BJÖRN BORG AB YEAR-END REPORT JANUARY - DECEMBER 2017

STRONG GROSS MARGIN DESPITE CHALLENGES

OCTOBER 1 – DECEMBER 31, 2017

- The Group’s net sales fell 0.7 percent to SEK 170.3 million (171.4). Currency effects on sales were marginal in the quarter.
- The gross profit margin was 58.3 percent (48.0).
- Operating profit amounted to SEK 16.9 million (21.4).
- Profit after tax amounted to SEK 11.0 million (17.9).
- Earnings per share before and after dilution amounted to SEK 0.43 (0.74).

JANUARY 1 – DECEMBER 31, 2017

- The Group’s net sales rose 10.3 percent to SEK 696.5 million (631.6). Excluding currency effects sales rose 9.6 percent.
- The gross profit margin was 54.0 percent (50.3).
- Operating profit amounted to SEK 55.4 million (64.2).
- Profit after tax amounted to SEK 37.4 million (46.9).
- Earnings per share before and after dilution amounted to SEK 1.48 (1.88).
- The Board of Directors has decided to propose to the Annual General Meeting a distribution of SEK 2.00 (2.00) per share, totaling SEK 50.3 million (50.3).

QUOTE FROM THE CEO

“The fourth quarter saw a significantly better gross profit margin than the previous year at 58.3 percent (48.0). We are increasing our costs, but this is essentially due to our Benelux acquisition,” commented CEO Henrik Bunge.

SEK millions	Oct-Dec 2017	Oct-Dec 2016	Full-year 2017	Full-year 2016
Net sales	170.3	171.4	696.5	631.6
Gross profit margin, %	58.3	48.0	54.0	50.3
Operating profit	16.9	21.4	55.4	64.2
Operating margin, %	9.9	12.5	7.9	10.2
Profit after tax	11.0	17.9	37.4	46.9
Earnings per share before dilution, SEK	0.43	0.74	1.48	1.88
Earnings per share after dilution, SEK	0.43	0.74	1.48	1.88
Brand sales*	360	372	1,542	1,551

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

CEO'S COMMENT

The end of 2017 and our fourth quarter were distinguished by the ongoing structural change in the retail sector, with fewer store visits and strong growth in online shopping. The Swedish Trade Federation estimates that durable goods retailers will close 5,000-10,000 stores by 2025, while e-commerce in Sweden is expected to grow from SEK 60 billion to SEK 192-280 billion during the same period. Sales challenges for physical stores are definitely a trend that is here to stay, and we are meeting it through an increased focus on e-commerce, both our own and others', as well as by further strengthening the brand.

Net sales in the quarter were SEK 170.3 million, a decrease of 0.7 percent compared with the previous year. Adjusted for the positive effect of the acquisition of our former Benelux distributor, this is a decrease of 7.2 percent compared with the previous year. The large part of the decline is due to weak sales in our distributor markets of Denmark and Norway. In Finland, Sweden, Germany and England as well as in our own e-commerce, we are growing on the other hand.

The fourth quarter saw a significantly better gross profit margin than the previous year at 58.3 percent (48.0). Adjusted for currency effects, mainly a weaker USD, the margin was 55.4 percent. We are increasing our costs, but this is essentially due to our Benelux acquisition. Lower income but a higher gross profit margin meant a decrease in our operating profit to SEK 16.9 million (21.4).

I am continuing to work on strengthening our new Benelux companies and am pleased with what we accomplished during the year to cut costs. The next step is raising sales, mainly through an increased focus on e-tailers and our own e-commerce. For this reason, I also devoted a great deal of time during the quarter, together with our E-com Director, on our e-commerce site. Moreover, I have shifted more attention to marketplaces and e-tailers, and a bright spot in a weak quarter was a year-over-year sales increase of over 40 percent from these customers.

In summing up the quarter, I would add that in our consumer surveys we are maintaining our position as the consumer's first choice for men's underwear and are strengthening our attractiveness as a sport apparel brand for men. This is great news and our biggest asset in a changing market. I look forward to continuing our brand transition in 2018 and will make sure that we are ready to meet the changing retail patterns.

Let's go!

Henrik Bunge
Head coach

OPERATIONS

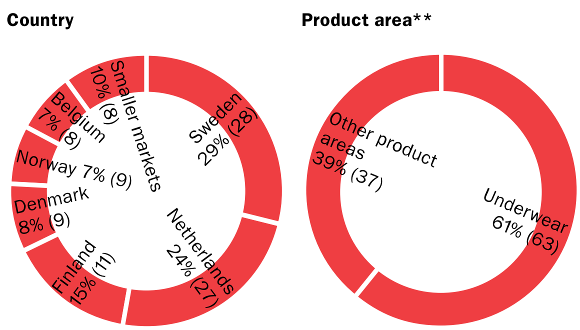
BRAND SALES
Brand sales were slightly lower in the fourth quarter compared with the previous year. The quarterly decrease was mainly in footwear, though sports apparel and bags also fell year-over-year. Underwear grew in the quarter, as did eyewear. In total, brand sales fell 3 percent to SEK 360 million (372). Currency effects were marginal in the quarter. For the full-year, brand sales fell marginally to SEK 1,542 million (1,551). Excluding currency effects, brand sales fell 2 percent.

