



## NEW SPORTS APPAREL COLLECTION

### JULY 1 – SEPTEMBER 30, 2016

- The Group's net sales amounted to SEK 180.0 million (191.4), a decrease of 6.0 percent. Excluding currency effects, sales decreased by 5.6 percent.
- The gross profit margin was 50.4 percent (51.9).
- Operating profit amounted to SEK 28.6 million (32.9).
- Profit after tax was SEK 24.7 million (21.7).
- Earnings per share before dilution amounted to SEK 0.95 (0.88) and earnings per share after dilution amounted to SEK 0.95 (0.88).

### JANUARY 1 – SEPTEMBER 30, 2016

- The Group's net sales increased by 9.1 percent to SEK 460.2 million (421.7). Excluding currency effects, sales increased by 9.7 percent.
- The gross profit margin was 51.1 percent (52.7).
- Operating profit amounted to SEK 42.8 million (44.0).
- Profit after tax amounted to SEK 29.0 million (34.3).
- Earnings per share before dilution amounted to SEK 1.14 (1.45) and earnings per share after dilution amounted to SEK 1.14 (1.45).

**QUOTE FROM THE CEO** "The high point of the quarter was our work with consumer tests, where the end consumers who tested our functional underwear without exception wanted to buy them," said CEO Henrik Bunge.

SEK million	July-Sep 2016	July-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Oct 2015- Sep 2016	Full-year 2015
Net sales	180.0	191.4	460.2	421.7	612.8	574.3
Gross profit margin, %	50.4	51.9	51.1	52.7	51.3	52.4
Operating profit	28.6	32.9	42.8	44.0	57.4	58.6
Operating margin, %	15.9	17.2	9.3	10.4	9.4	10.2
Profit after tax	24.7	21.7	29.0	34.3	36.4	41.6
Earnings per share before dilution, SEK	0.95	0.88	1.14	1.45	1.48	1.79
Earnings per share after dilution, SEK	0.95	0.88	1.14	1.45	1.48	1.79
Brand sales*	479.1	472.9	1,179.5	1,113.1	1,509.7	1,443

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



## CEO'S COMMENT

During the third quarter our sales, adjusted for currency effects, decreased by 5.6 percent compared with the same quarter in 2015. The decrease is partly due to SEK 7 million of the fall/winter 2016 collection shipped in Q2 rather than Q3, as announced in the Q2 report. In addition, sales to our distributor-driven markets fell. The biggest loss was in Norway, where we continue to sell off existing inventory, though Benelux and Denmark also lost ground year-on-year. We have at the same time continued to perform well in our own markets; Sweden and Finland had an especially strong quarter. Our e-commerce sales rose by 6 percent, a lower growth rate than before. This was expected, however, since we worked during the quarter to significantly reduce discounted sales compared with the previous year. Our stores in Sweden again reported lower year-on-year sales for comparable units. Fewer visitors, but otherwise consistent key performance indicators, led to a sales decrease of 3 percent for comparable units, though they were up 7 percent for our own retail sales as a whole. Underwear and footwear continued to drive growth, while our sports apparel collection posted lower sales than the previous year, largely due to a weak overall sales trend in the Netherlands.

The gross profit margin for the third quarter was lower than last year at 50.4 percent (51.9). The lower margin was due to continued price pressure in the market and a higher share of discounted sales (except in our own e-commerce) than the same quarter in 2015. We focused during the quarter on reducing operating expenses to offset the decrease in the gross profit margin, and expenses fell by SEK 4.9 million. Despite this, our operating profit decreased to SEK 28.6 million (32.9).

During the quarter we launched our new sports apparel collection, and in our stores and online we are seeing solid demand. One example is the launch of "Borg Tee," a training T-shirt clearly displaying the brand name, which is the top-selling sportswear product in our distribution channels. A continued focus on the retail floor, virtually and physically, increased sports apparel distribution and product development are the right way forward.

The high point of the quarter was our work with consumer tests, where the end consumers who tested our functional underwear without exception wanted to buy them.

Head coach  
Henrik Bunge



## OPERATIONS

### BRAND SALES

Sales were slightly better in the third quarter than the previous year. Brand sales of underwear grew by 11 percent, while sports apparel decreased by 7 percent. Licensed products decreased by 10 percent in the quarter, with bags and eyewear posting the largest declines, while footwear sales were in line with the same quarter in 2015. For the quarter in total, brand sales rose by 1 percent to SEK 479 million (473). Currency effects in the quarter were marginal. For the first nine months of the year brand sales increased to SEK 1,179 million (1,113), up 6 percent. Excluding currency effects, sales rose by 7 percent.

### PRODUCT AREAS FIRST NINE MONTHS OF 2016

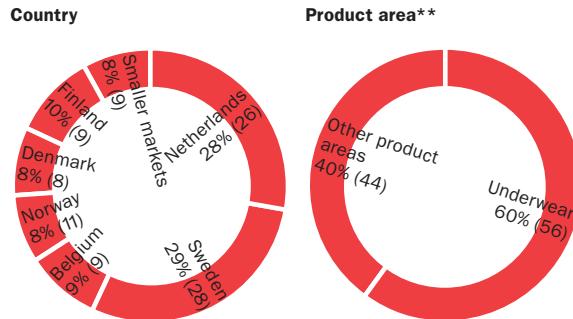
Brand sales in the underwear product area improved by 15 percent in the first nine months of 2016. Underwear accounted for 60 percent (56) of brand sales.

Sports apparel saw a drop in brand sales of 7 percent in the first nine months. Brand sales were unchanged in the footwear product area, but fell for bags, eyewear and fragrances. In total, sales of licensed products decreased by 4 percent in the first nine months.

