport B.V., which had previously managed the business. By having sport apparel closer to the core business, the new strategy can be maximized to build Björn Borg as a sports fashion brand with sports apparel as a strategic product area. In 2015 a new sports apparel organization was created in Stockholm consisting of individuals with the right skills and experience to deliver on the new strategy, including a new head of design for sports apparel who joined the company in the fall. The first collection designed and developed entirely by the new team in Stockholm will come out in fall 2016. In 2015 Björn Borg was named "Sportswear Brand of the Year" by Café, a monthly Swedish men's magazine, an acknowledgment that the company has taken important steps to establish itself as a leading sports fashion brand.

Björn Borg also continued to develop products in the underwear segment, including by building on the successful Iconic concept. A number of new products introduced as part of the concept have been a commercial success and attracted wide attention in social media, especially the women's products. During the year the company did a assortment revamp in the underwear segment to create a more uniform and effective product range. This has been positively received by distributors and customers and will reach the market in 2016. The multipack trend is continuing, and during the year the company added more packs, which account for a growing share of the total range. It is vital that Björn Borg as a brand is responsive to market changes and can satisfy consumer demand. Socks, swimwear and loungewear continue to be important complements to underwear and contribute positively to the overall brand. There are also important commonalities

between underwear and the sports apparel segment in terms of functional socks, swimwear in more functional material and après sport products, where the company can find synergies between various segments within the framework of the new organization in Stockholm. In 2015 Björn Borg took major steps toward developing a more complete and thorough range of functional underwear, including by broadening the range of sports bras, but also in functional underwear for men with various models in functional materials. In 2016 these investments will make footprint in the store. The company believes strongly in the functional underwear category. As people choose to work out more in functional rather than cotton-based clothing, it is becoming more natural to also wear underwear in functional material. Björn Borg is a sporty brand with a strong reputation in underwear with great fit, and is well positioned to be a leader in this segment.

A number of exclusive showpieces on display during the runway show at last fall's Stockholm Fashion Week were sold in very limited supply on the company's e-commerce site in early 2016. The show and these items gained broad-based attention in the fashion press and social media, and are further evidence of Björn Borg's new position in the market as a sports fashion brand.

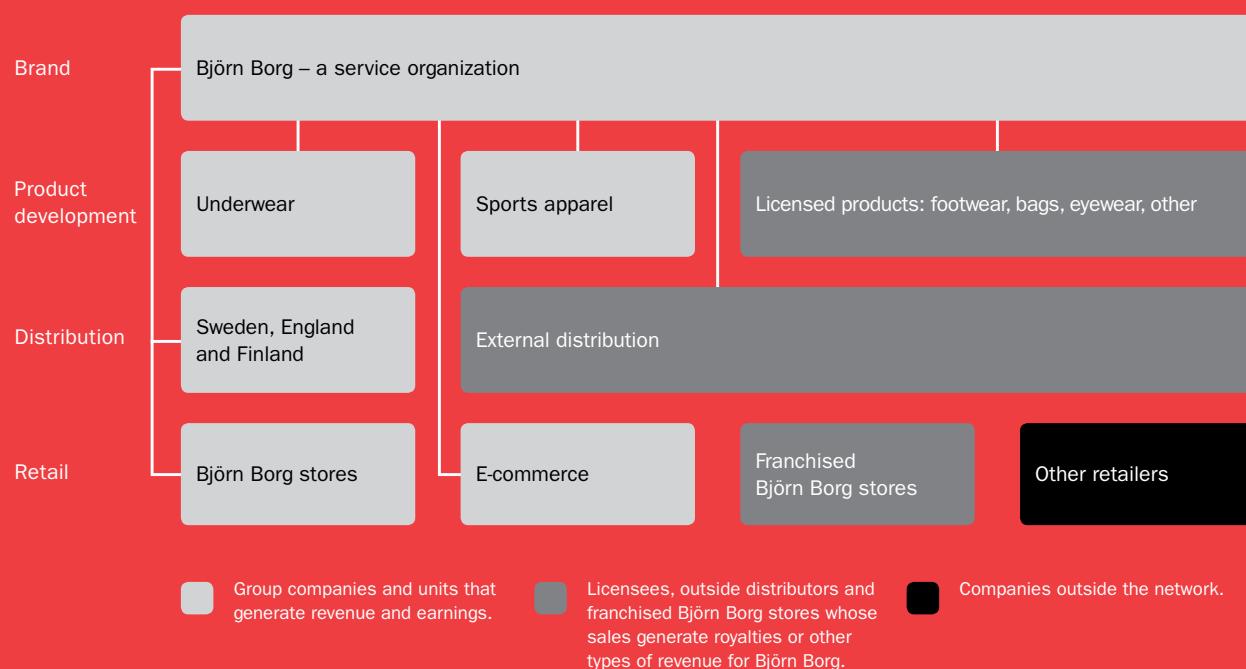
## FOCUS GOING FORWARD

The focus going forward will be on continuing to build Björn Borg as a sports fashion brand by focusing on sports underwear and expanding the sports apparel line. The company plans to incorporate more sportiness into its collections. Björn Borg is a brand with a sports heritage, and customer surveys that the company has conducted show that consumers increasingly want to buy sports apparel from Björn Borg. The company is well-positioned, in other words, to become a stronger sports fashion brand. In 2016 several exciting new products and collaborations will be introduced to support this transition.





# OPERATIONS



## BUSINESS MODEL

The Group's stable profitability and the successful positioning of the Björn Borg brand largely originate with 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 distribution and 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. This model, which combines in-house operations with independent partners, generates substantial consumer sales with limited risk and investment for Björn Borg.

Due to the termination of the distributor for Benelux, the business model will change over the long term as distribution in these markets is brought in-house. This will mean a higher degree of control over sales and marketing by Björn Borg, but at the same time an increase in tied-up capital.

## 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 has 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 and Denmark and tourist destinations such as Turkey, Greece, Bulgaria and Southeast Asia.



## PRODUCT AREAS

The largest and strategically most important product areas, underwear as well as sports and functional apparel, are owned and managed by the Group. In 2015 the design and product development of sports and functional apparel was started up internally in Sweden, and beginning with the fall 2016 collection all sports and functional apparel will be developed by the Swedish product company.

Product development in other areas – footwear, bags, eyewear and other – 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 in recent years more to Europe as well, 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 also 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 44-63.

## DISTRIBUTION

The majority of wholesale operations and product distribution to retailers is handled by external distributors with the right to market and resell 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

To a growing degree distribution is being handled by companies within the Group. In its main areas, underwear as well as sports and functional apparel, 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, Denmark and the Baltic countries. Since the fragrances product area was incorporated into the Group, Björn Borg has been responsible for distribution of its products as well. Sales to customers of sporting goods retailers were expanded in 2015.

### COOPERATION WITH EXTERNAL DISTRIBUTORS

Distributors sell and distribute the products to retailers by building the brand in their markets through their sales forces. They are responsible for sourcing, sales support, inventory, regional marketing, media planning and training. Björn Borg provides support and guidelines in the form of joint marketing and PR campaigns, among other activities.

In their agreements, distributors commit to specific sales and investment targets in their markets. If a particular distributor cannot meet the requirements, Björn Borg can normally terminate its 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. The performance of each market is evaluated as well. 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 also generating high sales volumes.

The large network of outside retailers represents an important interface with consumers. In all, around 3,300 retailers sell Björn Borg underwear and sports apparel, including 900 in Sweden, 680 in Denmark, 640 in the Netherlands, 550 in Norway, 250 in Belgium and 280 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 shrinking in number. This creates a more efficient selling-in process and leads to greater exposure in areas with high customer turnover.

Underwear from Björn Borg is often displayed centrally in department stores, retail chains and fashion boutiques. From well-stocked displays, the products build brand awareness. Björn Borg provides the stores with flexible Point of Sale 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

The 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. Concept development continued in 2015. The latest concept, which is used at the new Mall of Scandinavia in Stockholm, among other locations, is called "Cube Concept" and will be applied in all new stores.

Björn Borg continuously evaluates its retail presence to find an optimal number of Björn Borg stores – its own and externally owned – in established as well as new markets. The idea is that the Group's own stores, together with e-commerce, will continue to play a central role in Björn Borg's business model in new and more mature markets.

## 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 of the most distinctive trends in 2015 were the increased demand for multipacks and the growing importance of sports apparel, even though underwear continued to account for the majority of sales. A new web shop design was launched at the end of the year to further adapt to mobile devices as the largest future source of traffic. Björn Borg's own e-commerce sales were strong in 2015 (up 73 percent), and it sees continued growth opportunities.

Sales through e-tailers, i.e., online resellers, continue to rise in local markets with fewer customers as well as 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, 2015

	Group-owned	Franchises
Sweden	14	–
Netherlands	–	7
Belgium	–	7
Finland	6	–
Norway	–	6
England	1	–
Chile	–	–
Slovenia	–	–
Germany	–	–
<b>Total</b>	<b>21</b>	<b>20</b>

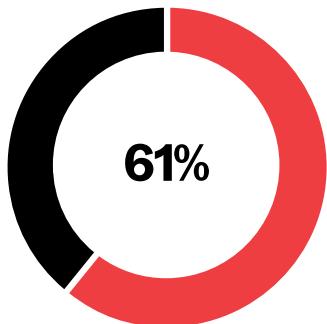


# PRODUCT AREAS



# UNDERWEAR

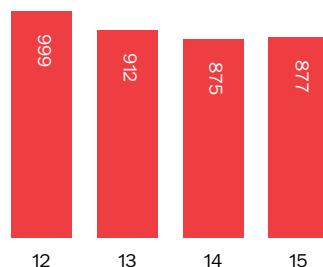
UNDERWEAR AS A SHARE OF TOTAL BRAND SALES 2015



UNDERWEAR BRAND SALES BY COUNTRY 2015



UNDERWEAR SALES TREND 2012–2015, 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 and socks. 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 athletic collection and several bra models.

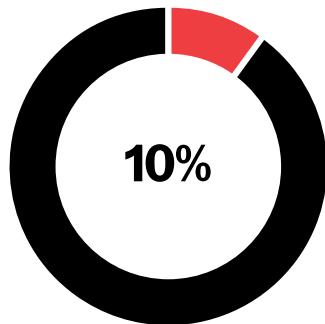
Björn Borg underwear is sold by independent retailers, apparel and sporting goods chains, department stores, Björn Borg stores and online. The underwear product company is owned and operated by the Björn Borg Group.

Brand sales in underwear increased marginally in 2015 to SEK 877 million, with the product area accounting for 61 percent of total brand sales. Among large markets, Sweden, Finland and the Netherlands saw good growth, while other major markets – Norway, Denmark and Belgium – reported declines.

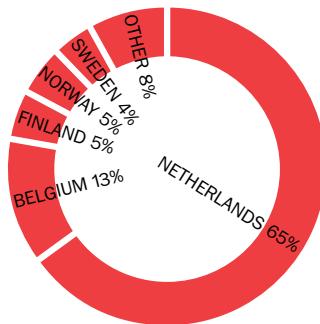


# SPORTS APPAREL

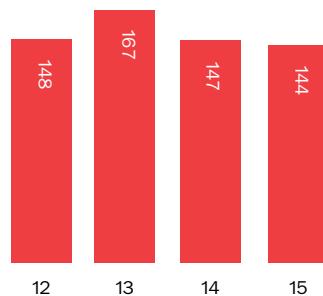
SPORTS APPAREL AS A SHARE OF TOTAL BRAND SALES 2015



SPORTS APPAREL BRAND SALES BY COUNTRY 2015



SPORTS APPAREL SALES TREND 2012–2015, SEK MILLION



Björn Borg offers clothing 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.

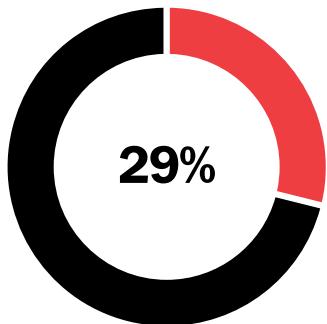
Today Björn Borg's sports apparel is sold in a total of eight markets. Retailers include sports apparel and sporting goods retailers, department stores, Björn Borg stores and online.

The operations of Björn Borg Sport in the Netherlands are being wound down at the same time that a corresponding business has been started up in the Swedish product development company Björn Borg Clothing. By having design and product development close to the core business, the company can more quickly and effectively capitalize on the transition to a sports fashion brand.

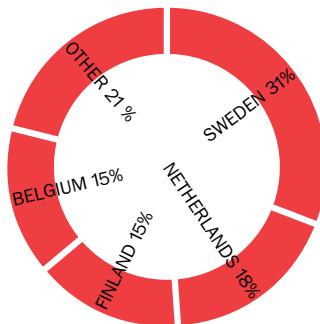


# OTHER PRODUCTS

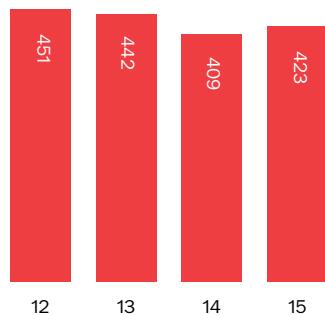
OTHER PRODUCTS AS A SHARE OF BRAND SALES 2015



OTHER PRODUCTS SALES BY COUNTRY 2015



OTHER PRODUCTS SALES TREND 2012–2015, SEK MILLION



## FOOTWEAR

The footwear product area, which is operated by an external licensee, 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](http://www.bjornborg.com). In recent years the licensee has expanded the footwear operations internationally to several markets. In 2015 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, gym bags and duffle 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.

## OTHER PRODUCTS IN 2015

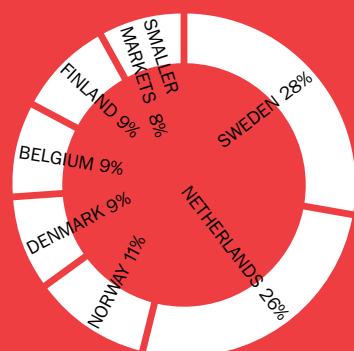
Total brand sales of other products amounted to SEK 423 million in 2015, an increase of 3 percent compared with 2014. As a whole, other products accounted for 29 percent of total brand sales.

The footwear product area reported an increase of 2 percent to SEK 311 million, or 22 percent of brand sales. Sports apparel brand sales amounted to SEK 144 million during the financial year, or 10 percent of total brand sales. Other product areas – mainly bags and eyewear – reported an aggregate sales gain of 9 percent during the year to SEK 112 million. Together, they accounted for 7 percent of brand sales.



# GEOGRAPHICAL MARKETS

BRAND SALES BY COUNTRY



## LARGE MARKETS

Björn Borg is currently represented in around 20 markets, of which Sweden, the Netherlands, Norway, Belgium, Denmark and Finland are the largest, in that order.

### 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 28 percent of total brand sales. Björn Borg products are sold by about 900 retailers around the country, through Björn Borg's 12 stores and two factory outlets, and online. 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 rose in 2015 compared with the previous year.

### NETHERLANDS

The Netherlands was the Björn Borg brand's second largest market in 2015, with 26 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.

Björn Borg products are currently sold by around 640 retailers and seven Björn Borg stores. Björn Borg products from every product area are sold in the Dutch market, where brand sales decreased slightly during the year.

Björn Borg terminated its distribution agreement for the Netherlands, Belgium and Luxembourg during the year. The aim is to manage distribution of Björn Borg products in these countries internally in the future. Current distributors will retain their distribution rights during the four year term of notice, unless the parties agree on an earlier takeover.

### 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 550 retailers around the country and in six Björn Borg stores. All product groups are represented in Norway. Brand sales in the Norwegian market rose year-on-year.

### DENMARK

Björn Borg was launched in Denmark in 1992, and today it accounts for 9 percent of total brand sales. Björn Borg products are sold exclusively through around 680 external retailers. There are currently no Björn Borg stores in the country. Every product area is represented in Denmark. In 2015 brand sales declined significantly compared with 2014.

### BELGIUM

Björn Borg was launched in Belgium during the second half of the 1990s. In recent years the growth rate has been high, and today Belgium is Björn Borg's fifth largest market, with 9 percent of total brand sales. Underwear dominates the Belgian market, although 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 decreased compared with 2014.

### 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 9 percent of total brand sales. Underwear is the dominant product area, although footwear and sports apparel are sold as well. There are six Björn Borg stores in Finland, five of which are in the Helsinki area. Three stores were opened in the second half of 2015. Brand sales in Finland grew solidly during the year.

## SMALLER MARKETS

Smaller markets include England and a number of markets where the brand has been introduced in recent years: Canada, Switzerland, Germany, Austria and South Africa.

### 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. Brand sales in England decreased slightly in 2015. England remains a priority market, however.

### OTHER SMALLER MARKETS

Brand sales are decreasing in many smaller markets. Björn Borg has chosen to focus more on what it considers its key markets, i.e., Northern Europe. The sales decline is partly due to the termination of several former distributors. In markets where distribution cooperations have been terminated but the company is still represented, Björn Borg maintains a direct dialogue with relevant customers.



# BJÖRN BORG'S CORPORATE RESPONSIBILITY

## TO MAKE A DIFFERENCE

We believe all humans carry the will to make a difference – for themselves, for someone else, or for the world.

We believe that we all can be different and make things better.

Together we can change the game and break what is impossible.

# IMPORTANT EVENTS 2015

## INTEGRATION OF DESIGN AND PRODUCT DEVELOPMENT OF SPORTS APPAREL

The business previously conducted by third party licensee Björn Borg Sport B.V. in the Netherlands is currently being wound down, and design and product development have instead been integrated into Björn Borg centrally. As a consequence, these areas can be more effectively incorporated into Björn Borg's overarching sustainability program, including with respect to working conditions in factories, chemical management, environmental footprint and animal welfare.

## BJÖRN BORG SUSTAINABILITY ROADMAP 2016-2019

In 2015 Björn Borg developed a Sustainability Roadmap pinpointing the specific measures necessary to meet the sustainability goals for 2016-2019. The plan contains concrete goals and actions to reduce Björn Borg's environmental impact, including in external production by using more sustainable material and production methods.

## CONTINUED IMPLEMENTATION OF BSCI 2.0

In 2015 Björn Borg continued to implement BSCI 2.0, the second generation framework of the Business Social Compliance Initiative, to improve working conditions in the supply chain. During the year Björn Borg provided training to its buyers and informed suppliers about BSCI's new code of conduct and the new BSCI 2.0 structure.

## MEMBERSHIP IN STWI AND INITIAL ENVIRONMENTAL PROJECT IN PRODUCTION

At the beginning of the year Björn Borg became a member of the Sweden Textile Water Initiative (STWI). During the year STWI's guidelines on sustainable water consumption in production were integrated into Björn Borg's requirements for suppliers. A first STWI project was conducted at a factory in China and materialized energy savings, reduced the load on the environment and led to financial gains for the supplier.

## MEN'S UNDERWEAR IN ORGANIC COTTON

A collection of men's underwear in organic cotton was launched in fall 2015 as a first step toward the long-term goal to use more sustainable material in collections. The effort will intensify in 2016.

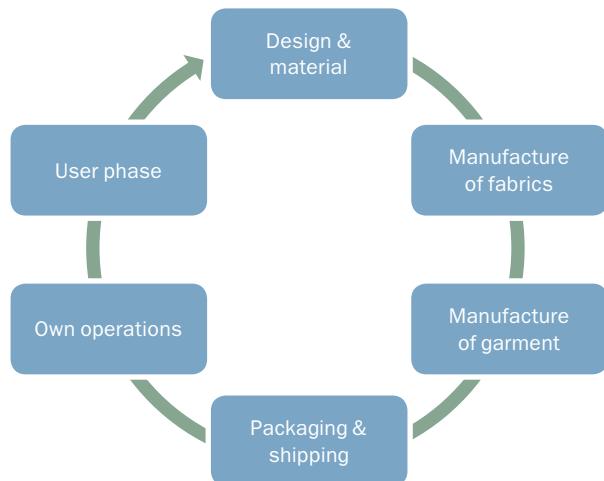
# SUSTAINABLE DEVELOPMENT FOR BJÖRN BORG

## BJÖRN BORG TAKES RESPONSIBILITY

Björn Borg acknowledges and embraces its responsibility for how people and the environment are affected by its operations and takes actions to minimize negative impacts, including encouraging production partners and consumers to see their role and change their behavior. A focus on the environment and climate change is important. The challenges of reduced access to essential raw materials and shared responsibility for the environment and climate are a reality as the earth's population grows and consumption accelerates. What's clear is that everyone will have to do things differently in the future. As part of an industry with a major environmental impact, Björn Borg has a role to play in reducing that impact. Driving us is a conviction that we can make a difference.

## STARTING POINT IN PRODUCT LIFECYCLE

The natural starting point for Björn Borg's sustainability programs is the product lifecycle – the various stages involved in producing and marketing products, followed by the user phase by the consumer. The product lifecycle describes Björn Borg's operations based on which stakeholders are affected and the impacts on the environment and society through the value chain.



In 2010 Björn Borg completed a lifecycle assessment (LCA) of a pair of underwear to identify the biggest environmental impacts. The assessment focused on air emissions and water pollution from greenhouse, acidifying and ozone-depleting gases as well as hazardous waste and was conducted according to the ISO 14040 standard. The conclusion was that the biggest impacts are in the production and user phases.

## SHARE OF ENVIRONMENTAL IMPACT ACCORDING TO LCA



Based on these conclusions, the company's sustainability program is designed with the ambition to minimize negative impacts throughout the product lifecycle, even when they are caused by external production partners or the consumer.

## IMPACT IN PRODUCTION IS THE KEY

The LCA showed that about 37 percent of the environmental impact is in production, in the process stretching from fibers to finished garment. This part of the lifecycle lies with external parties. However, Björn Borg uses a relatively small, manageable number of factories, which facilitates dialogue and monitoring. Björn Borg had production at a total of 11 external factories in 2015, the majority in China and a smaller share in Turkey. The sports apparel business, which had previously been managed by the licensee Björn Borg Sport B.V., was integrated during the year into Björn Borg's design and product development at the head office. Four factories were used for sports apparel.

Behind the factories contracted by Björn Borg lies a chain of subcontractors that includes cotton growers, spinners, weavers and dyeing and printing houses. The company's LCA showed that as much as 67 percent of the total impact in the production stage is in the first steps of the process, fiber selection and fabric manufacturing. Björn Borg currently does not have any direct contractual relationships at this level, but the long-term goal is to find effective ways to address impacts in these earlier stages of the production chain. The first step is to significantly improve transparency throughout the supply chain.