PRODUCT AREAS FULL-YEAR 2017
Brand sales in the underwear product area were 4 percent lower for the full-year 2017. Underwear accounted for 61 percent (63) of brand sales.

Sports apparel grew 9 percent during the year and footwear 7 percent compared with 2016. Bags and eyewear had a tough year and lost 14 and 38 percent, respectively. The new licensed product area homewear reported total sales of SEK 5 million in 2017. In total, brand sales of licensed products rose 3 percent in the year.

MARKETS FULL-YEAR 2017
Among large markets, Finland posted strong growth, while Sweden grew slightly compared with the previous year. Other large markets declined year-over-year. The decrease in the other large markets was mainly driven by a downturn in underwear. England and Germany are two smaller markets that are developing well.

BRAND SALES* OF BJÖRN BORG PRODUCTS JANUARY-DECEMBER 2017. TOTAL SEK 1,542 MILLION (1,551)



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

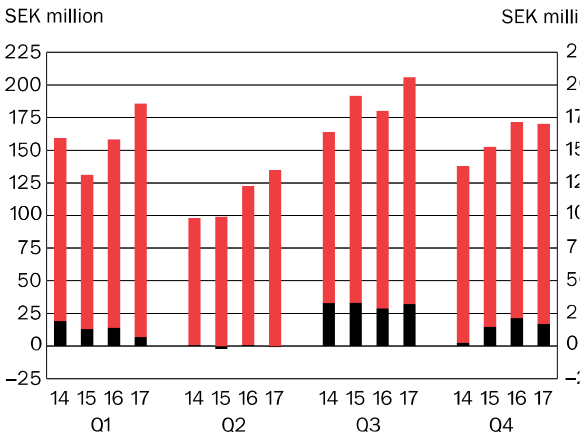
** **Underwear:** Men's and women's underwear, swimwear, socks and adjacent products. **Other product areas:** Sports apparel, footwear, bags, eyewear and homewear.

BJÖRN BORG STORES
One store was opened in Finland in the third quarter. As of December 31, 2017 there were a total of 41 (40) Björn Borg stores, of which 35 (20) are Group-owned. The increase in Group-owned stores is due to the Benelux acquisition, where 13 stores were reclassified as Group-owned as of Q1 2017.

THE GROUP'S DEVELOPMENT

Net sales decreased slightly in the fourth quarter. Operating profit also declined year-over-year.

QUARTERLY NET SALES AND OPERATING PROFIT, 2014-2017



SALES

Fourth quarter, October-December 2017

The Group's net sales amounted to SEK 170.3 million (171.4) in the fourth quarter, a decrease of 0.7 percent. Currency effects on sales were marginal in the quarter.

The year-over-year sales trend was affected by the acquisition of the former distributor in Benelux, which is consolidated in the Group as of January 2, 2017. Adjusted for the acquisition, underlying net sales fell 7.2 percent from the previous year. The decrease is largely due to lower sales to the external distributors in Norway and Denmark.

Finland developed well in the fourth quarter with growth in both underwear and sports apparel. Growth in Finland is driven in large part by broader distribution of underwear and sports apparel at the wholesale level as well as an increased number of Group-owned stores. Sales for comparable stores in Finland increased 16 percent in the quarter.

The Group's own footwear distribution had a slightly weaker quarter than in 2016. The sales decrease mainly came from the Finnish and Danish operations, while the Swedish operations saw growth in the quarter.

The Swedish underwear and sports apparel wholesale business had a good quarter and saw growth, while the Swedish retail operations had a weak quarter and declined compared with 2016. For the Swedish retail company, the main reason for the year-over-year sales decline was lower traffic in Group-owned stores, but also because there were fewer stores than a year earlier. For comparable stores, sales fell 21 percent in the quarter and 22 percent in total.

E-commerce sales grew about 2 percent in the fourth quarter. The technical problems that arose in the third quarter have now been alleviated and did not have a major impact on net sales in the fourth quarter.

Sales in Benelux fell compared with the fourth quarter of 2016. The decrease was driven by both wholesale and retail sales. Comparable Group-owned stores in Benelux were down 23 percent.

The product company's external sales, adjusted for the acquisition, decreased year-over-year, due to lower sales to the Norwegian and Danish markets in the quarter. External royalties declined since Benelux is now included in the Group. Other licensed sales grew decreased due to lower brand sales by external distributors and licensees.

Full-year 2017

The Group's net sales for the full-year 2017 amounted to SEK 696.5 million (631.6), an increase of 10.3 percent. Excluding FX effects, sales rose 9.6 percent.

The positive year-over-year sales trend is largely a result of the acquisition of the former distributor in Benelux, which is consolidated in the Group as of January 2, 2017. Adjusted for the acquisition, underlying net sales grew 2.4 percent from the previous year. Growth was mainly driven by Finnish, German and English wholesale and retail sales of sports apparel and underwear. The Group's own footwear distribution in Sweden and Finland also saw good growth during the year.

The Swedish wholesale and retail operations reported lower sales than the previous year. The decrease for the wholesale company was driven by retail customers' high inventory levels, mainly in the first part of the year, due to which orders were generally lower than in 2016. The Swedish retail company had one fewer store, though sales also fell 16 percent for comparable stores and 20 percent in total in 2017.

