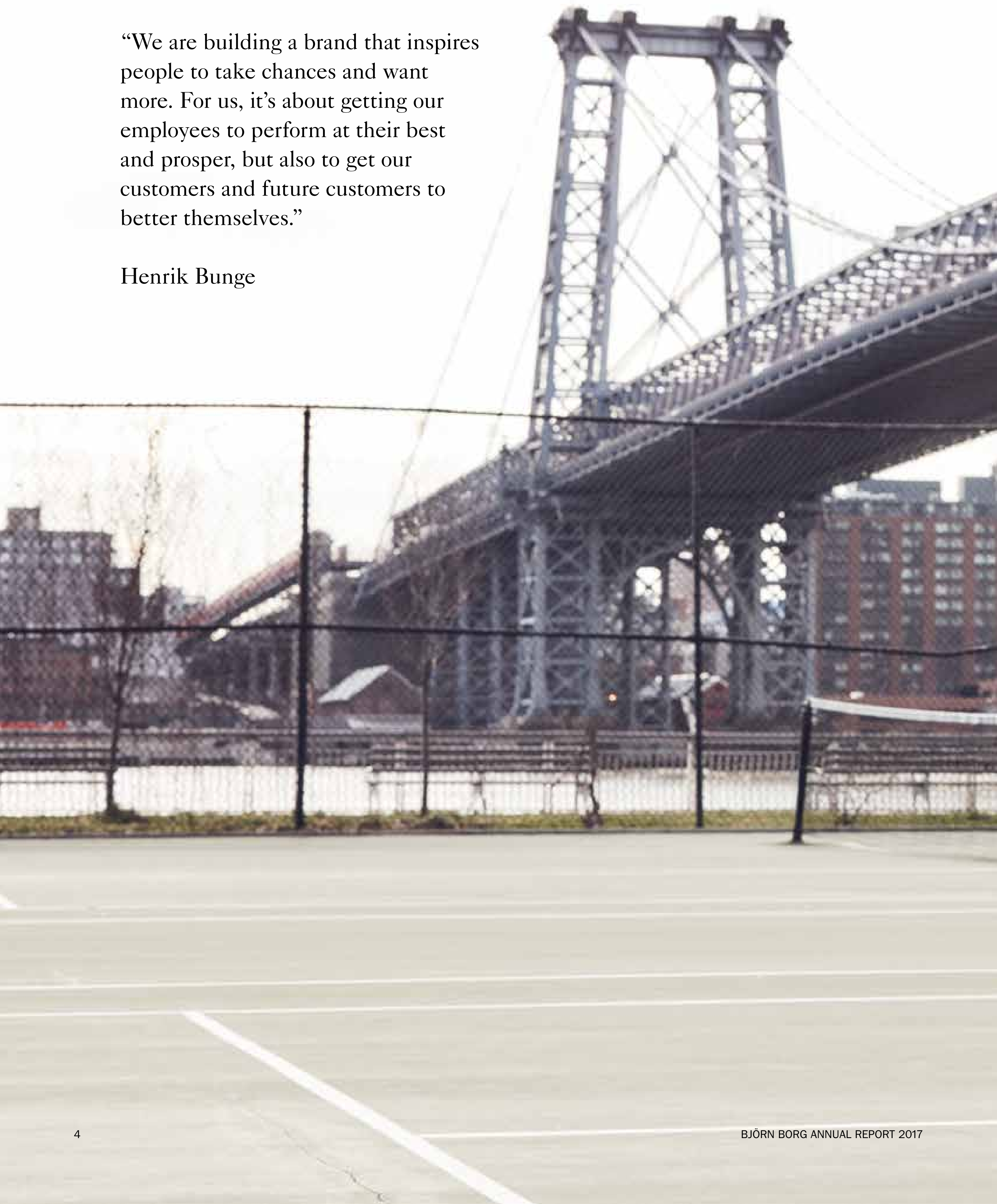
BJÖRN BORG

ANNUAL REPORT 2017

CONTENTS

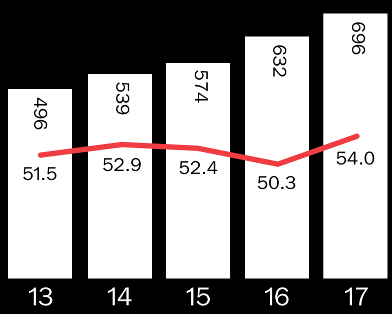


"We are building a brand that inspires people to take chances and want more. For us, it's about getting our employees to perform at their best and prosper, but also to get our customers and future customers to better themselves."

Henrik Bunge

BJÖRN BORG IN BRIEF

NET SALES, SEK MILLION
GROSS PROFIT MARGIN (%)



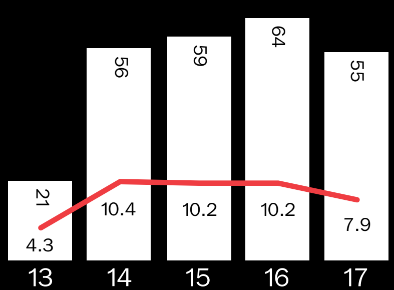
THE NUMBER OF BJÖRN BORG STORES AT YEAR-END WAS 41, 35 OF WHICH ARE GROUP-OWNED

41

DISTRIBUTION OF SEK 2.00 PER SHARE

2.00

OPERATING PROFIT, SEK MILLION
OPERATING MARGIN (%)



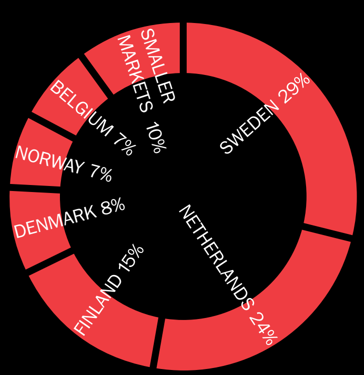
THE OPERATING MARGIN WAS 7.9 PERCENT

7.9

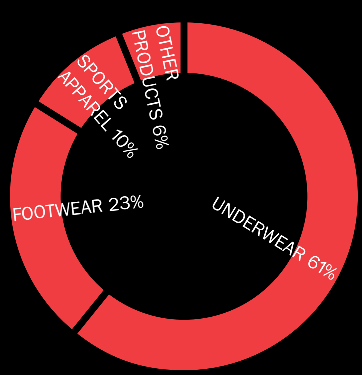
THE GROSS PROFIT MARGIN WAS 54.0 PERCENT

54.0

BRAND SALES BY COUNTRY



BRAND SALES BY PRODUCT AREA



BJÖRN BORG GROUP

The Björn Borg Group owns and develops the Björn Borg brand. The focus of the business is underwear and sports apparel as well as the licensing of footwear, bags, eyewear and home products (bedding and towels). Björn Borg products are sold in around 20 markets, of which Sweden and the Netherlands are the largest.

The Björn Borg Group has operations at every level from branding to consumer sales in its own Björn Borg stores and e-commerce. Operations comprise brand development and services for the network of licensees and distributors as well as product development in the core underwear and sports apparel businesses. The Group is also responsible for distribution of underwear and sports apparel in Sweden, England, Finland, the Netherlands, Belgium and Germany as well as footwear in Sweden, Finland, the Baltic countries and Denmark.

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

THE YEAR IN NUMBERS

- The Group's net sales rose 10.3 percent to SEK 696.5 million (631.6). Excluding currency effects, the increase was 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).

BRAND SALES

For the full year brand sales decreased marginally from the previous year to SEK 1,542 million (1,551). Excluding currency effects, brand sales decreased by 2 percent. (See definitions on page 89.)

THE BJÖRN BORG BRAND

Björn Borg is distinguished by creative products with the brand's typically sporty identity – products that make customers feel active and attractive. A passion for sports fashion and willingness to challenge the industry shine through in our marketing communications and product development.

The Björn Borg brand was established in the Swedish apparel market in the first half of the 1990s and today has a strong position in its established markets, particularly for the largest product group, underwear.

MARKETS

- Björn Borg is represented in around 20 markets, of which Sweden and the Netherlands are the largest.
- Björn Borg has acquired its former Benelux distributor. The acquisition, which closed on January 2, 2017, 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 in Björn Borg's main markets.

NEW STORES

During the year three stores were opened: two full-price stores in the Netherlands and a factory outlet in Finland. Two stores were closed during the year, one in Sweden and one in Norway. At year-end there were a total of 41 (40) Björn Borg stores, 35 (20) of which 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.

A WORD FROM THE CEO

2017 was the year that the retail sector's restructuring really took off. In the midst of this digital transformation I am still convinced that it's people who make the difference.

FEEL GOOD, PERFORM BETTER – THAT GOES FOR EVERYONE

Our aspiration is that everyone can be the best version of themselves. We are building a brand that inspires people to take chances and want more. For us, it's about getting our employees to perform at their best and prosper, but also to get our customers and future customers to better themselves. A key element in the business plan is a focus on exercise and working out, where we feel strongly that physical health is directly connected to the ability to perform at a high level. In 2017 we continued to shift our brand identity in line with this focus on physical well-being, and have seen that you can in fact build a position in sports apparel and at the same time be strong in a specific category – in our case men's underwear.

A CHALLENGING BUSINESS PLAN AND A CHANGING MARKET

In our business plan, Northern Star, we set a sales target of SEK 1 billion by 2019 with an operating margin of 15 percent. Having now closed the books on 2017, I can report that we are behind schedule on both counts. We raised sales by 10.3 percent, largely due to the acquisition of our former distributor in Benelux. Adjusted for the positive impact of the acquisition, sales grew 2.4 percent, which is below my expectations. I am very pleased with our performance in the UK and Germany as well as with our sports apparel and performance underwear, which have seen good growth. What held us back was another weak year in our distributor markets, with Norway and Denmark both losing ground from the previous year, and that our own stores underperformed. This was a result of a further drop in foot traffic, which in turn relates to changing consumer habits. We have to be better at improving the shopping experience to deliver what the consumer wants and reinforce the connection with what they find online. Price pressure continued as well in 2017 due to increased price transparency through digitization as well as growing international competition.

FURTHER DEVELOPMENT OF OUR SPORTS APPAREL BRAND

We maintained our position as a leader in underwear in 2017 at the same time that we raised awareness of Björn Borg as an athleisure brand by over 5 percent in our largest markets. We have to stay consistent as we continue this shift, and our focus going forward is to further increase consumer awareness of our sports apparel collection. Among last year's activities that I would like to mention is "Borg Open," a tennis match held on the US-Mexico border, which was a way for us to take a stand and show that we as a sports apparel brand believe in an open world where sports bring people together. In addition, we had a successful campaign called "Dear Rival," which increased awareness of our athleisure wear by over 100 percent during the campaign. Internally, we continue to offer a paid hour of exercise, fitness testing and competitions. Our efforts to help employees develop and challenge them to lead healthier lives led to an award I received in 2017 for promoting a healthy business. We also launched a new reward system where customers earn points through physical activity. In general, I am pleased with how we have injected life into the brand and created a channel of communication that is truly having an impact.

DRIVING SELL-THROUGH

Our most important key indicator is sell-through – our ability to get as many consumers as possible to buy our products before they go on sale. Sell-through was better than the previous year, and we are especially seeing improvements by our e-tailers. We also made a strategic decision during the year to reduce the amount of discounted merchandise we carry in our own stores and our own e-commerce. This led to higher sell-through than before, but lower sales. Our strategy to further increase sell-through is partly to improve our supply chain, i.e., to buy in only what is already preordered and increase the share of non-seasonal products, but most importantly to strengthen our unique brand and create an emotional tie to the Björn Borg brand, which is our biggest asset.

PROFITABILITY

2017 was the first year that we no longer paid compensation to the seller of the brand Björn Borg. This had a positive impact on gross profit of SEK 22 million. The acquisition of our distributor in the Netherlands at the same time pushed back about SEK 23 million in gross profit. The Dutch company we integrated during the year reported an operating loss for 2017 of EUR 807,000 (EUR –1,500,000). Despite good cost control and expected increases in gross margin and growth, our operating profit therefore decreased to SEK 55.4 million (SEK 64.2 million).

SUSTAINABLE BUSINESS MODEL AND GROWTH

A sustainable business model is essential to me, our owners, our employees, our customers and to achieve our financial goals. A sustainable business model means acknowledging that we have to be better at taking responsibility by using sustainable materials in our collections and reducing our impact on the environment. More important than my personal goal not to eat meat in January and February was that we launched a totally new collection of organic cotton during the year and have now replaced the material in our best-selling workout T-shirt with recycled polyester. We are also continuing to reduce our use of air cargo year-over-year.

AMBITION

My goal is that every year will be better than the one before it as measured by our key performance indicators: sell-through, employee engagement, sales and profitability. That didn't happen in every case in 2017 and there is a long way to go to reach the financial targets in our business plan. We at the same time finished the year stronger than we began it, and our focus now is to ensure that we continue to improve all our KPIs in 2018. It is the people we have at Björn Borg who make the difference, and internally one of our biggest victories in 2017 was to again increase engagement – by 3 percentage points to 77 percent. This now puts our company in the top 25 percent with the most engaged employees, which I am very proud of.

Let's go!
Henrik Bunge
Head Coach

VISION, BUSINESS CONCEPT, GOALS AND STRATEGY

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

The framework consists of five questions, all different but none more important than the others. The framework is also our process, a way to think, where each question always comes in the same order. To measure that we are progressing toward the goals that the questions point out, we break them down by department and individual, and we make sure that our goals are *SMART (Specific, Measurable, Attractive, Relevant, Timely)*. The questions are: *Where are we going? Where are we? What to do? How do we do things?* and *Why do we do this?*

THE FIRST QUESTION IS:
WHERE ARE WE GOING?

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

SMART goals for 2019;
- Sell-through 70%
- Employment engagement 90%
- Total sales 1 Billion SEK
- EBIT 15%

THE SECOND QUESTION IS:
WHERE ARE WE?

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

THE THIRD QUESTION IS:
WHAT TO DO?

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

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

- *Win the consumer at the Point of Sale*
  We win when our product leaves the store, therefore all functions play to win the consumer at the Point of Sale.
- *Create a winning team*
  To succeed we work as a strong and united team exploiting the full potential of all individuals – internal and external
- *Brand alignment*
  To be able to reach through and make a difference to the consumer, we need to act and be perceived as one clear brand – in all channels, all markets and in everything we do, from products to communication

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

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

- *Passion*
  Firmly positioned deep on the baseline, attentively awaiting the serve, we see the entire court. It sounds quiet, but it's loud. It appears calm, but it's alive. It's fast moving and vibrant. We see the ball coming. Our passion inspires action.
- *Multiplying*
  Here we see a seamless synergy where cooperation, acceptance, and camaraderie create an outcome stronger than the individual parts. One plus one equals more than three.
- *Winning attitude*
  We perform when it matters the most, undeterred and engaged in the face of adversity. Our attitude is clear – you mustn't be pushed, the vision pulls you.

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

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

FINANCIAL OBJECTIVES

The Board of Directors of Björn Borg has established a business plan for the period 2015-2019 with the following long-term financial objectives for operations:
- For the financial year 2019 the Group has the objective of achieving sales of SEK 1 billion with an operating margin of 15 percent
- An annual dividend of at least 50 percent of net profit
- The equity/assets ratio should not fall below 35 percent.

THE BJÖRN BORG BRAND

BRAND DEVELOPMENT

The Björn Borg trademark was registered in the late 1980s and established in the Swedish apparel market in the first half of the 1990s. Since then operations have grown strongly, including through new product areas and geographical markets.

The brand increasingly stands on its own merits, distinct from Björn Borg the person, and a growing share of consumers associate the name with the brand's products rather than Björn Borg himself. At the same time Björn Borg's legacy as a tennis player and his celebrity status off the court are the brand's roots and still provide a strong platform for international expansion.

Today the brand has a distinctive identity and strong position in established markets in its dominant product area, underwear, while newer markets are in a start-up stage. In its business plan, Björn Borg has an explicit goal to be a leader in sports fashion and has therefore decided to focus more on the design and production of sports apparel.

With five product areas and sales in around 20 markets – mature as well as new and with different conditions and preferences – consistent, long-term branding is essential.

A new design, branding and communication platform was developed in 2015 and serves as a basis for future design and marketing communications. It reflects the brand's sporty identity and products that make customers feel active and attractive.

Björn Borg aims to provide the best possible service to its distributors and licensees, which commit to a specific level of investment in their markets. The aim is to create opportunities to build sales and brand awareness, while at the same time ensuring consistent branding.

Support for distributors and licensees includes branding guidelines and marketing support for ad campaigns, PR activities, media buying and Point of Sale displays – packaged for each market's needs, stage of development and budget.

MARKETING COMMUNICATIONS

The Björn Borg brand is profiled through innovative marketing activities. The strategy is to build the brand and drive sales consistently over the long term. To achieve cost efficiencies and broad impact, the Group focuses on integrated campaigns and activities mainly in spreadable channels such as PR, events and digital media, but also trade shows, fashion shows and Point of Sale displays.

Outdoor advertising and print ads are primarily used in established markets, usually through targeted activities in urban areas. The aim going forward is to focus on bigger campaigns with broader coverage in more channels to achieve greater impact.

PR activities and events are an important component in the mix of channels used in Björn Borg's integrated campaigns. Background material and guidelines are produced centrally as part of the marketing packages that distributors have access to, while detailed planning and implementation are left to each market.

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

Through the web shop at bjornborg.com, Björn Borg products are sold practically around the world. The website is also a key channel for international branding and to communicate with target groups.

The Björn Borg stores fill an important role as a marketing channel and to display the brand and current campaigns.

CAMPAIGNS, COLLABORATIONS AND EVENTS 2017

During the year Björn Borg continued to position itself in sports apparel through a number of campaigns, events and PR activities.

BJÖRN BORG'S DEAR RIVAL CAMPAIGN

In late January Björn Borg launched a campaign based on research showing that rivalries can help you perform better. Rivals can push you to run faster, play better and drive you to new heights. In the same way that Borg and McEnroe made each other better. With the theme "Dear Rival, you make me go further," we challenged rivals to show their love on Valentine's Day. It began with an online campaign where millions of people followed our social media ambassadors as they challenged their rivals wearing Björn Borg's spring/summer collection.

The campaign also utilized outdoor advertising in Amsterdam and Stockholm as well as at gyms and events around the Nordic region, the Netherlands and Belgium. The Dear Rival campaign generated record-high PR value for Björn Borg in social and online media. We reached over 3.5 million consumers in our main markets and increased awareness of Björn Borg as a sports apparel brand by over 100 percent during the campaign.

BORG OPEN
The world is full of conflicts and rivalries – tensions the drive people to build walls between each other. But why build walls when we can get to know and learn from one another instead? That's why Björn Borg arranged a tennis match on the US-Mexico border – Borg Open – to express support for an open world where sports have the power to unite people. The initiative was named a Diplomatic Action of the Year in The Peace & Sports Awards and generated strong PR value both in Sweden and internationally, with over 100 articles and 1.6 million mentions in social media.

VERSUS FASHION SHOW
This spectacular "see now, buy now" runway show at the Royal Tennis Hall in Stockholm was a manifestation of Björn Borg's heritage as a tennis and sportswear brand – in contrast with the contemporary expression of our athleisure collections. As part of a guerrilla campaign, 1,000 posters were put up in various locations around Central Stockholm inviting the public to the show. Showings during Fashion Week are usually restricted to industry insiders, which would explain the tremendous response; 1,320 people attended the show and it was covered in US Vogue and twice in GQ and mentioned in 300 articles. As a result, Lady Gaga asked Björn Borg for clothing from the collection and posted them in her Instagram a number of times to her 26 million followers.

BJÖRN BORG'S COOPERATION WITH THE BIOPIC BORG
Björn Borg was the exclusive clothing partner for the biopic "Borg." Swedish actor Sverrir Gunnarsson and Hollywood star Shia LeBoeuf played the roles of Borg and McEnroe in the film, which was distributed to over 150 markets. In connection with the premier, Björn Borg launched a limited edition Signature Collection with an updated retro style inspired by the film.

To show off the new Signature Collection, Björn Borg created a campaign showing the film's production behind the scenes. The campaign was filmed and photographed from Borg's perspective, as he prepares for his first scene in the movie. The commercial was shown in movie theaters around the Nordic region and Benelux and launched at the same time that the new Signature Collection was released in over 300 stores. The film generated over 1,000 articles and the campaign increased awareness of Björn Borg as a sports apparel brand thanks to the strong partnership with the successful film.

Dear Rival campaign

Borg Open

Versus Fashion Show

Björn Borg's cooperation with the biopic Borg

PRODUCT DEVELOPMENT

BRAND AND PRODUCTS

Björn Borg is a sports apparel brand offering athleisure wear, underwear (fashion and performance), swimwear, socks and loungewear.

Björn Borg's products are sporty yet fashionable. Wearing them should make customers feel active and attractive. To ensure a uniform, contemporary design expression, clear guidelines have been put in place. The feeling and expression in our clothing is detailed in a modern design platform, complemented by specific guidelines for each season. They are followed by Björn Borg's internal design department and external licensees for bags, footwear and eyewear. In 2017 the design department focused on a more refined expression for coming collections.

IMPORTANT EVENTS IN 2017

The largest product area in terms of sales is still underwear, but the product group that's growing the fastest is sports apparel.

In fall 2017 we launched an updated collection where much of the focus was on improved fit and quality, coupled with a more distinctive expression. Intensive work was done during the year to find efficiencies in sports apparel and underwear at the same time that new concepts and innovations were developed.

In the sports apparel category, the Centre Collection of fashionable Sport Basics was launched in fall 2017. This concept, which offers an affordable price point, high sustainable quality and successful retail solutions, was one of the most successful product launches of the year. The performance segment has also had sales successes such as the Björn Borg Tee, where sustainability, fit and a strong identity are driving sell-through.

We partnered very successfully during the year on the biopic "Borg." Together with the film's costume designer, the product department created all the sports apparel used in the film. In connection with the premier and during Stockholm Fashion Week in fall 2017, the Signature Collection was launched as well. In this collection we reinterpreted Björn Borg's clothing style from the film and his days of glory in a more modern expression. The collection received a very positive response for its classic style, sold well in the right channels and provided a strong presentation on the retail floor, which has inspired us in creating coming sports apparel collections.

Performance underwear continued to grow as a category in terms of both sales and range. Inspired by Björn Borg's nickname of Ice Borg, we launched the next level of performance underwear – ICE BORG – which helps to keep the wearer's body temperature down using advanced fiber technology with highly effective ventilation.

In the category of fashion underwear, we showcased our high-quality CORE line to strengthen the brand. A number of seasonal updates were added to the collection, which serves as the foundation of Björn Borg's underwear offering. Several, such as the Neon Pack and Riviera, were so well received that they will be carried in future collections. The success of exclusive underwear launches in our own stores continued during the year.

During the fall Björn Borg launched its first sustainable products in organic cotton, BCI cotton and recycled polyester. BCI stands for Better Cotton Initiative and is a not-for-profit organization that supports sustainably grown cotton. The packaging, which was totally updated in spring 2017, is now more sustainable and uses a larger percentage of FSC-certified paper. FSC stands for the Forest Stewardship Council and is a certification ensuring that the paper stock in our packaging comes from responsibly managed forests, controlled sources or recycled material. Here our goal is to have all our packaging FSC-certified and/or designed with sustainable material by 2020. Other priorities have been to develop more sustainable product alternatives, which will be launched in 2018, and improve the supply chain, where more focus will be placed on wet processes.

We continued during the year to develop the product organization established in Stockholm in 2016. A production department has been created with a focus on sustainability, quality and production control.

FOCUS GOING FORWARD

In 2017 much work went into creating a more distinctive expression and increasing innovation, which will be reflected in the 2018 collections. The focus is on maintaining a #1 position in men's underwear in mature markets, further developing performance underwear and successfully establishing our sports apparel in the right channels. We will be even more innovative and the number of collaborations, concept collections and quick-to-market offers will increase. Cost control and more sustainable alternatives are critical.


Björn Borg

OPERATIONS

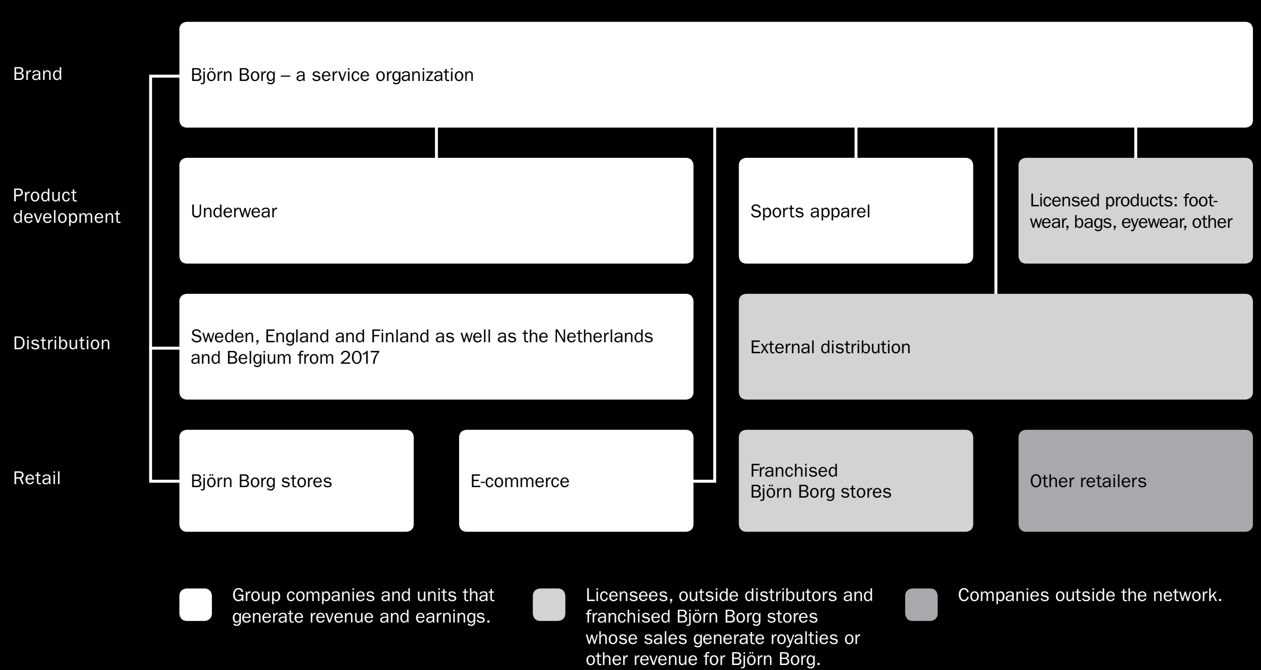
BUSINESS MODEL

The Group's stable profitability and the successful positioning of the Björn Borg brand largely originate from the business model, which facilitates a geographical and product expansion with limited operational risk and capital investment.