## FOCUS AREAS FOR SUSTAINABILITY

Working conditions in factories have been a priority for Björn Borg for many years. Since the company subcontracts production, special controls have to be implemented to ensure that factory workers have acceptable and safe working conditions. To achieve this, Björn Borg applies, e.g., the framework developed by the Business Social Compliance Initiative (BSCI).



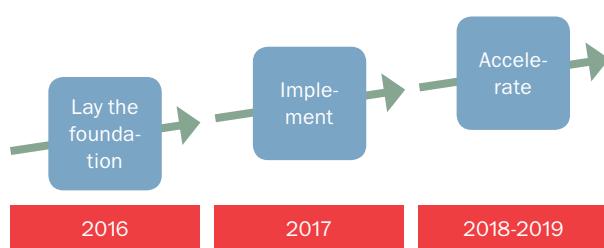
In addition, Björn Borg has formulated three focus areas for its sustainability program in coming years. The priorities are based on where the negative impact is greatest ("Impact") and Björn Borg's sphere of influence ("Control").

- **Product** – A very large share of the impact is in production, in manufacturing the fibers and other inputs and in the production process itself. By making a more sustainable product, we create a framework to address impacts related to design and the choice of materials and in the production stage.

- **Our own operations** – Björn Borg undoubtedly has a responsibility in its own operations (including transports), and it is here that the company also has the greatest opportunity to make a difference.
- **Transparency** – Björn Borg is open about its sustainability goals and results. The aim is to gradually increase transparency in the production chain, with the goal over time of obtaining greater insight into the various stages of the chain of subcontractors.

## INTEGRATION AND GOVERNANCE OF SUSTAINABILITY

In 2015 Björn Borg formulated a Sustainability Roadmap for 2016-2019 consisting of a number of goals and actions in a step-by-step process which ensures that the work will be results oriented.



### INTEGRATION OF SUSTAINABILITY IN OPERATIONS

Sustainability is an express part of the company's business plan for 2015-2019, which contains a number of concrete goals that are broken down into annual departmental milestones and activities – now also integrated into the Sustainability Roadmap. The plan is to gradually increase sustainability efforts and to increasingly integrate the work into the different departments within the company. In 2015 about 15 percent of employees had sustainability goals as part of their individual goals. In 2016 over 55 percent of employees have sustainability goals.

Another key to integrate sustainability at an operational level is that the company's Sustainability Director is a member of the management team, which keeps the issue on management's agenda. The management team has formulated a number of priorities for 2016, a specific item approved by the Board of Directors. Stepping up the commitment level and more clearly integrating sustainability into operations are among the priority areas, which are followed up at every management meeting. Sustaina-

bility is also on the Board's agenda at least once a year, most recently in November 2015.

### SUSTAINABILITY GOVERNANCE

Björn Borg uses a number of Key Performance Indicators (KPIs) to implement its sustainability program. The target implementation process described above is an important part of this. A number of policies are in place as well to guide employees and encourage them to embrace the sustainability goals.

### EXAMPLES OF POLICIES THAT GUIDE SUSTAINABILITY WORK:

- Gender equality plan
- Occupational health and safety policy
- Anti-discrimination policy
- Anti-corruption policy
- Business travel policy (environmental aspects, etc.)
- Advertising policy

Regular follow-ups are conducted within the various departments. In 2015, for example, a workshop was held for each department on the theme of sustainability to clarify Björn Borg's overarching goals and plans and illustrate for everyone how they play a role in creating a more sustainable company. The aim is that every employee shall see the role they play in ensuring that the company reaches its goals. Another way to ensure that sustainability is integrated into day-to-day operations is through various types of training. In 2015 buyers were among those to receive training, to raise awareness on how price pressure can force suppliers to reduce their labor costs by lowering wages or hiring younger, less educated workers and that

short lead time demands can lead to overtime in factories or a greater need for air freight. Strengthening know-how and understanding of sustainability internally is a continuous, and important, process.

Other important governance tools are Björn Borg's Code of Conduct for working conditions in factories,

STWI's guidelines on sustainable water use in production and the chemical requirements (including the company's Restricted Substances List) used to set demands for external suppliers. Compliance with these requirements is monitored continuously.

## STAKEHOLDER DIALOGUE

By openly reporting its sustainability work in this report, on the website and through direct queries, Björn Borg meets the needs of its various stakeholders. Through an open and continuous dialogue, the company also learns what stakeholders think is important and how they perceive Björn Borg's sustainability work.

Stakeholders	Status/comment
Consumers	Consumers trust that Björn Borg's products are safe and expect the company to take responsibility for impacts on people and the environment. Björn Borg wants to earn this trust. A major consumer survey conducted in 2015 showed that 70% of women and 62% of men think that sustainability is important in choosing what brand to buy. More than half also feel that Björn Borg could more clearly describe its activities and results in the sustainability area.
Commercial customers	Commercial customers such as retailers often set their own concrete requirements that Björn Borg as a supplier must meet. In 2015 Björn Borg signed several codes of conduct and other requirements documents from customers.
Employees	More and more employees expect their employer to take corporate responsibility and want to be proud of where they work. A 2015 survey on sustainability engagement showed that no less than 97% of Björn Borg's employees felt it was important to work for a company that takes responsibility and has a clear sustainability agenda.
Stock market	A sustainability program creates value and minimizes risk. Shareholders are concerned about the value of the company and the brand and expect transparency about sustainability efforts. In 2015 Björn Borg dialogued with fund managers and rating agencies, including in face-to-face meetings, to create a clearer understanding of expectations from financial investors or for qualification for ethical funds.

# GOALS AND RESULTS

Björn Borg's sustainability program is designed around concrete, measurable goals and implemented through relevant activities. The goals have been formulated based on, among other things, the focus areas Product and Own operations. The company further is committed to openly

reporting its results in accordance with the focus area Transparency. The goal parameters are "Impact" and "Control." The idea is to concentrate efforts where the biggest positive effect can be achieved and where the company's sphere of influence is greatest.

Björn Borg has established the following concrete sustainability goals, which are also expressed in the Sustainability Roadmap:

Goals	Status/comment
By 2019 at least 70% of products developed will contain sustainable material, and conventional cotton will be completely phased out (own production*).	Björn Borg is now rolling out more sustainable material. For collections developed in 2016 at least 15% of underwear products and at least 10% of sports apparel will be more sustainable. The initial focus will be on transitioning to better cotton.
By 2019 a substantial part of Björn Borg's collections (own production*) will be produced using better processes in terms of water and chemical use. A more concrete goal (%) will be set in 2016.	Björn Borg is a member of STWI and implements STWI's guidelines for sustainable water use in production. The company also has detailed chemical requirements. Implementation of measures to reach the long-term goal will begin in 2017 with better dyeing and printing alternatives. An environmental project further down the production chain, with a focus on water, will be launched in 2016.
The Björn Borg Group's CO <sub>2</sub> emissions per SEK of sales will be reduced by 40% between 2013 and 2019.	Between 2014 and 2015 CO <sub>2</sub> emissions were reduced by 7% nominally and by 12% per SEK of sales. Since 2013 CO <sub>2</sub> emissions per SEK have been reduced by 29%.
By 2019 a maximum of 2% of collections (own production*) will be shipped by air. The goal for 2016 is a maximum of 4% (based on total number of units shipped).	At present 8% of collections (units shipped) are sent by air. This is too high and in 2016 a number of measures will be implemented to reduce air freight, including a formalized internal approval process.
At least 80% of the total purchase volume for Björn Borg's own production* will come from factories that have been approved (according to BCSI's classification) through BSCI audits or similar standards, or which otherwise have widely accepted certification such as SA8000.	In 2015 the goal was raised from 67% to 80%. During the year 85% of Björn Borg's products (in volume) came from approved factories (at least level 1 of 2 or the equivalent) in BSCI audits, meeting the goal.
No so-called Substances of Very High Concern will be prevalent in Björn Borg's products (own production*).	All manufacturers must sign Björn Borg's chemical requirements and undergo chemical tests each season. In 2015 extensive testing was done without any non-compliance identified.

\* "Own production" refers to factories contracted by Björn Borg, excluding factories contracted by licensees (e.g., footwear and bags).

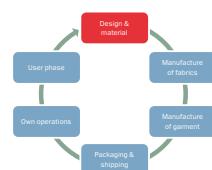


# MEASURES AND RESULTS DURING THE PRODUCT LIFECYCLE

The company's sustainability program is structured around the product lifecycle with the Björn Borg Sustainability Roadmap as a foundation. The concrete issues topping the agenda, the results achieved in 2015 and the priorities going forward are listed below.

## DESIGN AND MATERIAL

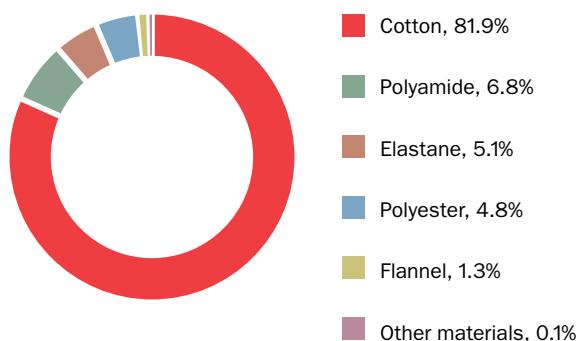
*The sustainability performance of Björn Borg's products is largely determined in the planning stages in product development. When collection work is kicked off and design work initiated, many decisions are made that affect the sustainability impact of a garment over its lifecycle. The choice of materials and the garment's quality and useful life are critical and are therefore high priorities for Björn Borg.*



## IMPACT OF CHOICE OF MATERIALS

Like most clothing companies, Björn Borg uses a lot of cotton. Cotton currently accounts for more than 80 percent of the fibers used in the company's garments (based on number of units and percentage of cotton in them). As a fiber, cotton poses considerable sustainability challenges. Significant amounts of chemicals are used to cultivate cotton and extract the fiber, which has an adverse impact on people and the environment. In addition, a great deal of water is required to grow and process cotton.

## BJÖRN BORG'S FIBER MIX (2015)



Animal products require special considerations. In 2016 design and product development of sports apparel will be integrated into Björn Borg centrally, and the guidelines on the use of animal products has therefore been clarified. Björn Borg does not use fur from living animals in its products and does not use down, instead using alternatives with similar

qualities. In 2016 Björn Borg is launching a collection in merino wool (so-called first layer) that comes from suppliers that have pledged not to use mulesing, a painful method to remove wool from sheep which is considered unethical.

### Our goal

By 2019 at least 70% of products developed will consist of sustainable material, and conventional cotton will be completely phased out (own production\*).

For the collections developed in 2016 sustainable material will be used in at least 15 percent of underwear products and at least 10 percent of sports apparel.

### What we are doing to achieve our goal

In 2015 Björn Borg launched a collection of men's underwear in organic cotton. Though accounting for just a small share of the total product range, this is an important first step in a gradual rollout of more sustainable material. A key activity in 2016 will be establishing a concrete rollout plan to achieve the long-term goal. Initial focus is to transition to better cotton alternatives or substitute cotton with other, more sustainable materials with similar functional properties. As part of this work, alternatives are being analyzed based on environmental and functional parameters.

Björn Borg has provided training on sustainable materials for all employees in the design and product department. It is vital that designers and product developers understand the environmental aspects of various materials and that buyers within the company have the skills and tools to concretely discuss these issues with suppliers.

## QUALITY AND USEFUL LIFE

One of the big environmental challenges is global overconsumption of inexpensive clothing of poor quality. Björn Borg's goal is to make high quality products that last.

### Our goal

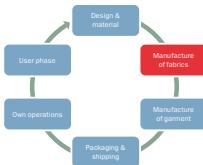
All of the company's products are designed for a long useful life and shall meet stringent quality demands. The products will hold up after repeated use and washing.

### What we are doing to achieve our goal

The company has a rigorous quality assurance process to ensure a high level of quality. It consists of specific quality requirements in production and extensive quality testing to ensure that the requirements are met. Continuous improvements in the requirements and quality assurance process are made year after year.

## MANUFACTURE OF FABRICS

*Significant amounts of chemicals and water are typically used in the manufacture of fabrics, which poses a number of environmental challenges. Björn Borg has no direct contractual relationships with this part of the supply chain, but has a chemical management program that indirectly has an impact. An important next step is to find ways to more directly influence impacts at this level as well. This work is being carried out within the framework of the company's focus area Transparency.*



## CHEMICALS

The manufacture of fabrics requires the use of chemicals, especially to dye and print threads and fabrics. Certain chemicals can be hazardous to people that come into contact with them or for the environment, e.g., emissions in production or from the consumer's washing.

### Our goal

Björn Borg's goal is that no so-called Substances of Very High Concern (SVHC) will be prevalent in its products. The target is also to manufacture a significant share of its collections using better processes that consume less water and chemicals by 2019. A more concrete goal will be set in 2016 with targets and activities to reach the long-term goal.

### What we are doing to achieve our goal

Björn Borg has had a chemical management program for many years to ensure that its products do not contain hazardous substances. The company applies a Restricted Substances List (RSL) that all suppliers must follow. The list, which sets the maximum content levels for chemicals in products, is based on the guide prepared by the Swedish textile importers association and ultimately on EU's REACH legislation. Björn Borg's requirements are even stricter, however, including a ban on SVHC's, which are considered a gray zone chemical. The emphasis is on phthalates, fluorocarbons and alkylphenol ethoxylates (including nonylphenol ethoxylate), which may not exceed stated limits or, in the case of SVHC's, may not be prevalent in Björn Borg's products. Compliance is verified through testing at least once per collection and supplier.

Björn Borg also requires factories to maintain safety routines with respect to protective clothing and the storage and use of chemicals in production facilities. Regular visits allow the company to conduct its own controls.

Björn Borg also requires external licensees to follow relevant chemical laws. The company's licensees in footwear and bags, for example, work actively with control systems in a similar way to Björn Borg.

Björn Borg cooperates with the research organization Swerea IVF and participates in its chemical group for textile companies along with a number of other Swedish clothing companies. The testing itself is conducted by experienced third parties. Product developers and buyers are also provided skills training and various types of tools to design and buy safe products.

## WATER

The clothing industry is the world's third largest consumer of water at a time when the global water shortage is growing. Traditional clothing production requires a lot of water, especially to dye and print yarns, threads and fabrics. The main issues are water efficiency, water pollution prevention and wastewater treatment. In practice, water issues usually have to be addressed together with chemical issues.

### Our goal

Björn Borg's goal is that a large part of its collections (own production\*) will be produced by 2019 with better processes that use less water and chemicals. A more concrete goal will be set in 2016 with targets and activities to reach the long-term objective.

As mentioned above, the plan is also to gradually transition away from conventional cotton, which in itself will significantly reduce the company's total water footprint.

### What we are doing to achieve our goal

Björn Borg is a member of the Sweden Water Textile Initiative (STWI) and implements its guidelines on sustainable water use in the supply chain. A STWI project conducted at one of Björn Borg's factories in 2015 (see the section "Manufacture of garments" below) focused on energy improvements in factories that produce finished garments. The goal is also to actively contribute over time to improving the water footprint of sub-suppliers that use wet processes. In 2016 the company is launching a water project in a production unit for dyeing and printing textiles operated by a subcontractor in China.

## SWEDEN TEXTILE WATER INITIATIVE (STWI)

STWI is working to improve environmental impacts in the clothing industry's production chain, especially with regard to water, energy consumption and chemicals. Since 2013 it has improved the environmental footprint of more than 140 factories in Bangladesh, Ethiopia, China, India and Turkey that supply Swedish clothing companies. In China the focus is on Guangdong, Zhejiang and Jiangsu, areas where Björn Borg has production. The STWI program seeks to build close relationships with the manufacturers and teach factory workers what needs to be done to reduce the environmental footprint using best practices to manage and consume various production resources. The measures usually produce long-term savings for the manufacturers. The goal is to create a triple-win situation by improving profitability, the environmental footprint and the production facility's reputation.

To meet its long-term water and chemical goals, the company is pinpointing effective measures in dyeing and printing that will enable it to reduce its footprint, based on the parameters Control and Impact. An important first step is to gradually obtain a more complete understanding of the parties at different levels of the production chain. This is part of a larger effort to increase transparency in production (Transparency).

## OTHER CLIMATE IMPACTS FROM MANUFACTURE OF FABRICS

CO<sub>2</sub> emissions in the manufacture of fabrics and other inputs used in Björn Borg's products are significant. The company is therefore working with garment-making factories to encourage them to place demands on and persuade their subcontractors to reduce CO<sub>2</sub> emissions. Björn Borg's aim is to drive these improvements more actively as transparency in the production chain increases, which also creates more opportunities to influence participants at various levels of production. The project, scheduled for 2016 at a subcontractor to a factory in China, will also address CO<sub>2</sub> emissions. This is an example of a concrete way the company can make a difference in early stages of the production process.

## MANUFACTURE OF GARMENTS

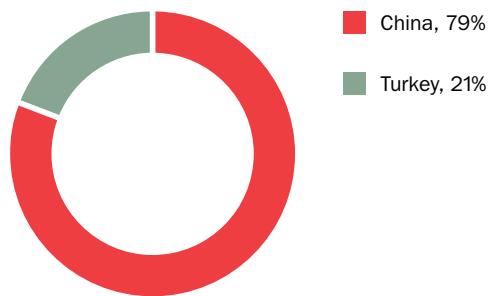
*Björn Borg does not own the factories that manufacture its products, but takes several measures to still ensure that suppliers improve their sustainability performance. This includes making sure that the factories meet the company's demands in terms of fair and safe working conditions and reduce their environmental impact.*



## BJÖRN BORG'S FACTORIES

The company has manufacturing (own production) at a total of 11 external factories (2015), most in China, and a small but increasing share in Turkey. In addition, Björn Borg's sports apparel is produced at a total of four factories, mainly in China.

## PRODUCTION COUNTRIES (2015)



## WORKING CONDITIONS

Working conditions in external factories that manufacture Björn Borg's products have long been a priority issue. Björn Borg has been a member of the Business Social Compliance Initiative (BSCI) for many years and applies BSCI's Code of Conduct. All manufacturers must sign, and commit to abide by, the code of conduct, which is verified through periodic monitoring. The company's licensees for bags and footwear are also active in BSCI.

### Our goal

Björn Borg's goal is that at least 80 percent of the total purchase volume (own production) will come from manufacturers that have been audited by BSCI and achieved at least an approved level or have another recognized certification such as SA8000. Another goal is that all key suppliers will participate in BSCI's monitoring system and undergo regular audits. A key supplier is one that supplies a significant share of the product volume (at least 10%) and/or products that are considered especially important for any reason.

### What we are doing to achieve our goal

Björn Borg has a structured supplier control program to identify and address challenges and risks associated with suppliers. An important part of the program is the Business Social Compliance Initiative (BSCI). The company applies BSCI's code of conduct.

BSCI's code draws on the International Labour Organization's (ILO) core 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. The factories commit in writing to abide by it. Compliance is verified through audits by the companies participating in BSCI. BSCI participants that buy products from the same manufacturer can benefit from each other's audits and monitoring. BSCI focuses on risk countries such as China and Turkey, where Björn Borg has its production.

The company monitors that factories undergo BSCI audits. If any key factories have not already been introduced to the control program by another BSCI participant, Björn Borg takes ownership, so-called RSP (Responsibility), for the factory in question. This means that Björn Borg has principal responsibility for monitoring and control of the factory. Deviations from the code detected during an audit must be addressed through a special action plan, which in turn is followed up within one year to verify that the issues have been alleviated.

Björn Borg's suppliers are encouraged to participate in BSCI's Capacity Building training, with a focus on those that need developing.

98 percent of Björn Borg's products come from factories that are part of the BSCI program and have undergone audits.

In 2015, 85 percent of the total purchased volume came from production units that have been approved by BSCI, meaning having reached at least level 1 of 2, according to BSCI's original scale.

The company's four largest manufacturers, together accounting for over 80 percent of Björn Borg's production (based on volume, i.e., number of units produced), were all approved; see below. One of these factories, the company's



largest, also holds SA8000 certification, an internationally recognized workplace standard for factories. Björn Borg has RSP for all four of its principal suppliers.

In 2015 a total of five supplier audits were conducted: two by Björn Borg at two large factories and three by other BSCI participants that manufacture at the same factories as the company. Of the two factories that Björn Borg audited (which are also included in the table below), one received the highest grade (Level 2, "Good"), while the other was rated as "Improvement Needed" (Level 1).

Factory	Share of production	RSP	Result
Factory 1, China	26%	Yes	Good (2), SA8000
Factory 2, China	25%	Yes	Improvement Needed (1)
Factory 3, China	20%	Yes	Good (2)
Factory 4, Turkey	12%	Yes	Good (2)

Identified remarks in the case of the factory with the rating "Improvement Needed" involved insufficient documentation, e.g., policies that fell short of regulations and unclear roles and responsibilities internally (management system), but also excess overtime. An action plan was implemented in 2015 at the factory and a new audit will be performed in 2016. According to BSCI's current grading system, however, both of the factories audited by Björn Borg in 2015 formally achieved a rating of approved (at least 1 of 2).

One of Björn Borg's smaller factories is non-compliant in terms of maximum overtime, documentation of compensation and verification of employee ages. Safety issues were raised as well. Björn Borg takes this seriously and in 2015 therefore took RSP for the factory. In 2016 an initial audit according to BSCI 2.0 will be conducted. Due to the nature of the non-compliance, the company felt this was necessary even though the factory accounts for just a small share of its total production.

2015 was the last year that audits were performed according to the old grading system. From 2016 onwards all suppliers will be graded according to the new system below, which Björn Borg will transition to.



In 2015 purchasing for sports apparel was gradually phased out from the former licensee in the Netherlands (Björn Borg Sport B.V.), which is being wound down, and taken over by Björn Borg centrally. As part of this transition, Björn Borg focused during the year on ensuring that all manufacturers of sports apparel sign and commit to BSCI's code of conduct. In 2016 Björn Borg will bring the most important factories for sports apparel into BSCI, including taking RSP and initiating audits when necessary. Formally, purchase orders are still placed by the previous licensee, but from mid-year 2016 it will be done by Björn Borg centrally. Going forward these manufacturers will therefore be included in the comparative figures in this report.