### MARKETS FIRST NINE MONTHS OF 2016

All large markets except Norway and Belgium reported growth. Sweden, the Netherlands, Finland and England noted the highest growth in the first nine months of 2016, while Denmark was flat. Smaller markets continued to decrease year-on-year.

### BRAND SALES\* OF BJÖRN BORG PRODUCTS JANUARY-SEPTEMBER 2016. TOTAL SEK 1,179 MILLION (1,113)



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

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

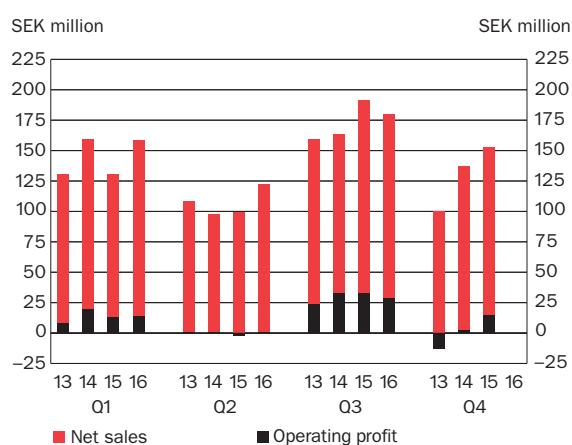
### BJÖRN BORG STORES

A new Björn Borg was opened in Finland in the third quarter, while two were closed in Sweden. As of September 30, 2016 there were a total of 39 (38) Björn Borg stores, of which 20 (18) are Group-owned.

## THE GROUP'S DEVELOPMENT

Sales decreased in the third quarter compared with the same period in 2015, partly due to the earlier shipments announced in the Q2 report. Operating profit also decreased year-on-year.

### QUARTERLY NET SALES AND OPERATING PROFIT, 2013-2016



### SALES

#### Third quarter, July-September 2016

The Group's net sales amounted to SEK 180.0 million (191.4) in the third quarter, a decrease of 6.0 percent. Excluding currency effects, sales decreased by 5.6 percent.

The downward sales trend compared with the same quarter of 2015 was partly due to the earlier shipments of the fall/winter 2016 collection, which reduced Q3 sales by about SEK 7 million. This was reported as a one-off increase in the Q2 report. Adjusted for these shipments, net sales were down 2 percent in the quarter. The product companies' external revenue decreased significantly in the quarter, partly due to the earlier shipments, but also because of lower comparable sales to external distributors. The decrease was significant in all distributor-driven markets, although Norway accounted for the largest drop in percentage terms. In the Group's own markets, most companies grew their sales during the quarter, with the Finnish company and wholesale apparel company in Sweden seeing the highest quarterly growth. Growth is still driven by broader distribution of the underwear product category, but also by a higher number of stores in the Finnish market. The wholesale footwear company grew slightly, while England lost ground year-on-year. The Swedish retail company's sales grew by 7 percent in the quarter, driven by a larger number of stores and a larger share of discounted sales. Sales for comparable

stores fell by 3 percent. E-commerce saw continued growth, but at a slightly slower rate than the previous quarter, and rose by 6 percent. External royalties increased slightly in the quarter.

#### Nine-month period, January-September 2016

The Group's net sales amounted to SEK 460.2 million (421.7) in the first nine months of 2016, an increase of 9.1 percent. Excluding currency effects, sales rose by 9.7 percent.

The positive sales trend compared with the previous year was mainly driven by the Group's own sales at the wholesale and retail level. The product companies' external distribution revenue decreased significantly from the previous year. Norway and many smaller markets accounted for the decrease. Benelux fell slightly, while Denmark grew year-on-year. All Group-owned wholesale and retail companies raised their sales significantly compared with the previous year. The increases in Sweden, Finland and England were mainly due to broader distribution of underwear through sporting goods retailers, but also to growth from existing customers. The footwear wholesale company is growing partly thanks to the new Danish distribution rights, but also through new and existing customers in Sweden. The Swedish retail company is growing mainly in e-commerce, but also in brick-and-mortar sales thanks to a larger number of stores. Sales for comparable stores fell by 2 percent in the first nine months. External royalties decreased as brand sales by external licensees and licensees fell during the period.

### PROFIT

#### Third quarter, July-September 2016

The gross profit margin for the third quarter was slightly lower than the previous year at 50.4 percent (51.9). Exchange rates had minimal impact on the margin.

Lower revenue with a lower gross profit margin but lower operating expenses led to a decrease in operating profit to SEK 28.6 million (32.9), with an operating margin of 15.9 percent (17.2). The lower margin was due to increased price pressure in the market and a higher share of discounted sales than the same quarter in 2015. Operating expenses excluding goods for resale decreased by 7.5 percent to SEK 64.5 million (69.4). The decrease in operating expenses was due to SEK 2.2 million in one-time expenses for organizational changes in the comparative period. Operating expenses also decreased by SEK 2.7 million related to lower marketing expenses and lower staff costs.

Net financial items amounted to SEK -0.1 million (-3.4). The realized and unrealized return on investments, less interest on the bond loan, negatively affected the Group's financial net by SEK -0.2 million (-2.8). Net financial items were also negatively affected by a revaluation of financial assets and liabilities in foreign currency. Profit before tax decreased by SEK 28.5 million year-on-year (29.5).