Björn Borg's business model utilizes the Group's own companies as well as a network of external distributors and licensees, which on the basis of a license from Björn Borg manage a product area and/or a geographical market. The network also includes Björn Borg stores operated either by the Group or external distributors or franchisees. Björn Borg owns strategically important operations at every level of the value chain, from product development to distribution and retail sales.

Through its business model with a network of its own units and independent partners, Björn Borg can be involved in the key parts of the value chain and develop the brand internationally with a compact organization and limited financial investment and risks. The part of the business model that relies on external partners is relatively capital efficient for the company, since the external licensees and distributors in the network are responsible for marketing, including investments and inventory in their markets. This model, which combines in-house operations with independent partners, generates substantial consumer sales with limited risk and investment for Björn Borg.

The business model changed in 2017 due to the acquisition of the Benelux distributor, as distribution in these markets was brought in-house. This means a higher degree of control over the sale and marketing of Björn Borg products, but at the same time an increase in tied-up capital in the form of inventory and accounts receivable.




BORG
RG
BORG

BRAND

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

The company is responsible for the development of the Björn Borg brand as well as implementation of and compliance with the brand strategy within the network. As a service organization, Björn Borg can provide its distributors with the best prospects of success in their markets. This is done through, among other things, guidelines and various tools for partners in the network, including marketing activities, displays and graphic identity material, which ensures branding consistency and is efficient for the distributor.

In a network comprising the Group's own entities as well as independent companies, tight control over the brand is crucial. With the exception of production, which is handled outside the Group, Björn Borg has its own operations at every level from product development to distribution and retail sales. This depth gives the Group the best chance of ensuring the continued development and correct positioning of the Björn Borg brand.

The Group has its own branding specialists. Since acquiring the Björn Borg trademark in 2006, the Group has been responsible for trademark registration and protection. Björn Borg devotes significant resources to combating the sale of counterfeit products.

PRODUCT AREAS

The largest and strategically most important product areas, underwear as well as sports and performance apparel, are owned and managed by the Group. Design and product development of sports and performance apparel were moved from the Netherlands to Sweden in 2014, and since 2015 have been managed from the Swedish head office. The fall 2016 collection was the first sports and performance apparel collection designed by the Swedish product team.

Product development in other areas – footwear, bags, eyewear and other – is licensed externally.

Every product company, whether Group-owned or licensed, is responsible for design, development and sourcing of collections for every market, and for positioning products based on Björn Borg's guidelines. The collections are shown and sold to distributors in various geographical markets for resale to retailers. The product development companies also play a supporting role for distributors and retailers in the network.

All design and product development are done internally by the companies, while production is mostly outsourced to Asia – primarily China – but in recent years to Europe as well, mainly to Turkey, which means shorter lead times.

High demands are placed on quality and deliverability relative to price, and supplier performance is continuously evaluated. In production and logistics, Björn Borg is focused on increased flexibility and efficiency, two factors that have taken on greater importance in recent years in pace with the growing need for a responsive supply chain that can adapt to shifting fashions. The company also requires suppliers to comply with Björn Borg's guidelines on working conditions and the environment. For more information on Björn Borg's corporate social responsibility, see page 30 and www.bjornborg.com.


RN BORG BJ
RG

DISTRIBUTION

Wholesale operations and product distribution to retailers is handled by external distributors with the right to market and resell Björn Borg products in one or more geographical markets, but also through the company's own distribution primarily in Sweden, Finland, the Netherlands, Belgium, Germany and England.

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

OWN DISTRIBUTION

To a growing degree distribution is handled through companies within the Group. In its main areas, underwear as well as sports and performance apparel, Björn Borg is responsible for distribution in Sweden, England, the Netherlands, Belgium, Germany and Finland with its own sales organizations in these markets. Distribution of footwear in Sweden, Finland, Denmark and the Baltic countries is also managed by the Group.

COOPERATION WITH EXTERNAL DISTRIBUTORS

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

In their agreements, distributors commit to specific sales and investment targets in their markets. If a distributor cannot fulfill the requirements, Björn Borg normally can terminate the agreement. The challenge for distributors, in the face of tight competition, is to establish and maintain their position as a supplier to chains, department stores and independent retailers. Success requires a high level of service for retailers in the form of fast replenishment, attractive promotional materials and effective marketing activities. The ability to drive sell-through in this way is critical.

Marketing and sales feedback from distributors to Björn Borg and the licensees is important in order to continuously develop and adapt the collections and marketing activities. Several times a year Björn Borg brings together all its distributors for sales meetings, where new collections and marketing campaigns are shown and strategies and planning are discussed. The performance of each market is evaluated as well. This close cooperation within the network is important to the successful expansion of the brand.

In 2016 the agreement with the Danish distributor was renegotiated and a new agreement was signed through December 31, 2020.

RETAIL

Björn Borg products are sold at department stores, chains and independent retailers as well as through Group-owned and franchised Björn Borg stores and factory outlets. A growing share is sold in Björn Borg stores and online through various websites, including the Group's web shop. This retail mix creates the right positioning in the upper mid-price segment while also generating high sales volumes.

The large network of outside retailers represents an important interface with consumers. In all, around 3,600 retailers sell Björn Borg underwear and sports apparel, including 900 in Sweden, 520 in Denmark, 660 in the Netherlands, 600 in Norway, 240 in Belgium and 420 in Finland. In smaller markets, around 850 retailers sell these products. Björn Borg products are sold through a total of around 4,500 retailers.

Apparel and sporting goods chains as well as department stores have gradually grown in importance to the sale of Björn Borg products, while independent retailers are shrinking in number. This creates a more efficient selling-in process and leads to greater exposure in areas with high customer turnover.

Underwear from Björn Borg is often displayed centrally in department stores, retail chains and fashion boutiques. From well-stocked displays, the products build brand awareness. Björn Borg provides stores with flexible Point of Sale solutions for small spaces, along with fast service and replenishment. This facilitates sales at the retail level – a strong sales argument for Björn Borg's distributors. In several major chains and department stores, Björn Borg products are displayed separately in so-called shop-in-shops with the brand's own décor.

BJÖRN BORG STORES

Besides being a key component for sales and profitability, Björn Borg stores are important for the brand's exposure and marketing and an important channel for direct contact with the consumer.

Björn Borg continuously evaluates its retail presence to find an optimal mix of Björn Borg stores – its own and externally owned – in established and new markets. The Group's own stores, along with e-commerce, are expected to continue to play a central role in Björn Borg's business model in new as well as more mature markets.

E-COMMERCE

E-commerce enables Björn Borg as a brand to showcase the breadth of its product range, which makes it a directly measurable channel to spot the latest consumer trends. In 2017 the sports apparel line was given more attention, although underwear still accounts for a majority of sales. An upgraded web shop was launched in the third quarter, which in the short term created technical problems and a loss of revenue during the quarter. Sales from our own e-commerce decreased in 2017, when a greater focus was placed on profitability, but Björn Borg still sees good growth opportunities in its own e-commerce, and it will remain a priority sales channel going forward.

Sales through e-tailers continue to rise in both Björn Borg's own markets and markets where distribution is managed by external partners. Björn Borg will maintain a strong focus on e-tailers and virtual marketplaces.

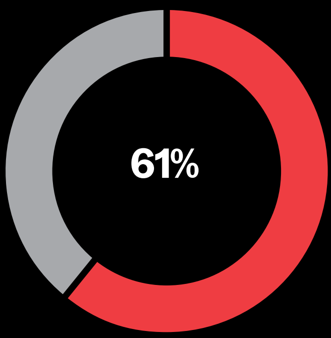
BJÖRN BORG STORES AS OF DEC. 31, 2017

	Group-owned	Franchises
Sweden	12	–
Netherlands	10	–
Belgium	5	–
Finland	7	–
Norway	–	6
England	1	–
Total	**35**	**6**

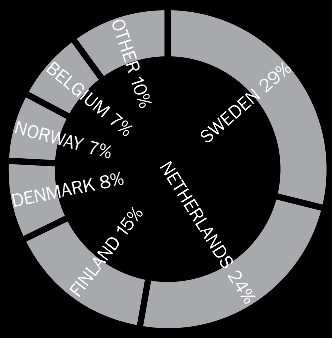
PRODUCT AREAS

UNDERWEAR

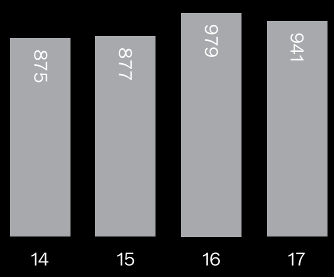
UNDERWEAR, SHARE OF TOTAL BRAND SALES 2017



UNDERWEAR, BRAND SALES BY COUNTRY 2017



UNDERWEAR, SALES TREND 2014–2017, SEK MILLION



Underwear is Björn Borg's largest product area, with models for men, women and children in a variety of categories and segments. This is complemented by loungewear, mainly sleepwear and socks. The range consists of trendy and fashionable products with the brand's characteristically bold prints and colors as well as collections of classic models. It also includes a performance underwear collection and several models of bras.

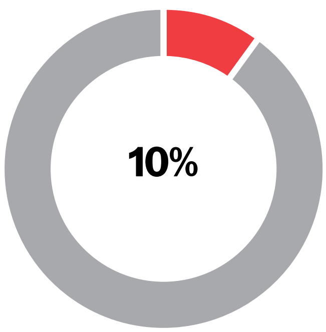
Björn Borg underwear is sold by independent retailers, apparel and sporting goods chains, department stores, Björn Borg stores, and our own and external e-commerce. Product development is managed within the Björn Borg Group.

Brand sales in underwear decreased in 2017 to SEK 941 million, accounting for 61 percent of total brand sales. Among large markets, Sweden, the Netherlands, Denmark, Norway and Belgium saw declines, while Finland grew during the year. Smaller focus markets such as England and Germany reported good growth.

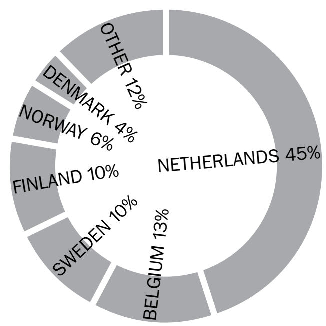

ICE BORG

SPORTS APPAREL

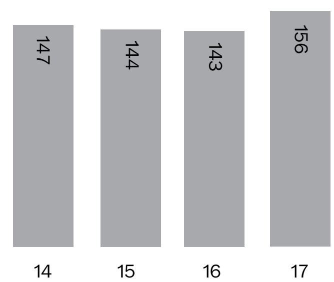
SPORTS APPAREL, SHARE OF TOTAL BRAND SALES 2017



SPORTS APPAREL, BRAND SALES BY COUNTRY 2017



SPORTS APPAREL, SALES TREND 2014–2017, SEK MILLION



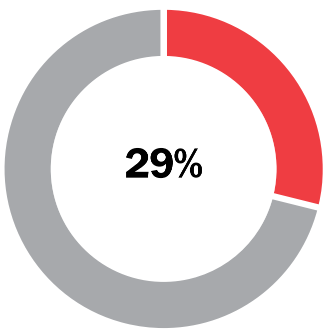
Björn Borg offers clothing collections for both women and men, mainly fashionable performance apparel in colorful designs. The product range comprises two main categories: Performance and Sportswear.

Today Björn Borg's sports apparel is sold in a total of ten markets. Retailers include sports apparel and sporting goods chains, department stores, Björn Borg stores and e-tailers.

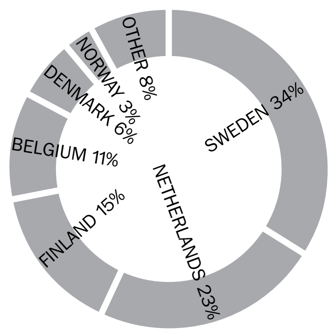
Design and product development of sportswear and performance apparel was moved in 2014 from the Netherlands to Sweden and since 2015 has been managed from the Swedish head office.

OTHER PRODUCTS

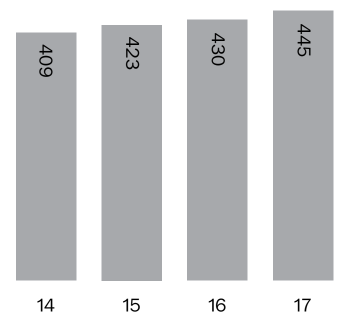
OTHER PRODUCTS, SHARE OF TOTAL BRAND SALES 2017



OTHER PRODUCTS, SALES BY COUNTRY 2017



OTHER PRODUCTS, SALES TREND 2014–2017, SEK MILLION



FOOTWEAR

The footwear product area, which is managed by an external licensee, offers a range of casual and sporty designer shoes for men and women – sold by independent retailers, footwear and sporting goods chains, department stores, major e-tailers, Björn Borg stores and online at www.bjornborg.com. In recent years the licensee has expanded the business internationally to several markets. In 2017 Björn Borg shoes were sold in around twenty European markets, of which Sweden, the Netherlands, Finland and Belgium are the largest. Growth is targeted in Björn Borg's main markets in Northern Europe.

BAGS

The bags product area falls into the fashion/trend segment and comprises gym bags, backpacks and duffle bags as well as wallets, gloves and belts. Retailers include luggage and sporting goods shops, retail chains, department stores, shop-in-shops, Björn Borg stores and e-tailers. Bags are mainly sold in Björn Borg's established markets in Northern Europe.

EYEWEAR

Björn Borg's trendy frames are sold to opticians through the licensee's distribution organization. A line of sunglasses is sold as well through other categories of retailers such as fashion boutiques, department stores and Björn Borg stores. In 2016 Björn Borg switched licensee from EGO optiska AB to FrameWorks AB. The new licensing agreement with distribution rights for frames took effect on August 1, 2016.

HOME

In late 2016 Björn Borg reached agreement with a licensee, Sky Brands A/S, to begin manufacturing and distributing linens, towels and throws. The products are manufactured and distributed by the licensee as of 2017. Distribution in 2017 was primarily through specialty retailers.

OTHER PRODUCTS IN 2017

Total brand sales of other products amounted to SEK 445 million in 2017, an increase of 3 percent compared with 2016. As a whole, other products accounted for 29 percent of total brand sales.

The footwear product area reported an increase of 23 percent to SEK 361 million, or 23 percent of brand sales. Other product areas – mainly bags and eyewear – saw an aggregate sales decrease of 11 percent to SEK 84 million. Together, they accounted for 5 percent of brand sales.


Björn Borg

GEOGRAPHICAL MARKETS

LARGE MARKETS

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

SWEDEN

The Björn Borg trademark was registered in Sweden in 1989 and established in the Swedish apparel market in the first half of the 1990s. The first Björn Borg store was opened in Stockholm in 1994. Today Sweden accounts for 29 percent of total brand sales. Björn Borg products are sold by about 900 retailers around the country, through Björn Borg's 12 stores, two of which are factory outlets, and online. Today Björn Borg has broad distribution in the Swedish market, where all its product groups are represented. Further expansion at the retail level is done selectively with existing and new product categories such as sports apparel and performance underwear. Brand sales rose 1 percent in 2017 compared with the previous year.

NETHERLANDS

The Netherlands was the Björn Borg brand's second largest market in 2017, with 24 percent of total brand sales. Operations in the country date back to 1993, when the brand quickly established a market position through growing volumes and a broad presence.

Björn Borg products are currently sold by around 660 retailers and ten Björn Borg stores. Björn Borg products from every product area are sold in the Dutch market, where brand sales rose 8 percent during the year.

As of January 2 Björn Borg AB owns the former Benelux distributor. The acquisition of the Benelux company is an important step to accelerate the vertical integration of Björn Borg's operations and is in line with the strategy to get closer to consumers and retailers in Björn Borg's main markets.

FINLAND

The brand was established in Finland in the second half of the 1990s and has developed strongly in recent years. Today Finland accounts for about 15 percent of total brand sales and is Björn Borg's third largest market. Underwear is the dominant product area, although footwear, sports apparel and bags are sold as well. Distribution is mainly through external retailers, about 418, but there are also seven Björn Borg stores in Finland, one of which is a factory outlet. Brand sales in Finland rose 38 percent during the year.

DENMARK

Björn Borg was launched in Denmark in 1992, and today it accounts for 8 percent of total brand sales. Björn Borg products are sold exclusively through around 520 external retailers. There are currently no Björn Borg stores in the country. Every product area is represented in Denmark. In 2017 brand sales fell 13 percent compared with 2016.

NORWAY

The brand was launched in the Norwegian market in the early 1990s. Norway today accounts for 7 percent of total brand sales. Products are sold through about 600 retailers around the country and in six Björn Borg stores. All product groups are represented in Norway. Brand sales in the Norwegian market fell 18 percent year-on-year.

BELGIUM

Björn Borg was launched in Belgium during the second half of the 1990s. Today Belgium is Björn Borg's sixth largest market, with 7 percent of total brand sales. Underwear dominates the Belgian market, although all the product areas are sold. Björn Borg's products are sold through around 240 retailers and five Björn Borg stores. Brand sales in the Belgian market fell 16 percent compared with 2016.

SMALLER MARKETS

Smaller markets include England and Germany as well as a number of other markets such as Canada, Switzerland, Slovenia and Austria.

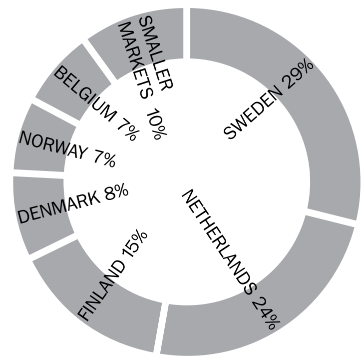
ENGLAND

Björn Borg was established in England in 2006 through a launch at the department store Selfridges in London. In 2011 Björn Borg started its own operations together with a local partner after the previous distributor was terminated. Distribution has since been broadened to include several other well-known retailers such as Harvey Nichols and Harrods at the same time that more categories have been added such as sports apparel. In addition to external retailers, Björn Borg also has its own factory outlet in England. Brand sales in England rose 7 percent in 2017 and accounted for 4 percent of total brand sales.

OTHER SMALLER MARKETS

Brand sales are decreasing in many smaller markets with the exception of Germany, where sales have grown. Björn Borg has chosen to focus more on what it considers its key markets, i.e., Northern Europe.

BRAND SALES BY COUNTRY



BJÖRN BORG'S CORPORATE RESPONSIBILITY

BJÖRN BORG'S SUSTAINABILITY PLAN 2016-2019

FIRST STEP IN IMPLEMENTATION

The Björn Borg brand rests on a heritage we steadfastly honor. Our tennis legend set the bar: Never give up. Always strive to be better than anyone else. This is the guiding principle not only when it comes to the design, feel and fit of our clothing, but also our sustainability work. Sustainability for us is a philosophy. But to be successful, you have to have goals. At the end of 2015 Björn Borg launched a long-term sustainability plan for the years 2016-2019. The plan contains targets and activities for each year, with the aim of gradually making progress over time. In 2016 a foundation was laid and last year it was full speed ahead. A number of new sustainable products and packaging solutions reached the market in 2017 and our sustainable alternatives will be expanded in future collections. Björn Borg's sustainability plan also includes goals at the department and individual level in order to reach the 2019 targets.

ROLLOUT OF SUSTAINABLE MATERIALS

IMPORTANT FIRST STEP TO INCREASE USE OF SUSTAINABLE FIBERS

Björn Borg's long-term sustainability goals are based on an aspiration to reduce our carbon footprint, including by manufacturing a substantial share of our collections with sustainable fibers. The plan has step-by-step activities to reach the long-term targets to use 70 percent sustainable fibers, to manufacture all our packaging with FSC-certified paper, to eliminate conventional cotton in our products and to reduce the company's carbon footprint by 40 percent compared with 2014. FSC stands for the Forest Stewardship Council and is a certification that ensures that the paper stock used in our packaging comes from responsibly managed forests, controlled sources or recycled material. As part of the process, we are building out our own and our suppliers' capacity to support these ambitious goals.

Sustainability goals are also a key element in our product development strategy. We consider the environmental impact of every product we release. Just as important is our social responsibility, to ensure safe working conditions and fair remuneration for garment workers.

In fall 2017 Björn Borg launched its first sustainable products in organic cotton, BCI cotton and recycled polyester. BCI stands for Better Cotton Initiative and is a not-for-profit organization that supports sustainably grown cotton. The packaging, which was totally updated in spring 2017, is now more sustainable and uses a larger percentage of FSC-certified paper. Much of the focus has also been on developing other sustainable products, which will be launched in 2018, and on improving the supply chain, where more emphasis will be placed on wet processes.

OUR COMMITMENT

Björn Borg's sustainability work can be summarized as a commitment to:

- Reduce our wastes and dependence on limited resources
- Hold ourselves responsible
- Maintain sustainable production and sustainable design
- Take full responsibility for ensuring that our suppliers follow our guidelines to reduce their environmental impact and take social responsibility
- Include sustainability criteria at every step of the product life cycle
- Be transparent
- Always encourage consumers and other stakeholders to act ethically and sustainably
- Always strive to be better, never stop looking for new solutions.
- For more on Björn Borg's sustainability work, see the sustainability report at https://corporate.bjornborg.com/en/section/sustainability/

EMPLOYEES AND ORGANIZATION

With their competence, creativity and drive, Björn Borg's employees contribute to the development of the brand and the Group and are essential to the company's success. As an employer, Björn Borg wants to offer a stimulating work environment where management and staff together build a culture characterized by ambition, drive and a strong passion for fashion and sports.

One of management's top priorities is to provide current employees with development opportunities and attract new employees with the right skills to the organization. This is accomplished by building an open and stimulating corporate culture, where employees can grow on the job and develop. In a growing group like ours, with an expanding number of markets, we also need structure and standardized routines – while still maintaining our creativity.

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

SHARED VALUES

Shared values play an important unifying function for Björn Borg, with its extensive international business and network of partners, but also for the brand's development. The values that define Björn Borg can be summarized as follows: *Passion, Multiplying* and *Winning attitude.* This distinguishes the way Björn Borg works and all communication internally and externally.

The company's mission is that *"We believe all humans carry the will to make a difference – for themselves, for someone else, or for the world,"* which we take very seriously. Everyone at Björn Borg is treated equally and has the same opportunities regardless of race, ethnicity, age, religion, gender, sexual orientation or disability.

ORGANIZATION DURING THE YEAR

During the year Björn Borg strengthened its organizational competence through new hires in e-com, design, product development and digital brand communication, with an emphasis on sports fashion. Through competency mapping, we identified additional areas to strengthen in the year ahead, so that the organization can meet the needs of today and tomorrow. This is a long-term effort also aimed at creating a competence-oriented, stimulating working environment. Each employee has individual development goals in terms of both functional competency and personal well-being. Employees are offered various options to develop their professional and personal skills, where leadership, self-leadership and health are priority areas.

PERFORMANCE MANAGEMENT

A growing company requires a well-structured organization with clearly delegated responsibility. Björn Borg uses detailed job descriptions with measurable goals for each employee and takes a structured approach to creating an efficient environment where people thrive and perform well. The company has formulated a business plan (*Northern Star*) with clearly defined goals for 2015-2019. Employees at every level of the organization have been involved, with support from senior management. The overarching goals have been broken down, with the same degree of involvement, by department and individual, so that everyone in the company has clear goals and activities that lead to shared business objectives. This is followed up through individual reviews each month to maximize focus, development and results. In addition to strategic growth, the goals include improvements to the working environment, the corporate culture and each individual's development professionally and personally. Each individual also has personal health goals, which are tracked through individual tests a couple of times a year in cooperation with a professional personal trainer. Mental health is measured as well, with a focus on stress and a work-life balance. Based on the outcomes, goals and action plans are set both at a group level and for each individual annually.

The company's compensation system comprises a base salary and variable compensation for certain key employees that pays out when individual targets are met.

ORGANIZATION BY THE NUMBERS

The average number of Group employees was 212 in 2017, compared with 133 in 2016.

The average age was 36, and 67 percent were women and 33 percent men. Biologically, their average age is 26, ten years younger than their physical age, according to a fitness test employees underwent during the year with a professional personal trainer, who also helped them set personal goals. In 2017 employees improved in every area (endurance, strength, flexibility and perceived well-being), in line with the goals set for the group.

Employee engagement in the organization is high (77 percent) and increased last year in line with current goals. All departments have been involved in setting their own goals for coming years.