The e-commerce business area had a greater profitability focus than the previous year, which successfully resulted in lower costs for paid traffic and higher operating margins during the year, despite lower sales. In the third quarter the e-commerce site was upgraded to a more modern platform, which caused technical problems temporarily affecting sales in the third quarter. The technical problems are now solved and have not impacted sales in fourth quarter. In total, sales were down 16 percent year-over-year.

Sales by the Benelux company decreased significantly compared with 2016. The biggest decline was in the wholesale business, though retail sales also decreased despite more stores. Comparable stores were down 12 percent.

The product company's external sales decreased year-over-year because of the Benelux acquisition, as this revenue is now recognized as internal. The Danish market and smaller external markets underperformed year-over-year, while sales to Norway increased. External royalties declined since Benelux is now included in the Group, while other licensed sales rose compared with the previous year.

		Operating revenue, SEK thousands		Operating profit, SEK thousands		Operating margin, %	
Business segment	Revenue source	2017	2016	2017	2016	2017	2016
Brand	Royalties	55,997	83,448	35,467	19,500	63	23
Product development	Products	384,782	363,903	19,186	33,415	5	9
Wholesale	Wholesale revenue	518,795	320,832	5,536	17,595	1	5
Retail	Consumerdirect	218,924	144,977	–4,822	–6,314	–2	–4
Less internal sales		–474,243	–274,589	–	–	–	–
Total		**704,255**	**638,571**	**55,367**	**64,196**	**8**	**10**

PROFIT

Fourth quarter, October-December 2017

The gross profit margin for the fourth quarter increased to 58.3 percent (48.0). A weaker USD positively affected margins. Adjusted for currency effects, the gross profit margin would have been 55.4 percent. Aside from the USD exchange rate, the margin was positively affected because earn-out payments for the brand are since 2017 no longer being paid. The timing effect arising due to the Benelux acquisition on the gross profit margin was marginal in the quarter.

Operating expenses increased by SEK 20 million compared with the previous year due to the Benelux acquisition. Excluding Benelux, operating expenses rose by SEK 0.7 million or 1 percent.

The lower revenue, together with the higher gross profit margin and higher operating expenses, reduced operating profit to SEK 16.9 million (21.4). The operating margin was 9.9 percent (12.5).

Net financial items amounted to SEK –1.2 million (4.0) and mainly related to interest on long-term bank loans.

Profit before tax decreased to SEK 15.7 million (25.4).

Full-year 2017

The gross profit margin for the year increased to 54.0 percent (50.3). A weaker USD positively affected the margin. Adjusted for currency effects, the margin was 53.4 percent. Aside from the USD exchange rate, the margin was positively affected by about SEK 22 million because earn-out payments for the brand are no longer being paid. At the same time the gross profit margin was negatively impacted by the timing effect arising due to the Benelux acquisition. The gross profit margin in the product development segment that would have been realized in the first quarter is now tied up in inventory and negatively affected the gross profit margin by about SEK 23 million.

Operating expenses increased by SEK 68 million compared with the previous year due to the Benelux acquisition. Excluding Benelux, operating expenses fell SEK 7 million or 2.5 percent. The decrease was largely due to lower logistical costs thanks to a warehouse consolidation within the Group.

The combination of higher revenue, higher gross profit margin and increased operating expenses reduced operating profit to SEK 55.4 million (64.2). The operating margin was 7.9 percent (10.2).

Net financial items amounted to SEK –4.0 million (–0.7). The realized and unrealized return on investments less interest on the bond loan and bank loans negatively affected the Group's financial net by SEK –3.2 million (–1.3). The remaining year-over-year change was mainly attributable to the revaluation of financial assets and liabilities in foreign currency. Profit before tax was SEK 51.4 million (63.5).

Development by business segment

The Group operates through thirteen 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 segment's operating revenue amounted to SEK 56.0 million (83.4) in 2017. External operating revenue decreased to SEK 19.1 million (33.6), the decrease due to that the Benelux is now reported as internal brand sales. Excluding Benelux, external brand sales rose about SEK 1.2 million. The increase is a result of higher brand sales by external distributors and licensees. Royalty percentages vary by product category, due to which there is not always a precise correlation between royalties and brand sales.

Operating profit increased to SEK 35.5 million (19.5) for the full-year 2017. The improvement was due to the fact that earn-out payments are no longer being paid.

Product development

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

The segment's operating revenue amounted to SEK 384.8 million (363.9) in 2017, an increase of 6 percent. External operating revenue decreased to SEK 53.5 million (187.7) as Benelux is now consolidated in the Group and classified as internal. Excluding Benelux, external revenue was down about SEK 11 million, mainly due to lower sales to Denmark and smaller distributors.

Operating profit decreased to SEK 19.2 million (33.4) due to lower margins and higher operating expenses in the segment. Product development is the segment affected by the timing effect from the Benelux acquisition.

Wholesale

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

The segment's operating revenue rose to SEK 518.8 million (320.8) in 2017. External operating revenue amounted to SEK 444.3 million (289.6). Of the increase of SEK 155 million, Benelux accounted for SEK 113 million. Other growth of 14 percent came from the Finnish, German and English underwear and sports apparel wholesale business as well as the footwear wholesale company. The increase was mainly due to broader underwear distribution in Finland as well as good growth among both new and existing footwear customers in Sweden and Finland. The Swedish wholesale business for underwear and sports apparel decreased year-over-year.