Business segment	Revenue source	Operating revenue, SEK 000 January-September		Operating profit, SEK 000 January-September		Operating margin, % January-September	
		2016	2015	2016	2015	2016	2015
Brand	Royalties	65,486	64,596	15,654	17,750	24	27
Product development	Products	295,679	316,230	23,819	25,634	8	8
Wholesale	Wholesale revenues	240,717	184,290	13,896	5,624	6	3
Retail	Retailers	100,725	80,100	-10,538	-4,969	-10	-6
Less internal sales		-238,436	-213,585				
<b>Total</b>		<b>464,171</b>	<b>431,631</b>	<b>42,831</b>	<b>44,039</b>	<b>9</b>	<b>10</b>

### **Nine-month period, January–September 2016**

The gross profit margin for the first nine months of 2016 decreased to 51.1 percent (52.7). Exchange rates had minimal impact. The year-on-year decrease in the gross profit margin was due to increased price pressure in the market with a higher share of discounted merchandise and a change in the distribution mix at the wholesale level. The product companies' margins were also affected by pressure on external distributors from lower realized margins in their markets.

The higher revenue, coupled with the lower gross profit margin and increased operating expenses, led to a decrease in operating profit to SEK 42.8 million (44.0). The operating margin was 9.3 percent (10.4). Operating expenses excluding goods for resale rose by 4.4 percent year-on-year. Adjusted for one-off expenses in the previous year, expenses rose by 5.6 percent. The increase is mainly due to the higher number of Group-owned stores and increased logistics expenses as an effect of higher net sales in the Group's own channels.

Net financial items amounted to SEK –4.8 million (1.7). The realized and unrealized return on investments, less interest on the bond loan, negatively affected the Group's financial net by SEK –2.9 million (0.1). The remaining decrease in net financial items compared with the previous year was mainly due to a revaluation of financial assets and liabilities in foreign currency, where the previous year had a strongly positive result, while this year's result is negative. Profit before tax amounted to SEK 38.1 million (45.7).

### **Development by business segment**

The Group operates through nine companies under the Björn Borg brand on every level from product development to wholesaling and consumer sales in its own Björn Borg stores.

#### **Brand**

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

The business segment's operating revenue amounted to SEK 65.5 million (64.6) in the first nine months of 2016. External operating revenue decreased to SEK 26.1 million (27.5) as a result of lower brand sales by licensees and certain distributors. Royalty percentages vary by product category, due to which there is not always a precise correlation between royalties and brand sales.

Operating profit decreased to SEK 15.7 million (17.8) for the first nine months of 2016. The lower operating profit was due to lower margins and slightly higher expenses.

#### **Product development**

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

The business segment's operating revenue amounted to SEK 295.7 million (316.2) in the first nine months of 2016, a decrease of 6 percent. The segment's external revenue amounted to SEK 132.7 million (170.9), a decrease of SEK 38 million or 22 percent. The decrease was mainly due to a weak Norwegian market, where the distributor is adjusting inventory by selling off older merchandise, and because distributors in smaller markets are greatly reducing their purchases or have been terminated. Benelux decreased slightly, while Denmark grew year-on-year.

Operating profit decreased to SEK 23.8 million (25.6) due to the lower total sales.

#### **Wholesale**

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

The business segment's operating revenue rose to SEK 240.7 million (184.3) in the first nine months of 2016, up 31 percent. External operating revenue amounted to SEK 217.2 million (161.6), an increase of SEK 56 million or 34 percent. Growth in the segment came from every market, mainly in underwear and footwear. In the case of underwear, it was partly driven by broader distribution to sporting goods retailers, but also by existing customers. For footwear, growth was partly due to the new distribution rights in Denmark as of July 1, 2015, but also because the Swedish business is growing from new and existing customers.

Operating profit amounted to SEK 13.9 million (5.6) thanks to the revenue increase, but with a lower gross profit margin as a result of price pressure and a change in the distribution mix.

#### **Retail**

*The Björn Borg Group owns and operates a total of 20 stores and factory outlets in Sweden, Finland and England that sell underwear, sports apparel, adjacent products 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 26 percent in the first nine months of 2016 to SEK 100.7 million (80.1). External net sales rose by 23 percent to SEK 88.1 million (71.7). The increase was due to growth in e-commerce and brick-and-mortar sales, mainly as a result of a higher number of Group-owned stores. E-commerce sales increased by 31.2 percent in the first nine months to SEK 35.3 million (26.9). Sales for comparable Björn Borg stores rose by 2 percent year-on-year.

The operating loss for the first nine months of 2016 was SEK 10.5 million, against a year-earlier loss of SEK 5.0 million. The larger loss was a result of lower gross profit margins due to price pressure in the market, a higher share of shares through factory outlets and higher operating expenses due to newly opened stores.

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

Intra-Group sales for the first nine months of 2016 amounted to SEK 238.4 million (213.6).

#### **SEASONAL VARIATIONS**

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

#### **INVESTMENTS AND CASH FLOW**

The Group's cash flow from operating activities was positive during the first nine months of 2016 and amounted to SEK 12.7 million (–28.2). Cash flow improved year-on-year mainly because of slower growth in working capital. Inventory has stabilized, while the net of accounts receivable and payable continues to rise, but at a slower rate than the previous year. The disposal of short-term investments of SEK 56.5 million (34.5) and purchases and sales of tangible and intangible non-current assets totaling SEK –5.1 million (–1.4) produced cash flow from investing activities of SEK 51.4 million (33.1). The negative cash flow from financing activities of SEK –61.1 million (–54.7) is largely due to the dividend to shareholders of SEK –50.3 million (–37.7), but also to bond repurchases of about SEK 11.5 million. The Group's cash flow for the first nine months was positive at SEK 3.1 million (–49.8) and cash & cash equivalents amounted to SEK 54.4 million (36.4) at the end of the period.

## FINANCIAL POSITION AND LIQUIDITY

The Björn Borg Group's cash & cash equivalents and investments amounted to SEK 77.8 million (133.8) at the end of the period, with interest-bearing liabilities (bond loan) of SEK 143.5 million (158.4).