BJÖRN BORG BY THE NUMBERS

CONTENT FINANCIALS

FIVE-YEAR SUMMARY

FIVE-YEAR SUMMARY

SEK thousands	2017	2016	2015	2014	2013
Income statement					
Operating revenue	704,255	638,570	584,498	544,497	499,246
Operating profit	55,367	64,196	58,592	55,950	21,160
Profit after financial items	51,398	63,470	57,560	63,148	24,849
Profit for the year	37,372	46,897	41,643	47,572	13,906
Balance sheet					
Intangible assets	228,353	208,492	209,336	211,187	211,246
Tangible non-current assets	15,392	9,277	10,076	12,334	16,519
Other long-term receivables	0	10,700	8,900	9,800	13,400
Deferred tax assets	22,530	13,452	35,315	31,713	31,126
Inventory	109,770	67,477	75,851	40,381	39,031
Current receivables	111,534	153,913	107,395	85,973	86,425
Short-term investments	500	26,167	80,909	133,147	136,519
Cash & cash equivalents	52,620	48,948	50,643	85,080	82,304
Total assets	**540,699**	**538,426**	**578,425**	**609,613**	**616,570**
Equity	277,398	289,103	290,675	285,708	280,650
Non-current liabilities	22,925	17,273	174,832	201,030	217,042
Deferred tax liabilities	42,949	35,418	41,969	38,350	39,694
Current liabilities	197,427	196,632	70,949	84,524	79,184
Total equity and liabilities	**540,699**	**538,426**	**578,425**	**609,613**	**616,570**
Key ratios					
Gross profit margin, %	54.0	50.3	52.4	52.9	51.5
Operating margin, %	7.9	10.2	10.2	10.4	4.3
Profit margin, %	7.4	10.0	10.0	11.7	5.0
Return on capital employed, %	13.2	16.3	14.8	14.8	7.0
Return on average equity, %	13.1	16.3	15.6	17.2	6.9
Profit attributable to Parent Company’s shareholders	37,099	47,361	45,062	48,835	21,613
Equity/assets ratio, %	51.3	53.7	50.3	46.7	45.5
Equity per share, SEK	11.03	11.50	11.56	11.36	11.16
Investments in intangible non-current assets	4,921	–	301	1,428	1,533
Investments in tangible non-current assets	7,868	5,231	4,746	1,353	8,088
Investments in financial assets	–	–	–	1,410	6,547
Depreciation/amortization for the year	–9,906	–6,797	–6,592	–8,877	–6,825
Average number of employees	212	133	132	129	159
Data per share					
Earnings per share, SEK	1.48	1.88	1.79	1.94	0.86
Earnings per share (after dilution), SEK	1.48	1.88	1.77	1.94	0.86
Number of shares	25,148,384	25,148,384	25,148,384	25,148,384	25,148,384
Weighted average number of shares	25,148,384	25,148,384	25,148,384	25,148,384	25,148,384
Effect of dilution	–	–	456,000	–	–
Weighted average number of shares (after dilution)	25,148,384	25,148,384	25,604,384	25,148,384	25,148,384

QUARTERLY DATA FOR THE GROUP

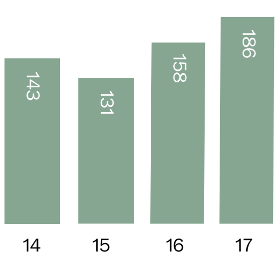
QUARTERLY DATA FOR THE GROUP

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	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 after financial items	15,683	31,028	–2,078	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, 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

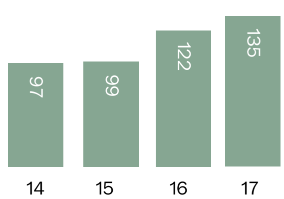
SEASONAL VARIATIONS

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

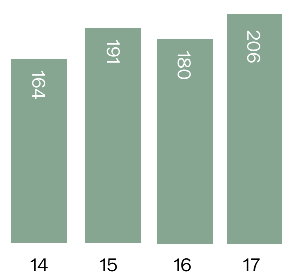
NET SALES, 2014-2017, Q1, SEK MILLION



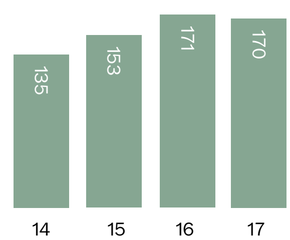
NET SALES, 2014-2017, Q2, SEK MILLION



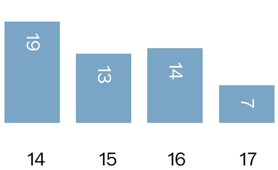
NET SALES, 2014-2017, Q3, SEK MILLION



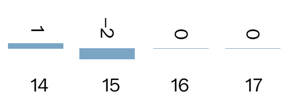
NET SALES, 2014-2017, Q4, SEK MILLION



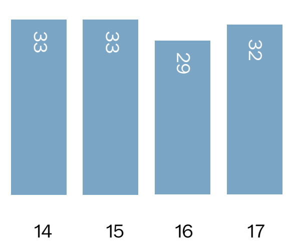
OPERATING PROFIT, 2014-2017, Q1, SEK MILLION



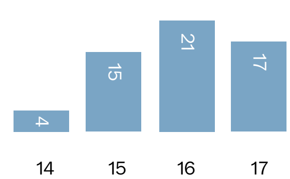
OPERATING PROFIT, 2014-2017, Q2, SEK MILLION



OPERATING PROFIT, 2014-2017, Q3, SEK MILLION



OPERATING PROFIT, 2014-2017, Q4, SEK MILLION



BOARD OF DIRECTORS' REPORT

The Board of Directors and the CEO of Björn Borg AB (publ), company registration number 556658-0683, herewith present the annual report and consolidated financial statements for the financial year 2017.

OPERATIONS

The Björn Borg Group owns and develops the Björn Borg brand. The focus of the business is underwear and sports apparel as well as the licensing of footwear, bags, eyewear and home products. Björn Borg products are sold in around twenty markets, of which Sweden and the Netherlands are the largest.

The Björn Borg Group has operations at every level from branding to consumer sales in its own Björn Borg stores and e-commerce. Operations comprise brand development and services for the network of licensees and distributors as well as product development in the core underwear and sports apparel businesses. The Group is also responsible for the distribution of underwear and sports apparel in Sweden, England, Finland, the Netherlands, Belgium and Germany as well as footwear in Sweden, Finland, the Baltic countries and Denmark.

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

BJÖRN BORG SHARE AND OWNERSHIP STRUCTURE

Björn Borg AB is listed on Nasdaq Stockholm. The total number of shares in Björn Borg is 25,148,384. There is only one class of share. The share capital amounts to SEK 7,858,870 and the quota value per share is SEK 0.3125. Each share carries one vote at the Annual General Meeting (AGM) and there are no limitations on how many votes each shareholder may cast at the AGM. Björn Borg had 8,376 shareholders at year-end. The largest shareholder as of December 29, 2017 was Martin Bjäringer, who directly and indirectly holds 9.7 percent of the shares in Björn Borg.

There are no limitations on the right to transfer the Björn Borg share according to current laws or Björn Borg's Articles of Association. Nor is Björn Borg aware of any agreements between shareholders that could infringe upon the right to transfer Björn Borg shares.

Björn Borg's main debt financing, consisting of a three-year, SEK 150 million loan agreement signed in 2017 with Danske Bank, contains a so-called change of control clause. This means that if someone acquires 50 percent or more of the company, the bank has the option of terminating the agreement.

The Board of Directors and any deputies are appointed by the AGM for a term concluding with the following AGM. Björn Borg's Articles of Association contain only the usual provisions on board elections and have no rules on special majority requirements to appoint and dismiss directors.

ANNUAL GENERAL MEETING

The Annual General Meeting held on May 11, 2017 in Stockholm resolved to re-elect Fredrik Lövstedt, Martin Bjäringer, Lotta de Champs, Christel Kinning, Heiner Olbrich and Mats H Nilsson as Directors, meaning that the total number of Directors is six. Petra Stenqvist declined re-election. The AGM resolved to elect Heiner Olbrich as the new Chairman of the Board. The AGM also resolved to transfer earnings to shareholders through an automatic share redemption procedure and gave the Board limited authorization to resolve to acquire and transfer the company's own shares or issue new shares. The minutes of the AGM are available on Björn Borg's website.

BOARD WORK

In 2017 the Board held seven scheduled meetings, four of which were in connection with the quarterly financial reports, one to decide on the new financing agreement with Danske Bank, one by circulation in connection with the preparations for the AGM and one to adopt the budget. Further information on the Board's work and members' attendance at the meetings held during the year can be found in the corporate governance report on page 92. Note that the corporate governance report is a separate report, not part of the Board of Directors' report.

FINANCIAL OBJECTIVES

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

- By the financial year 2019 the Group aims 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 on 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 apparel 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 21, 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.

EVENTS IN 2017

Organization

During the second quarter Antoine Huizinga took the helm as Managing Director of Björn Borg Benelux, succeeding Luc Versmissen, who decided to pursue new challenges outside Björn Borg. Antoine was previously Sales Director for Björn Borg's export markets as well as Sales Director for Björn Borg Sport in the Netherlands. He also has extensive experience from other sports brands.

During the third quarter Daniel Bromley took over as Managing Director of Björn Borg's UK subsidiary. He comes from Calvin Klein, where he worked as UK Head of Sales. Also during the third quarter Robin Salazar took over as the new Global eCommerce Manager for Björn Borg.

Markets

At the end of the fourth quarter of 2016 Björn Borg AB acquired Baseline Group, the former distributor of Björn Borg products in Benelux. The Benelux acquisition, which closed on January 2, 2017, 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. For more information on the acquisition, see Note 31.

Also in late 2016 Björn Borg signed a new, updated agreement with the current distributor of underwear and sports apparel in Denmark. The new agreement expires on December 31, 2020.

In 2017 the distribution agreement with the former distributor in Switzerland was terminated, while new agreements were signed with distributors in Slovenia, Greece and the Czech Republic.

Björn Borg stores

During the year three stores were opened: two full-price stores in the Netherlands and a factory outlet in Finland. Two stores were closed in 2017: one in Sweden and one in Norway. At year-end there were 41 (40) Björn Borg stores, 35 (20) of which 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

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 Benelux distributor, 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, but 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 resulted in lower costs for paid traffic and higher operating margins despite lower sales. In the third quarter the e-commerce site was upgraded to a more modern platform, which caused technical problems that temporarily affected sales in the quarter. The problems were resolved and did not impact sales in the 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.

Profit

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

FIVE-YEAR SUMMARY

	2017	2016	2015	2014	2013
Net sales, SEK million	696.5	631.6	574.3	538.8	496.0
Operating profit, SEK million	55.4	64.2	58.6	56.0	21.2
Operating margin, %	7.9	10.2	10.2	10.4	4.3
Profit before tax, SEK million	51.4	63.5	57.6	63.1	24.8
Profit for the year, SEK million	37.4	46.9	41.6	47.6	13.9
Earnings per share, SEK	1.48	1.88	1.79	1.94	0.86
Earnings per share (after dilution), SEK	1.48	1.88	1.77	1.94	0.86
Equity/assets ratio, %	51.3	53.7	50.3	46.7	45.5
Equity per share, SEK	11.03	11.50	11.56	11.36	11.16

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 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).

Investments and cash flow

The Group's cash flow from operating activities amounted to SEK 53.2 million (15.3) in 2017. The year-over-year improvement mainly came from a better trend in operating capital, where inventory levels and other receivables and liabilities 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 –65.8 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, SEK 150 million revolving credit 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.

Transactions with related parties

No significant transactions with related parties were executed during the period.

SEGMENTS

Brand

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

The 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) because 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 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.

PERSONNEL AND REMUNERATION GUIDELINES

The competence, creativity and drive of Björn Borg's employees are important to the development of the brand and the Group and are essential to our future success. Retaining current employees and attracting new professionals to the organization is therefore one of management's top priorities. The company's current compensation system comprises a base salary and an individual bonus system for certain key employees, where the bonus is paid out when individual performance targets are met.

In 2015 Björn Borg issued a warrant plan for senior management and a convertible debenture plan for all employees.

The convertibles carry interest as of July 1, 2015. The interest rate is based on an average of STIBOR on certain fixed dates during the annual period plus a margin of 3.15 percent. The debentures fall due for payment on June 30, 2019 at their nominal value or can be converted to shares at the holder's request at a rate of SEK 37.96 per share. As of December 31, 2017, 478,000 convertibles had been subscribed for SEK 18.2 million.

The warrants entitle the holder to subscribe for one share for SEK 37.96 per share during the period June 1-14, 2019. Björn Borg has received fair market compensation for the warrants amounting to SEK 2.50 per warrant. As of December 31, 2017, 480,000 warrants had been subscribed for SEK 1.2 million.

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

The average number of employees for the full-year was 212 (133), of whom 33 (29) percent are men and 67 (71) percent women.

REMUNERATION GUIDELINES FOR THE CEO AND OTHER SENIOR EXECUTIVES

The Annual General Meeting on May 11, 2017 resolved that remuneration for the CEO and other members of senior management will comprise a base salary, variable compensation, long-term incentive plans and other benefits, including a pension. Total compensation must be competitive given current market conditions and reasonable relative to each individual's responsibilities and authority. The variable compensation will be based on performance in relation to defined, measurable goals, designed to promote the company's long-term value creation and maximized in relation to the base salary that has been agreed upon. Variable compensation will exceed the base salary. If terminated by the company, the notice period will not exceed 12 months. Severance is not paid. Pension benefits are defined contribution and entitle senior executives to receive a pension from age 65.

RESEARCH AND DEVELOPMENT

Björn Borg does not conduct any research, although development and design work is done in the underwear and sports apparel product areas.

BJÖRN BORG'S SUSTAINABILITY WORK

Sustainability at Björn Borg is a philosophy, not a project. We live and operate in an industry which, by its nature, adversely affects the environment, and we have a responsibility to keep our impact as low as possible. Not just the environment but people are obviously also important, and we work actively to ensure fair labor conditions for the people who manufacture our products in various parts of the world.

Sustainability is integrated in our core business and is a key element in the product development strategy. The goal is to close the circle and minimize environmental impacts through every product's lifecycle. In close collaboration with the Group's suppliers, we work continuously with social responsibility and environmental issues, including by specifying requirements through supplier agreements, a code of conduct and chemical restrictions which our suppliers must follow.

Few suppliers are used, which facilitates a regular dialogue and monitoring. Björn Borg has been a member of the Business Social Compliance Initiative (BSCI) since January 2008 and applies the BSCI Code of Conduct as its occupational health and safety guidelines for suppliers. Unannounced inspections are periodically conducted by independent auditing firms to ensure compliance with the code of conduct. BSCI provides participants with a common set of requirements covering working and labor standards, among other things, which makes it easier for members and suppliers to achieve improvements.

Björn Borg's products are free from hazardous chemicals. Our suppliers follow the EU's chemical regulation (REACH) and other specific requirements set by the Group, which regulate the maximum levels for specific chemicals.

Björn Borg is also a member of the Sweden Textile Water Initiative (STWI), whose vision is to catalyze a global change toward more sustainable textile and leather manufacturing. Textile manufacturing consumes vast amounts of water and at Björn Borg we work actively to reduce our consumption through new innovative production methods.

In 2016 a foundation was laid for the rollout of Björn Borg's Sustainability Roadmap with targets and activities for each year during the period 2016-2019. One of the main targets is to manufacture 70 percent of Björn Borg's product range with sustainable fibers by 2019. No products will be made with conventional cotton. All packaging will be certified by the Forest Stewardship Council (FSC) and/or be made of recyclable material, and a maximum of 2 percent of the company's shipments will sent by air.

In 2017 Björn Borg's first sustainable collections reached stores. With more internal training for affected employees in sustainable materials and production methods we will work diligently to further increase our share of sustainable clothing.

More information on Björn Borg's sustainability work can be found in our sustainability report and in a separate climate report, which can be downloaded from the website: https://corporate.bjornborg.com/en/section/sustainability/

RISKS, UNCERTAINTIES AND RISK MANAGEMENT

A number of operational and financial risks internally and externally could affect Björn Borg's results and operations.

Financial risks

Through its operations, Björn Borg is exposed to currency, interest rate, credit and counterparty risks as well as liquidity and refinancing risks. The Board has decided how the Group will manage these risks. See also Note 3.

Market risks

Björn Borg is active in the highly competitive fashion industry. The company's vision is to solidify Björn Borg's position as a global fashion brand. Competitors control national and international brands, usually focused on the same markets. They often have substantial financial and human resources. While Björn Borg has so far managed to hold its own in competition with other players, there are no guarantees it will be able to continue to compete with current and future brands.

Legal risks

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

Expansion of operations

The company's future growth is dependent on the network's ability to increase sales through existing channels, but also on identifying new geographical markets for the company's products. The opportunity to find new markets for Björn Borg is partly dependent on factors beyond the company's control such as economic conditions, trade barriers and access to attractive retail locations on commercially viable terms.

Network

The company's position and future expansion are dependent in part on independent entrepreneurs that serve as product companies, distributors and franchisees in the network. Despite that Björn Borg generally has effective, extensive contractual relationships, directly or indirectly, with outside parties in the network, these agreements can be terminated and there are no guarantees that similar agreements can be signed. The termination of a collaboration with one or more entrepreneurs in the network could adversely impact the company's growth and results. Björn Borg's distribution model with external distributors – both its own and licensees' – also creates the risk that these external parties do not make the investments or take the measures that are needed, for example, to achieve certain planned growth targets or certain types of changes.

Fashion trends

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

Cyclicality

Like all retail sales, the sale of the company's products is affected by changes in economic conditions. A growing economy has a positive effect on household finances, which is reflected in spending patterns. A downturn in the economy has the opposite effect, which was especially evident in recent years, when unstable demand in the market affected the Group's underwear and sports apparel sales. The company's profitability is also affected by changes in global commodity prices and by increased production, payroll and transport costs in the countries where the company buys its products.

Protection for the Björn Borg trademark

The Björn Borg trademark is crucial to the company's position and success. Copyright infringements and distribution of pirated copies damage the Björn Borg brand, the reputational capital of its products and Björn Borg's profitability. In addition to the risks associated with pirating, the opportunity to expand to new markets could be affected if, for example, a third party in another country has registered a trademark similar to Björn Borg. The company works continuously with trademark protection. There are no guarantees, however, that the measures taken to protect the Björn Borg trademark are sufficient.

Furthermore, the Björn Borg trademark is associated with Björn Borg the person. The trademark's position is therefore dependent to some degree on whether Björn Borg himself is associated with the core values in the brand's platform.

Reputational damage

The company's reputation among customers is built on a consistent experience with Björn Borg products in the markets where they are available. Björn Borg products should be presented in a way that reflects the values that Björn Borg represents. If the parties in the network take any action that presents Björn Borg products in a way that conflicts with the company's market positioning or the values the brand represents, Björn Borg's reputation could be damaged. Examples of reputational damage include negative publicity about working conditions in the factories that manufacture Björn Borg products, prohibited chemicals, safety concerns associated with products or allegations of sexist or misogynous advertising. In the long term, reputational damage will harm the company's growth and results.

OUTLOOK FOR 2018

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

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. It also owns 75 percent of the shares in Björn 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.

PROPOSED DISTRIBUTION OF PROFIT

The following unappropriated earnings are at disposal of the Annual General Meeting:	
Retained earnings, SEK	45,715,175
Profit for the year, SEK	50,719,825
	96,435,000
The Board proposes that:	
Shareholders receive a distribution of	
SEK 2.00 per share, totaling SEK	50,296,768
Carried forward, SEK	46,138,232
	96,435,000

Based on the information above and what has otherwise come to its attention, the Board of Directors has evaluated the financial position of the company and the Group and considers the dividend to be justifiable in view of the requirements that the nature, scope and risks of the operations place on the size of the company's equity, as well as the consolidation needs, liquidity and financial position of the company and the Group in other respects.

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

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

The company's and the Björn Borg Group's results and financial position are generally good, as evidenced by the company's and the Group's year-end report for 2017 and by the audited annual report issued by the Board of Directors. As stated in the proposal to reduce the share capital, the Board of Directors proposes that the company's share capital be reduced by SEK 3,929,435 through the withdrawal of 25,148,384 shares after a stock split is completed, for repayment to the shareholders. At the same time the Board of Directors proposes that the Annual General Meeting resolve to restore the company's share capital to the original amount by raising the company's share capital by SEK 3,929,435 through a bonus issue without issuing new shares by transferring the issue amount from the company's unrestricted equity to its share capital. After the bonus issue is completed, the company's restricted equity and share capital will be unchanged.

The proposed repayment amounts to SEK 2.00 per share, corresponding to total redemption proceeds of SEK 50,296,768, or 136 percent of profit after tax for the financial year 2017. Accordingly, the repayment is in line with the company's financial goals and dividend policy.

After the proposed repayment, the company has full coverage for the restricted equity. The unrestricted equity in the company after the repayment and bonus issue amounts to SEK 46,138,232. Total equity after the repayment amounts to SEK 100,813,652 for the company and SEK 227,101,432 for the Group.

The Group's profit after tax for 2017 declined compared with 2016, at the same time that cash flow from operating activities strengthened, mainly due to a better trend in working capital. The Group's cash flow from operating activities for the full-year 2017 amounted to SEK 53,179 thousand (15,313). In 2017 the company repaid its bond loan, which was refinanced by divesting the bond portfolio and through financing from Danske Bank, with which the company signed a three-year, SEK 150 million revolving credit in combination with an overdraft facility of SEK 90 million.

In the judgment of the Board of Directors, the company's and the Group's cash flow over time remains strong, especially considering that the payments of contingent consideration for the Björn Borg brand ended on December 31, 2016. The Group's equity/assets ratio and liquidity will remain adequate after the proposed repayment relative to the industry in which the company and the Group compete, also taking into consideration, e.g., planned investments, and the company and the Group are expected to be able to fulfill their obligations in the short and long term.

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

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

Stockholm, April 2018
Björn Borg AB (publ)

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

SEK thousands	Note	2017	2016
Net sales		696,482	631,616
Other operating revenue		7,773	6,954
Operating revenue	4, 5	**704,255**	**638,570**
Goods for resale		–320,211	–314,137
Other external expenses		–173,967	–148,187
Staff costs		–138,763	–105,191
Depreciation/amortization of tangible/intangible non-current assets		–9,906	–6,797
Other operating expenses		–6,041	–62
Operating profit	4, 6, 7, 8, 10, 11, 12, 19, 20	**55,367**	**64,196**
Total financial income	12, 14	2,213	7,609
Total financial expenses	12, 14	–6,182	–8,336
Profit after financial items		**51,398**	**63, 469**
Profit before tax		**51,398**	**63,469**
Tax on profit for the year	16	–14,026	–16,572
Profit for the year		**37,372**	**46,897**
Profit for the year attributable to:			
Parent Company’s shareholders		37,099	47,361
Non-controlling interests	30	273	–464
Earnings per share before dilution, SEK	17	1.48	1.88
Earnings per share after dilution, SEK	17	1.48	1.88

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Note	2017	2016
Profit for the year		**37,372**	**46,897**
Components that may be reclassified to profit or loss			
Translation difference for the year		1,220	1,704
Total other comprehensive income for the year [1]		**1,220**	**1,704**
Total comprehensive income for the year		**38,592**	**48,601**
Total comprehensive income for the year attributable to			
Parent Company’s shareholders		37,829	49,065
Non-controlling interests		763	–464

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Note	Dec 31, 2017	Dec 31, 2016
ASSETS			
Non-current assets			
Intangible assets	18		
Goodwill		35,755	19,292
Trademarks		187,532	187,532
Licenses/customer relations		–	297
Other intangible assets		5,066	1,371
		228,353	**208,492**
Tangible non-current assets	19		
Property, plant and equipment		15,392	9,277
		15,392	**9,277**
Long-term receivable		–	10,700
Deferred tax assets	16	22,530	13,452
		22,530	**24,152**
Total non-current assets		**266,275**	**241,921**
Current assets			
Inventory			
Trading book		104,493	65,106
Advance payments		5,277	2,371
		109,770	**67,477**
Current receivables			
Accounts receivable	22	91,479	137,769
Tax assets		2,366	4,095
Other current receivables		2,119	3,313
Prepaid expenses and accrued income	23	15,571	8,736
		111,534	**153,912**
Short-term investments			
Short-term investments	3	500	26,167
		500	**26,167**
Cash & cash equivalents			
Cash and bank balances	24	52,620	48,948
		52,620	**48,948**
Total current assets		**274,424**	**296,503**
TOTAL ASSETS		**540,699**	**538,426**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Note	Dec 31, 2017	Dec 31, 2016
EQUITY AND LIABILITIES			
Equity			
Share capital		7,859	7,859
Other paid-in capital		182,145	182,145
Reserves		–6,036	–6,766
Retained earnings		92,939	106,137
Equity attributable to Parent Company's shareholders		**276,907**	**289,375**
Non-controlling interests	30	491	–272
Total equity		**277,398**	**289,103**
Non-current liabilities			
Deferred tax liabilities	16	42,949	35,418
Non-current liabilities to credit institutions	27	125,000	–
Other non-current liabilities	24	22,925	17,273
		190,874	**52,691**
Current liabilities			
Accounts payable		20,452	13,797
Bond loan		–	137,092
Other current liabilities	24, 27	15,094	13,995
Accrued expenses and prepaid income	28	36,881	31,748
		72,427	**196,632**
Total liabilities		**263,301**	**249,324**
TOTAL EQUITY AND LIABILITIES		**540,699**	**538,426**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousands	Note	Share capita	Share premium reserve	Translation reserve	Retained earnings	Non-controlling interests	Total equity
Opening balance, January 1, 2016		**7,859**	**182,145**	**–8,470**	**115,874**	**–6,733**	**290,675**
Total comprehensive income for the year		–	–	1,704	47,361	–464	48,601
Transactions with shareholders							
Distribution for 2015 through share redemption	25	–3,929	–	–	–46,368	–	–50,297
Bonus issue		3,929	–	–	–3,929	–	–
Equity portion of issue of convertibles		–	–	–	68	–	68
Shareholder contribution received from minority owners		–	–	–	55	–	55
Acquisition of non-controlling interest		–	–	–	–6,925	6,925	–
Total transactions with shareholders		**0**	**–**	**–**	**–57,099**	**6,461**	**–50,174**
Closing balance, December 31, 2016		**7,859**	**182,145**	**–6,766**	**106,137**	**–272**	**289,103**
Opening balance, January 1, 2017		**7,859**	**182,145**	**–6,766**	**106,137**	**–272**	**289,103**
Total comprehensive income for the year		–	–	730	37,099	763	38,592
Transactions with shareholders							
Distribution for 2016 through share redemption	25	–3,929	–	–	–46,368	–	–50,297
Bonus issue		3,929	–	–	–3,929	–	–
Total transactions with shareholders		**0**	**–**	**–**	**–50,297**	**–**	**–50,297**
Closing balance, December 31, 2017		**7,859**	**182,145**	**–6,036**	**92,939**	**491**	**277,398**