Operating profit amounted to SEK 5.5 million (17.6) compared with the previous year. The decrease was mainly due to higher operating expenses as a result of the Benelux acquisition.

Retail

The Björn Borg Group owns and operates a total of 35 stores and factory outlets in Sweden, Finland, the Netherlands, Belgium and England that sell underwear, sports apparel, adjacent products and other licensed products. Björn Borg also sells online through www.bjornborg.com.

Operating revenue in the Retail segment increased in 2017 to SEK 218.9 million (145.0). External operating revenue rose to SEK 187.4 million (127.6). The increase was because Benelux is now included in the segment and accounted for SEK 74.8 million of external sales. Excluding Benelux, the segment's sales decreased by SEK 15 million. The year-over-year trend was weakest in e-commerce and the Swedish retail business, while the Finnish retail business is growing thanks to an increased number of stores compared with the previous year. The English store is also performing well. E-commerce sales dropped 16 percent to SEK 41.1 million. This was mainly due to lower web traffic, which was partly the result of reduced costs for paid, unprofitable traffic, but also related to technical problems in connection with an upgrade of the e-commerce site in the third quarter. Sales for comparable Group-owned stores in Sweden declined 16 percent. In total, sales fell 20 percent because there was one fewer store. Sales rose 5 percent for comparable Finnish stores and in total Finnish retail sales grew 25 percent due to more stores. The store in England declined compared with the previous year.

The operating loss for 2017 was SEK 4.8 million, against a year-earlier loss of SEK 6.3 million. The improvement was due to the inclusion of a more profitable Benelux business in the result.

Intra-Group sales

Intra-Group sales for 2017 amounted to SEK 474.2 million (274.6). The increase was due to the Benelux acquisition.

SEASONAL VARIATIONS

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

INVESTMENTS AND CASH FLOW

The Group's cash flow from operating activities amounted to SEK 60.3 million (15.3) in 2017. The year-over-year improvement mainly came from a better trend in operating capital, where inventory levels were the biggest factor.

Investing activities had a positive flow of SEK 15.5 million (49.7) due to divestments from the bond portfolio in the period. Total investments in tangible and intangible non-current assets amounted to SEK 12.8 million (5.2) for the period.

Financing activities had a negative cash flow of SEK –72.9 million (–68.5). The negative flow was from the dividend to shareholders of SEK –50.3 million (–50.3) in the period. In addition, cash flow from financing activities was negatively affected in the period because the outstanding loan raised from Danske Bank is higher than the repayment of the bond loan.

The Group's cash flow for the year 2017 was positive at SEK 2.9 million (–3.4) and cash & cash equivalents amounted to SEK 52.6 million (48.9) at the end of the period.

FINANCIAL POSITION AND LIQUIDITY

The Björn Borg Group's cash & cash equivalents and investments amounted to SEK 53.1 million (75.1) at the end of the period, with interest-bearing liabilities of SEK 142.3 million (154.4).

The bond loan issued by the company in April 2012 expired in April 2017. The remaining debt of SEK 135.5 million was repaid in the second quarter of 2017. The bond loan has been replaced by a three-year revolving credit of SEK 150 million from Danske Bank.

The bond portfolio that the company previously managed due to the surplus liquidity arising from the issuance of the bond loan is now essentially fully divested. As of December 31 the book value of the bonds was SEK 0.5 million (26.2), which represents the fair value on the same date.

In addition to the revolving credit of SEK 150 million, Björn Borg has an overdraft facility of SEK 90 million from Danske Bank.

COMMITMENTS AND CONTINGENT LIABILITIES

As a commitment for the overdraft facility and three-year revolving credit, the company has pledged to ensure that the ratio between the Group's net debt and rolling 12-month operating profit before depreciation and amortization does not exceed 3.00 on the last day of each quarter. Moreover, the Group will maintain an equity/assets ratio of at least 35 percent.

As of December 31, 2017 the ratio was 1.40 (1.12) and the equity/assets ratio was 51.3 percent (53.7).

No changes were otherwise made with regard to pledged assets and contingent liabilities compared with December 31, 2016.

PERSONNEL

The average number of employees in the Group was 212 (133) for the twelve-month period ending December 31, 2017, of whom 67 percent (71) are women. The increase was due to the Benelux acquisition.

RELATED PARTY TRANSACTIONS

The transactions that the company executed with related parties during the period were done on market terms.

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 58-59 and in note 3 in the annual report 2016.

PARENT COMPANY

Björn Borg AB (publ) is primarily engaged in intra-Group activities. As of December 31, 2017 the company also owns 100 percent of the shares in Björn Borg Brands AB, Björn Borg Footwear AB, Björn Borg Inc., Björn Borg Services AB, Björn Borg UK and Baseline BV. In addition, the company owns 75 percent of the shares in Bjorn Borg (China) Ltd and 75 percent of the shares in Bjorn Borg Finland Oy. The former wholly owned subsidiary Björn Borg Sport BV was liquidated in the fourth quarter.

The Parent Company's net sales for the year amounted to SEK 95.8 million (64.9).

Profit before tax amounted to SEK 51.3 million (53.9) for the full-year 2017. Cash & cash equivalents and investments amounted to SEK 10.8 million (39.5) as of December 31, 2017.