As part of its overall supplier control program, Björn Borg also conducts its own semiannual factory audits. Once a year a more comprehensive evaluation of all manufacturers is done as well. For more information on the evaluation, see below.

#### CLIMATE IMPACT FROM MANUFACTURE OF GARMENTS

CO<sub>2</sub> emissions from external factories that manufacture Björn Borg's products contribute to the environmental impact in the production chain. Production is often done in countries with little renewable energy and at facilities that rarely have the most efficient equipment, sometimes because it is older or poorly maintained. In many traditional production countries renewable energy accounts for a smaller share of the electricity produced and available. Given this, the choice of country of manufacture also affects the total environmental footprint. In recent years Björn Borg has increased the percentage of production in Europe, which offers more renewable energy. At the same time China is the country that currently invests the most in renewable energy.

#### Our goal

To address climate impacts in the production chain, it is natural that Björn Borg takes action to influence the factories it has direct relationships with (Control). The goal is that contracted factories will reduce their energy consumption and climate impacts in general (e.g., from emissions) and over time achieve measurable improvements.

#### What we are doing to achieve our goal

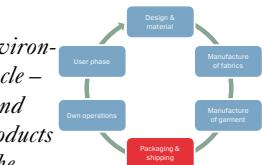
Björn Borg is evaluating the ability of its factories to reduce their climate impact. It conducts semiannual evaluations of factories as well as an annual follow-up of their environmental performance. This includes their BSCI results (above). The evaluation is based on various Key Performance Indicators (KPI) for sustainability such as audit results, certifications, environmental performance or documented measures to reduce electricity and water

consumption, lower emissions and improve chemicals management. Supplier engagement and willingness to improve are evaluated as well. Each manufacturer receives a total score, and those with good results and that improve over time have a chance for more purchases from Björn Borg, and in that way can develop their businesses.

In 2015 an environmental project was implemented at a production facility in Björn Borg's supply chain as part of the Sweden Textile Water Initiative. The project was done at a factory in China that produces finished garments with the aim of identifying potential energy improvements. As a result, the factory was able to reduce its energy consumption and chemical usage by 12 percent. The project also resulted in concrete proposals to better inform employees about energy efficiency, optimize air compression in the factory, install measurement instruments to better monitor consumption, reuse steam in order to conserve water, and switch the lighting to LED.

#### PACKAGING AND SHIPPING

*Packaging is also part of the total environmental footprint in the product lifecycle – both the packaging used in logistics and product packaging. Transporting products has a significant impact as well. In the climate footprint from Björn Borg's own operations, shipping accounts for about 60 percent of total CO<sub>2</sub> emissions. This represents a large part of the impact that the company has direct control over, and it is therefore an area where the company can make a difference through various types of measures.*



#### PACKAGING

##### Our goal

Björn Borg's goal is that all of its product packaging will be environmentally certified (e.g., by FSC) or consist of recycled material by 2019. The goal is that 80 percent of the company's underwear packaging will be FSC certified beginning in 2017.

##### What we are doing to achieve our goal

The new underwear packaging that Björn Borg is rolling out in 2016 will include a gradually increasing amount of FSC-certified carton from responsibly managed forests.

## FOREST STEWARDSHIP COUNCIL – FSC

The basis of FSC's voluntary certification system is its global principles and criteria. Regional and national forestry standards are in place based on the global rules but adapted to the conditions in various countries or regions. Raw materials from FSC-certified forests must be traceable in the supply chain for a finished product to carry the FSC label. Each level in the chain leading up to the finished product must meet FSC's chain of custody certification, which requires, among other things, that FSC-certified material is separated from uncertified material and that the material is handled in another, approved ways.

Björn Borg is continuously looking for ways to reduce the amount of material in its packaging, since total environmental footprint decreases the less material is used. As a rule, the company questions whether a certain packaging material is really necessary, mainly for functional reasons.

Another important part of the environmental footprint is to ensure that packaging is sorted by the consumer and can be recycled as far as possible. When designing packaging, ease in separating materials so that the customer can sort them is factored into the equation. Björn Borg also encourages consumers to recycle packaging, and provides instructions on the packaging how to do so.

## CLIMATE IMPACT FROM SHIPPING FINISHED GARMENTS

### Our goal

Björn Borg's goal is to reduce emissions from the Group's operations by 40 percent per SEK of sales by 2019 compared with 2013 (see the section "Climate impact from own operations" below). A large share of total CO<sub>2</sub> emissions, about 60 percent, is from transporting products. The company has therefore set a goal that by 2019 a maximum of 2 percent of its total product shipments will be sent by air (based on number of units shipped). The goal for 2016 is a maximum of 4 percent air freight of total collection shipments.

### What we are doing to achieve our goal

Björn Borg produces a climate report according to the GHG protocol to measure impacts from in 2015. The company's total climate impact from in 2015 decreased marginally between 2014 and 2015 due to a slightly larger share of shipments by truck rather than air (mainly because a larger percentage of production was handled in Europe, in Turkey).

Air freight accounted for 8 percent of all transports (collection units shipped) and for as much as 67 percent of the total climate impact from transports in 2015.

## LOGISTICS (TONS OF CO<sub>2</sub>e)



The percentage of air freight is too high and in 2016 the company will take several measures to reduce air shipments. Björn Borg's policy is that shipments from Asia should go by boat except in special circumstances. A priority here is to improve the planning of shipments as well as internal discipline in complying with the policy. Among other things, a formalized process to approve air shipments has been implemented and use of air freight is being monitored for each collection. Measures are also being taken to reduce air shipment of product samples during the development process. As a rule, the company questions whether samples are necessary for a specific product, and whether transports can be coordinated.

## OUR OWN OPERATIONS

*In Björn Borg's own operations the highest priority areas are climate impacts from operations, ethics, working environments and job satisfaction.*



## CLIMATE IMPACT FROM OUR OWN OPERATIONS

Though the climate impact is greater in other parts of the product lifecycle, Björn Borg takes clear actions to reduce its own impacts in areas where it has the most control and which employees can see and impact daily. In addition to transports of products, as described above, business travel by employees and energy consumption in the company's premises are addressed.

### Our goal

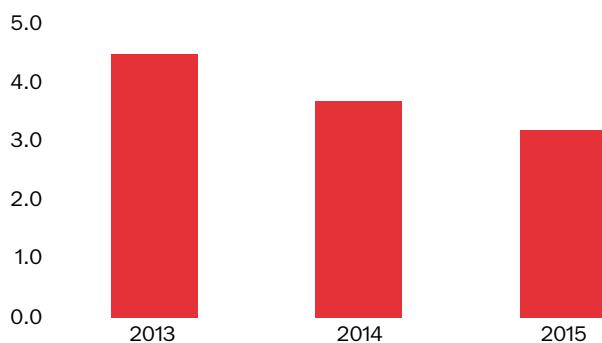
Björn Borg's goal is to reduce CO<sub>2</sub> emissions within the Group by 40 percent per SEK of sales by 2019 compared with 2013. For 2016 Björn Borg has also set as a target to reduce energy consumption at the head office by 10 percent compared with 2015.

### What we are doing to achieve our goal

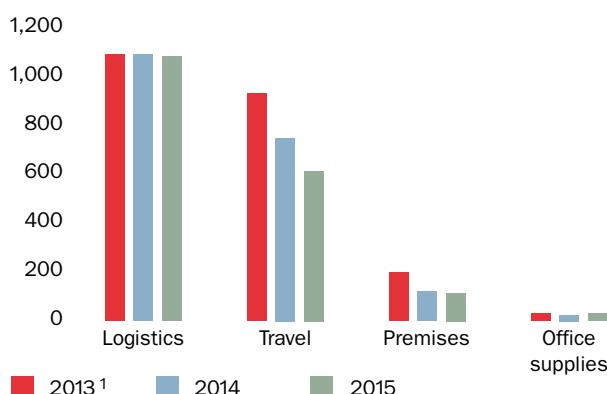
Björn Borg follows up its long-term climate goals and reports according to the GHG protocol – Scope 1, Scope 2 and Scope 3 – comprising product transports from factory

to stores, business travel by employees and energy consumption in offices and stores. In 2015 the Group reduced its carbon footprint per SEK of sales by 12 percent and in absolute terms by 7 percent compared with 2014. The company is well on its way to meeting the long-term goal of 40 percent. From the starting year of 2013 through 2015 the total reduction per SEK of sales is 29 percent.

#### EMISSIONS PER SEK OF SALES 2013-2015 (TONS OF CO<sub>2</sub>e/SEKm)



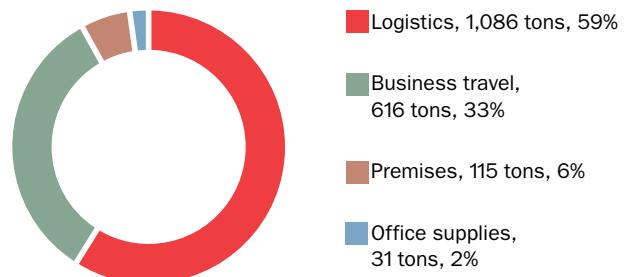
#### EMISSIONS PER CATEGORY 2013-2015 (TONS OF CO<sub>2</sub>e)



<sup>1</sup> Due to inaccurate sources, the climate impact from logistics for 2013 has been adjusted to the 2014 level for 2015 comparisons.

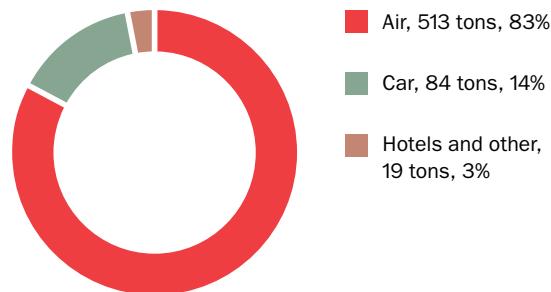
The company's product transports clearly have the biggest climate impact, nearly 60 percent of the total footprint (see more above), followed by business travel.

#### CLIMATE FOOTPRINT 2015 (TONS OF CO<sub>2</sub>e)



Improvements were achieved in 2015 thanks in part to less air travel. Flying on the job has a significant climate impact, accounting for no less than 83 percent of the total impact from business travel, as indicated below. Because production is primarily in Asia, some air travel is necessary, but as a rule the company questions whether some trips are really necessary, how many people have to travel and whether visits to suppliers can be coordinated. This is reflected in the company's business travel policy.

#### BUSINESS TRAVEL 2015 (TONS OF CO<sub>2</sub>e)



There was a noticeable improvement for premises between 2013 and 2014, when the electricity used in Sweden was replaced by renewable alternatives. In total, 71 percent of the electricity that the Group buys now comes from renewable sources, primarily hydroelectric power. Going forward the goal is to continue to roll out renewable electricity in foreign subsidiaries as well as reduce consumption in premises through LED and motion-activated lighting, among other measures.

The big challenge to date has been to significantly reduce the share of products shipped by air. Consequently, one of the priorities in 2016 is to reduce air freight, as described above in the section on transports.

## BJÖRN BORG AS A WORKPLACE

### **Our goal**

Björn Borg's goal is to be the best workplace in the industry, with at least 90% employee engagement by 2019, as measured by a survey by Ennova. The company also has an overarching goal that neither gender shall represent over 60 percent of Björn Borg's key governing bodies.

### **What we are doing to achieve our goal**

#### *Employee engagement*

Björn Borg focuses a great deal on building engagement among employees. Engagement is one of the four KPIs that the company uses to measure its overall performance. In 2015 it rose from 69 to 72 percent. The goal is to reach 77 percent in 2016. During the year employees were involved in formulating updated corporate values and gained a greater understanding of them through dialogue and group exercises. Skills training, internal communication and performance management have also been important focus areas to increase engagement. Inspiring leadership is important as well to capitalize on and develop employee competence and engagement, which is why the company offered leadership development training in four different groups in 2015.

#### *Well-being*

The company tries to offer a positive and healthy working environment and a workplace where management and employees join together to create a sense of well-being and maintain a culture of mutual respect. Björn Borg invests heavily in the well-being of its employees based on a conviction that exercise and an active lifestyle are a key to better health, lower sick leave and higher performance. Every Friday Björn Borg has a mandatory hour of exercise for all employees at its head office. All employees also receive physical fitness tests and set personal fitness and/or health goals, which are followed up together with a personal trainer. In 2015 employee strength (both perceived and actual) improved by more than 100 percent, according to these tests.

#### *Diversity*

Björn Borg aims for diversity; 68 percent (2015) of Group employees are women. The overarching goal is that neither gender will make up over 60 percent of Björn Borg's key governing bodies. Half of the management team is currently women and half men, and 40 percent of the Board of Directors are women. In a report released in March 2016, the AllBright Foundation included Björn Borg on its list of publicly listed companies with the highest gender equality. The mission of the AllBright Foundation is to identify and shape public opinion on gender equality in business with an emphasis on publicly listed companies.

Recruitment and promotion within Björn Borg is done using a model called CPR, for Competence, Personality and Results. These are the determining criteria, and experience shows that this model, when used correctly, tends to lead to diversity. The composition of the Board of Directors is ultimately a question for the Nomination Committee, but gender equality is one of a number of criteria that the committee applies. The composition of the Board is decided by the Annual General Meeting.

The company also has a separate gender equality policy.

#### *Zero tolerance for discrimination*

The company has zero tolerance for discrimination based on race, skin color, ethnicity, age, religion, gender, sexual orientation or disability. This is also expressed in an internal anti-discrimination policy. All types of discrimination further run counter to the essence of Björn Borg's brand values.

#### *Ethics*

Björn Borg has a policy to combat bribery and corruption. Relevant employees receive training on corruption risks and how they can be managed. In the company's experience, an important part of creating an ethical environment is a workplace where people are free to say what they want and point out irregularities without the risk of repercussions and that has a high degree of transparency, where various decisions and actions can pass muster externally. As a listed company, Björn Borg also faces compliance requirements and must report on its internal controls. Each year Björn Borg publishes a separate corporate governance report that describes, among other things, the Board's risk control through financial controls, among other ways.

## **CHARITABLE DONATIONS AND SOCIAL ENGAGEMENT**

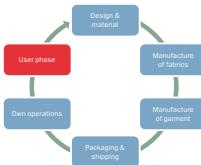
Like many other companies and organizations, Björn Borg was engaged during the year in helping those fleeing from war and severe living conditions. The company decided in 2015 to donate all revenue from its fall employee clothing sale to Save the Children's work on behalf of refugees. During the year Björn Borg also participated in the Swedish clothing industry's benefit for the charity Världens Barn, donating products for its auction.

Each year Björn Borg confiscates a large number of counterfeit copies of its products. Most are sent to a partner in England, His Church Charity, which removes the Björn Borg tag and sews on its own generic brand name, HIS. The products are then donated to the needy, including the homeless in England and sometimes Africa. This is also a way to extend the useful life of products made from the earth's resources. Products from previous seasons' collections are sometimes donated as well.

## USER PHASE

### Our goal

Björn Borg's goal is that the users of its products – consumers – will reduce their climate footprint, e.g., by taking care of garments and washing them responsibly.



### What we are doing to achieve our goal

The lifecycle analysis Björn Borg conducted on a pair of underwear showed that nearly 60 percent of the climate impact is in the user phase, mainly from washing. The company's products, especially underwear and sports apparel, are washed often and usually at high temperatures. Frequent washing and high temperatures have a significant environmental impact and affect the useful life of the garment in that its color and quality can deteriorate more quickly. Björn Borg therefore tries in various ways to encourage consumers to handle garments in a way that reduces the environmental footprint and extends their useful life. The company provides customers with simple

washing instructions on the label and in more detail on and in the packaging.

The company measures its ability to build engagement for sustainability by consumers in periodic surveys.

## “END OF LIFE”

### Our goal

Björn Borg's goal is to take concrete action by 2019 to improve its environmental footprint in the final stage of the product lifecycle, the main objective being to create or contribute to a circular process where products and/or materials begin a new life in some other form. Concrete goals will be set in 2016 and implemented from 2017 onwards.

### What we are doing to achieve our goal

An important task, and a challenge, for the clothing industry and society as a whole is to try to create a cyclical flow of the earth's natural resources. Expressions such as “closing the loop” and “circular product lifecycle” are often used. The goal is to take material at the end of one lifecycle and begin a new lifecycle instead of throwing it in a landfill. A product can extend its life, e.g., by being sold secondhand or recycling the textile in some other form. Here Björn Borg has product categories (underwear and sports apparel) that pose challenges in terms of secondhand sales, and textile recycling is not yet a widespread commercial application. But there are other ways to contribute. Björn Borg has offered consumers a discount coupon for donating old clothing in its stores, donating the clothing to charity, including Stadsmissionen, a Swedish homeless organization. This initiative has temporarily been put on hold, mainly because the volume of clothing collected was not as large as expected. The company is now analyzing what to do going forward.

The collaboration with His Church Charity, described above, is also an expression of a desire not to end the lifecycle of a fully functional product too early or unnecessarily and instead find better options.

Björn Borg has also reused production waste in an upcycling initiative. By sewing together material from two different prints, a new, unique pair of underwear was created. Production waste is also channeled in some cases to industrial recycling, including for use as stuffing in car seats. Through this type of reuse, Björn Borg helps to reduce the impact on the environment. The work will continue with the goal of placing greater focus on end of life issues.

TAKE GOOD CARE  
OF THIS PRODUCT AND  
OUR PLANET!

#### Wash recommendations



#### Wash responsibly

- Make sure to fit up your machine, rather than running it many times with light loads.
- Wash at the right temperature. Warmer water doesn't necessarily mean cleaner clothes. Don't overuse air drying. Modern washing machines are much more efficient than we think. With the right dosage, less detergent and laundry goes down the drain.
- Like dry instead of tumble dry. It is gentler on your clothes and gentler on the environment.

BJÖRN BORG  
Keep active & inspiring others





# 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 brand's development. The values that define Björn Borg can be summarized as follows: *Passion, Multiplying and Winning attitude*. This distinguishes the way Björn Borg works and all communication internally and externally.

The company's mission is that “*We believe all humans carry the will to make a difference – for themselves, for someone else, or for the world. We believe that we all can be different and make things better. Together we can change the game and break what is impossible.*”, 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.

## **ORGANIZATION DURING THE YEAR**

During the year Björn Borg strengthened its organizational competency through new recruitments in design, product and branding with an emphasis on sports fashion. The company also completed a mapping of its competencies to identify 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. Each employee has individual development goals in terms of both functional competency and personal well-being.

## **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. The company has formulated a business plan (Northern Star) 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. Each individual 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 Group employees was 132 in 2015, compared with 129 in 2014.

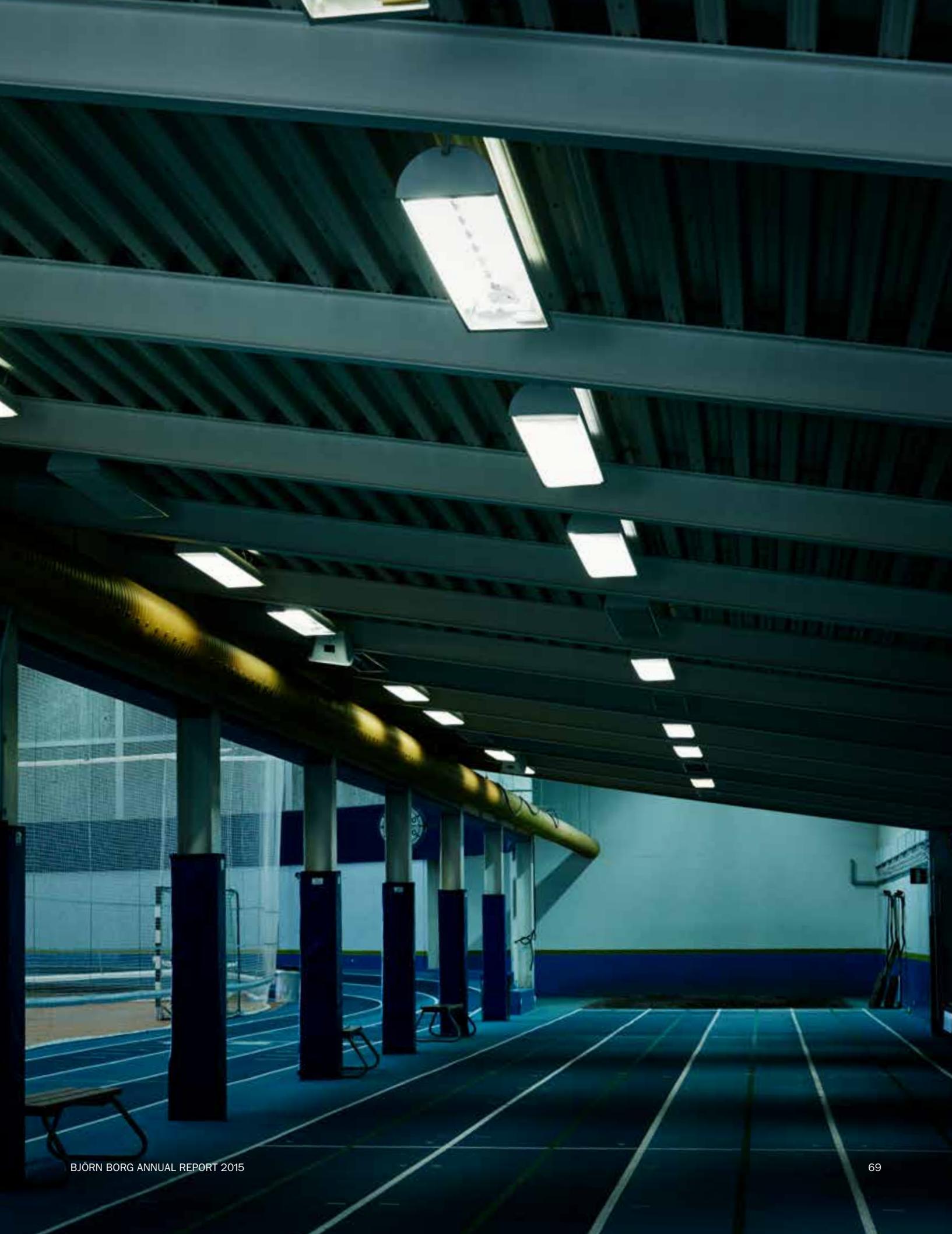
The average employee age was 32, and 68 percent of employees were women and 32 percent men. Physically, the average employee age is 29, three years younger than their physical age, according to a fitness test all employees underwent during the year with a personal trainer, who also helped them set personal goals. In 2015 employees improved in all the areas measured (endurance, strength, flexibility and perceived well-being), in line with the goals set for the group.