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK thousands	Note	2017	2016
OPERATING ACTIVITIES			
Profit after tax		37,372	46,897
Income tax expensed through profit or loss		14,026	16,572
Financial expenses and income recognized through profit or loss		3,969	727
Depreciation/amortization of tangible/intangible non-current assets		9,906	6,797
Other non-cash items		1,289	663
Interest received		2,213	6,058
Interest paid		–4,612	–7,815
Taxes paid		–2,763	–520
Cash flow from operating activities before changes in working capital		**61,400**	**69,378**
Changes in working capital			
Change in inventory		19,348	12,172
Change in accounts receivable		–46,290	–49,953
Change in other receivables		27,709	5,730
Change in accounts payable		–6,655	–10,512
Change in other current liabilities		–2,333	–11,502
Change in working capital		**–8,221**	**–54,066**
Cash flow from operating activities		**53,179**	**15,313**
INVESTING ACTIVITIES			
Acquisition of subsidiary, cash & cash equivalents		2,868	–
Investments in intangible assets	18	–4,921	–
Investments in tangible non-current assets	19	–7,868	–5,231
Sale of tangible non-current assets		–	–
Short-term investments		–	–28,337
Investments/sale of investments		25,417	83,299
Cash flow from investing activities		**15,496**	**49,730**
FINANCING ACTIVITIES			
Newly raised loan		157,151	–
Amortization of loans		–37,136	1,034
Issue of warrants		–	125
Bond loan repurchases/repayment		–135,470	–18,480
Acquisition of non-controlling interests		–	–842
Distribution		–50,297	–50,297
Cash flow from financing activities	32	**–65,752**	**–68,460**
CASH FLOW FOR THE YEAR		**2,923**	**–3,417**
Cash & cash equivalents at beginning of year		48,948	50,643
Translation differences in cash & cash equivalents		749	1,722
Cash & cash equivalents at year-end		**52,620**	**48,948**
Increase/decrease in cash & cash equivalents		**–3,672**	**1,695**

PARENT COMPANY'S FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

SEK thousands	Note	2017	2016
Net sales		95,805	64,905
Other operating revenue		5,040	3,964
Operating revenue	5	**100,845**	**68,869**
Goods for resale		–22	–74
Other external expenses		–54,493	–55,768
Staff costs		–35,718	–34,615
Depreciation/amortization of tangible/intangible non-current assets		–1,396	–2,234
Other operating expenses		–228	–443
Operating profit/loss	4, 6, 7, 8, 10, 11, 18, 19	**8,988**	**–24,265**
Result from shares in subsidiaries	13	48,452	54,270
Group contributions received		11,623	39,047
Total financial income	14	3,501	6,239
Total financial expenses	14	–21,272	–22,438
Profit after financial items		**51,292**	**52,853**
Appropriations	15	–	1,014
Profit before tax		**51,292**	**53,867**
Tax on profit for the year	16	–572	–877
Profit for the year		**50,720**	**52,990**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Note	2017	2016
Profit for the year		**50,720**	**52,990**
Other comprehensive income		**–**	**–**
Total comprehensive income for the year		**50,720**	**52,990**

PARENT COMPANY BALANCE SHEET

SEK thousands	Note	Dec 31, 2017	Dec 31, 2016
ASSETS			
Non-current assets			
Intangible assets	18		
Retained expenditures		1,520	193
		1,520	**193**
Tangible non-current assets	19		
Property, plant and equipment		1,431	2,306
		1,431	**2,306**
Financial non-current assets			
Long-term receivable		–	10,700
Deferred tax assets		316	130
Shares in Group companies	20	341,137	353,182
		341,453	**364,012**
Total non-current assets		**344,404**	**366,511**
Current assets			
Current receivables			
Accounts receivable	21	39	620
Receivables from Group companies		557,280	428,241
Tax assets		504	624
Investments	3	500	26,167
Other current receivables		24	11
Prepaid expenses and accrued income	23	3,669	3,377
		562,016	**459,040**
Cash & cash equivalents			
Cash and bank balances	27	10,267	13,330
		10,267	**13,330**
Total current assets		**572,283**	**472,370**
TOTAL ASSETS		**916,687**	**838,881**

PARENT COMPANY BALANCE SHEET

SEK thousands	Note	Dec 31, 2017	Dec 31, 2016
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		7,859	7,859
Share premium reserve		46,817	46,817
		54,676	**54,676**
Unrestricted equity			
Retained earnings		45,714	43,022
Profit for the year		50,720	52,990
		96,434	**96,012**
Total equity		**151,110**	**150,687**
Non-current liabilities			
Non-current liabilities to credit institutions	27	125,000	–
Other non-current liabilities	27	22,925	17,273
		147,925	**17,273**
Current liabilities			
Accounts payable		2 203	2,777
Due to Group companies		601 130	516,066
Bond loan	27	–	137,092
Other current liabilities		2,193	5,005
Accrued expenses and prepaid income	28	12,126	9,981
Total current liabilities		**617,652**	**670,921**
Total liabilities		**765,577**	**688,194**
TOTAL EQUITY AND LIABILITIES		**916,687**	**838,881**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK thousands	Note	Share capital	Statutory reserve	Retained earnings	Total equity
Opening balance, January 1, 2016		**7,859**	**46,817**	**93,197**	**147,872**
Distribution for 2015 through share redemption	25	–3,929	–	–46,368	–50,297
Bonus issue		3,929	–	–3,929	–
Proceeds received from issue of warrants	8	–	–	68	68
Equity portion of issue of convertibles	8	–	–	55	55
Total comprehensive income for the period		–	–	52,990	52,990
Closing balance, December 31, 2016		**7,859**	**46,817**	**96,012**	**150,687**
Opening balance, January 1, 2017		**7,859**	**46,817**	**96,012**	**150,687**
Distribution for 2016 through share redemption	25	–3,929	–	–46,368	–50,297
Bonus issue		3,929	–	–3,929	–
Total comprehensive income for the period		–	–	50,720	50,720
Closing balance, December 31, 2017		**7,859**	**46,817**	**96,435**	**151,110**

PARENT COMPANY STATEMENT OF CASH FLOWS

SEK thousands	Note	2017	2016
OPERATING ACTIVITIES			
Profit after tax		50,720	52,990
Income tax expensed through profit or loss		572	877
Financial expenses and income recognized through profit or loss	14	17,771	16,197
Dividend from subsidiary recognized through profit or loss		–10,197	–
Depreciation/amortization of tangible/intangible non-current assets	18, 19	1,396	2,234
Impairment of shares in/receivables from subsidiaries		12,045	2,500
Other non-cash items		–	482
Appropriations	15	–	–1,014
Group contributions received, unpaid		–11,623	–39,047
Dividend received from subsidiary		10,197	–
Dividends received, unpaid	13	–50,300	–56,770
Interest received	14	2,739	6,197
Interest paid	14	–4,052	–7,109
Taxes paid		–662	–
Cash flow from operating activities before changes in working capital		**18,606**	**–22,463**
CHANGES IN WORKING CAPITAL			
Change in accounts receivable		581	–268
Change in other receivables		–71,560	6,031
Change in accounts payable		–574	140
Change in other current liabilities		81,758	22,417
Change in working capital		**10,205**	**28,320**
Cash flow from operating activities		**28,811**	**5,857**
INVESTING ACTIVITIES			
Investments in tangible non-current assets	19	–306	–1,636
Investments in intangible non-current assets	18	–1,542	–
Short-term investments	3	–	–28,337
Sale of short-term investments	3	25,417	83,299
Cash flow from investing activities		**23,569**	**53,326**
FINANCING ACTIVITIES			
Newly raised loan		157,151	–
Amortization of loans		–26,764	–
Bond loan repurchase/repayment		–135,470	–18,480
Acquisition of minority shares	20	–	–1,801
Issue of warrants		–	125
Amortization received from borrowers		–	–1,117
Distribution	25	–50,297	–50,297
Cash flow from financing activities	32	**–55,380**	**–71,570**
CASH FLOW FOR THE YEAR		**–3,000**	**–12,387**
Cash & cash equivalents at beginning of year		13,330	25,717
Translation differences in cash & cash equivalents		63	200
Cash & cash equivalents at year-end		**10,267**	**13,330**
Increase/decrease in cash & cash equivalents		**3,000**	**12,387**

SUPPLEMENTARY DISCLOSURES

NOTE 1 ACCOUNTING PRINCIPLES

GENERAL

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

The Parent Company operates as a limited liability company with its registered address in Stockholm. The address of the head office is Tulegatan 11, SE-113 53 Stockholm, Sweden. The Parent Company's share is listed on Nasdaq Stockholm. A list of the largest individual shareholders as of December 31, 2017 is provided on page 95 of this annual report. The annual report was approved by the Board of Directors and the CEO on April 17, 2018 and adopted by the Annual General Meeting of the Parent Company on May 17, 2018.

ACCOUNTING AND VALUATION PRINCIPLES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the EU as of December 31, 2017. The Group also applies the Swedish Financial Reporting Board's recommendation RFR 1 and 2 Supplementary Accounting Regulations for Groups, which specifies the disclosures that are required in addition to IFRS according to the provisions of the Annual Accounts Act. The Parent Company's functional currency is the Swedish krona (SEK), which is also the Group's reporting currency. All amounts are in SEK thousands unless indicated otherwise. The consolidated financial statements have been prepared in accordance with the cost method, other than financial assets, including derivatives, which are measured at fair value through profit or loss. The Group's critical accounting principles are described below.

REVISED ACCOUNTING PRINCIPLES 2017

Additions and amendments to RFR 2 applicable as of 2017 have not had a material effect on the Group's or Parent Company's results and financial position. Management does not expect the amendments to RFR 2, which have not yet entered into force, to have a material effect on the Parent Company's financial reports when they are applied for the first time.

NEW ACCOUNTING PRINCIPLES AS OF 2018

The International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRSIC) have issued a number of new and amended standards which have not yet taken effect, of which Björn Borg has determined that the following are applicable to the Group:

Standards	Will apply to financial years beginning
IFRS 9 *Financial Instruments*	on or after January 1, 2018
IFRS 15 *Revenue from Contracts with Customers*, including amendments to IFRS 15: Effective date of IFRS 15	on or after January 1, 2018
Clarifications to IFRS 15 *Revenue from Contracts with Customers*	on or after January 1, 2018
IFRS 16 *Leases*	on or after January 1, 2019

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

IFRS 9 replaces IAS 39, and the sections that affect Björn Borg are the new rules on classification and impairment of financial assets.

For financial assets, the conclusion of the analysis that was conducted is that accounts receivable and cash & cash equivalents are the two portfolios that are considered "Hold to Collect," since the purpose of the portfolios is to collect on contractual cash flows. They are recognized at amortized cost, which is the same as in IAS 39.

The new impairment model for financial assets is based on expected losses instead of actual losses. The Group will apply the simplified model to accounts receivable, i.e., the provision will correspond to lifetime expected losses. The analysis and Björn Borg's application of the model show that the transition will not have a material effect on the recognized values because of the short lifetime of the receivables and the nature of the risk.

For cash & cash equivalents, the simplified model cannot be applied, but the effect is not expected to be significant since they mature in less than one year and the counterparties are stable, highly rated Nordic banks.

IFRS 15 *Revenue from Contracts with Customers* introduces a new model for revenue recognition (five-step model) based on when control of a good or a service is conveyed 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 evaluated its contracts with customers in accordance with the five-step model. The evaluation showed that the new rules will not have a material effect on revenue recognition or the financial reporting compared with 2017.

IFRS 16 *Leases* kommer will replace IAS 17 *Leases*. The standard has a leasing model for the lessee, which means that practically all leases will be recognized in the statement of financial position. The right-of-use asset and the liability are measured at the present value of future lease payments. The right-of-use asset also includes direct costs arising when signing the lease. Depreciation of the right-of-use asset and interest expenses are recognized through profit or loss.

The right-of-use asset is recognized separately from other assets in the statement of financial position or is included in the item where the corresponding assets would be recognized if they were owned. If it is included among other assets, the company will identify this and which items include right-of-use assets. In subsequent periods the right-of-use asset is recognized at cost less depreciation and any impairment and adjusted for any revaluations of the lease liability. The lease liability is recognized separately from other liabilities. Unless the lease liability is recognized separately, the company must specify these liabilities. In subsequent periods the liability is recognized at amortized cost less the lease payments made. The lease liability is reevaluated, for example, in connection with changes to the lease term, residual value guarantees and lease payments. Short-term leases (12 months or less) and leases where the underlying asset has a low value do not have to be recognized in the statement of financial position. They will be recognized in operating profit in the same way as current operating leases. The Group has not yet completed a detailed analysis of the effects of IFRS 16. This will be done in 2018.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the Parent Company and all entities over which the Parent Company exercises control. Control refers to when Björn Borg has power over a company, is exposed or has the right to variable returns from its holding in the company, and is able to exert power over the company to affect its returns. This is usually achieved when it holds more than 50 percent of the capital and voting rights. The existence and impact of potential voting rights that are currently exercisable or convertible are taken into account when determining whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is obtained and until the date on which control ceases. The Group's composition is shown in Note 19.

Acquisitions are recognized according to the acquisition method. The purchase price of an acquisition is measured at fair value on the acquisition date and is calculated as the sum of the fair value on the acquisition date of assets received, liabilities that have arisen or been assumed, and equity interests issued in exchange for control over the acquired business. Transaction costs that arise in connection with an acquisition are expensed through profit and loss in the period to which the cost of refers.

The purchase price also includes the fair value on the acquisition date of the assets and liabilities that are the result of an agreement on contingent consideration. Changes in the fair value of contingent consideration that arise when additional information is received after the acquisition date on facts and conditions that existed on the acquisition date qualify as adjustments during the valuation period and are applied retroactively, with a corresponding adjustment to goodwill. All other changes in the fair value of contingent consideration classified as an asset or liability are recognized in accordance with the applicable standard. Contingent consideration classified as equity is not revalued and any subsequent settlement is recognized in equity.

Contingent liabilities assumed in an acquisition are recognized if they are existing commitments that stem from events which have occurred and whose fair value can be reliably estimated. In an acquisition where the sum of the purchase price, any non-controlling interests and the fair value on the acquisition date of the previous shareholding exceeds the fair value on the acquisition date of identifiable acquired net assets, the difference is recognized as goodwill in the statement of financial position. If the difference is negative, it is recognized as a gain on an acquisition at a low price directly in profit after a revaluation of the difference.

The accounting principles used by subsidiaries are adjusted where necessary to ensure consistency with the principles applied by other Group entities. All intercompany transactions and balances are eliminated in the preparation of the consolidated financial statements. Unrealized losses are also eliminated unless the transaction provides evidence of impairment.

NON-CONTROLLING INTERESTS

In acquisitions of less than 100 percent of the shares in a company but where control is obtained, non-controlling interests are measured as either a proportional share of the fair value of identifiable net assets excluding goodwill or at fair value. Non-controlling interests are recognized as a separate item in the Group's equity. Any losses attributable to non-controlling interests are also recognized if it means that the share will be negative. Subsequent acquisitions up to 100 percent and divestments of ownership interests in a subsidiary that do not lead to the loss of control are recognized as a transaction with equity owners.

TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are translated to Swedish kronor at the exchange rate on the transaction date. Monetary items (assets and liabilities) in foreign currency are translated to Swedish kronor at the balance date exchange rate. Exchange gains and losses that arise on such translations are recognized through profit or loss as Net sales and/or Cost of goods sold, except with respect to cash & cash equivalents or loans recognized as financial income or expenses. The items included in the financial statements for the various units in the Group are valued in the currency used in the economic environment where each Group unit conducts its operations (functional currency). Income statement and balance sheet items for all Group companies with a functional currency other than the reporting currency (SEK) are translated to the Group's reporting currency as follows:

- Assets and liabilities are translated at the balance date rate
- Revenue and expenses are translated at the average exchange rate (provided that the average rate represents a reasonable approximation of the cumulative impact of the exchange rates in effect on the transaction date; otherwise, revenue and expenses are translated at the transaction day rate), and
- All exchange rate differences that arise are recognized in other comprehensive income and accumulated in the translation reserve in equity.

REVENUE RECOGNITION

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

- Sales of goods are recognized upon delivery of a product to the customer (points 2–4 below), when the financial risks and benefits of ownership are transferred to the buyer, when it is likely that the economic benefits will accrue to Björn Borg, when the revenue can be measured reliably, which coincides with the date of delivery.
- Royalties are recognized in the period to which the underlying revenue refers, i.e., in accordance with the current agreement's economic substance.
- Dividend revenue is recognized when the right to receive payment has been determined.
- Interest income is recognized by applying the effective interest rate method.

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

1. *Royalty revenue*
   Royalty revenue is generated through sales of Björn Borg products by distributors (Group-owned and independent) and the product companies to retailers, and is calculated as a percentage of these sales. Royalties are recognized through profit or loss at the same time as the distributor's sale at the wholesale level.
2. *Product company revenue*
   The product companies for underwear and sports apparel generate revenue for Björn Borg from product sales to distributors. The revenue is recognized upon delivery in accordance with the sales terms, i.e., the point of time when the risks and benefits associated with ownership transfer to the buyer. The distributors are not entitled to return merchandise or to any significant quantity discounts.
3. *Distribution company revenue*
   The Group-owned distribution companies for the underwear and footwear product areas generate revenue for Björn Borg from product sales to retailers. The revenue is recognized upon delivery to the retailer, which coincides with the point of time when the risks and benefits associated with ownership transfer to the retailer.
4. *Björn Borg store and web shop revenue*
   Björn Borg stores generate revenue for Björn Borg from sales to consumers. Retail purchases are usually made in cash or by credit or debit card. Provisions for returns are based on the Group's collective experience with returns and historical data.

LEASING

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

The Group as lessee

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

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

EMPLOYEE BENEFITS

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

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

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

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

TAXES

The Group's total tax expense consists of current tax and deferred tax. Current tax is the tax paid or received for the current year and any adjustments to current tax in prior years. Deferred tax is calculated on the difference between the tax bases of the company's assets and liabilities and their carrying amounts. Deferred tax is recognized using the balance sheet approach. Deferred tax liabilities are normally recognized for all taxable temporary differences, while deferred tax assets are recognized to the extent it is probable that the amounts can be offset against future taxable surpluses.

The carrying amount of deferred tax assets is tested at each balance sheet date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow any or all of the deferred tax asset to be utilized.

Deferred tax is determined using the tax rates that are expected to apply to the period when the asset is recovered or the liability settled. Deferred tax is recognized as income or expense through profit or loss, unless it is attributable to transactions or events recognized directly against other comprehensive income or equity, in which case it is also recognized directly against other comprehensive income or equity.

Tax assets are set off against tax liabilities when they relate to income taxes levied by the same tax authority and the Group intends to make or receive a single net payment.

INTANGIBLE ASSETS

Goodwill

Goodwill arises in the acquisition of subsidiaries and refers to the amount by which the sum of the purchase price transferred and fair value in subsequent acquisitions of previous non-controlling interests exceeds the fair value of identifiable assets, liabilities and contingent liabilities in the acquired company. To test for impairment, goodwill is divided among the cash-generating units that are expected to benefit from synergies from the acquisition. Each unit or group of units to which goodwill has been distributed corresponds to the lowest level in the Group at which the goodwill is monitored in the internal control, which is not larger than a business segment. Goodwill has an indeterminate period of use and is recognized at cost less accumulated impairment losses.

Tenancy rights

Tenancy rights are recognized at cost less amortization. Amortization is booked on a straight-line basis over the estimated period of use of three to five years, which corresponds to the lease term.

Trademarks

Trademarks are tested annually to identify any impairment loss and are recognized at cost less accumulated amortization. The Björn Borg trademark was established in the Swedish fashion market during the first half of the 1990s. Continuity has given the brand a distinctive identity and strong position in its markets. It is characterized by quality products and creative, innovative design influenced by the sporting heritage associated with the Björn Borg name. Through consistent, long-term branding, Björn Borg has strengthened its role in the international fashion market. The trademark is considered to have a very strong market position and therefore has an indeterminate period of use.

Website development

Costs to maintain software and websites are expensed as they arise. Development costs directly attributable to the development and testing of identifiable software, including websites controlled by the Group, are recognized as intangible assets when the following criteria are met: it is technically possible to complete the website, there are opportunities to utilize the website for commercial purposes, it can be demonstrated that it will generate future economic benefits, and the expenses attributable to the development of the website can be reliably estimated. Directly attributable expenses primarily relate to outside consultants hired to build the website as well as expenses for employees. Development costs for the website are recognized as intangible assets and amortized over their estimated period of use, i.e., five years. Other development costs which do not meet these criteria are expensed as they arise.

TANGIBLE NON-CURRENT ASSETS

Tangible non-current assets are recognized as assets in the balance sheet if it is probable that future economic benefits will accrue to the company and their cost can be reliably measured. Tangible non-current assets, consisting mainly of equipment and computers, are carried at cost less accumulated depreciation and impairment losses. Depreciation of tangible non-current assets is expensed in a way that the asset's value is depreciated on a straight-line basis over its estimated useful life. Equipment and computers are depreciated by 20-33 percent annually.

IMPAIRMENT

At the end of each reporting period the Group's assets are tested for impairment. If there is an indication of impairment, the asset's recoverable amount is calculated. Goodwill has been allocated to cash-generating units and, together with other intangible assets with an indeterminate period of use and intangible assets not in use, is subject to annual impairment testing even if there is no indication of diminished value. However, impairment testing is done more frequently if there are indications of diminished value. The recoverable amount is the higher of the asset's value in use and the value that would be obtained if the asset were sold to an independent party, i.e., its net selling price. Value in use is the present value of all receipts and disbursements expected to arise from continuing use of the asset plus the present value of the net selling price at the end of the asset's useful life. If the estimated recoverable amount is less than the carrying amount, the asset is written down to its recoverable amount. Previous impairment losses are reversed when the recoverable amount of the previously impaired asset exceeds the carrying amount and the impairment is no longer considered necessary, and is recognized through profit or loss. Previous impairment losses may not reversed to such an extent that the carrying amount, after the reversal, exceeds what would have been recognized after depreciation/amortization if the impairment had not been made. Previous impairment losses are tested individually. Goodwill impairment is not reversed.

INVENTORY
Inventory is valued at the lower of cost according to the first in, first-out method and fair value (net selling price).

Net selling price corresponds to the estimated selling price less estimated expenses required to complete the sale.

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

RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES AND OTHER FINANCIAL INSTRUMENTS
Financial instruments are measured and recognized by the Group in accordance with the rules in IAS 39. Financial assets and liabilities are categorized according to IAS 39. Financial instruments are initially recognized at cost, corresponding to the instrument's fair value plus transaction costs for all financial instruments other than those in the category financial assets (liabilities), which are recognized at fair value through profit or loss. Subsequent recognition and valuation depend on how the financial instruments have been classified.

Financial assets and liabilities are recognized in the balance sheet when the company becomes a party to the instrument's contractual terms. Accounts receivable are recognized in the balance sheet when an invoice has been issued. Liabilities are recognized when the counterparty has performed as agreed and there is a contractual obligation to pay, even if the invoice has not yet been received. Accounts payable are recognized when an invoice has been received.

A financial asset is derecognized from the balance sheet when the rights in the agreement are realized, expire or the company loses control of them. The same applies to part of a financial asset. A financial liability is derecognized when the obligation in the agreement is fulfilled or otherwise discharged. The same applies to part of a financial liability.

Estimation of fair value of financial instruments
The fair value of short-term investments and derivatives is estimated using official market listings on the closing day. When such listings are unavailable, valuations are made using generally accepted methods such as the discounting of future cash flows to listed interest rates for each maturity. Translations to SEK are based on listed exchange rates on the closing day.

Set-off of financial assets and liabilities
Financial assets and liabilities are set off and recognized net in the balance sheet when there is a legal right of set-off and when the intention is to report the items net or realize the asset while settling the liability.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are divided into two categories: financial assets held for trading and financial assets designated upon initial recognition as belonging to this category. Financial assets held for trading are defined as financial assets acquired for the purpose of selling or repurchasing in the short term. The Group's financial assets held for trading consist of derivatives.

Designating a financial asset as belonging to this category upon initial recognition (the so-called fair value option) requires that this recognition provides a more accurate picture than would otherwise be the case because it reduces the so-called accounting mismatch or because the assets are included in a group of assets managed and evaluated based on their fair value, in accordance with the Group's risk management or investment strategy. The Group's investments in corporate bonds are managed and evaluated by management in accordance with the Group's documented investment strategy based on their fair values. The Group has therefore chosen upon initial recognition to designate investments in corporate bonds as belonging to this category.

Assets in this category are measured initially and upon subsequent recognition at fair value. All changes in value that arise are recognized through profit or loss.

Loans receivable and accounts receivable
Loans receivable and accounts receivable are financial receivables that arise when the company provides money without the intent to trade its claim and are categorized as loans receivable and accounts receivable. Loans receivable and accounts receivable include accounts receivable and other current receivables. Assets in this category are initially recognized at fair value and subsequently at amortized cost. Amortized cost is calculated with the help of the effective interest rate method, which means that any premiums and discounts as well as directly related costs or revenue are accrued over the life of the agreement with the help of the estimated effective interest rate. The effective interest rate is the interest rate that produces the instrument's cost through a present value calculation of future cash flows. The anticipated maturity of accounts receivable is short, due to which they are carried at their nominal amount without discounting less any provisions for impairment. Accounts receivable are recognized at the amounts that are expected to be received after deducting impaired receivables, which are evaluated individually. Provisions for impaired receivables are recognized when there is objective proof that the Group will not be able to receive all the amounts that are due as per the original terms of the receivables. If it is determined in the quarterly review of exposures that a customer, due to insolvency, has not been able to pay its liabilities or for good reason is not expected to pay its liabilities within three months, or for good reason it is likely that the customer cannot meet its obligations, a provision is allocated for the entire established or anticipated loss. Provisions for anticipated impaired receivables are based on an individual assessment of each customer given their solvency, estimated future risk and the value of the collateral received.

Write-downs of accounts receivable are recognized in operating expenses. Translations to SEK are based on closing day exchange rates.

Cash & cash equivalents
Cash & cash equivalents consist of cash, demand deposits and other short-term investments with maturities of three months or less. Cash and bank deposits are recognized at nominal amounts and short-term investments at fair value, with any changes in value recognized through profit or loss.

Financial liabilities
Accounts payable and loan liabilities are categorized as "Financial liabilities," which means that they are recognized at amortized cost. The anticipated maturity of accounts payable is short, due to which the liability is carried at nominal amount without discounting.

