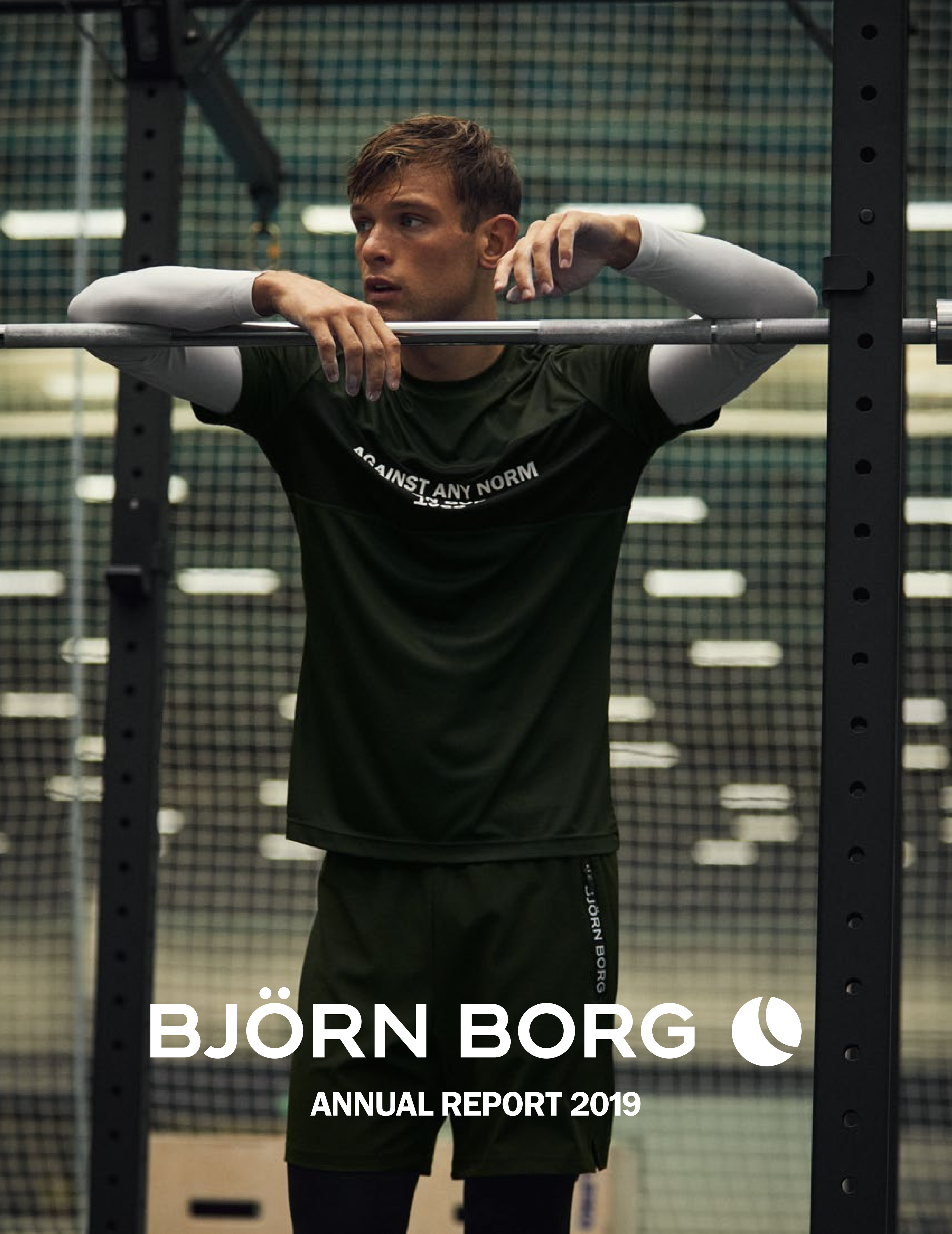


BJÖRN BORG

ANNUAL REPORT 2019

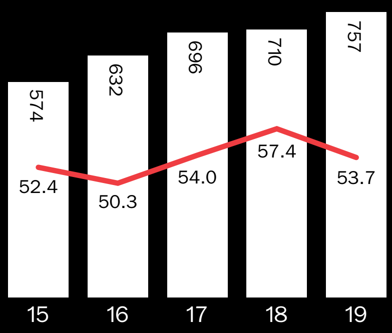
CONTENTS

"During the year we increased awareness of Björn Borg as a sports apparel brand by 25 percent, at the same time that we maintained our position as a leader in men's underwear."