In July 2012 the company issued a bond loan that is listed on Nasdaq Stockholm and carries an annual coupon rate corresponding to the 3-month STIBOR rate plus 3.25 percentage points, maturing in April 2017.

The surplus liquidity from the issuance of the bond loan and the convertible plan is placed in interest-bearing financial instruments, highly liquid corporate bonds, within the framework of the financial policy laid down by the Board of Directors. As of September 30, 2016 investments had been made in bonds with a book value of SEK 23.4 million (97.4), which represents the fair value on the same date. During the period bonds were repurchased for SEK 11.5 million.

## COMMITMENTS AND CONTINGENT LIABILITIES

As a commitment for the above-mentioned bond loan, the company has pledged to ensure that the ratio between the Group's net debt and operating profit before depreciation and amortization does not exceed 3.00 on the last day of each quarter and that the Group maintains an equity/assets ratio of at least 30 percent at any given time. As of September 30, 2016 the ratio was 1.29 (0.44) and the equity/assets ratio was 50.9 percent (48.8). 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 other changes were otherwise made with regard to pledged assets and contingent liabilities compared with December 31, 2015.

## PERSONNEL

The average number of employees in the Group was 133 (130) for the 12-month period ended September 30, 2016, of whom 71 percent (69) are women.

## RELATED PARTY TRANSACTIONS

There were no transactions with related parties during the period.

## SIGNIFICANT RISKS AND UNCERTAINTIES

In its operations the Björn Borg Group is exposed to risks and uncertainties. Information on the Group's risks and uncertainties can be found on pages 78-79 and in note 3 in the annual report 2015.

## PARENT COMPANY

Björn Borg AB (publ) is primarily engaged in intra-Group activities. As of September 30, 2016 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., Björn Borg Services AB and Björn Borg UK. In addition, the company owns 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 16.2 million (13.1) for the third quarter and SEK 49.0 million (39.2) for the first nine months of 2016.

The loss before tax for the third quarter was SEK 10.0 million, against a year-earlier loss of SEK 16.5 million, while the loss before tax for the first nine months of 2016 was SEK 24.0 million, against a loss of SEK 36.2 million a year earlier. Cash & cash equivalents and investments amounted to SEK 29.9 million (100.7) as of September 30, 2016. For the first nine months of 2016 investments in tangible and intangible non-current assets amounted to SEK 3.7 million (1.6).

## EVENTS AFTER THE BALANCE SHEET DATE

The Board appointed Heiner Olbrich Deputy Chairman at the Board meeting held November 11, 2016.

## ANNUAL GENERAL MEETING

The Annual General Meeting for the financial year 2016 will be held on May 11, 2017.

## NOMINATION COMMITTEE

In accordance with the resolution of the Annual General Meeting, Björn Borg's Nomination Committee for the 2017 AGM will be appointed by having the Chairman of the Board ask the company's four largest shareholders based on voting rights as of August 31, 2016 to each appoint one member. Björn Borg's Nomination Committee for the 2017 AGM has the following composition:

- Fredrik Lövstedt, Chairman of the Board
- Martin Bjäringer, representing himself as a major shareholder
- Marianne Flink, appointed by Swedbank Robur
- Mats Nilsson, representing himself as a major shareholder
- Thomas Ehlin, appointed by Fourth Swedish National Pension Fund.

## NUMBER OF SHARES

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

## FINANCIAL OBJECTIVES

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

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

## Comments to the financial objectives:

The sales target for 2019 corresponds to average annual organic growth of 14 percent. The sales increase, along with the increase in the operating margin, is expected to come from new product groups in sports fashion as well as expanded geographical distribution within all the product groups.

## ACCOUNTING PRINCIPLES

This condensed interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable provisions of the Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with chapter 9 of the Annual Accounts Act on interim reporting and RFR 2 Accounting in Legal Entities. The accounting principles applied in the interim report conform to the accounting principles applied in the preparation of the consolidated accounts and annual report for 2015, as described on page 95 in the annual report 2015. The European Securities and Markets Authority's (ESMA) guidelines on Alternative Performance Measures are applied as of the Q2 report for 2016.

## New and amended accounting principles

New or amended IFRS and IFRIC interpretations effective as of January 1, 2016 have not had a material effect or impact on the interim report or consolidated financial statements.

## AUDIT REPORT

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

## OUTLOOK 2016

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

## CONSOLIDATED INCOME STATEMENT

### CONDENSED

SEK thousands	Note	July-Sep 2016	July-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Oct 2015-Sep 2016	Full-year 2015
Net sales		179,977	191,430	460,206	421,711	612,824	574,328
Other operating revenue		2,429	2,988	3,965	9,920	4,215	10,170
<b>Operating revenue</b>		<b>182,406</b>	<b>194,418</b>	<b>464,171</b>	<b>431,631</b>	<b>617,039</b>	<b>584,498</b>
Goods for resale		-89,236	-92,153	-225,026	-199,525	-298,627	-273,126
Other external expenses	1	-40,292	-39,426	-111,059	-101,129	-146,065	-136,135
Staff costs		-23,558	-28,554	-78,587	-79,717	-104,883	-106,013
Depreciation/amortization of tangible/intangible non-current assets		-1,817	-1,519	-5,180	-5,086	-6,686	-6,592
Other operating expenses		1,133	106	-1,488	-2,135	-3,392	-4,040
<b>Operating profit</b>		<b>28,636</b>	<b>32,872</b>	<b>42,831</b>	<b>44,039</b>	<b>57,386</b>	<b>58,592</b>
Net financial items		-143	-3,362	-4,776	1,666	-7,475	-1,032
<b>Profit before tax</b>		<b>28,493</b>	<b>29,510</b>	<b>38,056</b>	<b>45,705</b>	<b>49,911</b>	<b>57,560</b>
Tax		-3,813	-7,797	-9,044	-11,402	-13,559	-15,917
<b>Profit for the period</b>		<b>24,680</b>	<b>21,713</b>	<b>29,012</b>	<b>34,303</b>	<b>36,352</b>	<b>41,643</b>
<b>Profit for the period attributable to</b>							
Parent Company's shareholders		23,807	22,156	28,756	36,574	37,244	45,062
Non-controlling interests		872	-443	256	-2,271	-892	-3,419
Earnings per share before dilution, SEK		0.95	0.88	1.14	1.45	1.48	1.79
Earnings per share after dilution, SEK		0.95	0.88	1.14	1.45	1.48	1.79
Number of shares		25,148,384	25,148,384	25,148,384	25,148,384	25,148,384	25,148,384