EVENTS AFTER THE BALANCE SHEET DATE

Björn Borg Sport AB acquired the 25% minority interest in Björn Borg Finland Oy from the former minority owner on February 9, 2018. As a result of the acquisition, Björn Borg AB now owns 100 percent of the subsidiary in Finland. There are otherwise no significant events to report after the balance sheet date.

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 aim to 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 19 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.

DIVIDEND

The Board of Directors has decided to propose to the Annual General Meeting 2018 a distribution of SEK 2.00 (2.00) per share for the financial year 2017, corresponding to 136 percent (106) of net income. As proposed, the distribution would be paid through an automatic redemption, where every share is divided into a common share and a redemption share. The redemption share will then automatically be redeemed for SEK 2.00 per share. Payment for the redemption share, contingent on the approval of the AGM, is expected to be made around June 18, 2018.

The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 50.3 million (50.3). For 2016 a distribution of SEK 2.00 was paid per share, corresponding to 106 percent of net income.

ANNUAL REPORT

The annual report for 2017 will be available on the company's website on April 26, 2018 at the latest.

ANNUAL GENERAL MEETING

The Annual General Meeting for the financial year 2017 will be held in Stockholm at 5:30 pm (CET) on May 17, 2018 in Stockholm.

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 2016, as described on page 54 in the annual report 2016.

New and amended accounting principles

New or amended IFRS and IFRIC interpretations effective January 1, 2017 have not had a material effect or impact on the interim report or the consolidated financial statements.

During the year the company analyzed the new rules in IFRS 15 and IFRS 9 that enter into force on January 1, 2018 and the effects they may have on the company's accounts.

IFRS 15 relates to revenue from contracts with customers and introduces a new five-step model for revenue recognition based on when control of a good or service is transferred to the customer. IFRS 15 replaces all previous standards, statements and interpretations that concern revenue recognition. Björn Borg will apply IFRS 15 as of January 1, 2018. As part of the Group's IFRS 15 project, Björn Borg has made an assessment of its customer contracts in accordance with the five-step model. The analysis shows that the new rules will not have a material effect on revenue recognition or the financial reporting compared with 2017.

IFRS 9 contains new principles for hedge accounting as well as how financial assets and liabilities are classified and measured. Björn Borg will apply IFRS 9 as of January 1, 2018. As part of the Group's IFRS 9 project, Björn Borg has analyzed IFRS 9 and the impact that the new rules could have on the company. The analysis shows that it is mainly the valuation of accounts receivable that could potentially be affected by the new rules. The results of the analysis show that the impact of the new rules on valuations is not material and will not significantly affect the company's financial statements or financial reporting compared with 2017.

AUDIT REPORT

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

OUTLOOK 2018

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

CONSOLIDATED INCOME STATEMENT
CONDENSED

SEK thousands	Note	Oct-Dec 2017	Oct-Dec 2016	Full-year 2017	Full-year 2016
Net sales		170,269	171,410	696,482	631,616
Other operating revenue		1,867	2,989	7,773	6,954
Operating revenue		**172,136**	**174,399**	**704,255**	**638,570**
Goods for resale		–70,921	–89,111	–320,211	–314,137
Other external expenses	1	–47,395	–37,127	–173,967	–148,187
Staff costs		–35,663	–26,604	–138,763	–105,191
Depreciation/amortization of tangible/intangible non-current assets		–2,877	– 1,617	–9,906	–6,797
Other operating expenses		1,625	1,425	–6,041	–62
Operating profit		**16,905**	**21,365**	**55,367**	**64,196**
Net financial items		–1,222	4,048	–3,969	–727
Profit before tax		**15,683**	**25,413**	**51,398**	**63,469**
Tax		–4,636	–7,528	–14,026	–16,572
Profit for the period		**11,047**	**17,884**	**37,372**	**46,897**
Profit for the period attributable to					
Parent Company’s shareholders		10,846	18,361	37,099	47,361
Non-controlling interests		201	–477	273	–464
Earnings per share before dilution, SEK		0.43	0.74	1.48	1.88
Earnings per share after dilution, SEK		0.43	0.74	1.48	1.88
Number of shares		25,148,384	25,148,384	25,148,384	25,148,384

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
CONDENSED

SEK thousands	Note	Oct-Dec 2017	Oct-Dec 2016	Full-year 2017	Full-year 2016
Net profit for the period		**11,047**	**17,884**	**37,372**	**46,897**
OTHER COMPREHENSIVE INCOME					
Components that may be reclassified to profit or loss					
Translation difference for the period		–102	–1,394	1,220	1,704
Total other comprehensive income for the period		–102	**–1,394**	**1,220**	**1,704**
Total comprehensive income for the period		**10,945**	**16,490**	**38,592**	**48,601**
Total comprehensive income attributable to					
Parent Company’s shareholders		10,783	16,967	37,829	49,065
Non-controlling interests		162	–477	763	–464