Henrik Bunge

BJÖRN BORG IN BRIEF

NET SALES, SEK MILLION
GROSS PROFIT MARGIN (%)



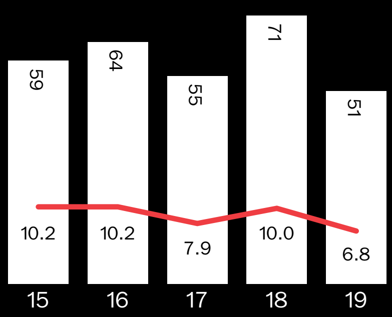
THE GROSS PROFIT MARGIN WAS 53.7 PERCENT

53.7

THE NUMBER OF BJÖRN BORG STORES AT YEAR-END WAS 35, 31 OF WHICH ARE GROUP-OWNED

35

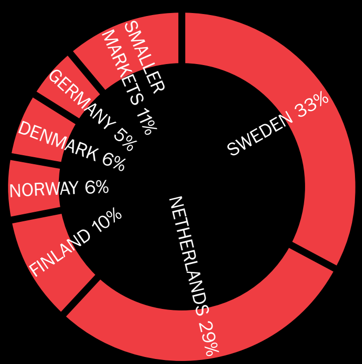
OPERATING PROFIT, SEK MILLION
OPERATING MARGIN (%)



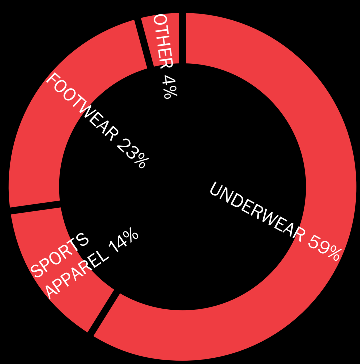
THE OPERATING MARGIN WAS 6.8 PERCENT

6.8

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, sports apparel and bags as well as the licensing of footwear, 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 and the Baltic countries.

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

2019 BY THE NUMBERS

- The Group's net sales rose 6.7 percent to SEK 756.9 million (709.6). Excluding currency effects, the increase was 3.7 percent.
- Net sales for own e-commerce and e-tailers amounted to SEK 194.6 million (160.0), an increase of 21.6 percent.
- The gross profit margin was 53.7 percent (57.4).
- Operating profit amounted to SEK 51.4 million (71.0).
- Profit after tax amounted to SEK 38.9 million (59.9).
- Earnings per share before and after dilution amounted to SEK 1.55 (2.39).
- The Board of Directors has decided to propose to the Annual General Meeting that no dividend be paid for the financial year 2019.

BRAND SALES

Brand sales for the full-year 2019 increased to SEK 1,640 million (1,603), or by 2 percent. Excluding currency effects, brand sales only increased marginally. (See definitions on page 93.)

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 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, the largest of which are Sweden and the Netherlands.

NEW STORES

Four new stores were opened during the year: three in Finland and one in Netherlands, while five stores were also closed: two in Sweden, two in Belgium and one in Norway. At year-end there were 35 (36) Björn Borg stores, 31 (31) of which are Group-owned.

A WORD FROM THE CEO

The focus in 2019 remained on the growth of the digital economy. Coupled with customers' changing buying habits, this proved extremely challenging for the retail sector, with several major companies filing for bankruptcy or reorganizing. We are clearly seeing signs that the midprice segment is the most at risk. For discounters, brick-and-mortar sales rose in 2019, which is a reversal compared with 2018. I see this as proof that physical retail can still be successful in the future. Going forward we see good growth for companies focused on e-commerce, and a rapidly growing trend is that customers are now shopping more and more by mobile phone.

Our 2019 was largely devoted to transitioning to a more digital reality, where the expectations on us as a brand are growing. We did so by implementing a new enterprise system as well as a central warehouse. This will enable us to improve our level of service, but also to be more cost-effective.

PEOPLE MAKE THE DIFFERENCE

Our conviction that people and the team that make a difference is stronger than ever. In 2019 we continued to build a culture centered around health. To create an atmosphere where everyone can tap their hidden talents. Where we close our offices in every market for a mandatory hour of exercise. Where we continue to offer fitness tests, sleep school and stress management. But also where we work diligently with clearly defined goals, repeated follow-ups and time set aside for reflection. Internally, our goal is to be the world's best workplace, and externally a brand that inspires everyone to be the best version of themselves. The goal is to create a community and a team where everyone feels included, with a common desire to make our company, each other and others better.