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### CONDENSED

SEK thousands	Note	July-Sep 2016	July-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Oct 2015-Sep 2016	Full-year 2015
<b>Net profit for the period</b>		<b>24,680</b>	<b>21,713</b>	<b>29,012</b>	<b>34,303</b>	<b>36,352</b>	<b>41,643</b>
<b>OTHER COMPREHENSIVE INCOME</b>							
<b>Components that may be reclassified to profit or loss</b>							
Translation difference for the period		1,166	127	3,098	-2,848	3,186	-2,887
<b>Total other comprehensive income for the period</b>		<b>1,166</b>	<b>127</b>	<b>3,098</b>	<b>-2,848</b>	<b>3,186</b>	<b>-2,887</b>
<b>Total comprehensive income for the period</b>		<b>25,846</b>	<b>21,840</b>	<b>32,110</b>	<b>31,455</b>	<b>39,538</b>	<b>38,756</b>
<b>Total comprehensive income attributable to</b>							
Parent Company's shareholders		25,451	22,209	31,841	34,241	40,525	42,424
Non-controlling interests		394	-369	269	-2,786	-987	-3,668

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### CONDENSED

SEK thousands	Note	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>Non-current assets</b>				
Goodwill		19,327	19,210	19,064
Trademarks		187,532	187,532	187,532
Other intangible assets		1,876	2,952	2,740
Tangible non-current assets		10,523	8,272	10,076
Long-term receivable	2	7,100	8,900	8,900
Deferred tax assets		28,441	30,504	35,315
<b>Total non-current assets</b>		<b>254,799</b>	<b>257,370</b>	<b>263,627</b>
<b>Current assets</b>				
Inventory		75,942	65,600	75,851
Accounts receivable		100,663	99,402	87,816
Other current receivables		26,646	21,491	19,579
Investments	2	23,389	97,413	80,909
Cash & cash equivalents		54,416	36,355	50,643
<b>Total current assets</b>		<b>281,057</b>	<b>320,261</b>	<b>314,799</b>
<b>Total assets</b>		<b>535,855</b>	<b>577,631</b>	<b>578,425</b>
<b>Equity and liabilities</b>				
Equity		272,612	281,796	290,675
Deferred tax liabilities		43,917	37,691	41,969
Other non-current liabilities		21,329	23,823	20,294
Bond loan	2	143,459	158,392	154,538
Accounts payable		11,360	17,214	21,020
Other current liabilities		43,178	58,715	49,930
<b>Total equity and liabilities</b>		<b>535,855</b>	<b>577,631</b>	<b>578,425</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### CONDENSED

SEK thousands	Note	Equity attributable to Parent Company's shareholders	Non-controlling interests	Total equity
<b>Opening balance, January 1, 2015</b>		<b>290,353</b>	<b>-4,645</b>	<b>285,708</b>
Total comprehensive income for the period		34,241	-2,786	31,455
Distribution for 2014		-37,723	-	-37,723
Issuance of warrants		1,200	-	1,200
Warrant premium convertible		1,154	-	1,154
<b>Closing balance, September 30, 2015</b>		<b>289,225</b>	<b>-7,431</b>	<b>281,796</b>
<b>Opening balance, January 1, 2015</b>		<b>290,353</b>	<b>-4,645</b>	<b>285,708</b>
Total comprehensive income for the period		42,424	-3,668	38,756
Distribution for 2014		-37,723	-	-37,723
Shareholder contribution paid		-	1,580	1,580
Issuance of warrants		1,200	-	1,200
Warrant premium convertible		1,154	-	1,154
<b>Closing balance, December 31, 2015</b>		<b>297,408</b>	<b>-6,733</b>	<b>290,675</b>
<b>Opening balance, January 1, 2016</b>		<b>297,408</b>	<b>-6,733</b>	<b>290,675</b>
Total comprehensive income for the period		31,841	269	32,110
Distribution for 2015		-50,297	-	-50,297
Issuance of warrants		68	-	68
Issuance of convertible		55	-	55
Non-controlling interest arising through acquisition		-6,934	6,934	-
<b>Closing balance, September 30, 2016</b>		<b>272,141</b>	<b>470</b>	<b>272,612</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