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
CONDENSED

SEK thousands	Note	Dec 31 2017	Dec 31 2016
Non-current assets			
Goodwill	3	35,755	19,292
Trademarks		187,532	187,532
Other intangible assets		5,066	1,668
Tangible non-current assets		15,392	9,277
Long-term receivables		0	10,700
Deferred tax assets		22,530	13,452
Total non-current assets		**266,275**	**241,921**
Current assets			
Inventory		109,770	67,477
Accounts receivable		91,479	137,769
Other current receivables		20,055	16,144
Investments	2	500	26,167
Cash & cash equivalents		52,620	48,948
Total current assets		**274,424**	**296,505**
Total assets		**540,699**	**538,426**
Equity and liabilities			
Equity		277,398	289,103
Deferred tax liabilities		42,949	35,418
Bond loan	2	–	137,092
Non-current liabilities credit institutions		125,000	–
Other non-current liabilities		22,925	17,273
Accounts payable		20,452	13,797
Other current liabilities		51,975	45,743
Total equity and liabilities		**540,699**	**538,426**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
CONDENSED

SEK thousands	Note	Equity attributable to Parent Company's shareholders	Non-controlling interests	Total equity
Opening balance, January 1, 2016		**297,408**	**–6,733**	**290,675**
Total comprehensive income for the period		49,065	–464	48,601
Distribution for 2015		–50,297	–	–50,297
Acquisition of non-controlling interest		–6,925	6,925	–
Issuance of warrants		68	–	68
Warrant premium convertible		55	–	55
Closing balance, December 31, 2016		**289,375**	**–272**	**289,103**
Opening balance, January 1, 2017		**289,375**	**–272**	**289,103**
Total comprehensive income for the period		37,829	763	38,592
Distribution for 2016		–50,297		–50,297
Acquisition of non-controlling interest		–		–
Issuance of warrants		–		–
Warrant premium convertible		–		–
Closing balance, December 31, 2017		**276,907**	**491**	**277,398**

CONSOLIDATED STATEMENT OF CASH FLOWS
CONDENSED

SEK thousands	Oct-Dec 2017	Oct-Dec 2016	Full-year 2017	Full-year 2016
Cash flow from operating activities				
Before changes in working capital	19,305	24,281	61,400	69,378
Changes in working capital	7,770	–21,690	–1,070	–54,066
Cash flow from operating activities	**27,075**	**2,591**	**60,330**	**15,312**
Acquisition of subsidiary, cash & cash equivalents	2,868	–	2,868	–
Investments in intangible non-current assets	–30	–	–4,921	–
Investments in tangible non-current assets	–2,830	–128	–7,868	–5,231
Sale of non-current assets	–	–		–
Investments/sale of investments	197	–1,587	25,417	54,962
Cash flow from investing activities	**205**	**–1,715**	**15,496**	**49,731**
Distribution	–	–	–50,297	–50,297
Acquisition of minority interest	–	–	–	–842
Amortization of loans	–25,000	–	–37,136	1,034
Issuance of warrants/convertibles	–	–	–	125
Newly raised loan	–	–	150,000	–
Bond loan repurchases/repayment	–	–7,403	–135,470	–18,480
Cash flow from financing activities	**–25,000**	**–7,403**	**–72,903**	**–68,460**
Cash flow for the period	**2,280**	**–6,527**	**2,923**	**–3,417**
Cash & cash equivalents at beginning of year	46,581	54,416	48,948	50,643
Translation difference in cash & cash equivalents	3,759	1,058	749	1,722
Cash & cash equivalents at end of the period	**52,620**	**48,948**	**52,620**	**48,948**

KEY FIGURES
GROUP

SEK thousands	Oct-Dec 2017	Oct-Dec 2016	Full-year 2017	Full-year 2016
Gross profit margin, %	58.3	48.0	54.0	50.3
Operating margin, %	9.9	12.5	7.9	10.2
Profit margin, %	9.2	14.8	7.4	10.0
Return on capital employed, %	14.0	14.3	14.0	14.3
Return on average equity, %	13.1	16.3	13.1	16.3
Profit attributable to Parent Company's shareholders	10,846	18,361	37,099	47,361
Equity/assets ratio, %	51.3	53.7	51.3	53.7
Equity per share, SEK	11.03	11.50	11.03	11.50
Investments in intangible non-current assets	30	–	4,921	–
Investments in tangible non-current assets	2,830	128	7,868	5,231
Depreciation, amortization and impairment losses for the period	–2,877	–1,617	–9,906	–6,797
Average number of employees	212	135	212	133

SUMMARY BY SEGMENT

GROUP

SEK thousands	Oct-Dec 2017	Oct-Dec 2016	Full-year 2017	Full-year 2016
Operating revenue				
Brand				
External revenue	3,201	7,506	19,120	33,626
Internal revenue	9,225	10,456	36,877	49,822
	12,426	**17,962**	**55,997**	**83,448**
Product development				
External revenue	9,927	55,079	53,478	187,747
Internal revenue	82,735	13,145	331,304	176,156
	92,662	**68,224**	**384,782**	**363,903**
Wholesale				
External revenue	103,038	72,384	444,293	289,633
Internal revenue	14,528	7,731	74,502	31,199
	117,566	**80,115**	**518,795**	**320,832**
Retail				
External revenue	55,970	39,430	187,364	127,565
Internal revenue	7,335	4,822	31,560	17,412
	63,305	**44,252**	**218,924**	**144,977**
Less internal sales	–113,823	–36,154	–474,243	–274,589
Operating revenue	**172,136**	**174,400**	**704,255**	**638,571**
Operating profit				
Brand	7,625	3,848	35,467	19,500
Product development	7,758	9,596	19,186	33,415
Wholesale	–2,666	3,698	5,536	17,595
Retail	4,188	4,224	–4,822	–6,314
Operating profit	**16,905**	**21,365**	**55,367**	**64,196**

Reconciliation between operating profit and profit before tax
The difference in the fourth quarter between operating profit for segments for which information must be disclosed are, SEK 16,905 thousand (21,365), and profit before tax, SEK 15,683 thousand (25,413), is net financial items, SEK –1,222 thousand (4,048). The difference for the full-year 2017 between operating profit for segments for which information must be disclosed are, SEK 55,367 thousand (64,196), and profit before tax, SEK 51,398 thousand (63,469), is net financial items, SEK –3,970 thousand (–727).