OUR BRAND IS OUR MOST IMPORTANT ASSET

We believe that exercise is the key to being your best, which is why we remain committed to continuing this evolution and strengthening our position as a sports apparel brand. During the year we increased awareness of Björn Borg as a sports apparel brand by 25 percent, at the same time that we maintained our position as a leader in men's underwear, both in terms of awareness and the desire of customers to choose us first.

We began the year with a collaboration with the artist Robyn with launches in London and New York, among other cities, which was covered by some of the world's biggest fashion magazines. Last autumn we added a long-term global ambassador in the actor Joel Kinnaman. In addition to working with strong ambassadors, we have arranged over 150 events in our markets, which we have seen good results from. Through our social channels we achieved a reach of over 26 million, where by sharing events, exercise tips, profiles and products we have built a strong platform to engage and communicate with our customers. Our social channels naturally remain important as our target group spends a lot of time there.

SALES

We increased net sales in 2019 to SEK 756.9 million, or by 6.7 percent compared with 2019. I am very pleased with the growth in both our own e-commerce and e-tailers, which together rose by 21.6 percent till SEK 194.6 million. We also have good growth in Sweden, Germany, England and the Netherlands. The Netherlands especially grew compared with the previous year, though most of that was related to the closure of our warehouse and the closeout sale that followed. The stores we manage ourselves did well in Sweden, with comparable stores growing 6 percent, driven by increased traffic. Our comparable-store sales were down in Finland, the Netherlands and Belgium, and in contrast with Sweden store traffic was lower as well. Our store in England performed well with sales rising 17 percent compared with 2018. Taken together, this resulted in growth of 2 percent for comparable stores. In terms of our major distribution markets, Norway developed well, while Denmark continues to lose ground. We saw several indications during the year that our strategy with a greater focus on sports apparel was succeeding, with brand sales for the product group up 21 percent, and in our own e-commerce sports apparel rose 61 percent. At the same time we are maintaining underwear sales according to plan.

PROFITABILITY

The gross profit margin for 2019 decreased to 53.7 percent (57.4). Adjusted for currency effects, with a weak krona having a negative effect, the gross profit margin would have been 56.0 percent. Operating expenses rose SEK 33.7 million

compared with 2018. Of the increase, SEK 4.2 million was for personnel in EUR nations due to the weak krona. SEK 12.5 million is currency effects related to the remeasurement of accounts payable. In addition, SEK 2 million relates to the closure of our Dutch warehouse. Increased sales but with a lower gross profit margin and higher expenses reduced operating profit to SEK 51.4 million (71.0).

SUSTAINABLE BUSINESS MODEL AND GROWTH

Our focus on a sustainable business model continued in 2019, where we during the year increased our share of sustainable material even more. We now use 0 percent conventional cotton in our products and our support for the Better Cotton Initiative (BCI) is producing good results, with an estimated 420 million liters of water saved through our collaboration during the year. Seventy-five percent of our products now fall under our B. Tomorrow sustainability label and a total of 70 percent of all our employees (including retail) have green goals in their annual plans. During the year we also committed to the UN's Fashion Industry Charter for Climate Action's target of 30 percent GHG emission reductions by 2030.

AMBITION

We began the year strongly, but finished weakly. On the positive side, sell-through, employee engagement and sales rose from the previous year, but I am naturally dissatisfied with our profitability in 2019. At the same time I know that we have made important investments that will make our business more competitive and profitable in the future, and we have more victories to celebrate. We are especially happy that so many more people are buying and wearing our sports apparel. But also that our brand grew much stronger in 2019, with 17% more consumers seeing us as a brand that "fits them." With 2019 in the books I look forward to a new year with our fantastic team! A great team is the best insurance in a changing world.

Nu kör vi!

Henrik Bunge
Head Coach

VISION, BUSINESS CONCEPT, GOALS AND STRATEGY

WE ARE WORKING TOWARD A SHARED GOAL THROUGH A FRAMEWORK WHERE WE ANSWER FIVE QUESTIONS: WHERE ARE WE GOING? WHERE ARE WE? WHAT TO DO? HOW DO WE DO THINGS? WHY DO WE DO THIS?