Employee engagement in the organization is high (72%) and increased during the year in line with current goals. All departments have been involved in setting their own goals for coming years based on present conditions.



# BJÖRN BORG BY THE NUMBERS

A wide-angle photograph of a large, modern sports hall. The ceiling is high with a complex steel truss structure and several long, rectangular fluorescent light fixtures. A large, yellow, ribbed duct runs diagonally across the upper portion of the frame. In the foreground, there is a track and field area with a blue running track and a high jump pit. The walls are made of a light-colored material, and there are some spectators or officials in the background.



# FIVE-YEAR SUMMARY

**FLERÅRSÖVERSIKT**

SEK thousands	2015	2014	2013	2012	2011
<b>Income statement</b>					
Operating revenue	584,498	544,497	499,246	551,432	536,509
Operating profit	58,592	55,950	21,160	69,786	83,706
Profit after financial items	57,560	63,148	24,849	68,877	84,626
Profit for the year	41,643	47,572	13,906	47,227	100,150
<b>Balance sheet</b>					
Intangible assets	209,336	211,187	211,246	206,048	207,786
Tangible non-current assets	10,076	12,334	16,519	13,952	14,741
Long-term receivable	8,900	9,800	13,400	–	–
Deferred tax assets	35,315	31,713	31,126	35,283	43,194
Inventories, etc.	75,851	40,381	39,031	35,688	34,559
Current receivables	107,395	85,973	86,425	123,244	91,978
Short-term investments	80,909	133,147	136,519	163,979	–
Cash & cash equivalents	50,643	85,080	82,304	116,195	158,042
<b>Total assets</b>	<b>578,425</b>	<b>609,613</b>	<b>616,570</b>	<b>694,389</b>	<b>550,300</b>
Equity	290,675	285,708	280,650	344,216	396,962
Non-current liabilities	174,832	201,030	217,042	223,269	28,754
Deferred tax liabilities	41,969	38,350	39,694	44,544	47,539
Current liabilities	70,949	84,524	79,184	82,361	77,045
<b>Total equity and liabilities</b>	<b>578,425</b>	<b>609,613</b>	<b>616,570</b>	<b>694,389</b>	<b>550,300</b>
<b>Key figures</b>					
Gross profit margin, %	52.4	52.9	51.5	50.2	51.5
Operating margin, %	10.2	10.4	4.3	12.7	15.6
Profit margin, %	10.0	11.7	5.0	12.5	15.8
Return on capital employed, %	14.8	14.8	7.0	15.9	19.5
Return on average equity, %	15.6	17.2	6.9	14.3	25.6
Profit attributable to Parent Company's shareholders	45,062	48,835	21,613	52,963	105,468
Equity/assets ratio, %	50.3	46.7	45.5	49.6	72.1
Equity per share, SEK	11.56	11.36	11.16	13.69	15.78
Investments in intangible non-current assets	301	1,428	1,533	2,679	12,110
Investments in tangible non-current assets	4,746	1,353	8,088	3,843	13,325
Investments in financial assets	–	1,410	6,547	–	–
Depreciation/amortization for the year	–6,592	–8,877	–6,825	–6,438	–17,165
Average number of employees	132	129	159	139	131
<b>Data per share</b>					
Earnings per share, SEK	1.79	1.94	0.86	2.11	4.19
Earnings per share (after dilution), SEK	1.77	1.94	0.86	2.11	4.19
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	456,000	–	–	–	32,190
Weighted average number of shares (after dilution)	25,604,384	25,148,384	25,148,384	25,148,384	25,180,574

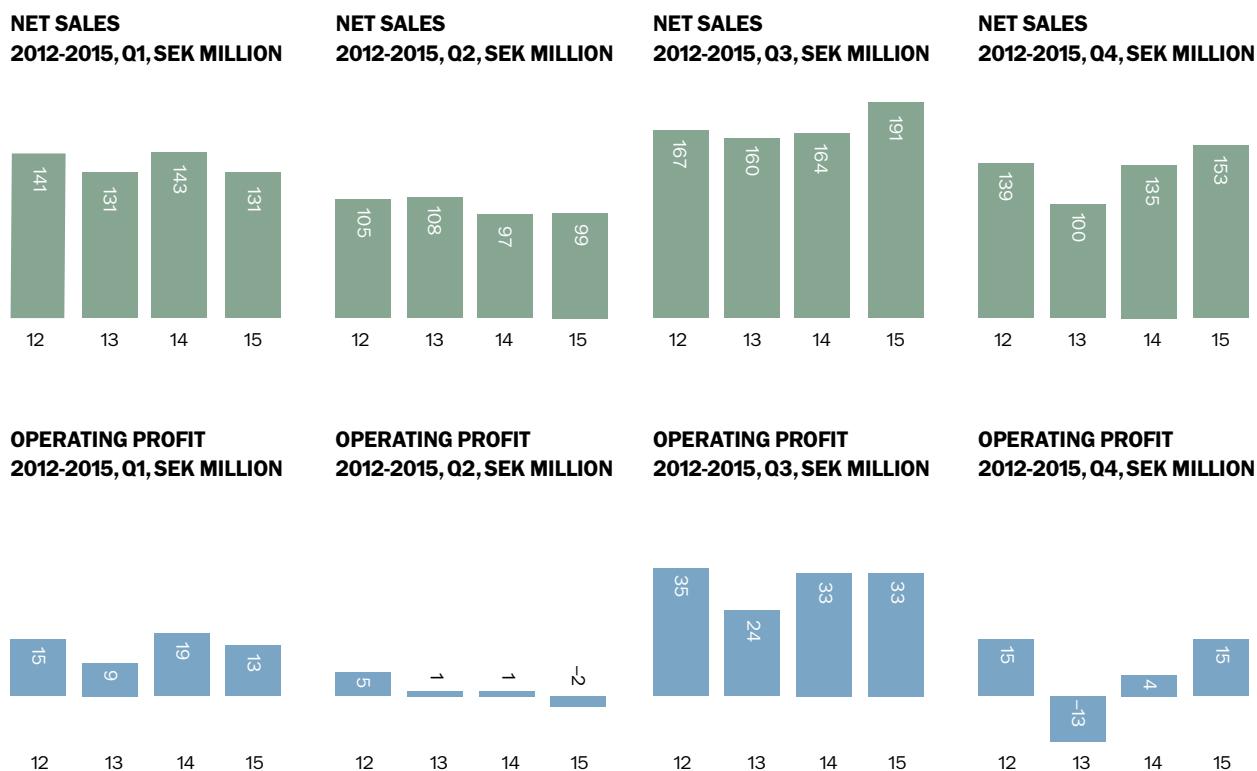
# QUARTERLY DATA FOR THE GROUP

#### QUARTERLY DATA FOR THE GROUP

SEK thousands	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net sales	152,618	191,430	99,199	131,081	135,278	163,723	96,969	142,783
Gross profit margin, %	51.8	51.9	53.0	53.6	54.1	52.4	52.5	52.8
Operating profit	14,554	32,872	-1,662	12,828	3,560	32,821	522	19,048
Operating margin, %	9.5	17.2	neg	9.8	2.6	20.0	0.5	13.3
Profit after financial items	11,855	29,510	-1,585	17,781	5,612	33,834	3,939	19,987
Profit margin, %	7.8	15.4	neg	13.6	4.1	20.7	4.1	14.0
Earnings per share, SEK	0.34	0.88	-0.04	0.61	0.18	1.00	0.15	0.62
Earnings per share after dilution, SEK	0.29	0.84	-0.04	0.61	0.18	1.00	0.15	0.62
Number of Björn Borg stores at end of period	41	38	38	40	41	38	38	38
of which Group-owned Björn Borg stores	21	18	17	18	18	17	17	17
Brand sales	330,214	472,865	249,063	394,206	342,904	452,422	253,976	382,081

#### 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 2015.

## OPERATIONS

The Björn Borg Group owns and develops the Björn Borg brand. The focus of the business is underwear and sports apparel as well as the licensing of footwear, bags and eyewear. Björn Borg products are sold in around twenty 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, the Baltic countries and Denmark. The operations of Björn Borg Sport in the Netherlands are being wound down at the same time that a corresponding business has been started up in Sweden.

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 6,590 shareholders at year-end. The largest shareholder as of December 31, 2015 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 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 2015 Annual General Meeting was held on May 11, 2015 in Stockholm. The AGM re-elected Isabelle Duccellier, Kerstin Hessius, Martin Bjäringer, Nathalie Schuterman and Mats H Nilsson as Directors and re-elected Fredrik Lövstedt as Chairman of the Board. Anders Slettengren declined re-election.

Heiner Olbrich was elected as new Director. 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. Moreover, the AGM adopted an incentive plan partly for all employees and partly for senior management.

## BOARD WORK

In 2015 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 126. 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 14 percent. The increases in sales and the operating margin are 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 2016 AGM a distribution of SEK 2.00 per share for the financial year 2015, corresponding to 112 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 shares will then automatically be redeemed for SEK 2.00 per share. Payment for the redemption shares, contingent on the approval of the AGM, is expected to be made around June 20, 2016. The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 50.3 million (37.7). For the financial year 2014 a distribution of SEK 1.50 per share was paid, corresponding to 77 percent of net profit.

## EVENTS IN 2015

### Organization

In connection with the implementation of the new business plan, organizational changes were made during the year. Within the scope of this reorganization, the deputy CEO agreed to leave the company as of June 30, 2015. The deputy CEO has not been replaced.

## Markets

During the fourth quarter Björn Borg terminated the distribution contract for the Netherlands, Belgium and Luxembourg in order to manage the distribution of Björn Borg products in these countries in-house. Current distributors will retain the distribution rights during the four-year term of notice, unless the parties agree on an earlier takeover.

## Björn Borg stores

In 2015 four Group-owned Björn Borg stores were opened, one in Sweden and three in Finland, while one Group-owned store was closed in Sweden. During the year three distributor-owned stores were closed in Germany, Slovenia and Chile. At year-end there were a total of 41 (41) Björn Borg stores, 21 (18) of which are Group-owned.

## THE GROUP'S DEVELOPMENT

### Net sales

The Group's net sales amounted to SEK 574.3 million (538.8) in the full-year 2015, an increase of 7 percent. Excluding currency effects, sales decreased by 1 percent.

As announced during the year, shipments of about SEK 25 million were delayed from both product companies at the end of 2013 until the first quarter 2014. As a result, 2014 is not totally comparable with 2015 in terms of either sales or operating profit. Adjusted for the delayed shipments, sales increase by 12 percent, and if we also adjust for currency effects sales increase by about 4 percent compared with 2014. External sales by the product companies are growing slightly, while total sales including subsidiaries are developing very well. Sweden posted a positive trend during the year with increases in the underwear wholesale business, e-commerce and Group-owned retail operations. Footwear wholesaling is also growing partly due to the new distribution to the Danish market, though sales are also growing in Sweden. Sales for the British operations decreased in local currency, but thanks to a stronger GBP sales increased in SEK. The Finnish wholesale business increased slightly from the previous year. Royalties increased slightly during the year.

## Profit

The gross profit margin (net sales less cost of goods sold in relation to net sales) for the full-year 2015 was slightly lower than the previous year at 52.4 percent (52.9) due to currency effects.

The improvement in sales led to an increase in operating profit to SEK 58.6 million (56.0) despite slightly lower gross profit margins and slightly higher operating expenses. Operating profit contains one-off expenses of SEK 2.2 million related to organizational changes during the year. Other increases in operating expenses during the year are mainly due to higher investments in marketing and increased selling expenses mainly due to the strongly growing e-commerce business. Operating profit in 2014 contained restructuring expenses of SEK 9 million and a positive effect on operating profit due to shipment delays of SEK 25 million in the product companies between 2013 and 2014. Adjusted for shipment delays and restructuring costs, operating profit increase with 12 percent.

Net financial items amounted to SEK -1.0 million (7.2). The realized and unrealized return on investments, less interest on the bond loan, negatively affected the Group's financial net by SEK -2.6 million (-3.4). The remaining year-on-year decrease is mainly due to the revaluation of financial assets and liabilities in foreign currency. Profit before tax decreased to SEK 57.6 (63.1).

## Investments and cash flow

The Group's cash flow from operating activities amounted to SEK -17.8 million (54.7) for the full-year 2015. The lower cash flow year-on-year is primarily due to increased inventories and accounts receivable. The inventory buildup during the year was higher than in the same period in 2014. The increase is largely due to slightly higher purchases of the spring and summer 2016 collections and slightly higher remaining inventory from the fall and winter 2015 collections. The higher tied-up working capital is largely temporary for the above-mentioned reasons.

Total investments in tangible and intangible non-current assets amounted to SEK 5.0 million (2.8) for the period. The increase is mainly due to the new stores opened during the year.

## FIVE-YEAR SUMMARY

	2015	2014	2013	2012	2011
Net sales, SEK million	574.3	538.8	496.0	551.4	536.5
Operating profit, SEK million	58.6	56.0	21.2	69.8	83.7
Operating margin, %	10.2	10.4	4.3	12.7	15.6
Profit before tax, SEK million	57.6	63.1	24.8	68.9	84.6
Profit for the year, SEK million	41.6	47.6	13.9	47.2	100.2
Earnings per share, SEK	1.79	1.94	0.86	2.11	4.19
Earnings per share after dilution, SEK	1.77	1.94	0.86	2.11	4.19
Equity/assets ratio, %	50.3	46.7	45.5	49.6	72.1
Equity per share, SEK	11.56	11.36	11.16	13.69	15.78

### **Financial position and liquidity**

The Björn Borg Group's cash & cash equivalents and investments amounted to SEK 131.6 million (218.2) at the end of the period, while interest-bearing liabilities (the bond loan) amounted to SEK 154.5 million (187.7) and the convertible program to SEK 17.3 million (0).

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.

The convertible program adopted earlier in the year by the Annual General Meeting was subscribed during the third quarter. In total, 456,000 convertibles were subscribed for SEK 17.3 million. For more information on the convertible program, see note 3.

Any surplus liquidity 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, 2015 investments had been made in bonds with a book value of SEK 80.5 million, which represents the fair value on the same date, compared with SEK 133.1 million on December 31, 2014. In 2015 bonds were repurchased for SEK 33.8 million (5.9).

### **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, 2015 the ratio was 0.62 (-0.47) and the equity/assets ratio was 50.3 percent (46.7). 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, 2014.

### **Transactions with related parties**

During the year Björn Borg issued a warrant program for senior management and a convertible program for all employees. The CEO has subscribed for 190,000 warrants and 100,000 convertibles. Other senior executives have subscribed for 290,000 warrants and 275,000 convertibles. Björn Borg has received market consideration for the warrants and convertibles it issued based on fair market value. The subsidiary BB Services currently has 40,000 unsubscribed warrants from the program and 124,000 unsubscribed convertibles. See note 3 for a more detailed description of the warrant program and the convertible liability. Aside from customary compensation (salary, bonuses and other benefits) to the CEO, senior management and Board of Directors, no transactions with related parties were executed during the period.

### **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 84.3 million (78.5) during the year. External operating revenue decreased slightly to SEK 34.7 million (37.5). Royalties vary as a percentage between product categories, because of which there isn't always an exact correlation between royalties and brand sales.

Increased sales and a better gross profit margin raised operating profit to SEK 24.2 million (19.6) for the year.

#### **Product development**

The Björn Borg Group has global responsibility for development, design and production of underwear, sports apparel and functional apparel.

The business segment's operating revenue amounted to SEK 462.1 million (356.8) for the year 2015, an increase of 30 percent. External operating revenue amounted to SEK 238.1 million (233.8), an increase of 2 percent compared with the same period in 2014. The comparable period in 2014 had additional revenue of about SEK 25 million from the shipment delays in 2013, and at the same time 2015 had a highly positive currency effect of about SEK 33 million. Adjusted for the delayed shipments and currency effects, external revenue decreased by about 2 percent.

Operating profit increased to SEK 37.4 million (34.8) due to the higher sales.

#### **Wholesale**

The Björn Borg Group is the exclusive wholesaler for the product areas underwear, sports apparel and functional apparel in Sweden, Finland and England as well as footwear in Sweden, Finland, Denmark and the Baltic countries.

The business segment's operating revenue increased by 7 percent to SEK 235.2 million (220.0) in 2015. External operating revenue amounted to SEK 207.1 million (192.6). The Swedish wholesale businesses for underwear and footwear generated much of the sales increase for the year. Sales for the British operations decreased in local currency, but increased in SEK thanks to a stronger GBP. The Finnish wholesale business increased slightly from the previous year. The operating result decreased year-on-year to SEK -4.1 million (6.3) as a result of a lower gross margin and higher operating expenses.

#### **Retail**

The Björn Borg Group owns and operates a total of 21 (18) stores and factory outlets in Sweden, Finland and England that sell underwear, sports apparel, functional apparel and other licensed products. Björn Borg also sells online through [www.bjornborg.com](http://www.bjornborg.com).

Operating revenue in the Retail segment increased by 25 percent during the year to SEK 115.6 million (92.2). External net sales rose by 30 percent during the period to SEK 104.6 million

(80.6). The increase is mainly due to continued strong performance in e-commerce, where sales rose by 73 percent to SEK 38.2 million (22.2). Group-owned stores also developed positively with growth of 13 percent to SEK 66.3 million (58.4). Sales for comparable Björn Borg stores rose by 11 percent year-on-year.

Operating profit for 2015 amounted to SEK 1.1 million (-4.7). The improved result is due to higher revenue during the period, despite that the gross profit margin declined slightly.

#### **Intra-Group sales**

Intra-Group sales for 2015 amounted to SEK 312.7 million (203.0).

#### **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 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 performance targets are met bonus.

During the year Björn Borg issued a warrant plan for the senior management and a convertible debenture plan for all employees.

The convertibles carry interest as of July 1, 2015. The interest rate is determined based on an average of STIBOR on certain fixed dates during the annual period plus a margin of 3.15%. The debentures fall due for payment on June 30, 2019 at their nominal value or can be converted to shares at the holder's request at a rate of SEK 37.96 per share. In total, 456 000 convertibles were subscribed for SEK 17.3 million.

The warrants entitle the holder to subscribe for one share for SEK 37.96 per share during the period June 1-14, 2019. Björn Borg has received fair market compensation for the warrants amounting to SEK 2.50 per warrant. In total, 480 000 warrants were subscribed for SEK 1.2 million.

For more information on the convertible and warrant plans, see note 8.

The average number of employees was 132 (129) for the full-year. The distribution is 32 (34) percent men and 68 (66) percent women.

#### **REMUNERATION GUIDELINES FOR THE CEO AND OTHER SENIOR EXECUTIVES**

The Annual General Meeting on May 11, 2015 resolved that remuneration for the CEO and other members of senior management shall comprise a base salary, variable compensation, long-term established incentive plans 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. The 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. The 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 2016 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.

#### **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 based on longstanding relationships. The limited number of principal suppliers facilitates dialogue and monitoring. 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 commit to 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.

In 2015 the company developed the Björn Borg Sustainability Roadmap, which contains a number of concrete goals and actions in a step-by-step process to meet the goals for 2019.

During the year Björn Borg continued to work with BSCI audits, reviews of the internal supplier management system, implementation of the updated Code of Conduct for sports apparel suppliers (including with respect to animal welfare) and internal training. During the fall a limited collection of men's underwear in organic cotton was released as well. During the year Björn Borg produced a climate report for the third year.

For more information on Björn Borg's sustainability work, see pages 44–63.

## 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 significant 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 trademark 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.

### Cyclicality

Like all retail sales, the sale of the company's products is affected by changes in economic conditions. A growing economy has a positive effect on household finances, which is reflected in spending patterns. A downturn in the economy has the opposite effect, which was especially evident in recent years, when unstable 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. 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 2016

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 52.4 million (59.7) for the full-year 2015.

Profit before tax amounted to SEK 39.1 million (62.7) for the full-year 2015. The result was negatively affected by SEK 21.2 million due to the impairment of shares and receivables in Björn Borg UK Ltd. Cash & cash equivalents and investments amounted to SEK 106.6 million (181.2) as of December 31, 2015. For the full-year 2015 investments in tangible and intangible non-current assets amounted to SEK 2.0 million (0.1).

## PROPOSED DISTRIBUTION OF PROFIT

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

Retained earnings, SEK	51,743,966
Issue of warrants	1,200,000
Issue of convertibles	1,154,000
Profit for the year, SEK	39,099,337
	<b>93,197,303</b>
The Board proposes that:	
Shareholders receive a distribution of SEK 2.00 per share, totaling SEK	50,296,768
Carried forward, SEK	42,900,535
	<b>93,197,303</b>

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.

## MOTIVATED OPINION OF THE BOARD OF DIRECTORS OF BJÖRN BORG AB PURSUANT TO CHAPTER 20, SECTION 8 OF THE SWEDISH COMPANIES ACT

The Board of Directors hereby, pursuant to Chapter 20, Section 8 of the Swedish Companies Act (2005:551), offers the following motivated opinion in connection with the proposed reduction of the company's share capital for repayment to shareholders.

The company's and the Björn Borg Group's results and financial position are good overall, as evidenced by the company's and the Group's year-end report for 2015 and by the audited annual report issued by the Board of Directors. As stated in the proposal to reduce the share capital, the Board of Directors proposes that the company's share capital be reduced by SEK 3,929,435 through the withdrawal of 25,148,384 shares after a stock split is completed, for repayment to the shareholders. At the same time the Board of Directors proposes that the Annual General Meeting resolve to restore the company's share capital to the original amount by raising the company's share capital by SEK 3,929,435 through a bonus issue without issuing new shares by transferring the issue amount from the company's unrestricted equity to the company's share capital. After the bonus issue is completed, the company's restricted equity and share capital will be unchanged.

The proposed repayment amounts to SEK 2.00 per share, corresponding to total redemption proceeds of SEK 50,296,768, equivalent to 112 percent of profit after tax for the financial year 2015. Accordingly, the repayment is in line with the company's financial goals and dividend policy for the period 2015-2019.

After the proposed repayment, the company has full coverage for the restricted equity. The unrestricted equity in the company after the repayment and bonus issue amounts to SEK 42,900,535. The total equity after the repayment amounts to SEK 97,575,232 for the company and SEK 240,378,062 for the Group. The company's equity included unrealized losses of SEK 4,581,212 in 2015 and therefore would have been SEK 4,581,212 higher if all assets and liabilities had been valued based on acquisition cost.