Liabilities to credit institutions, funding, bank overdraft facilities and other liabilities (loans) are initially recognized at fair value, net after transaction costs. Loans are subsequently carried at amortized cost. Amortized cost is calculated with the help of the effective interest rate method, which means that any premiums and discounts as well as directly related transaction costs are accrued over the life of the agreement with the help of the estimated effective interest rate. The effective rate is the interest rate that produces the instrument's cost through a present value calculation of future cash flows. Non-current liabilities have an anticipated maturity of more than one year, while current liabilities have a maturity of less than one year.

SHARE CAPITAL
Common shares are classified as share capital. Transaction costs in connection with new share issues are recognized as a deduction (net of tax) from the issue proceeds.

PROVISIONS
Provisions for legal claims or other claims from external counterparties are recognized when the Group has a legal or constructive obligation as a result of a past event and it is likely that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

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

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

PARENT COMPANY'S ACCOUNTING PRINCIPLES
The annual report of the Parent Company has been prepared according to the *Annual Accounts Act*, the Swedish Financial Reporting Board's recommendation RFR 2 *Accounting in Legal Entities* and statements from the Swedish Financial Reporting Board. RFR 2 means that the Parent Company, in the annual report for the legal entity, must apply all EU-approved IFRS and pronouncements as far as possible within the framework of the *Annual Accounts Act* and the *Pension Obligations Vesting Act*, taking into account the connection between reporting and taxation. The recommendation specifies the exemptions from and additions to IFRS. Differences between the accounting principles of the Group and the Parent Company are indicated below. Additions and amendments to RFR applicable as of 2017 have not had a material effect on the Parent Company's results or financial position. The amendments to RFR 2 *Accounting in Legal Entities*, which are effective January 1, 2018, are not expected to have a material effect on the Parent Company's results or financial position.

IAS 38 Intangible assets
If development costs are capitalized, a limit is placed on the opportunity to distribute equity by allocating an equal amount to what is capitalized to a special restricted fund for development costs. This only applies, however, to new capitalized costs, i.e., those capitalized after January 1, 2016.

Taxes
The amounts allocated to untaxed reserves constitute taxable temporary differences. Because of the relationship between recognition and taxation, the deferred tax liability attributable to untaxed reserves is not recognized separately by the legal entity. Swedish practice requires changes in untaxed reserves to be recognized through profit or loss in individual companies under the heading "Appropriations." The accumulated value of provisions is reported in the balance sheet under the heading "Untaxed reserves," of which 22 percent is considered a deferred tax liability and 78 percent restricted equity.

Shares in subsidiaries
Shares in subsidiaries are recognized according to the cost method. Acquisition related costs to acquire shares in subsidiaries are included as part of the cost of shares in subsidiaries.

Group contributions
Group contributions received are recognized according to the main rule, i.e., the same principles as ordinary dividends, i.e., as financial income.

Leased assets
All leases are recognized according to the rules for operating leases.

Financial guarantees
The Parent Company applies the exception in RFR 2 and recognizes guarantees according to the rules for provisions.

NOTE 2 CRITICAL ESTIMATES AND ASSUMPTIONS

CRITICAL ESTIMATES AND ASSUMPTIONS FOR ACCOUNTING PURPOSES
Estimates and assumptions are periodically evaluated based on historical experience and other factors, including assumptions regarding future events that under current circumstances seem reasonable. Estimates and assumptions about the future are part of the work in preparing the annual report. By definition, the accounting estimates this necessitates will not always correspond to actual outcomes.

Taxes
Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities and their value for tax purposes. There are primarily two types of assumptions and estimates that affect reported deferred tax, i.e., those used to determine the carrying amount of various assets and liabilities and those used to determine future taxable gains in cases where future utilization of deferred tax assets is dependent on this. The carrying amount as of December 31, 2017 was SEK 22,530 thousand (13,452). The portion of the tax assets which refers to tax loss carryforwards in the balance sheet is the value that is dependent on future profits in the companies and markets with the historical losses. The valuation of this asset is based on management's assessment of the ability of these units to generate profits and, consequently, utilize the deductions. There are other tax loss carryforwards as well which are not recorded in the accounts but whose value could increase if these units perform better than expected or decrease if they underperform. For more information, see Note 16.

Impairment testing of goodwill and trademarks
Impairment testing of the Group's goodwill and the carrying amount for trademarks requires estimates and assumptions regarding margins, growth, discount rates, etc. For a more detailed description of impairment testing, see Note 18. The carrying amount for trademarks and goodwill as of December 31, 2017 amounted to SEK 223,287 thousand (206,824).

Recognition of trademarks
In 2006 Björn Borg acquired the Björn Borg trademark. The purchase price consisted of a cash payment on the acquisition date of SEK 124,000 thousand and contingent consideration payable annually through 2016, i.e., 2017 was the first year that no contingent consideration was paid. The contingent consideration was divided into a fixed and a variable portion. The fixed portion, corresponding to SEK 7,800 thousand per year, was recognized as part of the cost because it could be reliably determined, while the variable portion was recognized as an operating expense on an annual basis. Total contingent consideration paid in the financial year 2016 amounted to around SEK 30 million. The variable portion was based on a percentage of sales at the wholesale level during the period 2006–2016 and therefore could not be reliably determined on the acquisition date. In accordance with IAS 38, the future payment of the contingent consideration was discounted to present value, because of which the total cost of the trademark amounted to SEK 187,532 thousand.

Continuity has given the brand a distinctive identity and strong position in its markets. It is characterized by quality products and creative, innovative design influenced by the sporting heritage associated with the Björn Borg name. Through consistent, long-term branding, Björn Borg has strengthened its role in the international fashion market. The trademark is considered to have a very strong market position and therefore has an indeterminate period of use.

Share-related compensation
The Group has issued warrants to senior executives. According to the Group's accounting principles, the fair value of the warrants is recognized as an expense distributed over the vesting period. With respect to the issued warrants, the Group has received market-rate compensation based on a valuation according to Black & Scholes. The Group has made a determination that market-rate consideration was received and that the

terms are otherwise designed in a way that does not benefit the participants in the warrant plan. Against the backdrop of this determination, no cost is recognized for the issued warrants.

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

Accounts receivable
Accounts receivable are assets with fixed payments. They are tied to the Group's deliveries of goods and services and are dependent on their quality, and are measured at amortized cost. The receivables are recognized at the amounts that are expected to be received after deducting impaired receivables. The value of impaired receivables is assessed individually by management together with the operations in question. The indicators used to assess the value of impaired receivables are age analysis, payment history, the counterparty's financial strength and the dialogue with the counterparty. Actual outcomes of future sales prices and costs to implement the sale may deviate from assessments and estimates that have been made.

NOTE 3 FINANCIAL RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT AND FINANCIAL DERIVATIVES
Through its operations, Björn Borg is exposed to currency, interest rate, credit and counterparty risks as well as liquidity and refinancing risks. The Board has decided how the Group will manage these risks.

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

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

Commercial transaction exposure refers to exposure attributable to purchases and sales in foreign currency. The Group's largest currency exposure is against USD and EUR, where USD affects the cost of goods, while EUR primarily affects sales and overhead costs. The Group's transaction risk arises because Björn Borg mainly sells in SEK and EUR and buys in USD, but to some extent in EUR as well. About 7 percent of the Group's sales is in USD, which eliminates a portion of the transaction risk, but significantly less than in previous years since the Benelux acquisition increases the transaction exposure as more sales are in EUR instead of USD. Björn Borg did not use any derivatives to manage this currency risk in 2017. During the year realized and unrealized exchange rate differences affected operating profit negatively by SEK –145 thousand (positively by 4,215).

Financial transaction exposure refers to the exposure attributable to loans and investments in foreign currency. Björn Borg has previously invested in corporate bonds in foreign currency. In connection with the repayment of the bond loan, the bond portfolio was largely divested, which means that the financial transaction exposure has decreased compared with previous years. The remaining exposure consists of cash & cash equivalents in foreign currency.

Translation exposure
Fluctuations in foreign exchange rates affect the Group when the net assets of foreign subsidiaries are translated to SEK. Translation differences are recognized in other comprehensive income and accumulated in equity. Björn Borg is primarily exposed to changes in EUR, USD and GBP. Björn Borg has chosen not to hedge the translation exposure. The exposure as of December 31, 2017 amounted to EUR -2,050 thousand (1,260), USD –1,190 thousand (–1,190) and GBP –4,520 thousand (–3,500).

SENSITIVITY ANALYSIS
Commercial transaction exposure
In 2017 the Björn Borg Group was affected by a stronger euro and a weaker dollar than in 2016.

The table below describes the impact of the two currencies on the Björn Borg Group's revenue, operating profit and equity based on the current business model. As sales increased significantly during the year at both the wholesale and retail level, while product development and the branding segment decreased significantly from the previous year due to the Benelux acquisition, the commercial transaction exposure has changed considerably from previous years. A change in the USD has a marginal effect on sales but a strong impact on operating profit and equity since the cost of goods sold is affected by the US dollar's fluctuation as about 89 percent of purchases is in USD. The net effect of a change in EUR has a significant impact on sales since nearly half of the Group's sales is in EUR and a strong impact on operating profit and equity mainly thanks to higher sales. Several other factors also affect the transaction exposure going forward, including each operating segment's share of total sales, distribution and marketing costs and what the exchange rate is at the point when the products are shipped.

Björn Borg has not used currency derivatives to hedge its exchange rate exposure from sales and purchases in foreign currency. Following is a sensitivity analysis of commercial transaction exposure from changes in the currencies that most impact the Group's sales and goods purchases.

ESTIMATED CURRENCY EFFECT

2017	%	Estimated effect on revenue, %	Estimated effect on operating profit, %	Estimated effect on equity, %
Stronger USD vs. SEK	10	0.7	–42.9	–6.7
Weaker USD vs. SEK	–10	–0.7	42.9	6.7
Stronger EUR vs. SEK	10	5.1	40.6	9.2
Weaker EUR vs. SEK	–10	–5.1	–40.6	–9.2

ESTIMATED CURRENCY EFFECT

2016	%	Estimated effect on revenue, %	Estimated effect on operating profit, %	Estimated effect on equity, %
Stronger USD vs. SEK	10	2.5	–14.3	–2.5
Weaker USD vs. SEK	–10	–2.5	14.3	2.5
Stronger EUR vs. SEK	10	2.3	13.4	2.3
Weaker EUR vs. SEK	–10	–2.3	–13.4	–2.3

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

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

ESTIMATED CURRENCY EFFECT

2017	%	Estimated effect on profit, SEK thousands	Estimated effect on equity, SEK thousands
EUR	+/–10	+/–1,555	+/–1,213
USD	+/–10	+/–104	+/–81
GBP	+/–10	+/–274	+/–214
NOK	+/–10	+/–33	+/–26

ESTIMATED CURRENCY EFFECT

2016	%	Estimated effect on profit, SEK thousands	Estimated effect on equity, SEK thousands
EUR	+/–10	+/–811	+/–632
USD	+/–10	+/–0	+/–0
GBP	+/–10	+/–244	+/–95
NOK	+/–10	+/–122	+/–95

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

ESTIMATED CURRENCY EFFECT

2017	%	Estimated effect on equity, SEK thousands
EUR	+/–10	+/–2,000
USD	+/–10	+/–1,000
GBP	+/–10	+/–5,000

ESTIMATED CURRENCY EFFECT

2016	%	Estimated effect on equity, SEK thousands
EUR	+/–10	+/–1,200
USD	+/–10	+/–1,080
GBP	+/–10	+/–3,900

PRICE RISK
Price risk refers to the risk that the fair value of or future cash flows from a financial instrument vary due to changes in market prices (other than those that derive from interest rate or currency risk). Since practically the entire bond portfolio was divested during the year, there is no direct price risk in the Group. As of December 31, 2017 Björn Borg had investments of SEK 500 thousand (26,167). An exchange fluctuation of +/–1 percent for the entire portfolio would affect the value of the bond portfolio (and related revenue) by approximately SEK 5 thousand (260). The corresponding effect on equity would be about SEK +/–4 thousand (200).

INTEREST RATE RISK
Interest rate risk refers to the risk that changes in market interest rates will impact the fair value of or cash flows from a financial instrument. Björn Borg's interest rate risk is primarily attributable to bank balances and investments as well as funding in the form of bond loans.

As of December 31, 2017 interest-bearing assets in the form of bank balances amounted to SEK 52,620 thousand (48,948) and in the form of corporate bonds amounted to SEK 500 thousand (26,167). Interest-bearing assets related to bank balances primarily carry variable interest rates, because of which changes in market interest rates lead to higher or lower future interest income. Investments in corporate bonds carry both variable and fixed interest rates. The revaluation effect on assets measured at fair value is shown above under price risk.

A change in market interest rates of one percentage point would impact the Group's net interest income and expenses for outstanding assets by about SEK +/–480 thousand (400) on the closing day, based on average interest-bearing assets in 2017. The effect on equity would have been about SEK +/–370 thousand (340).

Moreover, there is an interest rate risk associated with the credit facility and overdraft facility Björn Borg obtained from Danske Bank. The interest rate is variable and corresponds to the 3-month STIBOR plus a margin. As of December 31, 2017 Björn Borg had utilized SEK 125 million of its credit facilities. An increase in the 3-month STIBOR of 1 percentage point, all else being equal, would increase Björn Borg's interest expenses by SEK 1,250 thousand per year (1,100). A decrease of 1 percentage point would result in a corresponding decrease given that STIRBOR is not negative. Equity would be affected correspondingly by about SEK +/–975 thousand (860).

In addition to the above credit facilities, Björn Borg has issued a convertible debenture with a nominal value of SEK 17,273 thousand. A change of +/–1 percentage point in the 3-month STIBOR would, all else being equal, increase or decrease the Group's interest expenses by SEK 172 thousand (182). As a result, the Group's total interest expense would be affected by a one percentage point change by SEK 1,422 thousand (1,682) and equity by SEK 1,100 thousand (1,312).

CREDIT AND COUNTERPARTY RISKS
The Group's credit and counterparty risks consist of exposures to commercial and financial counterparties. Credit or counterparty risk refers to the risk of a loss if the counterparty does not meet its obligations. According to the decision of the Board of Directors, this risk will be limited by accepting only counterparties with high credit ratings and by setting limits. Björn Borg's commercial credit risk mainly consists of accounts receivable, which are distributed among a large number of counterparties. Credit risk vis-à-vis financial counterparties is limited to financial institutions with high credit ratings. In 2016 the Benelux distributor accounted for a large share of the Group's total accounts receivable (44 percent) and the Group had a loan receivable of SEK 10,700 thousand from the same counterparty. Due to the Benelux acquisition, these receivables have been eliminated in the Group and no counterparty accounts for more than 10 percent of the total accounts receivable as of December 31, 2017. The previous credit risk in the bond portfolio no longer exists since the portfolio has been largely divested. As of December 31, 2017 the entire market value of the bond portfolio vis-à-vis a counterparty is SEK 500 thousand. The maximum credit risk corresponds to the carrying amount of the financial assets.

THE BJÖRN BORG GROUP'S OUTSTANDING CREDIT RISK AS OF DEC. 31, 2017

	Group		Parent Company	
SEK thousands	2017	2016	2017	2016
Receivable DBM, long-term portion	–	10,700	–	10,700
Accounts receivable	91,479	137,769	39	620
Other current receivables	2,119	3,313	24	11
Investments	500	26,167	500	26,167
Cash and bank balances	52,620	48,948	10,267	13,330
	146,717	**226,897**	**10,830**	**50,828**

During the year Björn Borg invested in and sold corporate bonds and derivatives (forward exchange contracts) with a nominal value of SEK 25,417 thousand (54,962), and consequently the bond portfolio is largely divested; see the item Investments SEK 500 thousand (26,167) in the table above. The new financing solution obtained from Danske Bank is not expected to generate any surplus liquidity that will necessitate new investments in bonds. According to Group policy, investments may be made only in bonds issued by companies with stable, positive cash flows. Investments are made in corporate bonds and mortgage bonds primarily with variable interest rates and maturities that by rule do not stretch beyond 2017. Investments are permitted in bonds with maturities through 2019, but with an investment limit of SEK 50 million. Not more than SEK 10 million may be invested in the same bond issuer, but for issuers with credit ratings there is an upper limit of SEK 20 million. Not more than SEK 50 million may be invested in any specific sector such as real estate or banking. For investments in bonds in foreign currency, the equivalent value is normally hedged with forward contracts. Holdings in foreign currency exceeding SEK 20 million must be hedged. The investment portfolio is evaluated monthly by the investment team and quarterly by the Board of Directors. The credit quality of the holdings is as follows:

THE BJÖRN BORG GROUP'S OUTSTANDING CREDIT QUALITY AS OF DEC. 31, 2017

	BBB	BB	B	Nonrated	Total
Corporate bonds	–	–	–	500	500
Derivatives	–	–	–	–	–
	–	**–**	**–**	**500**	**500**

THE BJÖRN BORG GROUP'S OUTSTANDING CREDIT QUALITY AS OF DEC. 31, 2016

	BBB	BB	B	Nonrated	Total
Corporate bonds	–	10,606	15,349	–	25,955
Derivatives	–	–	–	–	212
	–	**10,606**	**15,349**	**–**	**26,167**

All of the investments of SEK 500 thousand (26,167) are in SEK.

LIQUIDITY AND REFINANCING RISKS

Liquidity and refinancing risk refers to the risk that the cost will be higher and financing opportunities limited when loans are renewed and that payment obligations cannot be met due to insufficient liquidity or difficulty obtaining financing.

Björn Borg's outstanding bond loan matured in April 2017 and was repaid in the second quarter of 2017. The bond loan has been replaced by a three-year revolving credit of SEK 150 million with Danske Bank. In addition to the revolving credit, Björn Borg has an overdraft facility of SEK 90 million with Danske Bank. As a commitment for the overdraft facility and the three-year revolving credit, the company has pledged to ensure that the ratio between the Group's net debt and 12-month rolling operating profit before depreciation and amortization as of the last day of each quarter does not exceed 3.00. Further, the Group shall at any given time maintain an equity/assets ratio of at least 35 percent.

Maturity structure of the Björn Borg Group's outstanding receivables and liabilities as of Dec. 31, 2017 (contractual and undiscounted cash flows):

MATURITY STRUCTURE OF THE BJÖRN BORG GROUP'S OUTSTANDING ASSETS AND LIABILITIES AS OF DEC. 31, 2017

Dec. 31, 2017	Up to 3 mos.	3–12 mos.	1–5 yrs.	Over 5 yrs.
Long-term receivable	–	–	–	–
Accounts receivable	91,479	–	–	–
Other receivables	2,119	–	–	–
Investments	–	–	500	–
Cash and bank balances	52,620	–	–	–
Other liabilities	–	–51,975	–22,925	–
Accounts payable	–20,452	–	–	–
Non-current liabilities to credit institutions	–	–	–125,000	–
Total	**125,765**	**–51,975**	**–147,425**	**–**

MATURITY STRUCTURE OF THE BJÖRN BORG GROUP'S OUTSTANDING ASSETS AND LIABILITIES AS OF DEC. 31, 2016

Dec. 31, 2016	Up to 3 mos.	3–12 mos.	1–5 yrs.	Over 5 yrs.
Long-term receivable	–	–	10,700	–
Accounts receivable	137,769	–	–	–
Other receivables	3,313	–	–	–
Investments	–	1,225	24,942	–
Cash and bank balances	48,948	–	–	–
Other liabilities	–	–45,743	–17,273	–
Accounts payable	–13,797	–	–	–
Bond loans	–1,330	–137,092	–	–
Total	**174,903**	**–181,610**	**18,369**	**–**

CAPITAL

Capital refers to shareholders' equity and loan capital. The Group's goal in managing capital is to safeguard its survival and freedom of action and to ensure that shareholders receive a return on their investment. The distribution between shareholders' equity and loan capital should be such that a good balance is achieved between risk and return. If necessary, the capital structure is adapted to changing economic conditions and other market factors. To maintain and adapt its capital structure, the Group can distribute funds, raise shareholders' equity by issuing new shares or capital contributions, or reduce or increase liabilities. The Group's liabilities and equity are shown in the consolidated statement of financial position, while the elements included in the reserves are shown in consolidated statement of changes in equity. See also Notes 17 (Earnings per share), 24 (Financial assets and liabilities) and 25 (Dividend per share).

As a commitment for the overdraft facility and the three-year revolving credit, the company has pledged to ensure that the ratio between the Group's net debt and 12-month rolling operating profit before depreciation and amortization as of the last day of each quarter does not exceed 3.00. Further, the Group shall at any given time 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).

NOTE 4 SEGMENT REPORTING

The CEO is the Group's chief operating decision maker. The reported business segments are the same as those reported internally to the chief operating decision maker and used as a basis for distributing resources and evaluating results in the Group. The monitoring and evaluation of the business segments' results are based mainly on operating profit. Segment reporting is prepared according to the same accounting principles as the consolidated financial statements, as indicated in Note 1, with the exception that external sales are presented including other operating revenue.

BRAND
In its capacity as owner and manager of the Björn Borg trademark, the Björn Borg Group receives royalty revenue based on wholesale revenues by distributors and licensees.

PRODUCT DEVELOPMENT
The product companies for sports apparel and underwear are responsible for design and development of collections for all markets in the network. They generate revenue from product sales to distributors.

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

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

SUMMARY BY SEGMENT 2017

SEK thousands	Brand	Product development	Wholesale	Retail	Total	Eliminations	Group
Revenue							
External sales	19,120	53,478	444,293	187,364	704,255	–	704,255
Internal sales	36,877	331,304	74,502	31,560	474,243	–474,243	–
Total revenue	**55,997**	**384,782**	**518,795**	**218,924**	**1,178,498**	**–474,243**	**704,255**
Operating profit	**35,467**	**19,187**	**5,536**	**–4,822**	**55,367**	**–**	**55,367**
Non-current assets	531,936	28,479	12,181	4,680	577,275	–311,000	266,275
Inventory	–	57,308	73,185	5,449	135,942	–26,172	109,770
Other current assets	1,422,441	629,607	502,712	141,097	2,695,858	–2,531,205	164,654
Total assets	**1,954,377**	**715,395**	**588,078**	**151,226**	**3,409,076**	**–2,868,377**	**540,699**
Other liabilities	1,212,359	704,512	639,337	164,264	2,720,472	–2,457,171	263,301
Total liabilities	**1,212,359**	**704,512**	**639,337**	**164,264**	**2,720,472**	**–2,457,171**	**263,301**
Investments in tangible and intangible non-current assets	1,847	76	6,456	4,421	12,800	–	12,800
Depreciation/amortization	–1,396	–236	–6,889	–2,387	–10,908	1,002	–9,906

SUMMARY BY SEGMENT 2016

SEK thousands	Brand	Product development	Wholesale	Retail	Total	Eliminations	Group
Revenue							
External sales	33,626	187,747	289,633	127,565	638,570	–	638,570
Internal sales	49,822	176,156	31,199	17,412	274,589	–274,589	–
Total revenue	**83,448**	**363,903**	**320,832**	**144,977**	**913,160**	**–274,589**	**638,570**
Operating profit	**19,500**	**33,415**	**17,595**	**–6,314**	**64,196**	**–**	**64,196**
Non-current assets	566,588	33,908	5,415	2,635	608,546	–366,625	241,921
Inventory	–	30,670	41,150	13,116	84,936	–17,459	67,477
Other current assets	1,284,545	527,353	381,755	110,009	2,303,662	–2,074,635	229,027
Total assets	**1,851,133**	**591,931**	**428,320**	**125,760**	**2,997,144**	**–2,458,719**	**538,426**
Other liabilities	1,115,231	571,700	418,755	139,840	2,245,526	–1,996,203	249,324
Total liabilities	**1,115,231**	**571,700**	**418,755**	**139,840**	**2,245,526**	**–1,996,203**	**249,324**
Investments in tangible and intangible non-current assets	1,636	70	2,620	905	5,231	–	5,231
Depreciation/amortization	–2,234	–207	–3,158	–2,188	–7,787	990	–6,797

RECONCILIATION BETWEEN OPERATING PROFIT AND PROFIT FOR TAX PURPOSES

The difference between operating profit for segments for which information is disclosed, SEK 55,367 thousand (64,196), and profit before tax, SEK 51,398 thousand (63,469), is net financial items, SEK 3,969 thousand (–727).

INTERNAL PRICING

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

ELIMINATIONS

The column for eliminations refers strictly to internal transactions.

GEOGRAPHICAL AREAS

	Sweden		Netherlands		Norway		Finland		Other		Group	
SEK thousands	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net sales	226,500	245,086	167,469	160,386	31,337	26,971	123,371	88,298	155,578	117,828	704,255	638,570
Assets	173,898	206,650	128,576	135,234	24,059	22,741	94,719	74,451	119,446	99,350	540,699	538,426
Investments	1,540	4,228	5,548	–	–	–	523	973	256	30	7,868	5,231
Depreciation/amortization	–4,589	–5,110	–3,506	–	–	–	–2,312	–2,207	501	521	–9,906	–6,797

The Group presents revenue for its four largest markets: Sweden, the Netherlands, Norway and Finland.

NOTE 5 REVENUE DISTRIBUTION

NET SALES AND OTHER OPERATING REVENUE

	Group		Parent Company	
SEK thousands	2017	2016	2017	2016
Goods	677,362	597,991	–	–
Trademarks/royalties	19,120	33,626	–	–
Service revenue	7,773	6,954	100,845	68,869
Total revenue	**704,255**	**638,570**	**100,845**	**68,869**

The Parent Company includes other operating revenue of SEK 5,040 thousand (3,964), of which SEK 4,138 thousand has been waived in return for shares in the subsidiary Björn Borg Sport and the rest essentially consists of re-invoicing of expenses.

NOTE 6 OTHER EXTERNAL EXPENSES

	Group		Parent Company	
SEK thousands	2017	2016	2017	2016
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
	173,967	**148,187**	**54,493**	**55,768**

NOTE 7 REVENUE AND EXPENSES BETWEEN GROUP COMPANIES

The Parent Company's revenue from subsidiaries amounted to SEK 96,000 thousand (68,297). The Parent Company's expenses for subsidiaries amounted to SEK 3,168 thousand (2,472). The Parent Company's sales to subsidiaries mainly consist of compensation to cover shared costs for rents, central administration, shared systems and marketing services.

