

Press Release
Stockholm, Sweden, December 8, 2016

BJÖRN BORG ACQUIRES BENELUX DISTRIBUTOR BASELINE

Björn Borg acquires Baseline Group, the current distributor of Björn Borg products in the Netherlands and Belgium (Benelux). The distribution agreement for Benelux was terminated in December 2015, to expire in December 2019 when distribution would be taken over by the Björn Borg Group. The acquisition of the Benelux operations is an important step in accelerating the vertical integration of the Björn Borg operations and in line with the strategy to get closer to consumers and retailers.

Björn Borg has signed an agreement to acquire the Baseline Group that operates the Björn Borg business in Benelux, including wholesaling of mainly underwear and sports apparel as well as retail operations of twelve Björn Borg concept and outlet stores in the Netherlands and Belgium. The business also involves logistics for the local market. Baseline Group has a total of 90 employees and a turnover in 2015 for the Björn Borg brand of approximately EUR 23.3 million with an EBIT of about EUR -0.7 million.

The Benelux region is the largest market for Björn Borg, ahead of Sweden, accounting for 26% of total brand sales in 2015. It is also the market where the brand has by far the firmest foothold in sports apparel products, which is a key strategic product category for building Björn Borg as a sports fashion brand.

“I am happy to announce this step for the vertical integration of our business and for getting a stronger hold of the sportswear business. Through the acquisition of the Benelux operations, we increase the potential that we see in this important market and are able to secure the continuity of business by building on the platform that is already in place. We see this as an important investment for future growth, and with the right timing since 2017 is our first year without earn-out payments to the former owner of the Björn Borg brand, which increases our financial capacity for an offensive step like this”, says Henrik Bunge, CEO of Björn Borg.

“I also wish to thank Rene De Bruin and Luc Versmissen for their great contribution in building and strengthening the Björn Borg business in Benelux over the years, taking it from EUR 5 million in 2004 to where it is today”, continues Henrik Bunge.

Björn Borg pays EUR 1.25 million for all shares and shareholders' loans in the Baseline Group over a three-year period. As part of the transaction, Björn Borg will also take over working capital financing from local banks of up to EUR 2.8 million, and the Group's interest bearing debt will increase with the corresponding amount.

Consolidating Baseline Group into the Björn Borg Group is estimated to increase annual net sales by approximately SEK 100 million without impact on the EBIT, excluding short-term negative effects for 2017. In 2017 the Björn Borg Group EBIT is estimated to be reduced due to timing effects when revenues related to the Benelux market will be transferred from 2017 to 2018, as a consequence of accounting effects when the wholesale and consumer sales are operated within the Björn Borg Group instead of by an external distributor. At the same time, from 2017 the earn-out payments to the former owner of the Björn Borg brand will discontinue, which is estimated to positively impact EBIT, thus to a large extent compensating the negative short-term effect from the acquisition of Baseline Group, taking into consideration that in 2015 the earn-out payment was SEK 28 million with an EBIT effect of SEK 21 million. Björn Borg sees great potential for long-term increased sales and earnings in the Benelux operations, both through optimized internal operations and through developing sales in own retail and through third party retailers.

According to the share purchase agreement completion of the acquisition will take place on 2 January 2017.

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ABOUT BJÖRN BORG: The Group owns the Björn Borg trademark and its core business is underwear and sportswear. It also offers footwear, bags and eyewear through licensees. 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. 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 approximately 574 million in 2015, with an average of 132 employees. The Björn Borg share has been listed on NASDAQ Stockholm since 2007.