QUARTERLY DATA

GROUP

SEK thousands	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Net sales	170,269	205,712	134,844	185,657	171,410	179,977	122,165	158,065
Gross profit margin, %	58.3	56.3	52.1	48.9	48.0	50.4	53.5	50.0
Operating profit/loss	16,905	32,012	–290	6,741	21,365	28,636	305	13,891
Operating margin, %	9.9	15.6	–0.2	3.6	12.5	15.9	0.2	8.8
Profit/loss after financial items	15,683	31,028	–2,079	6,765	25,413	28,493	–16	9,579
Profit margin, %	9.2	15.1	–1.5	3.6	14.8	15.8	0.0	6.1
Earnings per share before dilution, SEK	0.43	0.98	–0.11	0.18	0.74	0.95	–0.09	0.28
Earnings per share after dilution, SEK	0.43	0.98	–0.11	0.18	0.74	0.95	–0.09	0.28
Number of Björn Borg stores at end of period	41	40	39	39	40	39	40	40
of which Group-owned Björn Borg stores	35	34	33	33	20	20	21	21
Brand sales	359,775	474,201	270,824	436,957	371,960	479,109	280,888	424,685

PARENT COMPANY INCOME STATEMENT
CONDENSED

SEK thousands	Note	Oct-Dec 2017	Oct-Dec 2016	Full-year 2017	Full-year 2016
Net sales		24 031	15 909	95 805	64 905
Other operating revenue		146	729	5 040	3 964
Operating revenue		**24 177**	**16 638**	**100 845**	**68 869**
Goods for resale		–1	–2	–22	–74
Other external expenses	1	–15 314	–15 405	–54 493	–55 768
Staff costs		–9 334	–8 868	–35 718	–34 615
Depreciation/amortization of tangible/intangible non-current assets		–448	–524	–1 396	–2 234
Other operating expenses		–2	–	–228	–443
Operating profit/loss		**–922**	**–8 161**	**8 988**	**–24 265**
Result from shares in subsidiaries		50 567	47 800	48 452	54 270
Net financial items		–5 815	–1 843	–17 771	–16 199
Profit after financial items		**43 830**	**37 796**	**39 669**	**13 806**
Group contributions received		11 623	39 047	11 623	39 047
Appropriations		–	1 014	–	1 014
Profit before tax		**55 453**	**77 857**	**51 292**	**53 867**
Tax		–572	–877	–572	–877
Profit for the period		**54 881**	**76 980**	**50 720**	**52 990**
Other comprehensive income		–	–	–	–
Total comprehensive income for the period		**54 881**	**76 980**	**50 720**	**52 990**

PARENT COMPANY BALANCE SHEET
CONDENSED

SEK thousands	Note	Dec 31 2017	Dec 31 2016
Non-current assets			
Intangible assets		1,520	193
Tangible non-current assets		1,431	2,306
Long-term receivables	2	–	10,700
Deferred tax		316	131
Shares in Group companies		341,137	353,181
Total non-current assets		**344,404**	**366,511**
Current assets			
Receivables from Group companies		557,280	428,241
Current receivables		4,236	4,632
Investments	2	500	26,167
Cash & cash equivalents		10,267	13,330
Total current assets		**572,283**	**472,370**
Total assets		**916,687**	**838,881**
Equity and liabilities			
Equity		151,110	150,687
Untaxed reserves		–	–
Bond loan	2	–	137,092
Non-current liabilities credit institutions		125,000	–
Other non-current liabilities		22,925	17,273
Due to Group companies		601,130	516,066
Accounts payable		2,203	2,777
Other current liabilities		14,319	14,986
Total equity and liabilities		**916,687**	**838,881**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
CONDENSED

SEK thousands	Full-year 2017	Full-year 2016
Opening balance	**150,687**	**147,872**
Distribution	–50,297	–50,297
Issuance of warrants	–	68
Warrant premium convertible	–	55
Total comprehensive income for the period	50,720	52,990
Closing balance	**151,110**	**150,687**

SUPPLEMENTARY DISCLOSURES

NOTE 1 OTHER EXTERNAL EXPENSES

	Group		Parent Company	
SEK thousands	2017	2016	2017	2016
Cost of premises	48,376	30,385	10,451	10,614
Selling expenses	37,841	43,372	2,797	2,766
Marketing expenses	46,737	37,913	26,168	21,225
Administrative expenses	30,419	26,282	12,372	15,611
Other	10,594	10,235	2,705	5,552
Total	**173,967**	**148,187**	**54,493**	**55,768**

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 from the company's portfolio of corporate bonds amounted to SEK 25.2 million during the year.

FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS DECEMBER 31, 2017

SEK thousands	Level 1	Level 2	Level 3
Securities held for trading	500	–	–
Derivatives held for trading	–	–	–
Net	**500**	–	–

The carrying amount of financial instruments recognized at amortized cost corresponds to fair value as of December 31, 2017.

FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS DECEMBER 31, 2016

SEK thousands	Level 1	Level 2	Level 3
Securities held for trading	25,955	–	–
Derivatives held for trading	–	212	–
Contingent consideration (liability)	–	–	–4,138
Net	**25,955**	**212**	**–4,138**

NOTE 3 BENELUX ACQUISITION

On December 8 Björn Borg signed an agreement to acquire all the shares in Baseline BV, the parent company of the distributor of underwear and sportswear in the Netherlands and Belgium. The Baseline Group consists of six legal entities with wholesale as well as retail operations through twelve Björn Borg concept stores and outlets.

The acquisition closed on January 2, 2017. Björn Borg paid about SEK 7.2 million for all shares and shareholders' loans after disposing of net assets to the former owners relating to brands other than Björn Borg. The difference between the actual and preliminary acquisition price previously announced as approximately SEK 12 million (EUR 1.25 million) is the value of assets (primarily inventory and accounts receivables) unrelated to the Björn Borg brand, which on December 31, 2016 was higher than preliminarily estimated and was therefore deducted from the acquisition price. A portion of the acquisition price was paid on the closing day and the remainder falls due in the three subsequent financial years. The acquisition is financed with own funds. There are no earn-out payments.

Direct acquisition expenses amounted to about SEK 1.7 million and were charged to other external expenses in the fourth quarter of 2016.

The Benelux acquisition is an important step in accelerating the vertical integration of Björn Borg's operations and is in line with the strategy to get closer to consumers and retailers. This is expected to create more opportunities to generate growth for Björn Borg in the Benelux market in the long term. In terms of efficiency improvements, synergies are expected to be achieved mainly in procurement in the future.

Through the consolidation of Baseline in the Björn Borg Group, where sales at the distributor level are replaced by sales at the wholesale and retail level, net sales rose about SEK 85 million in 2017. Operating profit has been reduced due to delayed sales arising as an accounting effect because sales in the Benelux market are now realized at the wholesale and consumer level instead of the distributor level. As a result, the entire gross profit from the spring/summer season at the distributor level in Benelux was pushed back to the financial year 2018. At the same time the earn-out payments to the former owner of the Björn Borg brand ended in 2017, which positively impact EBIT by SEK 22 million, largely compensating for the negative short-term effect of the Group.

Net assets largely consist of inventory, receivables and tangible non-current assets comprising retail and office furniture and fixtures. The financial non-current assets largely consist of tax loss carry forwards. Acquired surplus values are attributable in their entirety to goodwill. Acquired goodwill is not tax deductible.

The table shows a preliminary acquisition analysis. This table has changed since the interim report for the first quarter of 2017, as financial non-current assets have increased in Benelux by SEK 0.8 million, inventories have increased by SEK 0.7 million, other current receivables have increased by SEK 3.6 million, non-current non-interest-bearing liabilities have increased by SEK 0.5 million, and current non-interest-bearing liabilities have increased by SEK 2.7 million. As a result, goodwill has declined by a corresponding amount, SEK 0.3 million.

ACQUIRED NET ASSETS

SEK thousands	Fair value
Preliminary acquisition price	11,980
Adjustment net assets	–4,829
Acquisition price	**7,151**
Acquired net assets	
Intangible and tangible assets	6,731
Financial non-current assets	11,081
Inventory	61,640
Other short-term receivables	12,334
Long-term interest-bearing liabilities	–21,072
Current non-interest-bearing liabilities	–79,452
Total acquired assets and liabilities	**–8,739**
Goodwill	15,890
Total net assets	**7,151**
Acquisition payments fall due as follows:	
2017	1,764
2018	109
2019	1,688
2020	3,590
Total acquisition payments	**7,151**

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: Gross margin is used to measure operating profitability.

GROSS PROFIT MARGIN BEFORE ACQUISITIONS
Net sales less cost of goods sold divided by net sales.
Purpose: Gross profit margin before acquisitions is used to measure operating profitability adjusted for acquisition effects.

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.

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.

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.

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, February 22, 2018

Heiner Olbrich
Chairman

Lotta de Champs
Board member

Martin Bjäringer
Board member

Mats H Nilsson
Board member

Fredrik Lövstedt
Board member

Christel Kinning
Board member

Henrik Bunge
CEO

CALENDAR 2018

The annual report will be published in late April 2018.

The Annual General Meeting 2018 will be held at 5:30 pm (CET) on May 17, 2018.

The interim report for January-March 2018 will be released at 5:30 pm (CET) on May 17, 2018.

The interim report for January-June 2018 will be released on August 17, 2018.

The interim report for January-September 2018 will be released on November 16, 2018.

The year-end report for 2018 will be released on February 22, 2019.

FINANCIAL REPORTS

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

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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 2017 amounted to about SEK 1.5 billion, excluding VAT, at the consumer level. Group net sales amounted to SEK 696.5 million in 2017, with an average of 212 employees. The Björn Borg share has been listed on Nasdaq Stockholm since 2007.

IMAGES IN THE YEAR-END REPORT

The images in the year-end report come from Björn Borg's holiday 2017 collection.

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