## CONDENSED

SEK thousands	July-Sep 2016	July-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Full-year 2015
<b>Cash flow from operating activities</b>					
Before changes in working capital	34,190	30,293	45,097	41,589	48,534
Changes in working capital	-5,033	-46,298	-32,376	-69,769	-66,343
<b>Cash flow from operating activities</b>	<b>29,157</b>	<b>-16,005</b>	<b>12,721</b>	<b>-28,180</b>	<b>-17,809</b>
Investments in intangible non-current assets	-	-	-	-136	-301
Investments in tangible non-current assets	-3,582	-792	-5,103	-1,411	-4,746
Sale of non-current assets	-	-	-	129	129
Investments/sale of investments	7,068	10,668	56,549	34,512	47,657
<b>Cash flow from investing activities</b>	<b>3,486</b>	<b>9,876</b>	<b>51,446</b>	<b>33,094</b>	<b>42,739</b>
Distribution	-	-	-50,297	-37,723	-37,723
Acquisition of minority shares	-	-	-842	-	-
Amortization of loans	85	-1,875	1,034	-5,625	-7,500
Issuance of warrants/convertibles	-	17,310	125	18,510	18,510
Bond loan repurchases	-1,422	-18,550	-11,079	-29,828	-33,844
<b>Cash flow from financing activities</b>	<b>-1,337</b>	<b>-3,115</b>	<b>-61,059</b>	<b>-54,666</b>	<b>-60,557</b>
<b>Cash flow for the period</b>	<b>31,306</b>	<b>-9,244</b>	<b>3,108</b>	<b>-49,752</b>	<b>-35,627</b>
Cash & cash equivalents at beginning of year	22,495	45,722	50,643	85,080	85,080
Translation difference in cash & cash equivalents	614	-123	664	1,027	1,190
<b>Cash &amp; cash equivalents at end of the period</b>	<b>54,416</b>	<b>36,355</b>	<b>54,416</b>	<b>36,355</b>	<b>50,643</b>

## KEY FIGURES

### GROUP

SEK thousands	July-Sep 2016	July-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Oct 2015- Sep 2016	Full-year 2015
Gross profit margin, %	50.4	51.9	51.1	52.7	51.3	52.4
Operating margin, %	15.9	17.2	9.3	10.4	9.4	10.2
Profit margin, %	15.8	15.4	8.3	10.8	8.1	10.0
Return on capital employed, %	13.8	13.5	13.8	13.5	13.8	14.8
Return on average equity, %	13.4	14.4	13.4	14.4	13.4	15.6
Profit attributable to Parent Company's shareholders	23,807	22,156	28,756	36,574	37,244	45,062
Equity/assets ratio, %	50.9	48.8	50.9	48.8	50.9	50.3
Equity per share, SEK	10.84	11.21	10.84	11.21	10.84	11.56
Investments in intangible non-current assets	-4	-	67	136	232	301
Investments in tangible non-current assets	2,230	792	3,682	1,411	7,017	4,746
Depreciation, amortization and impairment losses for the period	-1,817	-1,519	-5,180	-5,086	6,686	-6,592
Average number of employees	131	129	131	129	133	132

## SUMMARY BY SEGMENT

### GROUP

SEK thousands	July-Sep 2016	July-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Oct 2015-Sep 2016	Full-year 2015
<b>Operating revenue</b>						
<b>Brand</b>						
External revenue	10,105	9,284	26,120	27,505	32,540	34,747
Internal revenue	12,720	19,368	39,366	37,091	58,515	49,591
	<b>22,825</b>	<b>28,652</b>	<b>65,486</b>	<b>64,596</b>	<b>91,055</b>	<b>84,338</b>
<b>Product development</b>						
External revenue	41,368	74,408	132,668	170,914	232,854	238,062
Internal revenue	38,646	73,703	163,011	145,316	276,825	224,071
	<b>80,014</b>	<b>148,111</b>	<b>295,679</b>	<b>316,230</b>	<b>509,679</b>	<b>462,133</b>
<b>Wholesale</b>						
External revenue	93,702	78,711	217,249	161,555	247,834	207,131
Internal revenue	8,265	8,975	23,468	22,735	29,484	28,041
	<b>101,967</b>	<b>87,686</b>	<b>240,717</b>	<b>184,290</b>	<b>277,318</b>	<b>235,172</b>
<b>Retail</b>						
External revenue	37,229	32,015	88,135	71,656	115,822	104,557
Internal revenue	4,129	3,005	12,590	8,444	14,054	11,031
	<b>41,358</b>	<b>35,020</b>	<b>100,725</b>	<b>80,100</b>	<b>129,876</b>	<b>115,589</b>
Less internal sales	−63,759	−105,051	−238,436	−213,585	−378,878	−312,734
<b>Operating revenue</b>	<b>182,406</b>	<b>194,418</b>	<b>464,171</b>	<b>431,631</b>	<b>629,050</b>	<b>584,498</b>
<b>Operating profit</b>						
Brand	4,280	9,849	15,654	17,750	27,652	24,179
Product development	8,836	13,178	23,819	25,634	39,952	37,425
Wholesale	14,639	9,651	13,896	5,624	−781	−4,065
Retail	881	194	−10,538	−4,969	−5,204	1,053
<b>Operating profit</b>	<b>28,636</b>	<b>32,872</b>	<b>42,831</b>	<b>44,039</b>	<b>61,620</b>	<b>58,592</b>

#### Reconciliation between operating profit and profit before tax

The difference in the first nine months of 2016 between operating profit for segments for which information must be disclosed, SEK 42,831 thousand (44,039), and profit before tax, SEK 38,056 thousand (45,705), is net financial items, SEK −4,776 thousand (1,666). The difference in the third quarter between operating profit for segments for which information must be disclosed, SEK 28,636 thousand (32,872), and profit before tax, SEK 28,493 thousand (29,510), is net financial items, SEK −143 thousand (−3,362).