The company's and the Group's cash flow remains strong. The Group's equity/assets ratio and liquidity will remain adequate after the proposed repayment relative to the industry in which the company and the Group compete, also considering, e.g., planned investments, and the company and the Group are expected to be able to fulfill their obligations in the short and long term.

In its proposal to reduce the share capital with a repayment to the shareholders, the Board of Directors has considered the risks and uncertainties to which the company is exposed (see also the section "Risks, uncertainties and risk management" in the Board of Directors' report in the annual report). Against this backdrop, the Board of Directors believes that the proposed reduction of the share capital with a repayment to the shareholders is justifiable given:

1. The requirements that the nature, scope and risks of the business place on the size of the company's and the Group's equity, and
2. The consolidation needs, liquidity and financial position of the company and the Group in other respects.

Stockholm, April 2016  
Björn Borg AB (publ)



# CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED INCOME STATEMENT

SEK thousands	Note	2015	2014
Net sales		574,328	538,753
Other operating revenue		10,170	5,744
<b>Operating revenue</b>	4	<b>584,498</b>	<b>544,497</b>
Goods for resale		-273,126	-253,560
Other external expenses		-136,135	-122,732
Staff costs		-106,013	-102,617
Depreciation/amortization of tangible/intangible non-current assets		-6,592	-8,877
Other operating expenses		-4,040	-761
<b>Operating profit</b>	4, 6, 7, 8, 9, 10, 11, 17, 18	<b>58,592</b>	<b>55,950</b>
Interest income and similar income items	11, 13	12,048	22,762
Interest expenses and similar expense items	11, 13	-13,080	-15,564
<b>Profit after financial items</b>		<b>57,560</b>	<b>63,148</b>
<b>Profit before tax</b>		<b>57,560</b>	<b>63,148</b>
<b>Tax on profit for the year</b>	15	-15,917	-15,577
<b>Profit for the year</b>		<b>41,643</b>	<b>47,572</b>
<b>Profit for the year attributable to:</b>			
Parent Company's shareholders		45,062	48,835
Non-controlling interests	28	-3,419	-1,263
Earnings per share, SEK	16	1.79	1.94
Earnings per share before and after dilution, SEK	16	1.77	1.94

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Note	2015	2014
<b>Profit for the year</b>		<b>41,643</b>	<b>47,572</b>
<b>Components that may be reclassified to profit or loss</b>			
Translation difference for the year		-2,887	-7,052
<b>Total other comprehensive income for the year<sup>1</sup></b>		<b>-2,887</b>	<b>-7,052</b>
<b>Total comprehensive income for the year</b>		<b>38,756</b>	<b>40,520</b>
<b>Total comprehensive income for the year attributable to</b>			
Parent Company's shareholders		42,424	43,717
Non-controlling interests		-3,668	-3,197

<sup>1</sup> The Group has no items that will not be reclassified to the income statement.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Note	Dec. 31, 2015	Dec. 31, 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	17		
Goodwill		19,064	19,265
Trademarks		187,532	187,532
Licenses/customer relations		548	847
Other intangible assets		2,192	3,543
		<b>209,336</b>	<b>211,187</b>
Tangible non-current assets	18		
Property, plant and equipment		10,076	12,334
		<b>10,076</b>	<b>12,334</b>
Long-term receivable	3, 22	8,900	9,800
Deferred tax assets	15	35,315	31,713
		<b>44,215</b>	<b>41,513</b>
<b>Total non-current assets</b>		<b>263,627</b>	<b>265,034</b>
<b>Current assets</b>			
Inventories			
Trading book		75,851	40,381
		<b>75,851</b>	<b>40,381</b>
Current receivables			
Accounts receivable	20, 22	87,816	68,232
Tax assets		2,802	507
Other current receivables		5,929	5,343
Prepaid expenses and accrued income	21	10,848	11,891
		<b>107,395</b>	<b>85,973</b>
<b>Short-term investments</b>			
Short-term investments	3, 22	80,909	133,147
		<b>80,909</b>	<b>133,147</b>
<b>Cash &amp; cash equivalents</b>			
Cash and bank balances	22, 25	50,643	85,080
		<b>50,643</b>	<b>85,080</b>
<b>Total current assets</b>		<b>314,798</b>	<b>344,580</b>
<b>TOTAL ASSETS</b>		<b>578,425</b>	<b>609,613</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Note	Dec. 31, 2015	Dec. 31, 2014
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		7,859	7,859
Other paid-in capital		182,145	182,145
Reserves		-8,470	-5,832
Retained earnings		115,874	106,181
<b>Equity attributable to Parent Company's shareholders</b>		<b>297,408</b>	<b>290,352</b>
Non-controlling interests	28	-6,733	-4,645
<b>Total equity</b>		<b>290,675</b>	<b>285,708</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	15	41,969	38,350
Bond loan	22, 25	154,538	187,738
Other non-current liabilities	22, 25	20,294	13,292
		<b>216,801</b>	<b>239,381</b>
<b>Current liabilities</b>			
Accounts payable	22	21,019	25,064
Other current liabilities	22, 25	19,014	21,118
Accrued expenses and prepaid income	26	30,916	29,884
Provision for restructuring reserve	26	-	8,459
		<b>70,949</b>	<b>84,524</b>
<b>Total liabilities</b>		<b>287,750</b>	<b>323,906</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>578,425</b>	<b>609,613</b>
<b>Memorandum items</b>			
Pledged assets	27	266,819	252,857
Contingent liabilities		1,890	4,581

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousands	Note	Share capital	Share premium reserve	Translation reserve	Retained earnings	Non-controlling interests	Total equity
<b>Opening balance, January 1, 2014</b>		<b>7,859</b>	<b>182,145</b>	<b>-714</b>	<b>104,893</b>	<b>-13,533</b>	<b>280,650</b>
Total comprehensive income for the year		–	–	-5,118	48,835	-3,197	40,520
<b>Transactions with shareholders</b>							
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
<b>Total transactions with shareholders</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>-47,545</b>	<b>12,085</b>	<b>-35,460</b>
<b>Closing balance, December 31, 2014</b>		<b>7,859</b>	<b>182,145</b>	<b>-5,832</b>	<b>106,181</b>	<b>-4,645</b>	<b>285,708</b>
<b>Opening balance, January 1, 2015</b>		<b>7,859</b>	<b>182,145</b>	<b>-5,832</b>	<b>106,181</b>	<b>-4,645</b>	<b>285,708</b>
Total comprehensive income for the year		–	–	-2,638	45,062	-3,668	38,756
<b>Transactions with shareholders</b>							
Distribution for 2014 through share redemption	23	-3,929	–	–	-33,794	–	-37,723
Bonus issue		3,929	–	–	-3,929	–	–
Proceeds received from issue of warrants	8	–	–	–	1,200	–	1,200
Equity portion of issue of convertibles	8	–	–	–	1,154	–	1,154
Shareholder contribution received from minority owners		–	–	–	–	1,580	1,580
<b>Total transactions with shareholders</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>-35,369</b>	<b>1,580</b>	<b>-33,789</b>
<b>Closing balance, December 31, 2015</b>		<b>7,859</b>	<b>182,145</b>	<b>-8,470</b>	<b>115,874</b>	<b>-6,733</b>	<b>290,675</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

SEK thousands	Note	2015	2014
<b>OPERATING ACTIVITIES</b>			
Profit after tax		41,643	47,572
Income tax expensed through profit or loss		15,917	15,577
Financial expenses and income recognized through profit or loss	13	1,032	-7,198
Depreciation/amortization of tangible/intangible non-current assets	17, 18	6,592	8,877
Other non-cash items		764	-1,732
Interest received	13	8,691	10,634
Interest paid	13	-7,691	-9,854
Taxes paid	15	-18,413	-513
<b>Cash flow from operating activities before changes in working capital</b>		<b>48,534</b>	<b>63,363</b>
<b>Changes in working capital</b>			
Change in inventories		-35,470	-1,350
Change in accounts receivable		-19,584	-12,311
Change in other receivables		2,289	-309
Change in accounts payable		-4,045	-1,485
Change in other current liabilities		-9,532	6,826
<b>Change in working capital</b>		<b>-66,343</b>	<b>-8,629</b>
<b>Cash flow from operating activities</b>		<b>-17,809</b>	<b>54,734</b>
<b>INVESTING ACTIVITIES</b>			
Investments in intangible assets	17	-301	-1,428
Investments in tangible non-current assets	18	-4,746	-1,353
Sale of tangible non-current assets		129	-
Short-term investments	3	-56,476	-62,425
Sale of short-term investments	3	104,133	62,319
<b>Cash flow from investing activities</b>		<b>42,739</b>	<b>-2,887</b>
<b>FINANCING ACTIVITIES</b>			
Amortization of loans		-7,500	-7,434
Issue of warrants		1,200	-
Issue of convertibles		17,310	-
Repurchase of bond loan		-33,844	-5,833
Acquisition of minority shares		-	-1,410
Distribution	23	-37,723	-37,723
<b>Cash flow from financing activities</b>		<b>-60,557</b>	<b>-52,400</b>
<b>CASH FLOW FOR THE YEAR</b>			
Cash & cash equivalents at beginning of year		85,080	82,304
Translation difference in cash & cash equivalents		1,190	3,329
<b>Cash &amp; cash equivalents at year-end</b>		<b>50,643</b>	<b>85,080</b>
<b>Increase/decrease in cash &amp; cash equivalents</b>		<b>34,437</b>	<b>-2,776</b>

# PARENT COMPANY'S FINANCIAL STATEMENTS

## PARENT COMPANY INCOME STATEMENT

SEK thousands	Note	2015	2014
Net sales		52,358	59,677
Other operating revenue		5,624	639
<b>Operating revenue</b>	5	<b>57,982</b>	<b>60,316</b>
Goods for resale		-24	-2,147
Other external expenses		-51,268	-47,687
Staff costs		-42,152	-31,683
Depreciation/amortization of tangible/intangible non-current assets		-1,873	-2,125
Other operating expenses		-3	-819
<b>Operating profit/loss</b>	6, 7, 8, 9, 10, 11, 17, 18	<b>-37,338</b>	<b>-24,145</b>
Result from shares in subsidiaries	12	43,769	67,395
Group contributions received		48,054	30,246
Interest income and similar income items	13	11,261	16,639
Interest expenses and similar expense items	13	-26,695	-28,305
<b>Profit after financial items</b>		<b>39,051</b>	<b>61,830</b>
Appropriations	14	-	874
<b>Profit before tax</b>		<b>39,051</b>	<b>62,704</b>
<b>Tax on profit for the year</b>	15	46	1 275
<b>Profit for the year</b>		<b>39,099</b>	<b>63,979</b>

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Note	2015	2014
<b>Profit for the year</b>		<b>39,099</b>	<b>63,979</b>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		<b>39,099</b>	<b>63,979</b>

# PARENT COMPANY BALANCE SHEET

SEK thousands	Note	Dec. 31, 2015	Dec. 31, 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	17	284	393
Retained expenditures		<b>284</b>	<b>393</b>
<b>Tangible non-current assets</b>	18		
Property, plant and equipment		3,118	2,849
		<b>3,118</b>	<b>2,849</b>
<b>Financial non-current assets</b>			
Long-term receivable		8,900	9,800
Deferred tax assets		1,008	961
Shares in Group companies	19	353,882	335,331
		<b>363,790</b>	<b>346,092</b>
<b>Total non-current assets</b>		<b>367,192</b>	<b>349,334</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Accounts receivable	20	352	1,173
Receivables from Group companies		335,914	268,278
Tax assets		2,008	657
Investments	3	80,909	133,147
Other current receivables		4,360	4,148
Prepaid expenses and accrued income	21	3,369	3,449
		<b>426,912</b>	<b>410,852</b>
<b>Cash &amp; cash equivalents</b>			
Cash and bank balances	25	25,717	48,081
		<b>25,717</b>	<b>48,081</b>
<b>Total current assets</b>		<b>452,629</b>	<b>458,932</b>
<b>TOTAL ASSETS</b>		<b>819,821</b>	<b>808,267</b>

# PARENT COMPANY BALANCE SHEET

SEK thousands	Note	Dec. 31, 2015	Dec. 31, 2014
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		7,859	7,859
Share premium reserve		46,817	46,817
		<b>54,676</b>	<b>54,676</b>
<b>Unrestricted equity</b>			
Retained earnings		54,098	25,488
Profit for the year		39,099	63,979
		<b>93,197</b>	<b>89,467</b>
<b>Total equity</b>		<b>147,872</b>	<b>144,143</b>
Untaxed reserves	24	1,014	1,014
<b>Non-current liabilities</b>			
Bond loan	3, 25	154,538	187,738
Other non-current liabilities	25	20,294	5,792
		<b>174,832</b>	<b>193,530</b>
<b>Current liabilities</b>			
Accounts payable		2,637	4,705
Due to Group companies		480,250	453,461
Other current liabilities		1,346	1,082
Accrued expenses and prepaid income	26	11,870	10,332
<b>Total current liabilities</b>		<b>496,103</b>	<b>469,581</b>
<b>Total liabilities</b>		<b>670,935</b>	<b>663,111</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>819,821</b>	<b>808,267</b>
<b>Memorandum items</b>			
Pledged assets	27	58,216	41,431
Contingent liabilities		—	—

# PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK thousands	Note	Share capital	Statutory reserve	Retained earnings	Total equity
<b>Opening balance, January 1, 2014</b>		<b>7,859</b>	<b>46,817</b>	<b>63,212</b>	<b>117,887</b>
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
<b>Closing balance, December 31, 2014</b>		<b>7,859</b>	<b>46,817</b>	<b>89,467</b>	<b>144,143</b>
<b>Opening balance, January 1, 2015</b>		<b>7,859</b>	<b>46,817</b>	<b>89,467</b>	<b>144,143</b>
Distribution for 2014 through share redemption	23	-3,929	-	-33,794	-37,723
Bonus issue		3,929	-	-3,929	-
Proceeds received from issue of warrants	8	-	-	1,200	1,200
Equity portion of issue of convertibles	8	-	-	1,154	1,154
Total comprehensive income for the period		-	-	39,099	39,099
<b>Closing balance, December 31, 2015</b>		<b>7,859</b>	<b>46,817</b>	<b>93,197</b>	<b>147,872</b>

Number of shares	Number of votes	Number of shares	Quota value, SEK thousands
<b>Opening balance, January 1, 2014</b>	<b>25,148,384</b>	<b>25,148,384</b>	<b>0.3125</b>
Exercise of warrants	-	-	-
<b>Closing balance, December 31, 2014</b>	<b>25,148,384</b>	<b>25,148,384</b>	<b>0.3125</b>
<b>Opening balance, January 1, 2015</b>	<b>25,148,384</b>	<b>25,148,384</b>	<b>0.3125</b>
Exercise of warrants	-	-	-
<b>Closing balance, December 31, 2015</b>	<b>25,148,384</b>	<b>25,148,384</b>	<b>0.3125</b>

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

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

# PARENT COMPANY STATEMENT OF CASH FLOWS

SEK thousands	Note	2015	2014
<b>OPERATING ACTIVITIES</b>			
Profit after tax		39,099	63,979
Income tax expensed through profit or loss		-46	-1,275
Financial expenses and income recognized through profit or loss	13	15,434	11,666
Depreciation/amortization of tangible/intangible non-current assets	17, 18	1,873	2,125
Impairment of shares/receivables from subsidiaries	12	21,231	2,605
Other non-cash items		-1,370	3,257
Appropriations	14	-	-874
Group contributions received, unpaid		-48,054	-30,246
Dividends received, unpaid	12	-65,000	-70,000
Interest received	13	11,261	13,084
Interest paid	13	-7,356	-8,832
Taxes paid		-1,351	1,758
<b>Cash flow from operating activities before changes in working capital</b>		<b>-34,279</b>	<b>-12,753</b>
<b>CHANGES IN WORKING CAPITAL</b>			
Change in accounts receivable		821	-845
Change in other receivables		-8,897	-10,038
Change in accounts payable		-2,068	-702
Change in other current liabilities		28,591	72,465
<b>Change in working capital</b>		<b>18,447</b>	<b>60,881</b>
<b>Cash flow from operating activities</b>		<b>-15,832</b>	<b>48,128</b>
<b>INVESTING ACTIVITIES</b>			
Investments in tangible non-current assets	18	-2,033	-
Investments in intangible non-current assets	17	-	-134
Short-term investments	3	-56,476	-62,425
Sale of short-term investments	3	104,133	62,319
<b>Cash flow from investing activities</b>		<b>45,626</b>	<b>-240</b>
<b>FINANCING ACTIVITIES</b>			
Repurchase of bond loan		-33,844	-5,833
Issue of warrants		1,200	-
Issue of convertibles		17,310	-
Acquisition of minority shares	19	-	-1,410
Amortization received from borrowers		900	3,600
Distribution	23	-37,723	-37,723
<b>Cash flow from financing activities</b>		<b>-52,157</b>	<b>-41,366</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>-22,363</b>	<b>6,521</b>
Cash & cash equivalents at beginning of year		48,080	41,559
<b>Cash &amp; cash equivalents at year-end</b>		<b>25,717</b>	<b>48,080</b>
<b>Increase/decrease in cash &amp; cash equivalents</b>		<b>22,363</b>	<b>-6,521</b>

# SUPPLEMENTARY DISCLOSURES

## NOTE 1 ACCOUNTING PRINCIPLES

### GENERALVV

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, 2015 is provided on page 120 of this annual report. The annual report was approved by the Board of Directors and the CEO on April 13, 2016 and adopted by the Annual General Meeting of the Parent Company on May 19, 2016.

### 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, 2015. 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 principles are described below.

### REVISED ACCOUNTING PRINCIPLES 2015

A number of new and amended standards and Interpretations took effect in 2015 which Björn Borg has applied to the financial year 2015. None of them have had a material effect on the Group's financial reports for 2015.

### NEW ACCOUNTING PRINCIPLES AS OF 2016

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 has determined that the following are applicable to the Group:

Standards	Will apply to financial years beginning:
IFRS 9 Financial Instruments <sup>1</sup>	on or after January 1, 2018
IFRS 15 Revenue from Contracts with Customers, including amendments to IFRS 15:	on or after January 1, 2018
Effective date of IFRS 15 <sup>1</sup>	on or after January 1, 2018
Amendments to IAS 1: Disclosure initiative	on or after January 1, 2016
Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortization)	on or after January 1, 2016
IFRS 16 Leases <sup>1</sup>	on or after January 1, 2019
Improvements to IFRS 2010-2012 cycle	on or after February 1
Improvements to IFRS 2012-2014 cycle	on or after January 1, 2016

<sup>1</sup> Not yet approved by the EU for application.

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

### New and amended standards as of 2016:

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, 2016 (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.

IFRS 16 *Leases* will replace IAS 17 *Leases*. IFRS 16 introduces a "right of use model" and for the lessee means that practically all leases will be recognized on the balance sheet and will no longer be classified as operating leases or finance leases. The exemptions are leases of 12 months or less and leases of low-value assets. The income statement contains a depreciation charge for lease assets and interest expenses on lease liabilities. The standard contains more extensive disclosure requirements than the current standard. For the lessor there are no real differences between IFRS 16 and IAS 17. IFRS 16 applies to financial years beginning on January 1, 2019. Management is currently analyzing the effects of an implementation of IFRS 1.

The new standard is applied as of January 1, 2018 and 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 when Björn Borg has power over a 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 until 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 of the shares in a company but 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 a transaction with equity owners.

#### **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.

#### **REVENUErecognition**

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

- Sales of goods are recognized upon delivery of a product to the customer (points 2-4 below), when the financial risks and benefits of ownership are transferred to the buyer, when it is likely that the economic benefits will accrue to Björn Borg, when the revenue can be measured reliably, which coincides with the date of delivery.

- Royalties are recognized in the period to which the underlying revenue refers, i.e., in accordance with the current agreement's economic substance.
- Dividend revenue is recognized when the right to receive payment has been determined.
- Interest income is recognized by applying the effective interest rate method.

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

##### **1. Royalty revenue**

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

##### **2. Product company revenue**

The product companies for underwear and 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.

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.

The Group has issued warrants to senior executives. Share-based compensation settled with equity instruments is measured at fair value, excluding any effect from non-market-related terms, on the allotment date, i.e., the date when the company enters an agreement on share-based compensation. The fair value determined on the allotment date is recognized as an expense with a corresponding adjustment to equity distributed over the vesting period, based on the company's estimation of the number of shares that are expected to be redeemable. Fair value is calculated using the Black-Scholes model. The consideration received for the warrants issued is recognized as an increase in equity with a corresponding reduction of the recognized cost over the vesting period. Social security costs attributable to the share-based compensation are accrued in the same way that the cost of the services received and the liability are revalued on each closing day until it is settled.

#### **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 refers to the amount by which the sum of the purchase price transferred and fair value in subsequent acquisitions of previous non-controlling interests exceeds the fair value of identifiable assets, liabilities and contingent liabilities 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 2015 have not had a material effect on the Parent Company's results or financial position. The amendments to RFR 2 *Accounting in Legal Entities*, which take effect on January 1, 2016, mainly refer to the following areas:

#### **IAS 38 Intangible assets**

If development costs are capitalized, a limit is placed on the opportunity to distribute equity by allocating an equal amount to what is capitalized to a special restricted fund for development costs. This only applies, however, to new capitalized costs, i.e., those capitalized after January 1, 2016.

In management's opinion, the amendments will not cause any material changes.

#### **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 main rule, i.e., 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, 2015 amounted to SEK 35,315 thousand (31,713). 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, 2015 amounted to SEK 206,596 thousand (206,797).

#### **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 2015 amounted to around SEK 28.4 million (28). 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 0 thousand (SEK 7,500 thousand) and among other current liabilities at SEK 7,500 thousand (SEK 7,211 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.

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.

#### **Share-related compensation**

The Group has issued warrants to senior executives. According to the Group's accounting principles, the fair value of the warrants is recognized as an expense distributed over the vesting period. With respect to the issued warrants, the Group has received market-rate compensation based on a valuation according to Black & Scholes. The Group has made a determination that market-rate consideration was received and that the terms are otherwise designed in a way that does not benefit the participants in the warrant plan. Against the backdrop of this determination, no cost is recognized for the issued warrants.