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

WAGES, SALARIES, OTHER COMPENSATION AND SOCIAL SECURITY CONTRIBUTIONS

	Group		Parent Company	
SEK thousands	2017	2016	2017	2016
Wages, salaries and other compensation	105,672	73,675	20,890	20,931
Social security contributions	21,387	20,881	8,851	8,086
Pension costs	7,251	6,502	2,892	2,778
Total	**134,310**	**101,058**	**32,633**	**31,795**

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

	Group		Parent Company	
SEK thousands	2017	2016	2017	2016
Board, CEO and other senior executives	12,427	13,403	11,223	12,253
Other employees	93,246	60,272	9,667	8,679
Total	**105,673**	**73,675**	**20,890**	**20,931**

AVERAGE NUMBER OF EMPLOYEES [1]

	Group		Parent Company	
SEK thousands	2017	2016	2017	2016
Women	143	94	21	19
Men	69	39	8	9
Total	**212**	**133**	**29**	**28**

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

GENDER DISTRIBUTION AMONG DIRECTORS AND SENIOR EXECUTIVES

Group	2017		2016	
SEK thousands	Men	Women	Men	Women
Board	4	2	4	3
Other senior executives	4	3	4	4
Total	**8**	**5**	**8**	**7**

COMPENSATION AND OTHER BENEFITS TO DIRECTORS

	2017		2016	
SEK thousands	Board fees	Other compen-sation	Board fees	Other compen-sation
Chairman of the Board				
Heiner Olbrich	375	82	375	107
Other Directors				
Mats H Nilsson	150	96	150	71
Fredrik Lövstedt	150	–	150	–
Martin Bjäringer	150	–	150	–
Kristel Kinning	150	55	150	55
Lotta De Champs	150	–	150	–
Petra Stenqvist	–	–	150	–
Total	**1,125**	**233**	**1,275**	**233**

COMPENSATION AND OTHER BENEFITS TO SENIOR EXECUTIVES 2017

SEK thousands	Base salary	Variable compen-sation	Pension	Sever-ance	**Total**
CEO	3,631	65	892	181	**4,769**
Other senior executives	6,972	401	1,368	131	**8,871**
Total	**10,603**	**466**	**2,260**	**312**	**13,640**

COMPENSATION AND OTHER BENEFITS TO SENIOR EXECUTIVES 2016

SEK thousands	Base salary	Variable compen-sation	Pension	Sever-ance	**Total**
CEO	2,880	432	713	146	**4,171**
Deputy CEO	264	–	46	6	**316**
Other senior executives	7,481	838	1,325	132	**9,777**
Total	**10,625**	**1,270**	**2,084**	**284**	**14,263**

BENEFITS TO BOARD, CEO AND OTHER SENIOR EXECUTIVES

Compensation to the Board

In accordance with the resolution of the Annual General Meeting, the Chairman of the Board and other Directors received total fees of SEK 1,358 thousand (1,508) in 2017. The Chairman received SEK 375 thousand (375), while other Directors received SEK 150 thousand (150) each. In addition to their fees, the Chairman and other Directors are reimbursed for travel and accommodations in connection with Board meetings. The members of the Compensation Committee received total fees of SEK 43 thousand (43) in 2017 and the members of the Audit Committee received a total of SEK 190 thousand (190). All compensation is pursuant to the Board compensation resolved by the AGM.

Compensation to the CEO and deputy CEO

Björn Borg's CEO received salary and other remuneration of SEK 3,631 thousand (2,880), in addition to variable compensation of SEK 65 thousand. The CEO, according to his contract, is entitled to a base salary as well as variable compensation if certain predefined targets are met. In addition, the CEO is entitled to certain other benefits such as a company car and certain insurance. The CEO is also entitled to a monthly pension provision corresponding to 25 percent of his base salary. The variable compensation has been calculated based on the Group's sales and operating profit in relation to the Board-approved budget.

The CEO has a term of notice of 12 months if terminated by the company. If he resigns, there is a six-month term of notice. A proposal on the terms of the compensation package for the CEO is made by a compensation committee consisting of Heiner Olbrich and Mats H Nilsson and approved by the Board. The CEO's holding of shares and warrants is described below.

Compensation to other senior executives

Senior executives refer to the Group Management. Aside from the CEO, Group Management consisted of seven other executives in 2017. The average number of other senior executives during the year excluding the deputy CEO was six. Base salaries paid to senior executives amounted to SEK 6,972 thousand (7,481) in 2017, in addition to which they receive variable compensation if the Group's sales and results exceed the Board's established budget. Variable compensation for 2017 amounted to SEK 401 thousand (838). One senior executive receives commission-based variable compensation that can exceed base salary, which is an exception to the established guidelines. Certain senior executives also have access to a company car. Björn Borg pays pension premiums to a defined contribution pension plan. Retirement benefit costs for 2017 amounted to SEK 1,368 thousand (1,325). If terminated by the company, senior executives are entitled to a term of notice of 3–6 months. The shareholdings of senior executives of Björn Borg are described below.

SHAREHOLDINGS OF BOARD, CEO AND OTHER SENIOR EXECUTIVES AS OF DEC. 31, 2017

SEK thousands	No. of shares
Fredrik Lövstedt	1,050,040
Mats H Nilsson	1,638,440
Martin Bjäringer	2,450,000
Christel Kinning	–
Lotta De Champs	–
Heiner Olbrich	–
CEO	100,000
Other senior executives	38,082
Total number of shares	**5,276,562**

PENSIONS

The Group has only defined contribution pension plans. A defined contribution plan is a plan where the Group pays fixed premiums to a separate legal entity. After it has paid the premium, Björn Borg has no further obligation to the Group's employees. The fees are recognized as staff costs in the period to which the fees relate and in 2017 amounted to SEK 7.3 million (6.5).

CONVERTIBLE DEBENTURES

Björn Borg issued convertible debentures on June 16, 2015 that were subscribed for at a nominal value of SEK 18,155 thousand. The convertibles carry interest (starting date July 1, 2015), which is paid annually in arrears, with the first payment on June 30, 2016. The interest rate is determined based on an average of STIBOR on certain fixed dates during the period (September 10, December 10, March 10 and June 10) plus a margin of 3.15 percent. The recognized interest expense for 2017 was SEK 481.5 thousand. Paid interest during 2017 amounted to SEK 478 thousand. The debentures fall due for payment on June 30, 2019 at their nominal value of SEK 18,155 thousand or can be converted to shares at the request of the holder at a price of SEK 37.96 per share. Each convertible entitles its holder to subscribe for one share, which means that the maximal conversion would increase the number of shares by 478,000, corresponding to a dilution effect of 1.8 percent. Convertible debentures are a so-called hybrid financial instrument, which means that the liability portion is initially recognized at its fair value, i.e., the value that a similar liability without the right to convert to shares would have had. The equity portion is initially recognized as the difference between the fair value of the entire instrument and the fair value of the liability portion. Björn Borg has not incurred any material, directly related transaction costs for the issue. In subsequent measurements the liability portion is recognized at amortized cost and the equity portion is not revalued other than in connection with conversions or redemptions. Since the issue, the market interest rate is essentially unchanged, because of which the carrying amount is a good approximation of fair value as of December 31, 2017. The distribution between the liability portion and the equity portion is as follows:

SEK thousands	Dec. 31, 2017	Dec. 31, 2016
Nominal value convertible debentures	18,155	18,155
Less equity portion	–1,209	–1,209
Accrued interest	701	327
Recognized liability	**17,647**	**17,273**

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

WARRANTS

Björn Borg issued warrants on June 16, 2015 to senior executives within the Group; 480,000 warrants were subscribed. The warrants entitle the holder to subscribe for one share for SEK 37.96 per share during the period June 1-14, 2019. In the event of full subscription, the total dilution effect is 1.9 percent. Björn Borg has received market-rate consideration for the warrants of SEK 2.50 per warrant, corresponding to total proceeds received of SEK 1,209 thousand, which has been recognized as an increase in equity. The warrants have been valued according to Black & Scholes. The most important inputs in the valuation were the average volume-weighted price paid for the Björn Borg share during the period May 21-29, 2015, volatility of 30 percent, a risk-free rate of interest of 0.28 percent and an adjustment for the present value of future dividends. The corresponding inputs have been used in the valuation of the convertible rights as described above. According to the terms, there is no requirement that the employee remained employed with the company, but there is a right of first refusal that gives Björn Borg a right, though not an obligation, to acquire the holder's warrant if the holder's employment were to end before June 30, 2019. Against this backdrop, Björn Borg has determined that market-rate consideration has been received and that the terms in other respects are designed in a way that does not unfairly favor the participants in the warrant plan. As a result, no expenses have been recognized related to the issued warrants.

WARRANTS

	2017		2016	
	No. of warrants	Average exercise price in SEK per warrant	No. of warrants	Average exercise price in SEK per warrant
As of January 1	**520,000**	**37.96**	**480,000**	**37.96**
Issued	–	–	40,000	–
Forfeited	–	–	–	–
Exercised	–	–	–	–
Expired	–	–	–	–
As of December 31	**520,000**	**37.96**	**520,000**	**37.96**

NOTE 9 RELATED PARTY TRANSACTIONS

In 2015 Björn Borg introduced a warrant program for senior management and a convertible program for all employees. Aside from customary compensation (salary, bonuses and other benefits) to the CEO, senior management and Board of Directors, no transactions with related parties were executed during the period 2017.

NOTE 10 AUDITORS' FEES

	Group		Parent Company	
SEK thousands	2017	2016	2017	2016
Deloitte AB				
Statutory audit	1,321	738	589	643
Other attestation services	200	200	200	200
Tax advisory services	167	123	167	93
Other services	40	320	–	–
	1,728	**1,381**	**956**	**936**
Other accounting firms				
Statutory audit	92	169	–	–
Other attestation services	–	–	–	–
Tax advisory services	-	–	–	–
Other services	-	–	–	–
	92	**169**	**–**	**–**
Total	**1,820**	**1,550**	**956**	**1,036**

NOTE 11 OPERATING LEASES

	Group		Parent Company	
SEK thousands	2017	2016	2017	2016
Rental and lease expenses during the year amount to	46,551	24,267	10,240	10,095
Future lease fees amount to				
– within 1 year	46,762	24,402	10,145	10,257
– later than 1 year but within 5 years	195,952	96,985	42,474	40,033
Total	**289,264**	**145,654**	**62,859**	**60,385**

The Björn Borg Group leases offices and retail space. The leases are signed on market terms with regard to price and duration. Certain leases are variable and include both a minimum rent and a portion contingent on sales. The expense for variable rents in 2017 and 2016 was immaterial.

As of the closing day, December 31, 2017, the Björn Borg Group had no finance leases.

NOTE 12 NET PROFIT/LOSS FOR EACH CATEGORY OF FINANCIAL INSTRUMENT

	Group	
SEK thousands	2017	2016
Accounts and loans receivable	–295	5,105
Financial liabilities at amortized cost	–889	–332
Financial assets at fair value through profit or loss	914	–220
Total	**–270**	**4,553**

NOTE 13 RESULT FROM SHARES IN SUBSIDIARIES

	Parent Company	
SEK thousands	2017	2016
Anticipated dividend	50,300	56,770
Dividend from subsidiary	10,197	–
Impairment of shares and receivables in subsidiaries	–12,045	–2,500
	48,452	**54,270**

NOTE 14 NET FINANCIAL ITEMS

SEK thousands	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Change in exchange rates	–	1,446	–	42
Interest income [1]	1,299	6,058	2,587	6,197
Other financial income [2]	914	105	914	–
Total financial income	**2,213**	**7,609**	**3,501**	**6,239**
Change in exchange rates	–1,038	–	–	–
Interest expenses [1]	–5,011	–7,815	–21,235	–22,216
Interest expense Trademarks [1]	–	–301	–	–
Other financial expenses [2]	–133	–220	–37	–220
Total financial expenses	**–6,182**	**–8,336**	**–21,272**	**–22,436**
Net financial items	**–3,969**	**–727**	**–17,771**	**–16,197**

1 The item relates in its entirety to financial assets and liabilities which are not measured at fair value, with the exception of interest income of SEK 1,144 million (5,400) related to assets measured at fair value.

2 Of which SEK 914 thousand (-220) relates to unrealized changes in short-term investments at fair value through profit or loss.

NOTE 15 APPROPRIATIONS

SEK thousands	Parent Company 2017	Parent Company 2016
Appropriations		
Change in accelerated depreciation/amortization	–	1,014
	–	**1,014**

NOTE 16 TAXES

TAX ON PROFIT FOR THE YEAR

SEK thousands	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Current tax on profit for the year	–4,575	–901	–757	–
Deferred tax expense	–9,451	–15,671	185	–877
Total recognized tax expense	**–14,026**	**–16,572**	**–572**	**–877**

TAX RATE RECONCILIATION

SEK thousands	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Recognized profit before tax	51,398	63,470	51,292	53,865
Tax according to current tax rate in Sweden	–11,308	–13,963	–11,284	–11,850
Tax effect of:				
Non-deductible expenses	–2,934	–382	–2,829	–544
Tax on accrual reserve reversal	–	–	–	–
Tax-exempt income	2,051	2	13,541	11,518
Deferred tax income, previously not taken into account	–	–	–	–
Effect of tax rates in other countries	575	299	–	–
Effect of unrecognized tax loss carryforwards	–2,670	–2,529	–	–
Utilized tax loss carryforwards with deferred tax not taken into account	260	–	–	–
Effect of change in tax rates	–	–	–	–
Tax related to previous years	–	–	–	–
Recognized tax expense	**–14,026**	**–16,572**	**–572**	**–877**

DEFERRED TAXES

SEK thousands	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Deferred tax assets recognized in the balance sheet				
Short-term investments	447	130	316	130
Other	–256	–	–	
Internal gain on inventories	7,607	–3,636	–	–
License	3,306	4,407	–	–
Tax loss carryforwards	11,426	12,551	–	–
Total deferred tax assets	**22,530**	**13,452**	**316**	**130**
Deferred tax liabilities recognized in the balance sheet				
Trademarks	41,256	41,257	–	–
Short-term investments	131	–	–	–
Other	447	286	–	–
Untaxed reserves	1,115	1,147	–	–
Internal gain on inventories (receivable)	–	–7,272	–	–
Total deferred tax liabilities	**42,949**	**35,418**	**–**	**–**

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

TAX LOSS CARRYFORWARDS AND UNRECOGNIZED DEFERRED TAX ASSETS
The Group has recognized deferred tax assets related to tax loss carryforwards totaling SEK 11,426 thousand (12,551). The taxable value of these tax loss carryforwards is SEK 46,150 thousand (55,795). The expiration dates for the previous losses fall between 2021 and 2026. The taxable value of tax loss carryforwards for which deferred tax assets have not been recognized in the balance sheet amounts to SEK 142,047 thousand (66,140) as of December 31, 2017 and is attributable to the operations in the US, the Netherlands, Belgium, Finland and UK. No deferred tax assets have been recognized for these tax loss carryforwards because these units have historically recognized tax losses and because of uncertainty whether and when in the future these operations will generate sufficient taxable surpluses. This corresponds to total unrecognized deferred tax assets in the range of SEK 26,073 thousand (15,080). The majority of these deficits do not expire.

NOTE 17 EARNINGS PER SHARE

SEK thousands	Earnings per share 2017	Earnings per share 2016	Earnings per share after dilution 2017	Earnings per share after dilution 2016
Earnings				
Earnings attributable to Parent Company's shareholders	37,099	47,361	37,099	47,361
Weighted average number of common shares for calculation of earnings per share after dilution	**25,148,384**	**25,148,384**	**25,148,384**	**25,148,384**
Earnings per share	**1.48**	**1.88**	**1.48**	**1.88**

SEK thousands	2017	2016
Earnings per share, SEK	1.48	1.88
Earnings per share, SEK (after dilution)	1.48	1.88
Number of shares	25,148,384	25,148,384
Number of shares, weighted average	25,148,384	25,148,384
Effect of dilution	–	–
Number of shares, weighted average (after dilution)	25,148,384	25,148,348

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

NOTE 18 INTANGIBLE ASSETS

GROUP

SEK thousands	Dec. 31, 2017	Dec. 31, 2016
Goodwill		
Accumulated cost		
Opening balance	19,292	19,064
Acquisition of subsidiary	15,890	–
Disposals and discontinued operations	–	–
Translation differences for the year	573	228
Carrying amount at year-end	**35,755**	**19,292**
Trademarks		
Accumulated cost		
Opening balance	187,532	187,532
Carrying amount at year-end	**187,532**	**187,532**
Licenses		
Accumulated cost		
Opening balance	1,407	1,343
Investments	–	–
Translation differences for the year	42	64
Closing balance	**1,448**	**1,407**
Accumulated amortization		
Opening balance	–1,110	–795
Amortization for the year	–276	–276
Translation differences for the year	–62	–39
Closing balance	**–1,448**	**–1,110**
Carrying amount at year-end	**–**	**297**
Tenancy rights		
Accumulated cost		
Opening balance	1,725	1,725
Disposals and discontinued operations	–	–
Closing balance	**1,725**	**1,725**
Accumulated amortization		
Opening balance	–1,725	–1,642
Disposals and discontinued operations		
Amortization for the year	–	–83
Translation differences for the year	–	–
Closing balance	**–1,725**	**–1,725**
Carrying amount at year-end	**–**	**–**

Cont. Note 18

TSEK	Dec. 31, 2017	Dec. 31, 2016
Capitalized expenditure for software		
Accumulated cost		
Opening balance	8,375	8,291
Reclassification	–328	–
Acquisition of subsidiary	2,024	–
Investments	4,932	–
Disposals and discontinued operations	–	–
Translation differences for the year	41	84
Closing balance	**15,044**	**8,375**
Accumulated amortization		
Opening balance	–7,004	–6,182
Reclassification	328	–
Disposals and discontinued operations	–	– 278
Amortization for the year	–2,898	– 534
Translation differences for the year	–404	–10
Closing balance	**–9,978**	**–7,004**
Carrying amount at year-end	**5,066**	**1,371**

PARENT COMPANY

SEK thousands	Dec. 31, 201	Dec. 31, 2016
Capitalized expenditure for software		
Accumulated cost		
Opening balance	2,191	2,191
Investments	1,542	–
Disposals and discontinued operations	–	–
Closing balance	**3,733**	**2,191**
Accumulated amortization		
Opening balance	–1,998	–1,907
Amortization for the year	–215	–91
Disposals and discontinued operations	–	–
Closing balance	**–2,213**	**–1,998**
Carrying amount at year-end	**1,520**	**193**

IMPAIRMENT TESTING OF GOODWILL AND TRADEMARKS

Goodwill has been allocated to five cash-generating units: Björn Borg Brands AB, Björn Borg Clothing AB, Björn Borg Footwear AB, Björn Borg Finland OY and Baseline NV.

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

SEK thousands	Dec. 31, 2017	Dec. 31, 2016
Goodwill		
Björn Borg Brands AB	9,330	9,330
Björn Borg Clothing AB	657	657
Björn Borg Footwear AB	3,956	3,956
Björn Borg Finland Oy	5,922	5,349
Baseline NV	15,890	–
	35,755	**19,292**
Trademarks		
Björn Borg Brands AB	187,532	187,532
	187,532	**187,532**

Each year the Group tests goodwill and trademarks for impairment in accordance with the accounting principle described in Note 1. The future cash flows used to calculate each unit's value in use are based in the first year on the budget adopted by the Board for 2018 for each unit. Cash flows are subsequently based on annual growth projections for revenue and costs over a five-year period. Management bases the growth projections in the forecast period on previous outcomes and discussions with subsidiaries, distributors and licensees on their future expectations. Impairment tests conducted as of December 31, 2017 applied approximately an 8 percent (13) discount rate after tax and assumed annual growth of 1 percent (1) for the period beyond the forecast horizon. This growth rate is a cautious assumption as of December 31, 2017 based on current economic conditions in the markets mainly in Europe where Björn Borg has operations. The forecast period stretches from 2018 to 2022, i.e., a five-year period.

There are no impairment losses in the Group, since the discounted present value of future cash flows exceeds the carrying amount of the net assets for both trademarks and goodwill items in the above table. The discount rate and free cash flow growth projections in the forecast period are presented in the table below.

If the assumed growth rate beyond the forecast horizon used in the calculation of value in use for goodwill and trademarks had been -1 percent instead of the assumed +1 percent, there would have still been no impairment losses. An increase in the discount rate of 2 percentage points would not trigger any impairment losses for trademarks or goodwill either.

2017	Trade-marks	Brands	Clothing	Footwear	Finland	Baseline
Forecast period, years	5	5	5	5	5	5
WACC after tax, %	8	8	8	8	8	8
WACC before tax, %	10	10	10	10	10	10
Growth in free cash flow, %	5	5	3	3	-8	3

Cont. Note 18

2016	Trade-marks	Brands	Clothing	Footwear	Finland	Baseline
Forecast period, years	5	5	5	5	5	–
WACC after tax, %	13	13	13	13	13	–
WACC before tax, %	16	16	16	16	16	–
Growth in free cash flow, %	4	4	2	2	2	–

NOTE 19 TANGIBLE NON-CURRENT ASSETS

	Group		Parent Company	
SEK thousands	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Accumulated cost				
Opening balance	38,078	35,276	10,912	9,649
Reclassification	–1,352	–	–4	–
Acquisition of subsidiary	4,707	–	–	–
Investments	7,868	5,231	306	1,636
Sales and disposals	–2,736	–2,499	–	–373
Translation differences for the year	2,095	70	–	–
Closing balance	**48,660**	**38,078**	**11,214**	**10,912**
Accumulated depreciation				
Opening balance	–28,801	–25,200	–8,606	–6,531
Reclassification	1,352	–	4	–
Sales and disposals	2,717	2,326	–	68
Depreciation for the year	–6,732	–5,904	–1,181	–2,143
Translation differences for the year	–1,804	–23	–	–
Closing balance	**–33,268**	**–28,801**	**–9,783**	**–8,606**
Carrying amount at year-end	**15,392**	**9,277**	**1,431**	**2,306**

NOTE 20 FINANCIAL NON-CURRENT ASSETS

ANDELAR I DOTTERBOLAG

SEK thousands	Parent Company Dec. 31, 2017	Parent Company Dec. 31, 2016
Opening cost	353,182	353,882
Acquisition of subsidiary	0	–
Acquisition of minority shares	–	841
Write-down	–12,045	–2,500
Shareholder's contribution paid	–	959
Closing accumulated cost	**341,137**	**353,182**

In 2017 Björn Borg acquired the Baseline Group for EUR 1.

SHARES IN SUBSIDIARIES AND THE GROUP'S COMPOSITION

SEK thousands	Reg.no.	Registered address	No. of shares	Share of equity, %	Book value
Björn Borg Brands AB	556537-3551	Stockholm	84,806	100	58,216
Björn Borg Clothing AB	556414-0373	Stockholm	1,000	100	
Björn Borg Sweden AB	556374-5776	Stockholm	3,000	100	
Björn Borg Retail AB	556577-4410	Stockholm	1,000	100	
Björn Borg Footwear AB	556280-5746	Varberg	6,999	100	14,281
Björn Borg Inc		Delaware	3,000	100	
Björn Borg UK Limited	7392965	Wales	400,000	100	841
Baseline BV	34268432	Tilburg	90,000	100	0
Björn Borg Netherlands B.V	34215227	Tilburg	90,000	100	
Dutch Brand Management BV	34215236	Tilburg	50,000	100	
Dutch Brand Management Retail BV	17169366	Tilburg	500,000	100	
Belgian Brand Management BVBA	884801039	Antwerp	1,500	100	
Belgian Brand Management Retail BVBA	810366902	Antwerp	186	100	
Björn Borg Services AB	556537-3551	Stockholm	5,000	100	262,088
Björn Borg Finland OY	2126188-3	Helsinki	100	75	5,712
Björn Borg Limited (China) Limited CR	1671008	Hong Kong	7,500	75	
Björn Borg (Shanghai) Trading Co. Ltd	310000400680797	Shanghai	n/a	100	
					341,137

NOTE 21 INVENTORY

The net selling price consists of the estimated sales price less direct selling expenses. Internal gains that have arisen on intra-Group sales are deducted from inventory's carrying amount.

INVENTORY

	Group		Parent Company	
SEK thousands	2017	2016	2017	2016
Finished goods and goods for resale	104,493	65,106	–	–
Work in progress	5,277	2,371	–	–
	109,770	**67,477**	**–**	**–**

Write-downs for obsolescence of finished goods of SEK 6,069 thousand (5,023) are included in the opening inventory balance. Total expenses for obsolescence amounted to SEK 690 thousand (–68) during the year.

The inventory amount that was expensed during the period was SEK 320,211 thousand (314,137)

The write-down for obsolescence of finished goods of SEK 1,046 thousand (–68) is included in the closing inventory balance.

NOTE 22 ACCOUNTS RECEIVABLE

The credit quality of financial assets that have neither fallen due for payment nor are considered impaired is determined primarily by evaluating the counterparty's payment history. In cases where external credit ratings are available, such information is obtained to support the credit evaluation.

ACCOUNTS RECEIVABLE

	Group		Parent Company	
SEK thousands	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Accounts receivable, gross	93,714	140,159	39	620
Reserve for impaired receivables	–2,235	–2,390	–	–
Total accounts receivable, net after reserve for impaired receivables	**91,479**	**137,769**	**39**	**620**

As of December 31, 2017 the Group and the Parent Company had recognized SEK 2,235 thousand (2,390) in impaired receivables. Individually assessed receivables with impairment losses largely relate to specific customers that are in financial difficulty and cannot meet their obligations to Björn Borg.

The age of these receivables is distributed as follows:

OVERDUE RECEIVABLES

	Group		Parent Company	
SEK thousands	2017	2016	2017	2016
Not overdue	70,782	60,396	23	268
1–30 days	14,010	41,690	16	10
31–90 days	6,207	8,865	–	–
91–180 days	1,469	9,700	–	115
>180 days	1,246	19,508	–	227
Total	**93,714**	**140,159**	**39**	**620**

As of December 31, 2017 the Group had SEK 20,697 thousand (77,373) in overdue receivables that were not considered impaired. These overdue receivables relate to a number of customers that previously had not had payment difficulties.