## QUARTERLY DATA

### GROUP

SEK thousands	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Net sales	179,977	122,165	158,065	152,618	191,430	99,199	131,081	135,278
Gross profit margin, %	50.4	53.5	50.0	51.8	51.9	53.0	53.6	54.1
Operating profit/loss	28,636	305	13,891	14,554	32,872	−1,662	12,828	3,559
Operating margin, %	15.9	0.2	8.8	9.5	17.2	neg	9.8	2.6
Profit/loss after financial items	28,493	−16	9,579	11,855	29,510	−1,585	17,781	5,612
Profit margin, %	15.8	0.0	6.1	7.8	15.4	neg	13.6	4.1
Earnings per share before dilution, SEK	0.95	−0.09	0.28	0.34	0.88	−0.04	0.61	0.18
Earnings per share after dilution, SEK	0.95	−0.09	0.28	0.34	0.88	−0.04	0.61	0.18
Number of Björn Borg stores at end of period	39	40	40	41	38	38	40	41
of which Group-owned Björn Borg stores	20	21	21	21	18	17	18	18
Brand sales	479,109	280,888	424,685	330,214	472,865	249,063	394,206	342,904

## PARENT COMPANY INCOME STATEMENT CONDENSED

SEK thousands	Note	July-Sep 2016	July-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Oct 2015- Sep 2016	Full-year 2015
Net sales		16,205	13,062	48,996	39,230	62,124	52,358
Other operating revenue		975	2,725	3,235	4,994	3,865	5,624
<b>Operating revenue</b>		<b>17,180</b>	<b>15,787</b>	<b>52,231</b>	<b>44,224</b>	<b>65,989</b>	<b>57,982</b>
Goods for resale		-47	-3	-72	-3	-93	-24
Other external expenses	1	-15,061	-13,820	-40,363	-36,807	-54,824	-51,268
Staff costs		-7,302	-12,396	-25,747	-33,188	-34,711	-42,152
Depreciation/amortization of tangible/ intangible non-current assets		-624	-428	-1,709	-1,359	-2,223	-1,873
Other operating expenses		-19	254	-444	123	-570	-3
<b>Operating loss</b>		<b>-5,873</b>	<b>-10,606</b>	<b>-16,104</b>	<b>-27,010</b>	<b>-26,432</b>	<b>-37,338</b>
Result from shares in subsidiaries		-	-	6,470	-	50,239	43,769
Net financial items		-4,091	-5,915	-14,356	-9,158	-20,632	-15,434
<b>Profit/loss after financial items</b>		<b>-9,964</b>	<b>-16,521</b>	<b>-23,990</b>	<b>-36,168</b>	<b>3,175</b>	<b>-9,003</b>
Group contributions received		-	-	-	-	-	48,054
<b>Profit/loss before tax</b>		<b>-9,964</b>	<b>-16,521</b>	<b>-23,990</b>	<b>-36,168</b>	<b>51,229</b>	<b>39,051</b>
Tax		-	-	-	-	47	46
<b>Profit/loss for the period</b>		<b>-9,964</b>	<b>-16,521</b>	<b>-23,990</b>	<b>-36,168</b>	<b>51,276</b>	<b>39,099</b>
Other comprehensive income		-	-	-	-	-	-
<b>Total comprehensive income for the period</b>		<b>-9,964</b>	<b>-16,521</b>	<b>-23,990</b>	<b>-36,168</b>	<b>51,276</b>	<b>39,099</b>

## PARENT COMPANY BALANCE SHEET CONDENSED

SEK thousands	Note	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>Non-current assets</b>				
Intangible assets		216	306	284
Tangible non-current assets		2,746	2,153	3,118
Long-term receivable	2	7,100	8,900	8,900
Deferred tax		1,008	961	1,008
Shares in Group companies		354,724	335,331	353,882
<b>Total non-current assets</b>		<b>365,794</b>	<b>347,651</b>	<b>367,192</b>
<b>Current assets</b>				
Receivables from Group companies		376,527	279,763	335,914
Current receivables		11,814	15,397	10,089
Investments	2	23,389	97,413	80,909
Cash & cash equivalents		6,480	3,245	25,717
<b>Total current assets</b>		<b>418,210</b>	<b>395,818</b>	<b>452,629</b>
<b>Total assets</b>		<b>784,004</b>	<b>743,469</b>	<b>819,821</b>
<b>Equity and liabilities</b>				
Equity		73,708	72,606	147,872
Untaxed reserves		1,014	1,014	1,014
Bond loan	2	143,459	158,392	154,538
Other non-current liabilities	2	21,329	21,948	20,294
Due to Group companies		529,364	472,829	480,250
Accounts payable		3,406	4,564	2,637
Other current liabilities		11,724	12,116	13,216
<b>Total equity and liabilities</b>		<b>784,004</b>	<b>743,469</b>	<b>819,821</b>

# PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

## CONDENSED

SEK thousands	Jan-Sep 2016	Jan-Sep 2015	Full-year 2015
<b>Opening balance</b>	<b>147,872</b>	<b>144,143</b>	<b>144,143</b>
Distribution	-50,297	-37,723	-37,723
Issuance of warrants	68	1,200	1,200
Warrant premium convertible	55	1,154	1,154
Total comprehensive income for the period	-23,990	-36,168	39,099
<b>Closing balance</b>	<b>73,708</b>	<b>72,606</b>	<b>147,872</b>

## SUPPLEMENTARY DISCLOSURES

### NOTE 1 OTHER EXTERNAL EXPENSES

SEK thousands	Group		Parent Company	
	Jan-Sep 2016	Jan-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
Cost of premises	22,287	20,530	7,350	8,275
Selling expenses	32,122	24,855	11,612	2,744
Marketing expenses	28,903	32,951	12,272	16,688
Administrative expenses	20,001	16,974	7,327	7,323
Other	7,746	5,819	1,731	1,777
<b>Total</b>	<b>111,059</b>	<b>101,129</b>	<b>40,292</b>	<b>36,807</b>

### NOTE 2 FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

Net divestments in the company's portfolio of corporate bonds amounted to SEK 54,749 thousand during the first nine months of 2016.