Inventory has been valued at the lower of cost and fair value (net selling price). Net selling price corresponds to the estimated selling price less estimated expenses required to complete the sale. These estimates are based on historical outcomes and are evaluated on a continuous basis. The fair value of future sales prices and selling costs may deviate from the assumptions and estimates made.

### 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 EUR and purchases in USD and EUR, at the same time that the Wholesale business segment has sales in SEK, EUR and GBP and purchases in USD and EUR. 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 3,302 thousand (positively by 4,702).

*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, 2015 amounted to EUR 2,200 thousand (2,200), NOK 0 thousand (6,000) and USD 0 thousand (500).

#### 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, 2015 amounted to EUR 1,739 thousand (-1,062), USD 1,188 thousand (-1,175) and GBP -2,620 thousand (-1,921).

#### SENSITIVITY ANALYSIS

##### Commercial transaction exposure

In 2015 the Björn Borg Group was positively impacted because the USD was stronger against the Swedish krona than in 2014. For the full-year

2015 the exchange rate was an average of about 25 percent higher than in 2014. A change in USD, HKD or EUR of 10 percent compared with the closing day exchange rate would have affected profit before tax by 10 percent with respect to outstanding commercial receivables and liabilities as of December 31, 2015.

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

2015	%	Estimated effect on revenue, %	Estimated effect on operating profit, %	Estimated effect on equity, %
Stronger USD vs. SEK	10	3	0.2	0
Weaker USD vs. SEK	-10	-3	-0.2	0
Stronger EUR vs. SEK	10	2	2	1.6
Weaker EUR vs. SEK	-10	-2	-2	1.6

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

2015	%	Estimated effect on profit, SEK thousands	Estimated effect on equity, SEK thousands
EUR	+/-10	+/-2,200	+/-1,700
USD	+/-10	+/-0	+/-0
GBP	+/-10	+/-100	+/-50
NOK	+/-10	+/-1,400	+/-1,100

#### 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

2015	Estimated effect on equity, SEK thousands
	%
EUR	+/-10
USD	+/-10
GBP	+/-10
	+/-1,600
	+/-1,000
	+/-3,400

#### 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, 2015 Björn Borg had investments of SEK 80,909 thousand (133,147). An exchange fluctuation of +/-1 percent for the entire portfolio would affect the value of the bond portfolio (and related revenue) by approximately SEK 800 thousand (1,300). The corresponding effect on equity would be about SEK +/-600 thousand (1,000).

#### 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, 2015 interest-bearing assets in the form of bank balances amounted to SEK 50,643 thousand (85,080) and in the form of corporate bonds amounted to SEK 80,909 thousand (133,147). 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 outstanding assets by about SEK +/-500 thousand on the closing day, based on average interest-bearing assets in 2015. The effect on equity would have been about SEK +/-400 thousand (330).

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 coupon rate is variable and corresponds to the 3-month STIBOR +3.25 percentage points. As of December 31, 2015 Björn Borg had repurchased bonds with a nominal value of SEK 45.0 million. An increase in the 3-month STIBOR of 1 percentage point, all else being equal, would increase Björn Borg's interest expenses by SEK 1,550 thousand per year, and a decrease of 1 percentage point would result in a corresponding decrease. Equity would be affected correspondingly by about SEK +/-1,200 thousand.

In addition to the above bond loan, Björn Borg has issued a convertible debenture with a nominal value of SEK 17,310 thousand. A change of +/-1 percentage point in the 3-month STIBOR would, all else being equal, increase or decrease the Group's interest expenses by SEK 170 thousand. As a result, the Group's total interest expense would be affected by a one percentage point change by SEK 170 thousand and equity by SEK 120 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, 2015 there were outstanding receivables in the two product companies for underwear and sports apparel from a commercial counterparty corresponding to about 37 percent (48 percent) of the Group's total accounts receivable. In addition to the accounts receivable, the Group has a loan receivable of SEK 12,500 thousand (13,400) from the same counterparty. As of December 31, 2015 the market value of the holdings in three individual issuers amounted to SEK 10,375 thousand, SEK 9,045 thousand and SEK 6,786 thousand, or 33 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, 2015

SEK thousands	Group		Parent Company	
	2015	2014	2015	2014
Receivable DBM, long-term portion	8,900	9,800	8,900	9,800
Accounts receivable	87,816	68,232	5,461	1,173
Other current receivables	5,929	5,841	4,360	3,293
Investments	80,909	133,147	80,909	133,147
Cash and bank balances	50,643	85,080	25,717	48,081
	<b>234,197</b>	<b>302,100</b>	<b>125,347</b>	<b>195,494</b>

During the year Björn Borg invested in and sold corporate bonds and derivatives (forward exchange contracts) corresponding to a nominal amount of SEK 47,657 thousand, corresponding to "Investments" of SEK 80,909 thousand (133,147) 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, 2015

	BBB	BB	B	Non-rated	Total
Corporate bonds	14,234	25,491	37,114	3,940	80,779
Derivatives	–	–	–	–	130
	<b>14,234</b>	<b>25,491</b>	<b>37,114</b>	<b>3,940</b>	<b>80,909</b>

Of the investments of SEK 80,909 thousand (133,147), the equivalent of SEK 12,481 thousand is in NOK holdings, SEK 17,241 thousand in EUR 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.

Björn Borg's outstanding bond loan matures in April 2017. Björn Borg continuously reviews various alternatives to obtain the best possible business financing and continuously evaluates various alternatives for future refinancing such as bank loans and issues of bonds or other financing.

Maturity structure of the Björn Borg Group's outstanding receivables and liabilities as of Dec. 31, 2015 (contractual and undiscounted cash flows):

Dec. 31, 2015	Up to 3 mos.			
	3–12 mos.	1–5 yrs.	Over 5 yrs.	
Long-term receivable	900	2,700	5,300	–
Accounts receivable	87,816	–	–	–
Other receivables	5,929	–	–	–
Investments <sup>1</sup>	3,876	5,243	71,526	–
Cash and bank balances	50,643	–	–	–
Other liabilities	–	–49,929	–21,994	–
Accounts payable	–21,019	–	–	–
Bond loans	–1,476	–4,428	–157,128	–
<b>Total</b>	<b>126,669</b>	<b>–46,414</b>	<b>–102,296</b>	<b>–</b>

2014-12-31	Up to 3 mos.			
	3–12 mos.	1–5 yrs.	Over 5 yrs.	
Long-term receivable	900	–	8,900	–
Accounts receivable	68,232	–	–	–
Other receivables	5,851	–	–	–
Investments <sup>1</sup>	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	–198,558	–
<b>Total</b>	<b>137,539</b>	<b>–47,339</b>	<b>–72,252</b>	<b>–</b>

<sup>1</sup> 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, where 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, 2015 the ratio was –0.35 (–0.47) (positive net cash) and the equity/assets ratio was 50.3 percent (46.7). For a complete account of other assumptions and conditions for the bond loan, refer to the prospectus, which is available in Swedish on the company's website and from the Swedish Financial Supervisory Authority.

## NOTE 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 2015**

SEK thousands	Brand	Product Development	Wholesale	Retail	Total	Eliminations	Group
<b>Revenue</b>							
External sales	34,747	238,062	207,131	104,557	584,498	–	584,498
Internal sales	49,591	224,071	28,041	11,031	312,734	–312,734	–
<b>Total revenue</b>	<b>84,338</b>	<b>462,133</b>	<b>235,172</b>	<b>115,589</b>	<b>897,232</b>	<b>–312,734</b>	<b>584,498</b>
<b>Operating profit</b>							
Non-current assets	575,598	35,134	6,598	4,264	621,594	–357,967	263,627
Inventory	–	9,691	70,811	33,313	113,815	–37,964	75,851
Other current assets	1,213,812	453,376	318,223	57,783	2,043,194	–1,804,247	238,947
<b>Total assets</b>	<b>1,789,410</b>	<b>498,201</b>	<b>395,632</b>	<b>95,360</b>	<b>2,778,603</b>	<b>–2,200,178</b>	<b>578,425</b>
Other liabilities	1,019,576	475,439	410,071	144,042	2,049,128	–1,761,378	287,750
<b>Total liabilities</b>	<b>1,019,576</b>	<b>475,439</b>	<b>410,071</b>	<b>144,042</b>	<b>2,049,128</b>	<b>–1,761,378</b>	<b>287,750</b>
Investments in tangible and intangible non-current assets	2,033	–	275	1,466	3,774	1,273	5,047
Depreciation/amortization	–1,873	–263	–2,510	–3,863	–8,509	1,917	–6,592

**SUMMARY BY SEGMENT 2014**

SEK thousands	Brand	Product Development	Wholesale	Retail	Total	Eliminations	Group
<b>Revenue</b>							
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	–
<b>Total revenue</b>	<b>78,481</b>	<b>356,818</b>	<b>220,018</b>	<b>92,195</b>	<b>747,512</b>	<b>–203,015</b>	<b>544,497</b>
<b>Operating profit</b>							
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
<b>Total assets</b>	<b>1,440,656</b>	<b>387,411</b>	<b>262,291</b>	<b>113,227</b>	<b>2,203,585</b>	<b>–1,553,592</b>	<b>649,995</b>
Other liabilities	1,047,430	376,755	218,693	113,799	1,756,677	–1,432,771	323,906
<b>Total liabilities</b>	<b>1,047,430</b>	<b>376,755</b>	<b>218,693</b>	<b>113,799</b>	<b>1,756,677</b>	<b>–1,432,771</b>	<b>323,906</b>
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

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

The difference between operating profit for segments for which information is disclosed, SEK 58,592 thousand (55,950), and profit before tax, SEK 57,560 thousand (63,148), is net financial items, SEK 1,032 thousand (7,198).

**INTERNAL PRICING**

Sales between segments are executed on market terms. The revenue from external parties that is 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	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net sales	226,869	191,700	171,285	158,091	46,038	44,544	66,223	65,004	74,083	85,158	584,498	544,497
Assets	224,512	214,288	169,506	176,719	45,559	49,793	65,535	72,663	73,313	96,151	578,425	609,613
Investments	3,566	1,990	—	—	—	—	196	609	1,285	181	5,047	2,780
Depreciation/amortization	-6,166	-5,798	-56	-1,683	—	—	-823	-792	453	-604	-6,592	-8,877

The Group presents revenue for its four largest markets: Sweden, the Netherlands, Norway and Finland. Revenue of approximately SEK 143,200 thousand (137,415) 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	Parent Company	
	2015	2014
Service revenue	57,982	60,316
	<b>57,982</b>	<b>60,316</b>

Other operating revenue of SEK 5,624 thousand (639) essentially consists of currency effects and re-invoicing of expenses.

#### NOTE 6 OTHER EXTERNAL EXPENSES

SEK thousands	Group		Parent Company	
	2015	2014	2015	2014
Premises	27,175	28,735	10,899	9,322
Selling expenses	34,149	23,439	4,757	3,147
Marketing expenses	42,610	35,876	22,053	19,940
Administrative expenses	23,066	22,338	10,151	13,217
Other	9,135	12,344	3,408	2,061
	<b>136,135</b>	<b>122,732</b>	<b>51,268</b>	<b>47,687</b>

#### NOTE 7 REVENUE AND EXPENSES BETWEEN GROUP COMPANIES

The Parent Company's revenue from subsidiaries amounted to SEK 57,263 thousand (60,309). The Parent Company's expenses for subsidiaries amounted to SEK 2,847 thousand (1,226). 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	
	2015	2014	2015	2014
Wages, salaries and other compensation	73,889	73,566	25,801	19,542
Social security contributions	19,663	17,274	8,740	6,851
Pension costs	7,423	6,930	5,662	3,613
<b>Total</b>	<b>100,975</b>	<b>97,790</b>	<b>40,203</b>	<b>30,006</b>

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

SEK thousands	Group		Parent Company	
	2015	2014	2015	2014
Board, CEO and other senior executives	17,325	11,562	16,653	10,384
Other employees	56,564	58,141	9,148	9,158
<b>Total</b>	<b>73,889</b>	<b>69,703</b>	<b>25,801</b>	<b>19,542</b>

##### AVERAGE NUMBER OF EMPLOYEES <sup>1</sup>

SEK thousands	Group		Parent Company	
	2015	2014	2015	2014
Women	90	85	18	16
Men	42	44	11	9
<b>Total</b>	<b>132</b>	<b>129</b>	<b>29</b>	<b>25</b>

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

#### GENDER DISTRIBUTION AMONG DIRECTORS AND SENIOR EXECUTIVES

Group SEK thousands	2015		2014	
	Men	Women	Men	Women
Board	4	3	4	3
Other senior executives	4	4	4	3
<b>Total</b>	<b>8</b>	<b>7</b>	<b>8</b>	<b>6</b>

#### COMPENSATION AND OTHER BENEFITS TO DIRECTORS

SEK thousands	2015		2014	
	Board fees	Other compensation	Board fees	Other compensation
<i>Chairman of the Board</i>				
Fredrik Lövstedt	350	100	342	100
<i>Other Directors:</i>				
Mats H Nilsson	140	65	135	65
Anders Slettengren	–	–	135	–
Heiner Olbrich	140	–	–	–
Martin Bjäringer	140	–	135	–
Nathalie Schuterman	140	–	135	–
Isabelle Duccellier	140	–	135	–
Kerstin Hessius	140	50	135	50
<b>Total</b>	<b>1,190</b>	<b>215</b>	<b>1,152</b>	<b>215</b>

#### COMPENSATION AND OTHER BENEFITS TO SENIOR EXECUTIVES 2015

SEK thousands	Variable compensation				<b>Total</b>
	Base salary	Pension costs	Severance		
CEO	3,900	–	674	110	<b>4,684</b>
Deputy CEO	1,581	638	552	70	<b>2,841</b>
Other senior executives	8,344	1,458	1,713	107	<b>10,421</b>
<b>Total</b>	<b>13,825</b>	<b>2,096</b>	<b>2,939</b>	<b>287</b>	<b>17,946</b>

#### COMPENSATION AND OTHER BENEFITS TO SENIOR EXECUTIVES 2014

SEK thousands	Variable compensation				<b>Total</b>
	Base salary	Pension costs	Severance		
CEO <sup>1</sup>	1,500	–	240	–	<b>1,740</b>
Deputy CEO <sup>2</sup>	1,581	1,701	552	74	<b>3,908</b>
Other senior executives	4,773	640	1,245	16	<b>6,674</b>
<b>Total</b>	<b>7,854</b>	<b>2,341</b>	<b>2,037</b>	<b>90</b>	<b>12,322</b>

<sup>1</sup> Relates to the period August to December 2014.

<sup>2</sup> The CEO was acting CEO during the period January to July 2014.

#### 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 1,405 thousand (1,367) in 2015. The Chairman received SEK 350 thousand (342), while other Directors received SEK 140 thousand (135) 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 2015 and the members of the Audit Committee received a total of SEK 175 thousand (175). All compensation is pursuant to the Board compensation resolved by the AGM.

##### Compensation to the CEO and deputy CEO

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. Björn Borg's CEO received salary and other remuneration of SEK 3,900 thousand (SEK 1,500 million for five months in 2014), which includes variable compensation of SEK 1,200 thousand (500). This compensation of SEK 1,200 thousand (500) has been classified as part of his base salary, however, since it was guaranteed in his employment contract through December 31, 2015. The former deputy CEO left the company in June 2015 and has not been replaced. In connection with his departure, the company in 2015 expensed his base salary during a six month term of notice and severance corresponding to one month's salary. Variable compensation of SEK 638 thousand was paid for 2015. The variable compensation has been calculated based on the Group's sales and operating profit in relation to the Board-approved budget.

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. Aside from the CEO and deputy CEO, senior executives consisted of eight executives in 2015. One Senior Executive left the company in July 2015 and has not been replaced. In 2015 the average number of other senior executives excluding the deputy CEO was 9. Base salaries paid to senior executives amounted to SEK 8,344 thousand (4,773) in 2015, in addition to which they receive variable compensation if the Group's sales and results exceed the Board's established budget. The variable compensation for 2015 amounted to SEK 1,458 thousand (640). One Senior Executive receives commission-based variable compensation that can exceed base salary, which is an exception to the established guidelines. 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 2015 amounted to SEK 1,713 thousand (1,245). 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, 2015**

SEK thousands	No. of shares
Fredrik Lövstedt	2,750,040
Mats H Nilsson	1,638,440
Martin Bjäringer	1,100,000
Heiner Olbrich	–
Isabelle Duccellier	2,030
Kerstin Hessius	71,000
Nathalie Schuterman	–
CEO	100,000
Other senior executives	38,062
<b>Total number of shares</b>	<b>5,699,572</b>

**PENSIONS**

The Group has only defined contribution pension plans. A defined contribution plan is a plan where the Group pays fixed premiums to a separate legal entity. After it has paid the premium, Björn Borg has no further obligation to the Group's employees. The fees are recognized as staff costs in the period to which the fees relate and in 2015 amounted to SEK 7.4 million (6.9).

**CONVERTIBLE DEBENTURES**

Björn Borg issued convertible debentures on June 16, 2015 that were subscribed for at a nominal value of SEK 17,310 thousand. The convertibles carry interest (starting date July 1, 2015), which is paid annually in arrears, with the first payment on June 30, 2016. The interest rate is determined based on an average of STIBOR on certain fixed dates during the period (September 10, December 10, March 10 and June 10) plus a margin of 3.15 percent. The recognized interest expense for 2015 was SEK 244.9 thousand. The debentures fall due for payment on June 30, 2019 at their nominal value of SEK 17,310 thousand or can be converted to shares at the request of the holder at a price of SEK 37.96 per share. Each convertible entitles its holder to subscribe for one share, which means that the maximal conversion would increase the number of shares by 456,000, corresponding to a dilution effect of 1.8 percent. Convertible debentures are a so-called hybrid financial instrument, which means that the liability portion is initially recognized at its fair value, i.e., the value that a similar liability without the right to convert to shares would have had. The equity portion is initially recognized as the difference between the fair value of the entire instrument and the fair value of the liability portion. Björn Borg has not incurred any material, directly related transaction costs for the issue. In subsequent measurements the liability portion is recognized at amortized cost and the equity portion is not revalued other than in connection with conversions or redemptions. Due to the short time that has passed since the issue, the market interest rate is essentially unchanged, because of which the carrying amount is a good approximation of fair value as of December 31, 2015. The distribution between the liability portion and the equity portion is as follows:

SEK thousands	Dec. 31, 2015	Dec. 31, 2014
Nominal value convertible debentures	17,310	–
Less equity portion	1,154	–
<b>Recognized liability</b>	<b>16,156</b>	–

Björn Borg has determined that the issue was implemented on market terms and that the terms of the convertible plan are designed in a way that does not unfairly favor the employees. As a result, no expenses, other than interest, have been recognized for the employee convertibles.

**WARRANTS**

Björn Borg issued warrants on June 16, 2015 to senior executives within the Group; 480,000 warrants were subscribed. The warrants entitle the holder to subscribe for one share for SEK 37.96 per share during the period June 1-14, 2019. In the event of full subscription, the total dilution effect is 1.9 percent. Björn Borg has received market-rate consideration for the warrants of SEK 2.50 per warrant, corresponding to total proceeds received of SEK 1,200 thousand, which has been recognized as an increase in equity. The warrants have been valued according to Black & Scholes. The most important inputs in the valuation were the average volume-weighted price paid for the Björn Borg share during the period May 21-29, 2015, volatility of 30 percent, a risk-free rate of interest of 0.28 percent and an adjustment for the present value of future dividends. The corresponding inputs have been used in the valuation of the convertible rights as described above. According to the terms, there is no requirement that the employee remained employed with the company, but there is a right of first refusal that gives Björn Borg a right, though not an obligation, to acquire the holder's warrant if the holder's employment were to end before June 30, 2019. Against this backdrop, Björn Borg has determined that market-rate consideration has been received and that the terms in other respects are designed in a way that does not unfairly favor the participants in the warrant plan. As a result, no expenses have been recognized related to the issued warrants.

**WARRANTS**

	2015		2014	
	No. of warrants	Average exercise price in SEK per warrant	No. of warrants	Average exercise price in SEK per warrant
<b>As of January 1</b>	–	–	–	–
Issued	480,000	37.96	–	–
Forfeited	–	–	–	–
Exercised	–	–	–	–
Expired	–	–	–	–
<b>As of December 31</b>	<b>480,000</b>	<b>37.96</b>	–	–

## NOTE 9 AUDITORS' FEES

SEK thousands	Group		Parent Company	
	2015	2014	2015	2014
<b>Deloitte AB</b>				
Statutory audit	958	988	828	800
Other attestation services	–	–	–	–
Tax advisory services	167	110	167	103
Other services	18	85	18	85
	<b>1,143</b>	<b>1,183</b>	<b>1,013</b>	<b>988</b>
<b>Other accounting firms</b>				
Statutory audit	–	78	–	–
Other attestation services	–	–	–	–
Tax advisory services	–	–	–	–
Other services	–	–	–	–
	<b>–</b>	<b>78</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>1,143</b>	<b>1,261</b>	<b>1,013</b>	<b>988</b>

## NOTE 10 OPERATING LEASES

SEK thousands	Group		Parent Company	
	2015	2014	2015	2014
Rental and lease expenses during the year amount to	22,052	20,245	9,884	8,335
Future lease fees amount to				
– within 1 year	22,447	20,342	10,057	8,634
– later than 1 year but within 5 years	91,456	85,152	41,074	36,128
<b>Total</b>	<b>135,955</b>	<b>125,739</b>	<b>61,015</b>	<b>53,097</b>

The Björn Borg Group leases offices and retail space. The leases are signed on market terms with regard to price and duration. Certain leases are variable and include both a minimum rent and a portion contingent on sales. The expense for variable rents in 2014 and 2015 was insignificant.

As of the closing day, December 31, 2015, the Björn Borg Group had no finance leases.