The age of these receivables is distributed as follows:

OVERDUE RECEIVABLES NOT CONSIDERED IMPAIRED

	Group		Parent Company	
SEK thousands	2017	2016	2017	2016
Not overdue		60,396	23	268
1–30 days	14,010	41,690	16	10
31–90 days	5,191	8,865	–	–
91–180 days	1,459	9,686	–	115
>180 days	37	17,132	–	227
Total	**91,479**	**137,769**	**39**	**620**

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

IMPAIRED RECEIVABLES – RECONCILIATION

	Group		Parent Company	
SEK thousands	2017	2016	2017	2016
Provisions at beginning of year	–2,390	–2,084	–	–2
Reversed provisions for the period	1,343	640	–	–
Provisions for the period	–2,235	–2,390	–	–
Established losses	1,047	1,444	–	2
	–2,235	**–2,390**	**–**	**–**

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

NOTE 23 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
SEK thousands	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Prepaid rents	5,953	4,922	2,404	2,533
Prepaid leasing	1,068	–	–	–
Other	8,550	3,814	1,265	844
	15,571	**8,736**	**3,669**	**3,377**

NOTE 24 FINANCIAL ASSETS AND LIABILITIES

GROUP 2017

SEK thousands	Measured at fair value through profit or loss	Accounts receivable and liabilities	Other financial liabilities	Total carrying amount	Fair value	Non-financial assets and liabilities	Total assets
Long-term receivable	–	–	–	–	–	–	–
Accounts receivable	–	91,479	–	91,479	91,479	–	91,479
Investments	500	–	–	500	500	–	500
Cash and bank balances	–	52,620	–	52,620	52,620	–	52,620
Total financial assets	**500**	**144,098**	**–**	**144,598**	**144,598**	**–**	**144,598**
Other non-current liabilities	–	–	22,925	22,925	22,925	–	22,925
Bond loan	–	–	–	–	–	–	–
Non-current liabilities to credit institutions	–	–	125,000	125,000	125,000	–	125,000
Other current liabilities	–	–	–	–	–	15,094	15,094
Accounts payable	–	–	20,452	20,452	20,452	–	20,452
Total financial liabilities	**–**	**–**	**168,376**	**168,376**	**168,377**	**15,094**	**183,471**

GROUP 2016

SEK thousands	Measured at fair value through profit or loss	Accounts receivable and liabilities	Other financial liabilities	Total carrying amount	Fair value	Non-financial assets and liabilities	Total assets
Long-term receivable	–	10,700	–	10,700	10,700	–	10,700
Accounts receivable	–	137,769	–	137,769	137,769	–	137,769
Investments	26,167	–	–	26,167	26,167	–	26,167
Cash and bank balances	–	48,948	–	48,948	48,948	–	48,948
Total financial assets	**26,167**	**197,417**	**–**	**223,584**	**223,584**	**–**	**223,584**
Other non-current liabilities	–	–	17,273	17,273	17,273	–	17,273
Bond loan	–	–	137,092	137,092	136,315	–	137,092
Other current liabilities	4,138	–	–	4,138	4,138	9,857	13,995
Accounts payable	–	–	13,797	13,797	13,797	–	13,797
Total financial liabilities	**4,138**	**–**	**168,162**	**172,299**	**171,523**	**9,857**	**182,157**

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

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

FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

SEK thousands, Group 2017	Level 1	Level 2	Level 3
Securities held for trading	500	–	–
Derivatives held for trading	–	–	–
Contingent consideration (liability)	–	–	–
Total assets/liabilities	**500**	**–**	**–**

SEK thousands, Group 2016	Level 1	Level 2	Level 3
Securities held for trading	25,955	–	–
Derivatives held for trading	–	212	–
Contingent consideration (liability)	–	–	–4,138
Total assets/liabilities	**25,955**	**212**	**–4,138**

The liability that in 2016 was recognized in level 3 related to contingent consideration for the minority holding in the subsidiary BB Sport to the former Benelux distributor. Following the acquisition, this liability is now settled in the Group. For more information on the acquisition, see Note 31.

NOTE 25 DIVIDEND PER SHARE

The Annual General Meeting on May 11, 2017 approved a distribution of SEK 50,296,768 for the financial year 2016, corresponding to SEK 2.00 per share.

The Board of Directors has decided to recommend to the AGM a distribution of SEK 2.00 per share for the financial year 2017. As proposed, the distribution would be paid through an automatic redemption, where every share is divided into one common share and one redemption share. The redemption shares will then automatically be redeemed for SEK 2.00 per share. Payment for the redemption shares, contingent on the approval of the AGM, is expected to be made around June 18, 2018. The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 50,297 thousand (50,297).

NOTE 26 UNTAXED RESERVES

	Parent Company	
SEK thousands	Dec. 31, 2017	Dec. 31, 2016
Untaxed reserves		
Accumulated accelerated depreciation/ amortization	–	–
	–	**–**

NOTE 27 LIABILITIES

NON-CURRENT AND CURRENT INTEREST-BEARING LIABILITIES

	Group		Parent Company	
SEK thousands	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Non-current liabilities to credit institutions	125,000	–	125,000	–
Bond loan	–	137,092	–	137,092
Unutilized credit facility	25,000	–	25,000	–
Overdraft facilities	90,000	90,000	90,000	90,000
Total available credit lines	**240,000**	**227,092**	**240,000**	**227,092**
Unused credit lines	**115,000**	**90,000**	**115,000**	**90,000**

OTHER NON-CURRENT LIABILITIES

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

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

As of December 31, 2017, SEK 125 million (0) of the revolving credit limit of SEK 150 million had been utilized, while the overdraft facility had not been utilized.

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.

Other non-current liabilities also include convertible loans of SEK 17,273 thousand (17,273) excluding accrued interest. For information on recognition of the convertible loan, see Note 8.

NOTE 28 ACCRUED EXPENSES, DEFERRED INCOME AND PROVISIONS

	Group		Parent Company	
SEK thousands	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Accrued royalty expenses	–	5,579	–	–
Personnel-related items	16,945	12,533	6,125	6,378
Deferred income	1,262	2,075	–	–
Other	18,673	10,931	6,000	3,604
	36,881	**31,748**	**12,126**	**9,981**

NOTE 29 PLEDGED ASSETS AND CONTINGENT LIABILITIES

PLEDGED ASSETS

	Group		Parent Company	
SEK thousands	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Chattel mortgages	–	18,000	–	–
Shares in subsidiaries	201,036	199,971	58,216	40,216
	201,036	**217,971**	**58,216**	**40,216**

CONTINGENT LIABILITIES

	Group		Parent Company	
SEK thousands	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Rental guarantee and other guarantees	8,886	4,251	–	–
	8,886	**4,251**	**–**	**–**

See also Note 27.

NOTE 30 NON-CONTROLLING INTERESTS

INFORMATION ON NON-CONTROLLING INTERESTS

SEK thousands	Dec. 31, 2017	Dec. 31, 2016
Opening balance	–272	–6,733
Share of profit for the year	273	–464
Share of total comprehensive income for the year	490	–
Change as a result of acquisition of shares from non-controlling interests	–	6,925
Closing balance	**491**	**–272**

The Björn Borg Group has one subsidiary with material non-controlling interests as of December 31, 2017, Björn Borg Finland. Björn Borg owns 75 percent of the shares and votes in the company. The remainder are owned by the local CEO.

SUBSIDIARIES

	Result distributed to non-controlling interests		Cumulative holdings of non-controlling interests	
SEK thousands	2017	2016	2017	2016
Björn Borg Finland Oy	763	–388	491	–272
Other non-controlling interests	–	–64	–	–
Total	**763**	**–452**	**491**	**–272**

CONDENSED FINANCIAL INFORMATION

The financial information below shows the values prior to eliminations.

INCOME STATEMENT

	Björn Borg Finland	
SEK thousands	2017	2016
Revenue	105,631	66,397
Expenses	–104,331	–67,950
Profit/loss for the year	**1,300**	**–1,553**
Other comprehensive income	–	–
Total comprehensive income for the year	**1,300**	**–1,553**

Cont. Note 30

STATEMENT OF FINANCIAL POSITION

	Björn Borg Finland	
SEK thousands	2017	2016
Non-current assets	2,462	2,602
Current assets	14,598	25,467
Total assets	**17,060**	**28,069**
Equity	1,379	67
Current liabilities	15,681	28,002
Total liabilities	**15,681**	**28,002**
Total equity and liabilities	**17,060**	**28,069**

CASH FLOWS

	Björn Borg Finland	
SEK thousands	2017	2016
From operating activities	–1,336	8,314
From investing activities	–535	-973
From financing activities	–	–
Total cash flow	**–1,871**	**7,341**

NOTE 31 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 and 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 growth opportunities for Björn Borg in Benelux in the long term. In terms of efficiency improvements, future synergies are expected mainly in procurement.

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 levels, net sales rose about SEK 85 million in 2017. Operating profit decreased due to later sales arising as an accounting effect now that sales in the Benelux market are realized at the wholesale and consumer levels rather than 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 impacted EBIT by SEK 22 million, largely compensating for the negative short-term effect of the delayed gross profit. For 2017 Baseline BV reported revenue of SEK 190.3 million and profit before tax of SEK –5.1 million.

The 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 and consist of projected future cash flows for the cash-generating unit. 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. Financial non-current assets have decreased 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. The acquisition analysis closed in Q1 2018.

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 current receivables	12,334
Non-current 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**

NOTE 32 CASH FLOW

GROUP

				Non-cash items			
SEK thousands	12/31/16	New loans	Amortization	Acquisitions	Capitalized interest	Change in impairment	12/31/17
Long-term loans	–	150,000	–25,000	–	–	–	125,000
Other non-current liabilities	17,273	7,151	–1,764	–	265	–	22,925
Short-term loans	137,092	–	–145,842	10,372	–	–1,622	–
Total loans from financial activities	**154,365**	**157,151**	**–172,606**	**10,372**	**265**	**–1,622**	**147,925**

PARENT COMPANY

				Non-cash items			
SEK thousands	12/31/16	New loans	Amortization	Acquisitions	Capitalized interest	Change in impairment	12/31/17
Long-term loans	–	150,000	–25,000	–	–	–	125,000
Other non-current liabilities	17,273	7,151	–1,764	–	265	–	22,925
Short-term loans	137,092	–	–135,470	–	–	–1,622	–
Total loans from financial activities	**154,365**	**157,151**	**–162,234**	**–**	**265**	**–1,622**	**147,925**

NOTE 33 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, Björn Borg AB now owns 100 percent of the subsidiary in Finland.

NOTE 34 PROPOSED DISTRIBUTION OF PROFIT

The following unappropriated earnings are at disposal of the Annual General Meeting:	
Retained earnings, SEK	45,715,175
Profit for the year, SEK	50,719,825
	96,435,000
The Board proposes that:	
Shareholders receive a distribution of SEK 2.00 per share, totaling SEK	50,296,768
Carried forward, SEK	46,138,232
	96,435,000

SIGNATURES OF THE BOARD OF DIRECTORS

The undersigned certify that the consolidated financial statements and the annual report have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU as well as generally accepted auditing standards and provide a true and fair view of the financial position and results of the Group and the Parent Company and that the Board of Directors' report provides a true and fair overview of the operations, financial position and results of operations of the Group and the Parent Company and describes the substantial risks and uncertainties faced by the Parent Company and companies in the Group.

Stockholm, April 17, 2018

Heiner Olbrich
Chairman

Martin Bjäringer
Board member

Lotta de Champs
Board member

Christel Kinning
Board membert

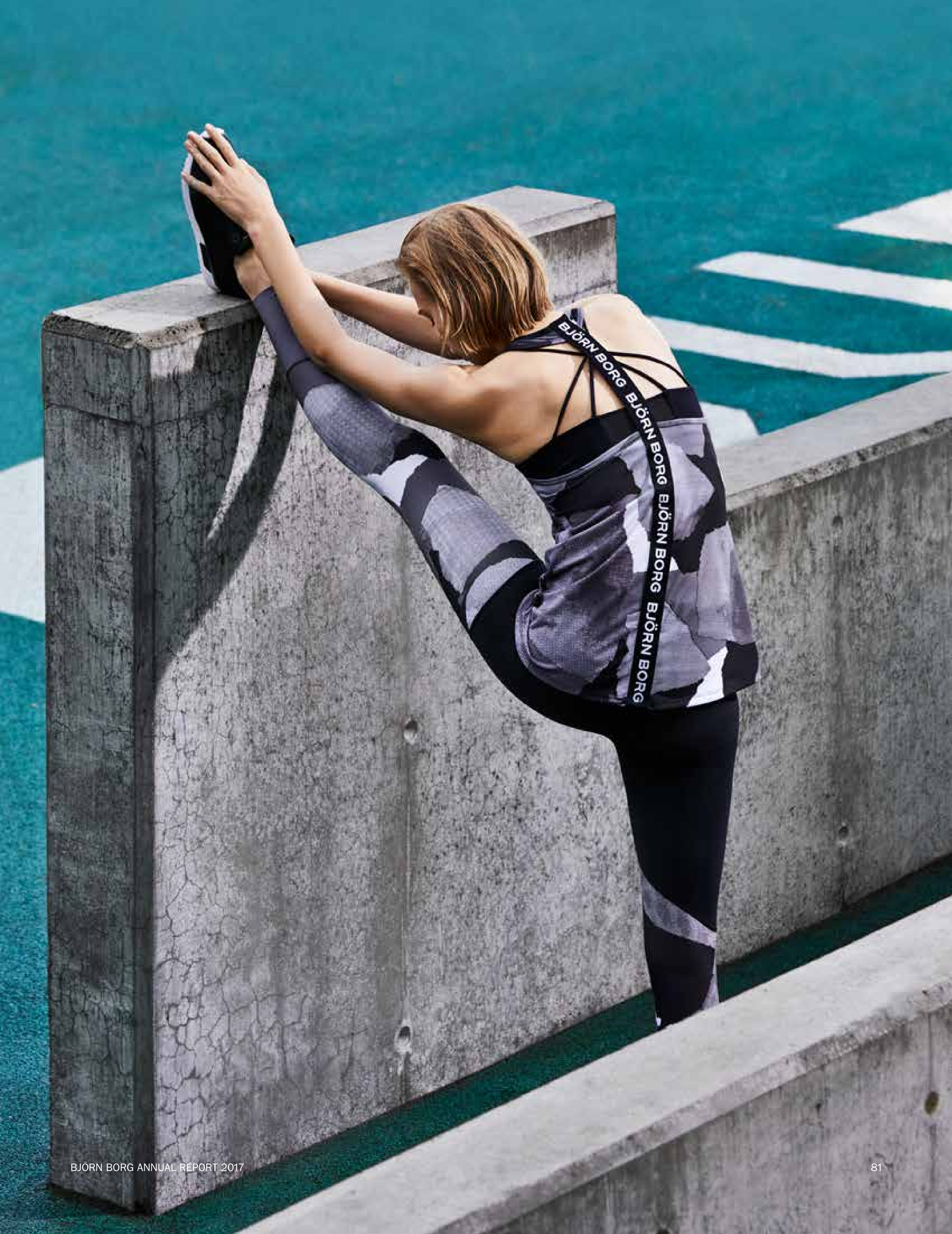
Fredrik Lövstedt
Board member

Mats H Nilsson
Board member

Henrik Bunge
CEO

Our audit report was submitted on April 17, 2018
Deloitte AB

Didrik Roos
Authorized Public Accountant


BJÖRN BORG BJÖRN BORG BJÖRN BORG BJÖRN BORG BJÖRN BORG

AUDIT REPORT

To the Annual General Meeting of Björn Borg AB (publ), company registration number 556658-0683

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

OPINIONS

We have audited the annual and consolidated accounts of Björn Borg AB (publ) for 2017. The annual accounts and consolidated accounts of the company are included on pages 40-80 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Act and present fairly, in all material respects, the financial position of Parent Company as of December 31, 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of December 31, 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefor recommend that the general meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with the professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of inventory

The company recognized inventory of SEK 110 million on December 31, 2017. Inventory is recognized at the lower of cost according to the first-in-first-out method and fair value. Fair value consists of net realizable value and corresponds to the estimated sales price less estimated selling expenses.

We have identified this as an area of particular importance partly because the company's inventory is a material item and because the company´s operations are highly affected by the changing trends and fashions, which can affect the ability of the company to sell its collections. The obsolescence reserve is based on individual assessments from management's standpoint.

For further information, refer to the section Risks, uncertainties and risk management on page 44 and the Group's accounting principles on page 56.

Our audit procedures included but were not limited to:

- Evaluation of Björn Borg's routines and internal controls for managing inventory
- Examination of management's assessment of the inventory's valuation with a focus on ensuring that the correct inputs have been used in the valuation model and that it fairly reflects reality in view of the valuation of obsolete merchandise
- Verified the inventory's existence by the participating in a selection of audits of various warehouses.

Revenue Recognitions

The group's net sales amounted to SEK 696 million as of December 31, 2017. Net sales consist of four revenue streams, which are described in the company's accounting principles on page 57. Revenue from sales of goods is recognized upon delivery of a product to the customer, when the financial risks and benefits of ownership are transferred to the buyer, when it is likely that the economic benefits will accrue to the Group, when the revenue can be measured reliably, which coincides with the date of delivery. Royalties are recognized in the period to which the underlying revenue refers i.e., in accordance with the current agreement's economic substance.

We have identified this as an area of particular importance because the company's revenue is a material item that, in part, consists of a large number of small transactions and, in part, is attributable to the customer-specific agreements which could impact revenue recognition.

Our audit procedures included but were not limited to:

- Evaluation of the company's accounting principles for revenue
- Created an understanding of the company's routines and internal controls associated with revenue recognition, which also include the IT system used
- Examination of security controls in the cash management and accounting system with the involvement of IT auditors
- Examination of a selection of transactions to ensure that they have been reported correctly according to agreements and in the correct periods
- Examination of margin analyses and follow-up of budget variances
- Examination that appropriate accounting principles are applies and that the required disclosures are provided in the annual accounts and sustainability report.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages

1-39, 85-91 and 97-100. The Board of Directors and the Chief Executive Officer are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is material inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

The Board of Directors and the Chief Executive Officer are responsible for the preparations of the annual accounts and the consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Chief Executive Officer are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Chief Executive Officer intent to liquidate the company to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with IAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exits. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates a related disclosures made by the Board of Directors and the Chief Executive Officer.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company´s and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and heather the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible or our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant decencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS

In addition to our audit of the annual accounts, we have audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Chief Executive Officer of Björn Borg AB (publ) for 2017.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company ant the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

The Board of Directors is responsible for the proposal for appropriations of the company's profit and loss. At the proposal of dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes, among other things, continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and, among other matters, take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner. The audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company´s financial reporting process.

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to a liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Further, we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's current situation and future development. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to the company's administration. If we observe real or expected damage to the company, we consider whether there was intent or negligence, and if so who bears responsibility for actions or omissions. Additional audit procedures performed are based on our professional judgment. As regards the proposed appropriations of the company's profit or loss, we have especially examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Stockholm, April 17, 2018
Deloitte AB

Didrik Roos
Auktoriserad revisor


BOR

THE SHARE

The Björn Borg share was listed on the Mid Cap list of Nasdaq Stockholm on May 7, 2007, but has been on the Small Cap list since January 2, 2013. The share, which is traded under the ticker symbol BORG, had previously been listed on the First North alternative marketplace since December 2004.

SHARE CAPITAL

The share capital in Björn Borg AB amounts to SEK 7,858,870, divided into 25,148,384 shares with a quota value of SEK 0.3125 per share. All shares carry equal rights to participate in the company's profits and assets.

TRADING

The last price paid on December 29, 2017 was SEK 28.10, giving Björn Borg a market capitalization of about SEK 707 million. A total of 11,913,672 shares were traded in 2017 at a value of approximately SEK 409 million. The average daily turnover was 47,465 shares. The share price decreased during the year by SEK 5.60, which was 16.6 percent lower than the previous year. The share reached a high of SEK 39.70 and fell to a low of SEK 24.70.

INCENTIVE SCHEME

Björn Borg issued convertible debentures on June 16, 2016, which on December 31, 2017 had a nominal value of SEK 18,155 thousand. The convertibles carry interest (starting date July 1, 2015), which is paid annually in arrears. The interest rate is determined based on an average of STIBOR on certain fixed dates during the 12-month period (September 10, December 10, March 10 and June 10) plus a margin of 3.15 percent. The recognized interest expense for 2017 was SEK 481.5 thousand. The debentures fall due for payment on June 30, 2019 at their nominal value of SEK 18,155 thousand or can be converted to shares at the request of the holder at a price of SEK 37.96 per share. Each convertible entitles its holder to subscribe for one share, which means that the maximal conversion would increase the number of shares by 478,000, corresponding to a dilution effect of 1.90 percent. Convertible debentures are a so-called hybrid financial instrument, which means that the liability portion is initially recognized at its fair value, i.e., the value that a similar liability without the right to convert to shares would have had. The equity portion is initially recognized as the difference between the fair value of the entire instrument and the fair value of the liability portion. Björn Borg has not incurred any material, directly related transaction costs for the issue. In subsequent measurements the liability portion is recognized at amortized cost and the equity portion is not revalued other than in connection with conversions or redemptions. Since the issue the market interest rate is essentially unchanged, because of which the carrying amount is a good approximation of fair value as of December 31, 2017. The distribution between the liability portion and the equity portion is as follows:

SEK thousands	Dec. 31, 2017	Dec. 31, 2016
Nominal value convertible debentures	18,155	18,155
Less equity portion	–1,209	–1,209
Accrued interest	701	327
Recognized liability	**17,647**	**17,273**

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

WARRANTS

Björn Borg issued warrants on June 16 to senior executives within the Group. As of December 31, 2017, 480,000 warrants had been subscribed. The warrants entitle the holder to subscribe for one share for SEK 37.96 per share during the period June 1-14, 2019. In the event of full subscription, the total dilution effect is 2.07 percent. Björn Borg has received market-rate consideration for the warrants of SEK 2.50 per warrant, corresponding to total proceeds received of SEK 1,200 thousand, which has been recognized as an increase in equity. The warrants have been valued according to Black & Scholes. The most important inputs in the valuation were the average volume-weighted price paid for the Björn Borg share during the period May 21-29, 2015, volatility of 30 percent, a risk-free rate of interest of 0.28 percent and an adjustment for the present value of future dividends. The corresponding inputs have been used in the valuation of the convertible rights as described above. According to the terms, there is no requirement that the employee remained employed with the company, but there is a right of first refusal that gives Björn Borg a right, though not an obligation, to acquire the holder's warrant if the holder's employment were to end before June 30, 2019. Against this backdrop, Björn Borg has determined that market-rate consideration has been received and that the terms in other respects are designed in a way that does not unfairly favor the participants in the warrant plan. As a result, no expenses have been recognized related to the issued warrants.

BOND LOAN

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, SEK 150 million revolving credit from Danske Bank. As a commitment for the revolving credit, the company pledged to ensure that the ratio between the Group's net debt and rolling 12-month operating profit before depreciation and amortization did not exceed 3.00 on the last day of each quarter for the first three quarters of 2017. In the first and second quarters of 2017 the ratio was not permitted to exceed 4.00 and in the third quarter of 2017 it was not permitted to exceed 3.50. Moreover, the Group will maintain an equity/assets ratio of at least 35 percent. As of December 2017 the ratio was 1.37 (1.12) and the equity/assets ratio was 51.3 percent (53.7).

DIVIDEND POLICY

According to Björn Borg's financial objectives for the period 2015–2019, at least 50 percent of net profit will be distributed annually to the company's shareholders.

DIVIDEND PROPOSAL

The Board of Directors has recommended to the AGM a distribution of SEK 2.00 per share for 2017, corresponding to 136 percent of net profit. As proposed, the distribution would be paid through an automatic redemption, where every share is divided into one common share and one redemption shares. The redemption shares will then automatically be redeemed for SEK 2.00 per share. Payment for the redemption shares, contingent on the approval of the AGM, is expected to be made around June 21, 2018.

The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 50.3 million (50.3). For 2017 a distribution of SEK 2.00 was paid per share, corresponding to 106 percent of net income.

SHAREHOLDERS

As of December 29, 2017 Björn Borg had 8,376 shareholders (7,677), according to Euroclear, based on shareholders grouped by company. Björn Borg's ten largest shareholders owned shares corresponding to 50.4 percent (50.9) of the votes and capital in the company.

CHANGES IN SHARE CAPITAL

Year	Transaction	Change in no. of shares	Total no. of shares	Change in share capital, SEK	Total share capital, SEK	Quota value, SEK	Issue price, SEK
2004	Company formation	1,000	1,000	100,000	100,000	100.00	–
2004	New share issue	7,500	8,500	750,000	850,000	100.00	6
2004	Non-cash issue	37,243	45,743	3,724,000	4,574,300	100.00	6
2004	20-for-1 split	869,117	914,860	–	4,574,300	5.00	–
2004	New share issue	450,000	1,364,860	225,000	6,824,300	5.00	17
2004	Bonus issue	66,176	1,431,036	330,880	7,155,180	5.00	16
2006	4-for-1 split	4,293,108	5,724,144	–	7,155,180	1.25	–
2006	Redemption of warrants	15,800	5,739,944	19,750	7,174,930	1.25	27
2006	Redemption of warrants	61,900	5,801,844	77,375	7,252,305	1.25	27
2007	New share issue	278,552	6,080,396	348,190	7,600,495	1.25	90
2007	4-for-1 split	18,241,188	24,321,584	–	7,600,495	0.31	–
2007	Redemption of warrants	422,400	24,743,984	132,000	7,732,495	0.31	33
2007	Redemption of warrants	293,000	25,036,984	91,563	7,824,058	0.31	33
2008	Redemption of warrants	4,600	25,041,584	1,438	7,825,495	0.31	33
2008	Redemption of warrants	17,600	25,059,184	5,500	7,830,995	0.31	33
2009	Redemption of warrants	89,200	25,148,384	27,875	7,858,870	0.31	33

LARGEST SHAREHOLDERS

	No. of shares	Votes/capital, %
Martin Bjäringer	2,450,000	9.7
Swedbank Robur Small Cap Fund	2,210,088	8.8
Mats Nilsson	1,638,440	6.5
Fourth Swedish National Pension Fund	1,422,258	5.7
Fredrik Lövstedt	1,050,040	4.2
Vilhelm Schottenius	1,023,520	4.1
Objectif Investissement, Microcaps	945,000	3.8
Avanza Pension	864,776	3.4
Nordnet Pension	579,741	2.3
Stiftelsen Vin och Sprithist muséet	500,000	2.0
Total, largest shareholders	**12,683,863**	**50.4**
Total, other	**12,464,521**	**49.6**
Total number of shares	**25,148,384**	**100.00**

According to share register on December 29, 2017, shareholders grouped by company.