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

SEK thousands	Level 1	Level 2	Level 3
Securities held for trading	23,787		
Derivatives held for trading		-398	
Contingent consideration (liability)			-4,138
<b>Net</b>	<b>-398</b>	<b>-4,138</b>	

Björn Borg has recognized a liability for the contingent consideration to the sellers of the minority interest in Björn Borg Sport BV at fair value. The amount as of September 30, 2016 was SEK 4,138 thousand (5,792) and is included in level 3. The carrying amount of financial instruments recognized at amortized cost corresponds to the fair value as of September 30, 2016.

In 2013 the company granted the Dutch distributor an interest-bearing loan of SEK 17 million maturing on March 31, 2017 with quarterly amortizations of SEK 900,000 beginning on December 31, 2013. The outstanding loan to the Dutch distributor was SEK 10.7 million at the end of the quarter.

## DEFINITIONS

The company presents certain financial measures in this interim report that are not defined according to IFRS. The company considers these measures to be valuable complementary information for investors and the company's management. Since not all companies calculate financial measures in the same way, they are not always comparable with measures used by other companies. Consequently, these measures should not be seen as a substitute for measures defined according to IFRS. For more on the calculation of these key financial ratios, see <https://corporate.bjornborg.com/en/section/investors/interim-reports/>

### BRAND SALES

Estimated total sales of Björn Borg products at the consumer level, excluding VAT, based on reported wholesale sales.  
**Purpose:** Shows the sales trend measured as retail value excluding VAT.

### CAPITAL EMPLOYED

Total assets less non-interest-bearing liabilities and provisions.  
**Purpose:** Capital employed measures capital use and efficiency.

### EARNINGS PER SHARE (DEFINED ACCORDING TO IFRS)

Profit after tax in relation to the weighted average number of shares during the period.  
**Purpose:** This indicator is used to assess an investment from an owner's perspective.

### EARNINGS PER SHARE AFTER DILUTION (DEFINED ACCORDING TO IFRS)

Earnings per share adjusted for any dilution effect.  
**Purpose:** This indicator is used to assess an investment from an owner's perspective.

### EQUITY/ASSETS RATIO

Equity as a percentage of total assets.  
**Purpose:** This indicator shows financial risk, expressed as a share of total restricted equity financed by the owners.

### GROSS PROFIT MARGIN

Net sales less cost of goods sold divided by net sales.  
**Purpose:** The gross margin is used to measure operating profitability.

### NET DEBT

Liabilities less investments and cash & cash equivalents.  
**Purpose:** Net debt reflects the company's total debt situation.

### NET DEBT TO EBITDA RATIO

Liabilities less investments and cash & cash equivalents divided by operating profit before depreciation/amortization.  
**Purpose:** This indicator shows the company's ability to pay debts.

### NET FINANCIAL ITEMS

Financial income less financial expenses.

**Purpose:** Describes the company's financial activities.

### RETURN ON CAPITAL EMPLOYED

Profit before tax (per rolling 12-month period) plus financial expenses as a percentage of average capital employed.  
**Purpose:** This indicator is the key measure to quantify the return on the capital used in operations.

### RETURN ON EQUITY

Profit for the period/year attributable to the Parent Company's shareholders (for rolling 12 months) according to the income statement as a percentage of average equity. Average equity is calculated by adding equity at January 1 to equity at December 31 and dividing by two.  
**Purpose:** This indicator is used to show, from an ownership perspective, the return generated on the owners' invested capital.

### OPERATING MARGIN

Operating profit as a percentage of net sales.

**Purpose:** The operating margin is used to measure operating profitability.

### OPERATING PROFIT

Profit before tax plus net financial items.

**Purpose:** This indicator facilitates profitability comparisons regardless of the company's tax rate and independent of its financing structure.

### PROFIT MARGIN

Profit before tax as a percentage of net sales.

**Purpose:** Profit margin shows the company's profit in relation to its sales.

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

Stockholm, November 14, 2016

Fredrik Lövstedt  
Chairman

Martin Bjäringer  
Board member

Lotta de Champs  
Board member

Petra Stenqvist  
Board member

Mats H Nilsson  
Board member

Heiner Olbrich  
Board member

Christel Kinning  
Board member

Henrik Bunge  
CEO

## REVIEW REPORT

### INTRODUCTION

We have reviewed the interim report for Björn Borg AB (publ) for the period January 1 to September 30, 2016. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### SCOPE OF REVIEW

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

dures.

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

### CONCLUSION

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

Stockholm, November 14, 2016  
Deloitte AB

Didrik Roos  
Authorized Public Accountant

**CALENDAR**

The year-end report for 2016 on February 17, 2017.  
The annual report in April 2017.  
The 2017 Annual General Meeting will be held on May 11, 2017.

**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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**ABOUT THE BJÖRN BORG GROUP**

The Group owns the Björn Borg trademark and its core business is sports apparel and underwear. It also offers footwear, bags and eyewear through licensees. Björn Borg products are sold in around thirty markets, of which Sweden and the Netherlands are the largest. The Björn Borg Group has operations at every level from branding to consumer sales in its own Björn Borg stores. Total sales of Björn Borg products in 2015 amounted to about SEK 1.4 billion, excluding VAT, at the consumer level. Group net sales amounted to SEK 574 million in 2015, with an average of 132 employees. The Björn Borg share has been listed on Nasdaq Stockholm since 2007.

**IMAGES IN THE YEAR-END REPORT**

The images in the interim report are from Björn Borg's fall 2016 collection.

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Björn Borg is required to make public the information in this interim report according to the EU's Market Abuse Regulation. The information was released for publication on November 14, 2016 at 7:30 am (CET).