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

SEK thousands	Group	
	2015	2014
Accounts and loans receivable	728	1,910
Financial liabilities at amortized cost	810	1,377
Financial assets at fair value through profit or loss	–4,056	–4,367
<b>Total</b>	<b>–2,518</b>	<b>–1,080</b>

## NOTE 12 RESULT FROM SHARES IN SUBSIDIARIES

SEK thousands	Parent Company	
	2015	2014
Anticipated dividend	65,000	70,000
Impairment of shares and receivables in subsidiaries	–21,231	–2,605
	<b>43,769</b>	<b>67,395</b>

## NOTE 13 NET FINANCIAL ITEMS

SEK thousands	Group		Parent Company	
	2015	2014	2015	2014
Change in exchange rates	1,581	6,863	–176	3,555
Interest income <sup>1</sup>	8,690	10,634	11,262	13,084
Other financial income <sup>2</sup>	1,777	5,265	175	–
<b>Total financial income</b>	<b>12,048</b>	<b>22,762</b>	<b>11,261</b>	<b>16,639</b>
Interest expenses <sup>1</sup>	–7,691	–9,854	–22,463	–23,939
Interest expense				
Trademarks <sup>1</sup>	–588	–866	–	–
Other financial expenses <sup>2</sup>	–4,801	–4,844	–4,232	–4,367
<b>Total financial expenses</b>	<b>–13,080</b>	<b>–15,564</b>	<b>–26,695</b>	<b>–28,305</b>
<b>Net financial items</b>	<b>–1,032</b>	<b>7,198</b>	<b>–15,434</b>	<b>–11,666</b>

<sup>1</sup> 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 (9.1) related to assets measured at fair value.

<sup>2</sup> Of which SEK -4,056 thousand (-4,367) relates to unrealized changes in short-term investments at fair value through profit or loss.

## NOTE 14 APPROPRIATIONS

SEK thousands	Parent Company	
	2015	2014
<b>Appropriations</b>		
Change in accelerated depreciation/amortization	–	874
	–	<b>874</b>

## NOTE 15 TAXES

### TAX ON PROFIT FOR THE YEAR

SEK thousands	Group		Parent Company	
	2015	2014	2015	2014
Current tax on profit for the year	–15,775	–14,730	–	–
Deferred tax expense	–142	–847	46	1,275
<b>Total recognized tax expense</b>	<b>–15,917</b>	<b>–15,577</b>	<b>46</b>	<b>1,275</b>

### RECONCILIATION BETWEEN CURRENT TAX RATE AND EFFECTIVE TAX RATE

SEK thousands	Group		Parent Company	
	2015	2014	2015	2014
Recognized profit before tax	57,560	63,148	39,051	62,704
Tax according to current tax rate in Sweden	–12,663	–13,892	–8,591	–13,795
<i>Tax effect of:</i>				
Non-deductible expenses	–1,299	–730	–5,709	–646
Tax-exempt income	208	162	14,347	15,716
Deferred tax income, previously unrecognized	–	1,387	–	–
Effect of tax rates in other countries	299	–115	–	–
Effect of unrecognized tax loss carryforwards	–3,484	–1,290	–	–
Effect of previous years' unrecognized tax assets	928	–	–	–
Tax related to previous years	94	–1,099	–	–
<b>Recognized tax expense</b>	<b>–15,917</b>	<b>–15,577</b>	<b>47</b>	<b>1,275</b>

## DEFERRED TAXES

SEK thousands	Group		Parent Company	
	2015	2014	2015	2014
<i>Deferred tax assets recognized in the balance sheet</i>				
Short-term investments	1,008	961	1,008	961
Internal gain on inventories	8,164	–	–	–
Intangible assets	5,500	–	–	–
Tax loss carryforwards	20,643	30,752	–	–
<b>Total deferred tax assets</b>	<b>35,315</b>	<b>31,713</b>	<b>1,008</b>	<b>961</b>
<i>Deferred tax liabilities recognized in the balance sheet</i>				
Trademarks	41,257	41,257	–	–
Goodwill	358	–	–	–
Untaxed reserves	354	815	–	–
Internal gain on inventories (receivable)	–	–3,722	–	–
<b>Total deferred tax liabilities</b>	<b>41,969</b>	<b>38,350</b>	<b>–</b>	<b>–</b>

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 20,643 thousand (30,752). The taxable value of these tax loss carryforwards is SEK 93,832 thousand (139,874), none of which has an expiration date (previous year: SEK 30,000 thousand within 7-9 years). The taxable value of tax loss carryforwards for which deferred tax assets have not been recognized in the balance sheet amounts to SEK 66,140 thousand (44,917) as of December 31, 2015 and is attributable to the operations in the US, the Netherlands, Finland and the UK. No deferred tax assets have been recognized for these tax loss carryforwards because these units, with the exception of the Netherlands this year and historically, have recognized tax losses, as well as because of uncertainty whether and when in the future these operations will generate sufficient taxable surpluses. This corresponds to total unrecognized deferred tax assets in the range of SEK 15,080 thousand. Of these deficits, SEK 11,530 thousand expires within 7-9 years.

## NOTE 16 EARNINGS PER SHARE

SEK thousands	Earnings per share		Earnings per share Before dilution	
	2015	2014	2015	2014
<b>Earnings</b>				
Earnings attributable to Parent Company's shareholders	45,062	48,835	45,062	48,835
Interest expense for convertible debentures (after tax)	–	–	245	–
<b>Net profit used to determine earnings per share after dilution</b>	<b>45,062</b>	<b>48,835</b>	<b>45,307</b>	<b>48,835</b>
<b>Weighted average number of shares outstanding</b>				
Adjustment for:				
– Convertible debentures	–	–	456,000	–
– Warrants	–	–	–	–
<b>Weighted average number of common shares for calculation of earnings per share after dilution</b>	<b>25,148,384</b>	<b>25,148,384</b>	<b>25,604,384</b>	<b>25,148,384</b>
<b>Earnings per share</b>	<b>1.79</b>	<b>1.94</b>	<b>1.77</b>	<b>1.94</b>
SEK thousands	2015	2014		
Earnings per share, SEK	1.79	1.94		
Earnings per share, SEK (after dilution)	1.77	1.94		
Number of shares	25,148,384	25,148,384		
Number of shares, weighted average	25,148,384	25,148,384		
Effect of dilution	456,000	–		
Number of shares, weighted average (after dilution)	25,604,384	25,148,384		

Earnings per share before dilution is calculated dividing earnings attributable to the Parent Company's shareholders by the weighted average number of common shares outstanding during the period, excluding repurchased shares. When calculating earnings per share after dilution, the weighted average number of common shares outstanding has been adjusted for the dilution effect of all potential common shares. The Group has potential common shares with a dilution effect related to convertible debentures and warrants.

## NOTE 17 INTANGIBLE ASSETS

GROUP	SEK thousands	Dec. 31, 2015	Dec. 31, 2014
<b>Goodwill</b>			
Accumulated cost			
Opening balance	19,265	18,966	
Translation differences for the year	–201	299	
<b>Carrying amount at year-end</b>	<b>19,064</b>	<b>19,265</b>	
<b>Trademarks</b>			
Accumulated cost			
Opening balance	187,532	187,532	
<b>Carrying amount at year-end</b>	<b>187,532</b>	<b>187,532</b>	
<b>License</b>			
Accumulated cost			
Opening balance	1,399	1,209	
Translation differences for the year	–56	190	
<b>Closing balance</b>	<b>1,343</b>	<b>1,399</b>	
Accumulated amortization			
Opening balance	–552	–172	
Amortization for the year	–276	–276	
Translation differences for the year	33	–104	
<b>Closing balance</b>	<b>–795</b>	<b>–552</b>	
<b>Carrying amount at year-end</b>	<b>548</b>	<b>847</b>	
<b>Tenancy rights</b>			
Accumulated cost			
Opening balance	1,725	1,725	
<b>Closing balance</b>	<b>1,725</b>	<b>1,725</b>	
Accumulated amortization			
Opening balance	–1,542	–1,442	
Amortization for the year	–100	–100	
<b>Closing balance</b>	<b>–1,642</b>	<b>–1,542</b>	
<b>Carrying amount at year-end</b>	<b>83</b>	<b>183</b>	

SEK thousands	Dec. 31, 2015	Dec. 31, 2014
<b>Capitalized expenditure for software</b>		
Accumulated cost		
Opening balance	18,328	16,640
Investments	301	1,428
Disposals	-10,319	-
Translation differences for the year	-19	260
<b>Closing balance</b>	<b>8,291</b>	<b>18,328</b>
Accumulated amortization		
Opening balance	-14,968	-13,212
Disposals	10,319	-
Amortization for the year	-1,524	-1,706
Translation differences for the year	-9	-50
<b>Closing balance</b>	<b>-6,182</b>	<b>-14,968</b>
<b>Carrying amount at year-end</b>	<b>2,109</b>	<b>3,360</b>
<b>PARENT COMPANY</b>		
SEK thousands	Dec. 31, 2015	Dec. 31, 2014
<b>Capitalized expenditure for software</b>		
Accumulated cost		
Opening balance	2,730	2,596
Investments	-	134
Disposals and discontinued operations	-539	-
<b>Closing balance</b>	<b>2,191</b>	<b>2,730</b>
Accumulated amortization		
Opening balance	-2,337	-2,001
Amortization for the year	-109	-336
Disposals and discontinued operations	539	-
<b>Closing balance</b>	<b>-1,907</b>	<b>-2,337</b>
<b>Carrying amount at year-end</b>	<b>284</b>	<b>393</b>

#### IMPAIRMENT TESTING OF GOODWILL AND TRADEMARKS

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

There are also intangible non-current assets in the form of trademarks where the cash-generating unit is Björn Borg Brands AB. A list is provided below.

SEK thousands	Dec. 31, 2015	Dec. 31, 2014
<b>Goodwill</b>		
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	5,120	5,321
	<b>19,064</b>	<b>19,265</b>
<b>Trademarks</b>		
Björn Borg Brands AB	187,532	187,532
	<b>187,532</b>	<b>187,532</b>

Each year the Group tests goodwill and trademarks for impairment in accordance with the accounting principle described in Note 1. Future cash flows used to calculate value in use for trademarks and goodwill attributable to Björn Borg Brands are based in the first year on the budget adopted by the Board for 2016 for each unit. Cash flows are subsequently based on an annual growth assumption of 1 percent (2 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, 2015 applied a discount rate before tax of approximately 13 percent (15) and an assumed annual growth rate of 1 percent (1) for the period beyond the forecast horizon. This growth rate is a cautious assumption as of December 31, 2015 based on current economic conditions in the markets mainly in Europe where Björn Borg is active. The forecast period stretches from 2016 to 2020, 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 2016. Valuations as of December 31, 2015 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 2016 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, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
<i>Accumulated cost</i>				
Opening balance	45,044	43,374	11,530	11,530
<i>Investments</i>	4,746	1,353	2,033	–
Sales and disposals	–14,476	–	–3,914	–
Translation differences for the year	–38	317	–	–
<b>Closing balance</b>	<b>35,276</b>	<b>45,044</b>	<b>9,649</b>	<b>11,530</b>
<i>Accumulated depreciation</i>				
Opening balance	–32,710	–26,855	–8,681	–6,903
Sales and disposals	13,948	–	3,914	–
Depreciation for the year	–6,401	–6,795	–1,764	–1,778
Translation differences for the year	–37	–940	–	–
<b>Closing balance</b>	<b>–25,200</b>	<b>–32,710</b>	<b>–6,531</b>	<b>–8,681</b>
<b>Carrying amount at year-end</b>	<b>10,076</b>	<b>12,334</b>	<b>3,118</b>	<b>2,849</b>

## NOTE 19 FINANCIAL NON-CURRENT ASSETS

### SHARES IN SUBSIDIARIES

SEK thousands	Parent Company	
	Dec. 31, 2015	Dec. 31, 2014
Opening cost	335,331	321,243
Acquisition of minority shares	–	7,202
Offset issue	–	9,491
Writedown	–4,185	–2,605
Shareholder's contribution paid	22,736	–
<b>Closing accumulated cost</b>	<b>353,882</b>	<b>335,331</b>

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 (5,792), of which SEK 1,654 thousand has been recognized as a current liability. After the closing day this portion was settled and paid out to the former minority owner. 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.

In 2015 Björn Borg paid shareholder's contributions of SEK 18,000 thousand to Björn Borg Brands AB and SEK 4,736 thousand to Björn Borg Finland Oy.

#### 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	58,216
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	–
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	4,752
Björn Borg Limited (China) Limited CR	1671008	Hong Kong	7,500	75	–
Björn Borg (Shanghai) Trading Co. Ltd	310000400680797	Shanghai	n/a	100	–
					<b>353,882</b>

#### 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, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Accounts receivable, gross	89,900	69,353	354	1,173
Reserve for impaired receivables	-2,084	-1,121	-2	–
<b>Total accounts receivable, net after reserve for impaired receivables</b>	<b>87,816</b>	<b>68,232</b>	<b>352</b>	<b>1,173</b>

As of December 31, 2015 the Group and the Parent Company had recognized SEK 2,086 thousand (1,121) in impaired receivables. Individually assessed receivables considered to be in need of impairment largely relate to individual customers who are in financial difficulty and cannot meet their obligations to Björn Borg.

The age of these receivables is distributed as follows:

##### OVERDUE RECEIVABLES

SEK thousands	Group		Parent Company	
	2015	2014	2015	2014
Not overdue	30,656	32,012	197	473
1-30 days	36,537	33,479	151	611
31-90 days	18,225	2,508	–	76
91-180 days	1,881	858	6	13
>180 days	2,601	496	–	–
<b>Total</b>	<b>89,900</b>	<b>69,353</b>	<b>354</b>	<b>1,173</b>

As of December 31, 2015 the Group had SEK 57,136 thousand (36,220) 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	
	2015	2014	2015	2014
Not overdue	30,680	32,012	197	473
1-30 days	36,799	33,479	151	611
31-90 days	18,043	2,017	–	76
91-180 days	1,162	348	4	13
>180 days	1,132	376	–	–
<b>Total</b>	<b>87,816</b>	<b>68,232</b>	<b>352</b>	<b>1,173</b>

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	
	2015	2014	2015	2014
Provisions at beginning of year	–1,121	–1,304	12	–
Reversed provisions for the period	461	426	–12	–
Provisions for the period	–2,084	–1,121	–2	–
Established losses	660	878	–	12
	<b>–2,084</b>	<b>–1,121</b>	<b>–2</b>	<b>12</b>

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, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Accrued royalty revenue	2,123	2,682	–	–
Prepaid rents	5,066	5,085	2,503	2,335
Other	3,659	4,124	866	1,114
	<b>10,848</b>	<b>11,891</b>	<b>3,369</b>	<b>3,449</b>

## NOTE 22 FINANCIAL ASSETS AND LIABILITIES

### GROUP 2015

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	–	8,900	–	8,900	8,900	–	8,900
Accounts receivable	–	87,816	–	87,816	87,816	–	87,816
Investments	80,909	–	–	80,909	80,909	–	80,909
Cash and bank balances	–	50,643	–	50,643	50,643	–	50,643
<b>Total financial assets</b>	<b>80,909</b>	<b>147,359</b>	–	<b>228,268</b>	<b>228,268</b>	–	<b>228,268</b>
Bond loan	–	–	154,538	154,538	154,373	–	154,538
Other non-current liabilities	4,138	–	16,156	20,294	20,294	–	20,294
Other current liabilities	1,654	–	–	–	1,654	17,360	19,014
Accounts payable	–	–	21,019	21,019	21,019	–	21,019
<b>Total financial liabilities</b>	<b>5,792</b>	–	<b>191,713</b>	<b>195,851</b>	<b>195,686</b>	<b>17,360</b>	<b>214,865</b>

### 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
<b>Total financial assets</b>	<b>133,147</b>	<b>163,112</b>	–	<b>296,259</b>	<b>296,259</b>	–	<b>296,259</b>
Bond loan	–	–	187,738	187,738	181,440	–	187,738
Other non-current liabilities	5,792	–	7,500	13,292	13,292	–	13,292
Other current liabilities	–	–	7,212	7,212	7,212	13,906	21,118
Accounts payable	–	–	25,064	25,064	25,064	–	25,064
<b>Total financial liabilities</b>	<b>5,792</b>	–	<b>227,514</b>	<b>233,306</b>	<b>227,008</b>	<b>13,906</b>	<b>247,212</b>

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

- Level 1 fair value is determined using observable (unadjusted) quoted prices on an active market for identical assets and liabilities.
- Level 2 fair value is determined using valuation models based on observable inputs for the asset or liability other than quoted prices included in level 1.
- Level 3 fair value is determined using valuation models where significant inputs are based on non-observable data.

#### FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

SEK thousands, Group 2015	Level 1	Level 2	Level 3
Securities held for trading	80,779	–	–
Derivatives held for trading	–	130	–
Contingent consideration (liability)	–	–	–5,792
<b>Total assets/liabilities</b>	<b>80,779</b>	<b>130</b>	<b>–5,792</b>
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
<b>Total assets/liabilities</b>	<b>133,306</b>	<b>–159</b>	<b>5,792</b>

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, 2015, with the exception of the bond loan, the fair value of which amounted to SEK 154,373 thousand, compared with a carrying amount of SEK 154,538 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, 2014.

The loan was (as of December 31, 2014) amortization free in 2015 as part of a settlement regarding the minority interest in Björn Borg Sport BV.

#### NOTE 23 DIVIDEND PER SHARE

The Annual General Meeting on May 11, 2015 approved a distribution of SEK 37,723 thousand for the financial year 2014, corresponding to SEK 1.50 per share.

The Board of Directors has decided to recommend to the 2016 AGM a distribution of SEK 2.00 per share for the financial year 2015. 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 2.00 per share. Payment for the redemption shares, contingent on the approval of the AGM, is expected to be made around June 20, 2016. The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 50,297 thousand (37,723).

#### NOTE 24 UNTAXED RESERVES

SEK thousands	Parent Company	
	Dec. 31, 2015	Dec. 31, 2014
<b>Untaxed reserves</b>		
Accumulated accelerated depreciation/amortization	1,014	1,014
	<b>1,014</b>	<b>1,014</b>

## NOTE 25 LIABILITIES

### NON-CURRENT AND CURRENT INTEREST-BEARING LIABILITIES

SEK thousands	Group		Parent Company	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Bank overdraft facilities	20,000	20,000	20,000	20,000
<b>Total available credit lines</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>
<b>Unused credit lines</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>

Bank overdraft facilities were used to a limited extent in 2015. 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 154,538 thousand (187,738), a liability to the seller of the Björn Borg trademark of SEK 0 thousand (7,500) and a liability to the seller of the shares in BB Sport of SEK 4,138 thousand (5,792). The total liability to the seller of the trademark amounts to SEK 7,500 thousand (14,712), which will be paid within 12 months.

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 2012-2015 the company repurchased corporate bonds with a nominal value of SEK 45.0 million without a material effect on the Group's results, due to which the carrying amount of the bond loan after the repurchase amounted to SEK 154.4 million as of December 31, 2015.

The fair value of the bond loan (nominal value of SEK 154.9 million after the repurchase) amounted to SEK 154.6 million (181) as of December 31, 2015. 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, 2015 the ratio was 0.62 (-0.47) (positive net cash) and the equity/assets ratio was 50.3 percent (46.7). 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.

A convertible loan of SEK 17,310 thousand (0) is recognized among other long-term liabilities. For information on recognition of the convertible loan, see note 8.

## NOTE 26 ACCRUED EXPENSES, DEFERRED INCOME AND PROVISIONS

SEK thousands	Group		Parent Company	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Accrued royalty expenses	4,953	5,144	–	–
Personnel-related items	15,191	11,321	9,791	5,494
Marketing expenses	32	2,647	32	2,647
Deferred income	3,157	3,934	–	–
Other	7,583	6,839	2,047	2,191
	<b>30,916</b>	<b>29,884</b>	<b>11,870</b>	<b>10,332</b>
<b>Provisions</b>				
Restructuring reserve	–	8,459	–	–
	<b>–</b>	<b>8,459</b>	<b>–</b>	<b>–</b>

## NOTE 27 PLEDGED ASSETS AND CONTINGENT LIABILITIES

### PLEDGED ASSETS

SEK thousands	Group		Parent Company	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Chattel mortgages	18,000	18,000	–	–
Securities	–	1,215	–	1,215
Shares in subsidiaries	248,819	233,642	40,216	40,216
	<b>266,819</b>	<b>252,857</b>	<b>40,216</b>	<b>41,431</b>

### CONTINGENT LIABILITIES

SEK thousands	Group		Parent Company	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Rental guarantee and other guarantees	1,890	4,581	–	–
	<b>1,890</b>	<b>4,581</b>	<b>–</b>	<b>–</b>

See also note 25.

## NOTE 28 NON-CONTROLLING INTERESTS

### INFORMATION ON NON-CONTROLLING INTERESTS

SEK thousands	Dec. 31, 2015	Dec. 31, 2014
Opening balance	-4,645	-13,533
Share of profit for the year	-3,419	-1,263
Share of total comprehensive income for the year	-249	-1,934
Offset issue in subsidiary (BB Sport)	-	9,466
Shareholder's contribution received from minority owner	1,580	
Change as a result of acquisition of shares from non-controlling interests	-	2,619
<b>Closing balance</b>	<b>-6,733</b>	<b>-4,645</b>

The Björn Borg Group has two subsidiaries with material non-controlling interests as of December 31, 2015: 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.

### SUBSIDIARIES

SEK thousands	Result distributed to non-controlling interests		Cumulative holdings of non-controlling interests	
	2015	2014	2015	2014
Björn Borg UK Ltd	-1,805	-1,075	-6,486	-4,661
Björn Borg Finland Oy	-1,506	-112	146	38
Other non-controlling interests	-108	-76	-393	-22
<b>Total</b>	<b>-3,419</b>	<b>-1,263</b>	<b>-6,733</b>	<b>-4,645</b>

### CONDENSED FINANCIAL INFORMATION

The financial information below shows figures prior to eliminations.