With respect to major shareholders in Björn Borg, the holdings of related parties are equated with the shareholders' own shares to the extent allowed by the Act on Reporting Obligations for Certain Holdings of Financial Instruments.

SHAREHOLDER STRUCTURE

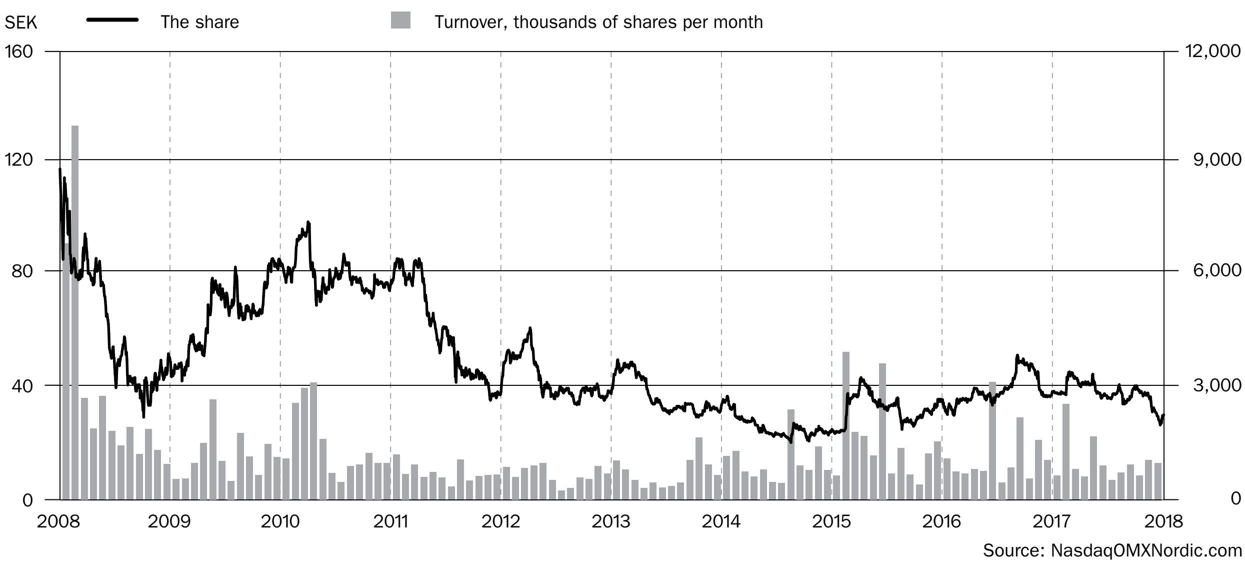
Size of holding	No. of shareholders	No. of shares	Capital and votes, %
1 – 500	5,789	877,630	3.5
501 – 1,000	1,099	942,199	3.8
1,001 – 5,000	1,170	2,829,136	11.3
5,001 – 10,000	162	1,218,315	4.8
10,001 – 15,000	44	559,408	2.2
15,001 – 20,000	29	527,429	2.1
20,001 –	83	18,194,267	72.4
Total	**8,376**	**25,148,384**	**100.00**

Source: Euroclear Sweden AB on December 29, 2017, shareholders grouped by company.

DATA PER SHARE

	2017	2016	2015	2014	2013
Earnings per share before dilution, SEK	1.48	1.88	1.79	1.94	0.86
Earnings per share after full dilution, SEK	1.48	1.88	1.77	1.94	0.86
Number of shares outstanding on closing day	25,148,384	25,148,384	25,148,384	25,148,384	25,148,384
Average number of shares outstanding	25,148,384	25,148,384	25,148,384	25,148,384	25,148,384
Average number of shares outstanding after dilution	25,148,384	25, 148,384	25,604,384	25,148,384	25,148,384

SHARE PRICE PERFORMANCE



Source: NasdaqOMXNordic.com

DEFINITIONS

The company presents certain financial measures in this annual 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.

BOARD OF DIRECTORS AND AUDITORS

Heiner Olbrich
Chairman since 2017
and Director since 2016.
b. 1965.
MBA from University of Hamburg, PhD in Economics, University of St. Gallen, Switzerland.
Other assignments: Supervisory and Advisory Board for SPORT 2000 International GmbH, Warsteiner Brauerei Haus Cramer KG, Yourstyle GmbH.
Background: Chief Marketing and Sales Officer at Miele and Senior Vice President Global Sales at Adidas.
Shares in Björn Borg: 0.

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

Martin Bjäringer
Director since 2014.
b. 1959.
MBA.
Other assignments: Member of Advisory Committee at Fine Art Fund Group, London.
Background: Various positions at Alfred Berg, founder of Monterro PE, Chairman of Protect Data, Svensk Bevakningstjänst and Svenska Orient Linien, and Director of Gunnebo, Björn Borg, Resco, Pricer and Erik Penser Fondkommission.
Shares in Björn Borg: 2,450,000.

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

Lotta de Champs
Director since 2016.
b. 1961.
Academy of cutting and tailoring, Stockholm.
Other assignments: Founder, owner and CEO of Presskontakterna, Director of Tamiko International AB.
Background: Director Svenska PR-företagen, assignments within NK.
Shares in Björn Borg: 0.

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

Christel Kinning
Director since 2016.
b. 1962.
Studies at Gothenburg School of Economics, Business and Marketing.
Other assignments: Own consultancy within Soldränkta Tomater AB, Director of HOPE STLM AB, Reima, Stadium, Venue Retail Group and Vasakronan.
Background: Executive chairman of Zound industries AB. Director of Mio, MQ, Hemtex. CEO of RNB Retail and Brands AB. CEO of Polarn o Pyret AB.
Shares in Björn Borg: 0.

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

Fredrik Lövstedt
Director. Former Chairman 2005-2016 and Director since 2004.
b. 1956.
MSc Eng from KTH Royal Institute of Technology, MBA from INSEAD.
Other assignments: Chairman of Alertsec AB. CEO of AB Durator.
Background: Former EVP of Protect Data AB (1996–2001). Has run his own company since 1984.
Shares in Björn Borg: 1,050,040.

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

Mats H Nilsson
Director since 1998.
b. 1955.
MBA from Stockholm School of Economics.
Other assignments: Director of Credelity Capital AB.
Background: Former Executive Director of Swiss Bank Corporation, London, and Director of SG Warburg & Co Ltd, London.
Shares in Björn Borg: 1,638,440.

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

Auditors
Deloitte AB.
Didrik Roos, Authorized Public Accountant.

Shareholdings as of December 31, 2017.

SENIOR MANAGEMENT

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

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

Mija Nideborn
Design & Product Development Director.
b. 1972.
Recruited: 2016.
Bachelor of Fine Arts in Fashion and Design, Borås textilhögskola.
Background: Design and Development Director at Helly Hansen, Design Manager at Peak Performance.
Shares in Björn Borg: 0.
Convertibles in Björn Borg: 20,000.
Warrants in Björn Borg: 20,000.

Lena Nordin
HR Director.
b. 1972.
Recruited: 2014.
BSc Econ, HR Management at Stockholm School of Economics.
Background: HR Director at Peak Performance, HR Director at adidas Area Nordic, HR Director at SATS.
Shares in Björn Borg: 0.
Convertibles in Björn Borg: 50,000.
Warrants in Björn Borg: 40,000.

Jonas Lindberg Nyvang
Marketing Director.
b. 1975.
Recruited: 2012.
MSc in Business Economics, MA in Design Futures.
Background: Business Development Director at Starcom Nordics, Marketing Director at MySpace Nordics, CEO of State of the Arts.
Shares in Björn Borg: 4,477.
Convertibles in Björn Borg: 60,000.
Warrants in Björn Borg: 60,000.

Joacim Sjödin
Global Sales Director.
b. 1975.
Recruited: 2015.
Background: Country manager at adidas Group, 2006-2012; European Sales Director at Peak Performance, 2012-2015.
Shares in Björn Borg: 30,000.
Convertibles in Björn Borg: 100,000.
Warrants in Björn Borg: 120,000.

Lisa Udd
Management Assistant.
b. 1961.
Recruited: 2014.
Distribution/Office & Language at Stockholm University.
Background: Peak Performance, Entreprenörföretagen, Plåtslageriernas Riksförbund, Accuray Scandinavia, FRA, Nam-Nam.
Shares in Björn Borg: 1,000.
Convertibles in Björn Borg: 5,000.
Warrants in Björn Borg: 10,000.

Shareholdings as of December 31, 2017.

CORPORATE GOVERNANCE REPORT 2017

The Björn Borg share is listed on Nasdaq Stockholm.

CORPORATE GOVERNANCE AT BJÖRN BORG

Corporate governance refers to the rules and structure established to effectively control and manage the operations of a corporation. Ultimately the purpose of corporate governance is to satisfy the demands of shareholders for a return on their investment and the demands of all stakeholders for information regarding the company and its development.

The principles of corporate governance that Björn Borg applies, in addition to the rules pursuant to law or other legislation, follow the Swedish Code of Corporate Governance ("the Code"). The Board of Directors is responsible for monitoring the application of the Code. If a company that is bound by the Code does not comply with the Code in any respect, the company must report this noncompliance, describe the solutions it has adopted instead and state the reasons for doing so. During the year Björn Borg had one instance of noncompliance with the Code, i.e., that Directors of the company constituted a majority of the members of the Nomination Committee. The reason for the noncompliance is that this composition was considered motivated against the backdrop of the ownership structure and because large, engaged owners are represented on the Board.

This corporate governance report does not constitute part of the formal annual report.

ANNUAL GENERAL MEETING

Björn Borg's highest decision-making body is the Annual General Meeting (AGM).

The AGM elects the company's Board of Directors and the Chairman. Among the other duties of the AGM are to adopt the balance sheet and income statement, decide on the disposition of the profit from the company's operations and decide whether to discharge from liability the Directors and the CEO. The AGM also decides on remuneration to the Board and approves the compensation guidelines for management. The AGM in addition elects the company's auditors and decides on their remuneration. Further, the AGM may resolve to increase or reduce the share capital and can amend the Articles of Association. With respect to new issues of shares, convertibles and warrants, the AGM may authorize the Board to take decisions.

Annual General Meeting 2018

The next AGM will be held in Stockholm on May 17, 2018. A notice will be released in accordance with the Articles of Association and the rules that apply according to the Companies Act and the Code.

Annual General Meeting 2017

The 2017 AGM was held in Stockholm on May 11, 2017. The AGM resolved, among other things, to reelect Directors Mats H Nilsson, Fredrik Lövstedt, Heiner Olbrich, Martin Bjäringer, Christel Kinning and Lotta de Champs. Petra Stenqvist declined re-election and stepped down from the Board. The AGM also resolved to transfer earnings to shareholders through an automatic share redemption procedure and gave the Board limited authorization to resolve to acquire and transfer the company's own shares or issue new shares. The minutes of the AGM are available on Björn Borg's website.

NOMINATION COMMITTEE

According to the resolution of the 2017 AGM, Björn Borg's Nomination Committee shall be appointed by having the Chairman of the Board contact the four largest shareholders by votes as of August 31, 2017 and ask them to appoint one person each to participate in the Nomination Committee. The Nomination Committee, whose composition was published on the Group's website in October 2017, consisted of the following members for the 2018 AGM:

- Heiner Olbrich, Chairman of the Board
- Martin Bjäringer, shareholder
- Mats H Nilsson, shareholder
- Marianne Flink, appointed by Swedbank Robur
- Thomas Ehlin, appointed by the Fourth Swedish National Pension Fund

Marianne Flink was named Chairman of the Nomination Committee. According to the resolution of Björn Borg's 2017 AGM, the Nomination Committee's mandate is to propose to the 2018 AGM the number of Directors to be elected by the meeting, their remuneration, any compensation for committee work, the composition of the Board, the Chairman of the Board, the Nomination Committee, the Chairman of the AGM and the election of the auditors and their remuneration. Through March 15, 2018 the Nomination Committee has held four meetings at which minutes were taken, in addition to other contacts. No compensation was paid to the members of the committee.

BOARD OF DIRECTORS

In accordance with the Articles of Association, Björn Borg's Board of Directors consists of a minimum of four and a maximum of eight members. Directors are elected annually at the AGM for a one-year term up until the following AGM. The 2017 AGM reelected Directors Fredrik Lövstedt, Mats H Nilsson, Martin Bjäringer, Heiner Olbrich, Christel Kinning and Lotta de Champs as new Directors. Heiner Olbrich was elected Chairman of the Board.

The Board fulfills the requirements of the Code in that a majority of the Directors are independent in relation to the company and the management, and that at least two of them are independent in relation to the company's major shareholders. Prior to the 2017 AGM the Nomination Committee concluded that all of the nominated Directors were independent from the company and the management as well as from major shareholders.

An annual board review, one of the aims of which is to analyze the Board's work and whether the Board has a composition appropriate for the company's needs, was conducted within the company during the latter part of the fourth quarter, and its conclusions were presented in their entirety to the Nomination Committee.

The Board is assisted by an attorney, who serves as external secretary. For more information on the Directors, see page 90 of the annual report.

The Board's rules of procedure
Pursuant to the Companies Act, Björn Borg's Board is responsible for the company's organization and the management of its affairs as well as for appointing the CEO. The Board lays down the company's goals and strategy, adopts critical policy documents and continuously monitors compliance thereto. The Board also has ultimate responsibility for its various committees. The Board's rules of procedure, which were adopted most recently at the Board meeting on August 17, 2017, define the principles for Board work, the delegation between the Board and the CEO, and the financial reporting.

Board work
In 2017 the Board held seven scheduled meetings, four of which were in connection with the quarterly financial reports, one for deciding the refinancing agreement with Danske Bank, one by circulation in connection with the preparations for the AGM and one to adopt the budget. Directors' attendance at the year's Board meetings is shown in the table below.

Compensation Committee
The Board has established a Compensation Committee consisting of Chairman Heiner Olbrich and Mats H Nilsson to prepare proposals on remuneration and other terms of employment for senior executives. The Committee has held two meetings at which minutes were kept leading up to the 2018 AGM, in addition to other contacts. During the year the Compensation Committee, which is only a drafting committee (i) prepared the Board's resolutions on remuneration principles, remuneration and other employment terms for company management, (ii) monitored and evaluated current and expiring remuneration schemes for management, and (iii) monitored and evaluated the application of the remuneration guidelines for senior executives as resolved by the AGM as well as current remuneration structures and remuneration levels in the company.

Audit Committee
Björn Borg's Board of Directors has established an Audit Committee consisting of Chairman Heiner Olbrich, Mats H Nilsson and Christel Kinning. The Audit Committee supports the Board in efforts to quality assure Björn Borg's financial reports and is tasked with, among other things, ensuring that accurate, qualitative financial reports are prepared and communicated. The Audit Committee is also tasked with issuing a recommendation to the Nomination Committee on the auditors' election. The committee convened a total of four times in 2017, all in connection with the quarterly reports. All of the Committee's members attended these meetings. In 2017 the CEO attended the meetings as a co-opted member. The Audit Committee is a drafting committee.

CEO
The Board has established an instruction for the CEO's work and role, which in its current wording was adopted on August 17, 2017. The CEO is responsible for day-to-day management of the Group's operations according to the Board's guidelines and other established policies and guidelines, and reports to the Board.

Henrik Bunge (b. 1973) has been CEO since August 4, 2014. He does not own shares in any company with which Björn Borg has significant business interests. For more information on the CEO, see page 91 of the annual report.

THE COMPANY'S AUDITORS
The outside auditors review Björn Borg's annual accounts, accounting records and the administration of the Board of Directors and the CEO. After every financial year the auditors submit an audit report to the AGM. The 2017 AGM elected the registered public accounting firm Deloitte AB as auditor of the company until the conclusion of the next AGM. Authorized Public Accountant Didrik Roos is chief auditor. The next auditors' election will be held at the 2018 AGM.

DIRECTORS' ATTENDANCE IN 2017

	Feb 16	Feb 16*	Apr 3*	May 11	Aug 16	Nov 15	Dec 5
Martin Bjäringer	1	1	1	–	1	1	1
Lotta de Champs	1	1	1	1	1	1	1
Christel Kinning	1	1	1	1	1	1	1
Fredrik Lövstedt	1	1	1	1	1	–	–
Mats H Nilsson	1	1	1	1	1	1	1
Heiner Olbrich	1	1	1	1	1	1	1
Petra Stenqvist**	1	1	1	1	–	–	–
No. of attendees	**7 (of 7)**	**7 (of 7)**	**7 (of 7)**	**6 (of 7)**	**6 (of 6)**	**6 (of 6)**	**6 (of 6)**

* Meeting held by circulation with all members participating in the decisions.
** The person in question left the Board at the 2017 AGM.

Further information on the auditors can be found on page 90 in the annual report. Information on the auditors' fee can be found in Note 10.

REMUNERATION TO DIRECTORS AND SENIOR EXECUTIVES

Remuneration to the Chairman and other Directors is resolved by the AGM. According to the resolution of the 2017 AGM, the Chairman received remuneration of SEK 375,000 and other Directors received SEK 150,000. For committee work in 2017 the members of the Compensation Committee were paid SEK 16,000 and the Chairman was paid SEK 27,000, while the members of the Audit Committee were each paid SEK 55,000 and the Chairman was paid SEK 80,000.

According to the remuneration guidelines for senior executives approved by the 2017 AGM, the remuneration for the CEO and other members of management can consist of a base salary, variable compensation, long-term incentive schemes and other benefits, including a pension. Any variable compensation is based on performance relative to predefined, measurable targets and is maximized relative to the target salary.

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

INCENTIVE SCHEME

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

As part of the convertible plan, Björn Borg raised a convertible debenture loan with a nominal value of SEK 22,016,800, corresponding to 580,000 convertibles, which can be converted to not more than 580,000 shares in the company. As part of the warrant plan, Björn Borg issued 520,000 warrants that can be exercised to subscribe for not more than 520,000 new shares in the company. Of this total, 480,000 warrants and 478,000 convertibles were transferred. The convertibles and warrants that were not subscribed cannot be subscribed after the 2016 AGM.

At the current subscription level, Björn Borg's share capital can increase by not more than SEK 285,606, distributed between SEK 123,106 due to the conversion of convertibles and SEK 162,500 due to the exercise of warrants, through the issuance of not more than 958,000 shares. This corresponds to a maximum dilution effect of 4.0 percent of the share capital and votes.

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

FINANCIAL REPORTING

The quality of the financial reporting is ensured by the Board of Directors' policies and instructions on delegation of responsibility and control as well as the instruction for the CEO on financial reporting, among other things. Prior to each of its meetings, the Board receives the latest financial reports and at each meeting it addresses the financial situation of the Parent Company and the Group. The Board also addresses the interim and annual reports. At least once a year the company's auditors report on whether the company has ensured that its accounts, their management and financial controls are working satisfactorily. After the formal report management's representatives leave the meeting, so that the Directors can dialogue with the auditors without the participation of the company's senior executives.

BOARD REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

According to the Companies Act and the Code, the Board is responsible for internal control. The following report on internal control over financial reporting for 2017 has been prepared in accordance with these regulations and constitutes part of the corporate governance report. Björn Borg's Board has evaluated the need for a separate audit function (internal audit) and come to the conclusion that such a function is not motivated at present in view of the staffing in the company's finance department in relation to the nature, scope and complexity of the business.

ORGANIZATION OF INTERNAL CONTROL OVER FINANCIAL REPORTING

Control environment and corporate governance

The control environment serves as the basis for internal control over financial reporting. The Board of Directors' rules of procedure and instructions for the CEO and the Board's committees clearly define the delegation of roles and responsibilities in order to effectively manage the company's risks. The Board has established a number of fundamental guidelines and frameworks that are important to internal control. Examples include the Board's rules of procedure, finance policy, code of conduct and communication policy, which were reviewed during the year. The Board's Audit Committee has as its specific responsibility to monitor and quality assure the financial reporting. The Audit Committee monitors internal control in connection with its meetings prior to quarterly reporting. Management regularly reports to the Board based on established routines, as does the Audit Committee. Management is responsible for ensuring that the routines and systems established for internal control are followed to ensure proper management of significant operating risks. This includes routines and guidelines for various senior executives, so that they understand the importance of their roles in maintaining good internal control.

Risk assessment

Management works continuously and actively with risk analysis, risk assessment and risk management to ensure that the risks the company faces are managed appropriately within the frameworks that have been established. The risk assessment takes into consideration, among other things, the company's administrative routines with respect to operating, financial and legal risks. Balance sheet and income statement items are continuously reviewed as well if there is a risk of material errors. Assessed risks in major balance sheet and income statement items are graded and monitored. The risk analysis has identified a number of critical processes, with the greatest focus on purchasing and revenue processes. The Audit Committee plays an important role in risk assessment, since it reports its observations and priorities to Björn Borg's Board.

Communication and control activities

Prior to each of its meetings, the Board receives financial reports. The financial situation of the Parent Company and the Group is treated as a separate point at each Board meeting. The Audit Committee plays an important role in the monitoring process, since it reports its observations and priorities to the Board. Manuals, guidelines and policy documents important to financial reporting are updated and provided to all parties concerned at internal meetings or by e-mail. To ensure that external information is distributed correctly, Björn Borg has a communication policy laid down by the Board. Information reporting and financial reporting for all Swedish subsidiaries are managed by Björn Borg's finance department. Foreign subsidiaries are managed locally. The company's auditors conduct the audit of the Group's financial reporting and review the processes, systems, routines and accounting work conducted by Björn Borg's finance department.

Monitoring

The Board of Directors of Björn Borg is ultimately responsible for internal control. The Audit Committee appointed by the Board is responsible for, among other things, quality assuring the company's financial reporting, keeping updated on the focus of the audit and reviewing the effectiveness of the internal control systems for financial reporting. The Audit Committee has the internal control structure as a recurring point at its meetings.

BJÖRN BORG SHARE AND OWNERSHIP STRUCTURE

The shares in Björn Borg AB are listed on the Small Cap list on Nasdaq Stockholm. The total number of shares in Björn Borg is 25,148,384. There is only one class of share. The share capital amounts to SEK 7,858,870 and the quota value per share is SEK 0.3125. Each share carries one vote at the company's AGM, and there are no limitations on how many votes each shareholder may cast at the AGM. Björn Borg had 8,376 shareholders (7,677) at year-end. The largest shareholder as of December 29, 2017 was Martin Bjäringer, through companies and directly, with 9.7 percent of the shares and votes. There are no limitations on the right to transfer the Björn Borg share due to legal provisions or Björn Borg's Articles of Association. Nor is Björn Borg aware of any agreements between shareholders that could infringe upon the right to transfer Björn Borg shares.

TEN LARGEST SHAREHOLDERS DEC. 31, 2017

	No. of shares	%
Martin Bjäringer	2,450,000	9.7
Swedbank Robur Small Cap Fund	2,210,088	8.8
Mats Nilsson	1,638,440	6.5
Fourth Swedish National Pension Fund	1,422,258	5.7
Fredrik Lövstedt	1,050,040	4.2
Vilhelm Schottenius	1,023,520	4.1
Objectif Investissement, Microcaps	945,000	3.8
Avanza Pension	864,776	3.4
Nordnet Pension	579,741	2.3
Stiftelsen Vin och Sprithist muséet	500,000	2.0
Total, largest shareholders	**12,683,863**	**50.4**
Total, other	**12,464,521**	**49.6**
Total number of shares	**25,148,384**	**100.00**

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in Björn Borg AB (publ)
corporate identity number 556658-0683

ENGAGEMENT AND RESPONSIBILITY
It is the board of directors who is responsible for the corporate governance statement for the financial year 2017-01-01 – 2017-12-31 on pages 92-95 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT
Our examination has been conducted in accordance with FAR's auditing standard RevU 16 *The auditor's examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINIONS
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, April 17, 2018
Deloitte AB

Didrik Roos
Authorized Public Accountant

OTHER INFORMATION

ANNUAL GENERAL MEETING
The Annual General Meeting of the shareholders of Björn Borg AB (publ) will be held on Thursday, May 17, 2018 at 5:30 pm (CET) at the company's office, Tulegatan 11, Stockholm. Registration begins at 4:45.

To be entitled to participate in the Annual General Meeting, shareholders must be entered in the shareholders' register maintained by Euroclear Sweden AB by Friday, May 11, 2018 and must notify the company of their intention to participate by this date (Friday, May 11, 2018) in writing to Björn Borg AB, Tulegatan 11, SE-113 53 Stockholm, Sweden, by telephone to +46 8 506 33 700, through the company's website (http://corporate.bjornborg.com/sv) or by e-mail to stamma@bjornborg.com. When notifying the company, please include your name, personal identification or company registration number, address, telephone number and the names of those accompanying you.

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

Shareholders whose shares are registered in the name of a nominee must temporarily re-register the shares in their own names with Euroclear Sweden AB to be entitled to participate in the meeting. For re-registration to be completed by Friday, May 11, 2018, shareholders must inform nominees well in advance of this date.

2018 CALENDAR
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.

SHAREHOLDER CONTACT
Henrik Bunge, CEO
E-mail: henrik.bunge@bjornborg.com
Tel: +46 8 506 33 700

Daniel Grohman, CFO
E-mail: daniel.grohman@bjornborg.com
Tel: +46 8 506 33 700

IMAGES IN THE ANNUAL REPORT
The images used in the annual report were obtained from Björn Borg's spring/summer and fall/winter 2018 collections.

Concept, design and production: Wirtén Design Group.


BJÖRN BORG AB
Tulegatan 11, SE-113 53 Stockholm, Sweden
Tel +46 8 506 33 700
Fax +46 8 506 33 701
www.bjornborg.com
BJÖRN BORG