### INCOME STATEMENT

SEK thousands	Björn Borg UK		Björn Borg Finland	
	2015	2014	2015	2014
Revenue	23,291	21,353	44,376	43,737
Expenses	-32,318	-26,728	-50,327	-44,183
<b>Profit/loss for the year</b>	<b>-9,027</b>	<b>-5,375</b>	<b>-5,951</b>	<b>-446</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-9,027</b>	<b>-5,375</b>	<b>-5,951</b>	<b>-446</b>

### STATEMENT OF FINANCIAL POSITION

SEK thousands	Björn Borg UK		Björn Borg Finland	
	2015	2014	2015	2014
Non-current assets	1,275	1,760	6,916	5,786
Current assets	13,109	8,218	13,602	4,405
<b>Total assets</b>	<b>14,384</b>	<b>9,978</b>	<b>20,518</b>	<b>10,191</b>
Equity	-32,432	-23,307	649	152
Current liabilities	46,816	33,285	19,869	10,039
<b>Total liabilities</b>	<b>46,816</b>	<b>33,285</b>	<b>19,869</b>	<b>10,039</b>
<b>Total equity and liabilities</b>	<b>14,384</b>	<b>9,978</b>	<b>20,518</b>	<b>10,191</b>

### CASH FLOWS

SEK thousands	Björn Borg UK		Björn Borg Finland	
	2015	2014	2015	2014
From operating activities	-1,032	-1,328	-9,397	650
From investing activities	-	-1,264	-1,456	45
From financing activities	-	-	-	-
<b>Total cash flow</b>	<b>-1,032</b>	<b>-2,592</b>	<b>-10,853</b>	<b>695</b>



# 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 13, 2016

Fredrik Lövstedt  
Chairman

Martin Bjäringer  
Board member

Isabelle Duccellier  
Board member

Kerstin Hessius  
Board member

Mats H Nilsson  
Board member

Nathalie Schuterman  
Board member

Heiner Olbrich  
Board member

Henrik Bunge  
CEO

Our audit report was submitted on April 18, 2016  
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, 2015 – December 31, 2015. The annual accounts and consolidated financial statements of the company are included in the printed version of this document on pages 74–119.

#### **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, 2015 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, 2015 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, 2015–December 31, 2015.

#### **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 18, 2016

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, 2015. 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, 2015 was SEK 31.40, giving Björn Borg a market capitalization of about SEK 790 million. A total of 18,565,380 shares were traded in 2015 at a value of approximately SEK 563 million. The average daily turnover was 73,966 shares. The share price increased during the year by SEK 7.90, which was 33.6 percent higher than the previous year. The share reached a high of SEK 38.80 and fell to a low of SEK 22.30.

#### INCENTIVE SCHEME

Björn Borg issued convertible debentures on June 16 that were subscribed for at a nominal value of SEK 17,310 thousand. The convertibles carry interest (starting date July 1, 2015), which is paid annually in arrears, with the first payment on June 30, 2016. The interest rate is determined based on an average of STIBOR on certain fixed dates during the period (September 10, December 10, March 10 and June 10) plus a margin of 3.15 percent. The recognized interest expense for 2015 was SEK 244.9 thousand. The debentures fall due for payment on June 30, 2019 at their nominal value of SEK 17,310 thousand or can be converted to shares at the request of the holder at a price of SEK 37.96 per share. Each convertible entitles its holder to subscribe for one share, which means that the maximal conversion would increase the number of shares by 456,000, corresponding to a dilution effect of 1.8 percent. Convertible debentures are a so-called hybrid financial instrument, which means that the liability portion is initially recognized at its fair value, i.e., the value that a similar liability without the right to convert to shares would have had. The equity portion is initially recognized as the difference between the fair value of the entire instrument and the fair value of the liability portion. Björn Borg has not incurred any material, directly related transaction costs for the issue. In subsequent measurements the liability portion is recognized at amortized cost and the equity portion is not revalued other than in connection with conversions or redemptions. Due to the short time that has passed since the issue, the market interest rate is essentially unchanged, because of which the carrying amount is a good approximation of fair value as of December 31, 2015. The distribution between the liability portion and the equity portion is as follows:

SEK thousands	Dec. 31, 2015	Dec. 31, 2014
Nominal value convertible debentures	17,310	–
Less equity portion	1,154	–
<b>Recognized liability</b>	<b>16,156</b>	<b>–</b>

Björn Borg has determined that the issue was implemented on market terms and that the terms of the convertible plan are designed in a way that does not unfairly favor the employees. As a result, no expenses, other than interest, have been recognized for the employee convertibles.

#### WARRANTS

Björn Borg issued warrants on June 16 to senior executives within the Group; 480,000 warrants were subscribed. The warrants entitle the holder to subscribe for one share for SEK 37.96 per share during the period June 1-14, 2019. In the event of full subscription, the total dilution effect is 1.9 percent. Björn Borg has received market-rate consideration for the warrants of SEK 2.50 per warrant, corresponding to total proceeds received of SEK 1,200 thousand, which has been recognized as an increase in equity. The warrants have been valued according to Black & Scholes. The most important inputs in the valuation were the average volume-weighted price paid for the Björn Borg share during the period May 21-29, 2015, volatility of 30 percent, a risk-free rate of interest of 0.28 percent and an adjustment for the present value of future dividends. The corresponding inputs have been used in the valuation of the convertible rights as described above. According to the terms, there is no requirement that the employee remained employed with the company, but there is a right of first refusal that gives Björn Borg a right, though not an obligation, to acquire the holder's warrant if the holder's employment were to end before June 30, 2019. Against this backdrop, Björn Borg has determined that market-rate consideration has been received and that the terms in other respects are designed in a way that does not unfairly favor the participants in the warrant plan. As a result, no expenses have been recognized related to the issued warrants.

#### 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, 2015 the ratio was 0.62 (-0.47), and the equity/assets ratio was 50.3 percent (46.7). 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 2.00 per share for 2015, corresponding to 112 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 2.00 per share. Payment for the redemption shares,

contingent on the approval of the AGM, is expected to be made around June 20, 2016.

The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 50.3 million (37.7). For 2014 a distribution of SEK 1.50 was paid per share, corresponding to 77 percent of net profit.

## SHAREHOLDERS

As of December 30, 2015 Björn Borg had 6,590 shareholders (6,327), according to Euroclear, based on shareholders grouped by company. Björn Borg's ten largest shareholders owned shares corresponding to 46 percent of the votes and capital. Institutional investors owned 28 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	Redemption of warrants	89,200	25,148,384	27,875	7,858,870	0.31	33

## LARGEST SHAREHOLDERS

	Antal aktier	Andel röster/kapital, %
Fredrik Lövstedt, directly and through companies	2,750,040	10.94
Mats H Nilsson	1,638,440	6.52
Fourth Swedish National Pension Fund	1,122,258	4.46
Martin Bjäringer	1,100,000	4.37
Danske Invest Sverige	1,050,000	4.18
Vilhelm Schottenius	1,023,520	4.07
Ananza Pension	785,044	3.12
Carl Rosvall	715,000	2.84
Håkan Roos	712,000	2.83
Nordnet Pension	679,740	2.70
<b>Total, largest shareholders</b>	<b>11,576,042</b>	<b>46.03</b>
<b>Total, other</b>	<b>13,572,342</b>	<b>53.97</b>
<b>Total number of shares</b>	<b>25,148,384</b>	<b>100.00</b>

According to share register on December 30, 2015, 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

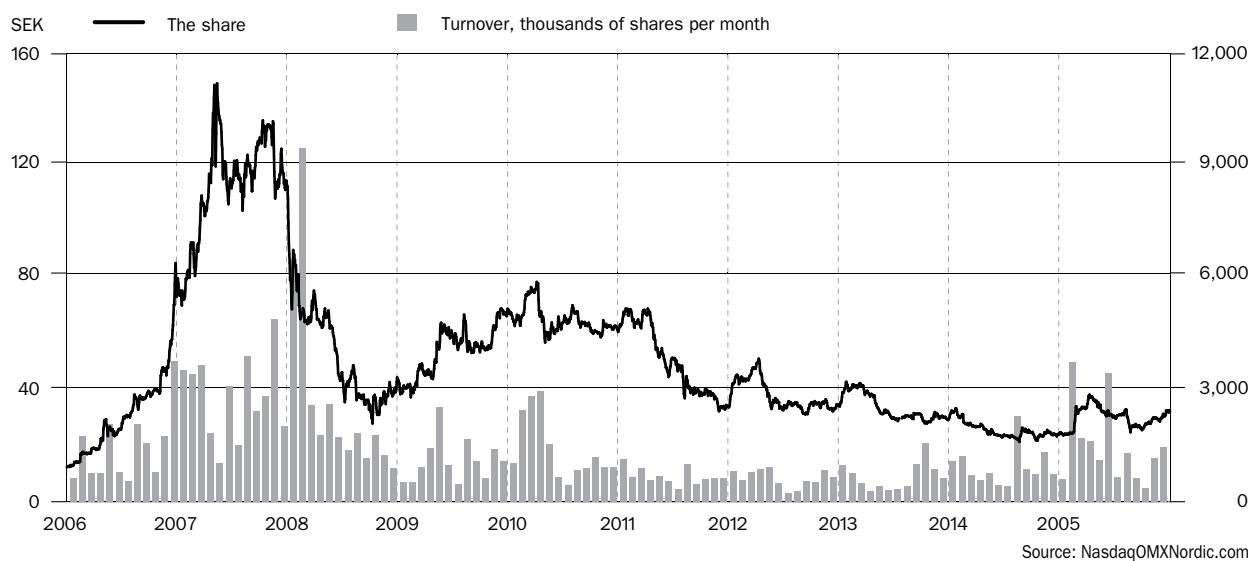
Size of holding	No. of shareholders	No. of shares	Capital and votes, %
1 – 500	4,277	748,645	3.0
501 – 1,000	1,028	898,633	3.6
1,001 – 5,000	1,005	2,430,798	9.7
5,001 – 10,000	146	1,123,906	4.5
10,001 – 15,000	30	383,954	1.5
15,001 – 20,000	25	438,820	1.7
20,001 –	79	19,123,628	76.0
<b>Total</b>	<b>6,590</b>	<b>25,148,384</b>	<b>100.00</b>

Source: Euroclear Sweden AB on December 30, 2015, shareholders grouped by company.

## DATA PER SHARE

	2015	2014	2013	2012	2011
Earnings per share before dilution, SEK	1.79	1.94	0.86	2.11	4.19
Earnings per share after full dilution, SEK	1.77	1.94	0.86	2.11	4.19
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	25,604,384	25,148,384	25,148,384	25,148,384	25,180,574

## SHARE PRICE PERFORMANCE



# BOARD OF DIRECTORS AND AUDITORS

**Fredrik Lövstedt**

Chairman since 2005  
Director since 2004  
b. 1956  
MSc Eng, KTH Royal Institute of Technology; MBA, INSEAD  
Other assignments: Chairman of Alertsec AB, CEO of AB Durator  
Background: Former deputy CEO 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  
BSc 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: 1,100,000

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: 2,030

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

**Kerstin Hessius**

Director since 2010  
b. 1958  
BSc Econ  
Other assignments: CEO of Third Swedish National Pension Fund (AP3), Director of Vasakronan AB, Hemslö Fastighets AB, SPP Pension och Försäkring AB, Svedab, AIAB and Öresundskonsortiet  
Shares in Björn Borg: 71,000

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

**Mats H Nilsson**

Director since 1998  
b. 1955  
BSc Econ  
Other assignments: Director of Credely 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: 1,638,440

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.

**Heiner Olbrich**

Director since 2015  
b. 1965  
BSc Econ and PhD in economics, St. Gallen, Switzerland  
Other assignments: Consulting assignments for Adidas, among others, member of a number of Advisory Boards for SPORT 2000, among others, and Advisory Council for Warsteiner Brauerei Haus Cramer KG.  
Background: Chief Marketing and Sales Officer at Miele and Senior Vice President Global Sales at Adidas  
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, 2015.

# SENIOR MANAGEMENT

**Henrik Bunge**

CEO  
b. 1973  
Recruited 2014  
LLB University of Uppsala, Sales Management Harvard  
Background: CEO of Peak Performance, Managing Director Group Area Nordic at Adidas and VP Sales and Marketing at Hästens sängar  
Shares in Björn Borg: 100,000  
Convertibles in Björn Borg: 100,000  
Warrants in Björn Borg: 190,000

**Daniel Grohman**

CFO  
b. 1975  
Recruited 2015  
MBA  
Background: CFO & Buying Director at Efva Attling, Nordic Finance Director at Adidas Group Nordic  
Shares in Björn Borg: 1,600  
Convertibles in Björn Borg: 10,000  
Warrants in Björn Borg: 40,000

**Mija Nideborn**

Design & Product Development Director  
b. 1972  
Recruited 2016  
Bachelor of fine arts in fashion and design, Borås textilhögskola  
Background: Design and Development Director at Helly Hansen, Design Manager at Peak Performance  
Shares in Björn Borg: 0  
Convertibles in Björn Borg: 0  
Warrants in Björn Borg: 0

**Lena Nordin**

HR Director  
b. 1972  
Recruited 2014  
BSc 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  
Convertibles in Björn Borg: 50,000  
Warrants in Björn Borg: 40,000

**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: 4,477  
Convertibles in Björn Borg: 60,000  
Warrants in Björn Borg: 60,000

**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: 30,000  
Convertibles in Björn Borg: 100,000  
Warrants in Björn Borg: 100,000

**Victoria Swedjemark**

General Counsel and Sustainability Director  
b. 1974  
Recruited: 2011  
LLM 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  
Convertibles in Björn Borg: 50,000  
Warrants in Björn Borg: 40,000

**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: 1,000  
Convertibles in Björn Borg: 5,000  
Warrants in Björn Borg: 10,000

Shareholdings as of December 31, 2015.

# CORPORATE GOVERNANCE REPORT 2015

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 fails to comply with it in any respect, it must explain the noncompliance, describe the solution it has chosen instead and state the reasons why. The only noncompliance with the Code during the year is that company Directors constituted a majority of the members of the Nomination Committee. The reason for the noncompliance is that this composition was considered motivated against the backdrop of the ownership structure and because large, engaged owners are represented on the Board.

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).

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, 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 2016**

The next AGM will be held in Stockholm on May 19, 2016. 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 2015**

The 2015 AGM was held in Stockholm on May 11, 2015. The AGM resolved to reelect Directors Mats H Nilsson, Kerstin Hessius, Isabelle Ducellier, Fredrik Lövstedt, Nathalie Schuterman and Martin Bjäringer. In addition, Heiner Olbrich was elected as a new Director. Anders Slettengren declined reelection and resigned from the Board. 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. Further, the AGM adopted an incentive scheme comprised on an issue of convertible debentures to all employees of Swedish Group companies, including Group Management, and an issue of warrants to Group Management. For more information, see below under the heading Incentive scheme. The minutes of the AGM can be found on Björn Borg's website.

#### **NOMINATION COMMITTEE**

According to the resolution of the 2015 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, 2015 and ask them to appoint one person each to participate in the Nomination Committee. The Nomination Committee, whose composition was published on the Group's website in October 2015, consisted of the following members for the 2015 AGM:

- Fredrik Lövstedt, Chairman of the Board and himself the company's largest shareholder
- Mats H Nilsson, representing himself as a shareholder
- Martin Bjäringer, representing himself as a shareholder
- Pehr-Olof Malmström, appointed by Danske invest

Pehr-Olof Malmström was named Chairman of the Nomination Committee. According to the resolution of Björn Borg's 2015 AGM, the Nomination Committee's mandate is to propose to the 2016 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 of the Board, the Nomination Committee, the Chairman of the AGM and the election of the auditors and their remuneration. Through March 20, 2016 the Nomination Committee has held six 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 2015 AGM reelected Directors Fredrik Lövstedt, Mats H Nilsson, Isabelle Ducellier 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 in that a majority of the Directors are independent in relation to the company and the management, and that at least two of them are independent in relation to the company's major shareholders. Prior to the 2015 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.

An annual board review was conducted within the company during the fourth quarter and its conclusions were presented to the Nomination Committee.

The Board is assisted by an attorney, who serves as external secretary. For more information on the Directors, see page 127 of the annual report.

#### **The Board's rules of procedure**

Pursuant to the Companies Act, Björn Borg's Board is responsible for the company's organization and the management of its affairs and appoints its CEO. The Board lays down the company's goals and strategy, adopts critical policy documents and continuously monitors compliance thereto. The Board also has ultimate responsibility for its various committees. The Board's rules of procedure, which were adopted at the Board meeting on August 11, 2015, define the principles for Board work, the delegation between the Board and the CEO, and the financial reporting.

#### **Board work**

In 2015 the Board held six scheduled meetings, four of which were in connection with the quarterly financial reports, one by circulation in connection with the preparations for the AGM and one to adopt the budget. 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 2015 the Committee held four meetings, which both members attended. During the year the Compensation Committee, which is a drafting committee, addressed, among other things, the proposed incentive scheme that was adopted by the 2015 AGM.

#### **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 2015, all in connection with the quarterly reports. All of the Committee's members except Kerstin Hessius attended these meetings. In 2015 the CEO attended the meetings as a co-opted member. The Audit Committee is a drafting committee.

#### **CEO**

The Board has established an instruction for the CEO's work and role, which in its current wording was adopted on August 11, 2015. 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) has been CEO since August 4, 2014. He does not own shares in any company with which Björn Borg has significant business interests. For more information on the CEO, see page 129 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 2015 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 2016 AGM.

Further information on the auditors can be found on page 127 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 2015 AGM, the Chairman received remuneration of SEK 350,000 and other Directors received SEK 140,000. For committee work in 2015 the members of the Compensation Committee were paid SEK 15,000 and the Chairman was paid SEK 25,000, while the

#### **DIRECTORS' ATTENDANCE IN 2015**

	Feb 18	Apr 7**	May 11	Aug 11	Nov 5	Dec 2
<b>No. of attendees</b>	<b>6 (of 7)</b>	<b>7 (of 7)</b>	<b>7 (of 7)</b>	<b>5 (of 7)</b>	<b>4 (of 7)</b>	<b>5 (of 7)</b>
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	1	-	-
Anders Slettengren*	-	1	-	*	*	*
Kerstin Hessius	1	1	1	1	-	1
Isabelle Ducellier	1	1	1	-	1	1
Heiner Olbrich*	*	*	*	1	-	1

\* The person in question left or was elected to the Board at the 2015 AGM.

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

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 2015 AGM, the remuneration for the CEO and other members of management can consist of a base salary, variable compensation, long-term incentive schemes and other benefits, including a pension. Any variable compensation is based on performance relative to predefined, 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**

The 2015 AGM adopted a long-term incentive scheme (2015/2019) comprising the issuance and transfer of convertibles and warrants, which was implemented in the early summer. The incentive scheme comprises a convertible plan for all employees of Swedish Group companies, including Group Management, and a warrant plan exclusively for Group Management.

As part of the convertible plan, Björn Borg raised a convertible debenture loan with a nominal value of SEK 22,016,800, corresponding to 580,000 convertibles, which can be converted to not more than 580,000 shares in the company. As part of the warrant plan, Björn Borg issued 520,000 warrants that can be exercised to subscribe for not more than 520,000 new shares in the company. The level of participation in the plan was relatively high, but due to, among other things, changes in Group Management all the warrants and convertibles were not transferred to the eligible employees in early summer 2015. Instead, a number of convertibles and warrants are still held by in the Group company Björn Borg Services AB.

In the event of full conversion in the convertible plan or full subscription in the warrant plan, Björn Borg's share capital can increase by not more than SEK 343,750, distributed between SEK 181,250 due to the conversion of convertibles and SEK 162,500 due to the exercise of warrants, through the issuance of not more than 1,100,000 shares, corresponding to a maximum dilution effect of approximately 4.2 percent of the share capital and votes in the event of full conversion or subscription.

The convertibles were issued at nominal value, which corresponded to the conversion price. The subscription price corresponded to 100 percent of the convertibles' nominal value. The subscription price for the warrants was the market value according to the Black & Scholes valuation model. Each convertible and warrant in the incentive scheme entitles its holder to convert to, or subscribe for, one new share in Björn Borg at a conversion or subscription price of SEK 37.96, which corresponded to 120 percent of the average volume-weighted price paid for the Björn Borg share on Nasdaq Stockholm during the period May 21-29, 2015. Subscriptions and conversions as part of the plans are permitted during the period June 1-14, 2019.

#### **FINANCIAL REPORTING**

The quality of the financial reporting is ensured by the Board of Directors' policies and instructions on delegation of responsibility and control as well as the instruction for the

CEO on financial reporting, among other things. Prior to each of its meetings, the Board receives the latest financial reports and at each meeting it addresses the financial situation of the Parent Company and the Group. The Board also addresses 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 2015 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, finance 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. The Audit Committee monitors internal control in connection with its meetings prior to quarterly 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 frameworks that have 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, with the greatest focus 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 6,590 shareholders at year-end. The largest shareholder as of December 31, 2015 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. 31, 2015**

	No. of shares	%
Fredrik Lövstedt, directly and through companies	2,750,040	10.94
Mats H Nilsson	1,638,440	6.52
Fourth Swedish National Pension Fund	1,122,258	4.46
Martin Bjäringer	1,100,000	4.37
Danske Bank Sweden	1,050,000	4.18
Vilhelm Schottenius	1,023,520	4.07
Avanza Pension	785,044	3.12
Carl Rosvall	715,000	2.84
Håkan Roos	712,000	2.83
Nordnet Pension	679,740	2.70
<b>Total</b>	<b>11,576,042</b>	<b>46.03</b>
<b>Total number of shares</b>	<b>25,148,384</b>	<b>100.00</b>



# AUDITORS' REPORT ON THE CORPORATE GOVERNANCE REPORT

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

It is the Board of Directors that has responsibility for the corporate governance report for the year 2015 and for ensuring that the report 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 18, 2016  
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.

**OPERATING EXPENSES**

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

**BRAND SALES**

Estimated total sales of Björn Borg products at the consumer level, excluding VAT, based on reported 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 the shareholders of Björn Borg AB (publ) will be held on Thursday, May 19, 2016 at 5:30 pm (CET) at the company's office, Tulegatan 11, Stockholm. Registration begins at 4:45.

To be entitled to participate in the Annual General Meeting, shareholders must be entered in the shareholders' register maintained by Euroclear Sweden AB by Friday, May 13, 2016 and must notify the company of their intention to participate by this date (Friday, May 13, 2016) 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](mailto:stamma@bjornborg.com). When notifying the company, please include your name, personal identification or company registration number, address, telephone number and the names of those accompanying you.

Proxies and representatives of legal entities are advised to submit authorization documents well in advance of the meeting. A proxy template is available through Björn Borg's website (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 Friday, May 13, 2016, shareholders must inform nominees well in advance of this date.

#### **2016 CALENDAR**

Annual General Meeting 2015	May 19, 2016
Interim report January – March 2016	May 19, 2016
Interim report, January – June 2016	August 19, 2016
Interim report, January – September 2016	November 11, 2016

#### **FINANCIAL REPORTS**

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

#### **SHAREHOLDER CONTACT**

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#### **IMAGES IN THE ANNUAL REPORT**

The images used in the annual report were obtained from Björn Borg's spring and summer collection as well as the fall and winter collection for 2016.





# 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**

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