We also honor our values. These aren't values drafted by consultants, but by us, through our convictions and drive. Our carrot is to inspire people to be their best, since we know that anyone can be anything.

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.

THE SECOND QUESTION IS:
WHERE ARE WE?

For the most part our annual report describes exactly this, i.e. our current status. It is important to us to understand where we are and have the courage to face reality. This is not only done for the company as a whole, but broken down to each department and each individual.

THE THIRD QUESTION IS:
WHAT TO DO?

Our business plan *Northern Star* describes our focus on three strategic directions; winning the consumer at the point of sale, creating a winning team, and building one sports fashion brand.

- *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.
- *Build one Sports Fashion Brand*
  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?

Our values create a stable foundation from which we can navigate in our rapidly changing world. These core values drive our culture and shape how we live our brand.

- *Passion*
  Energy literally sparks from our bodies in our constant charge forward. Not because someone forces us to, but because we love it. Sports is the power that gives us adrenaline and confidence, and our hearts lead the way. We are driven by passion for what we do, whatever we do.
- *Empowering*
  We care about others and we prove it. We have a strong belief in personal growth and that anyone can go beyond their limitations. That's why we push each other forward because we are all stronger when we give each other power. That's why we believe that one plus one equals not just three, but even more.
- *Winning attitude*
  We aim high to reach high. Winning is in our genes and we never accept losing. If we are alone, we aim to win. If we are in a team, we aim to win for that team. We never give up and never stop believing that we have the power to win.
- *Bold*
  We don't believe in norms – we believe in following our own vision with clear determination. We stand up for what we believe in, no matter the consequences. That is why we always do things our own way and fight on the frontline against any norm, ideal or tradition that prevents people from reaching their full potential.
- *Magnetic*
  We always put on a smile in everything we do and have confidence enough to not take ourselves too seriously. Some people call it aura, others attraction. We call it magnetic. A special glow that comes from within, a combination of looks, appearance and expression.

THE FIFTH QUESTION DESCRIBES WHAT INSPIRES AND MOTIVATES US:
WHY DO WE DO THIS? (OUR MISSION)

We inspire people to be more, through our belief that sports can make our minds, souls and bodies become something more than what we are today, and that anyone can become anything.

FINANCIAL OBJECTIVES

Björn Borg's long-term financial goals for the company, that were concluded 2015 for the period 2015-2019, have been updated early 2019 and are as follows:

- Annual sales growth of minimum 5 percent
- Annual operating margin of minimum 10 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 startup 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 brand platform was implemented in 2019 and serves as a basis for both design and marketing communications. It reflects the brand's sporty identity and mission to inspire others to reach their full potential through exercise.

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 such as ad campaigns, PR, 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.

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 for exposure the brand and current campaigns.

CAMPAIGNS AND EVENTS 2019

During the year Björn Borg continued to position itself in sports apparel through a number of campaigns, events and PR activities. The benefits of exercise were underscored in all activities during the year.

COLLABORATION WITH ROBYN

IIn mid-February Björn Borg presented an exclusive collection in collaboration with internally acclaimed artist and fashion icon Robyn. The limited RBN collection, which was designed together with the stylist Naomi Itkes and Björn Borg's design team, consisted of 23 unisex pieces in a combination of edgy sportswear with street fashion. The inspiration came from several of Robyn's favorite garments as well as pieces from Björn Borg's archive. As part of the launch, Robyn released her new music video, "Send to Robyn Immediately," where pieces in the collection played an important role.

RAGEFULNESS

In the spring Björn Borg presented a campaign for people who want an expressive outlet for their energy. At a temporary *Rage Gym*, they could let go of their anger and find a sense of well-being through intense exercise. Unleased adrenaline helped guests to discover new levels of strength. The successful campaign was seen in social media and events, where ambassadors and customers worked out wearing Björn Borg's Spring/Summer collection. The campaign was created together with Nord DDB.

SMARTNESS

Björn Borg wants to inspire more people to exercise, which strengthens the body, mind and soul in several ways. Research shows, for example, that exercise makes you smarter. The same is true of classical music. A campaign called *Smartness*, which was launched in September, combined exercise with classical music in a unique symphony – *Symphonia Exercitii Et Intelligentiae* – at the optimal beats per minute for exercise – 123. The symphony was created collaboratively by a fitness expert, a neurologist and a classical music composer– Jonas Valfridsson. It was recorded by Jönköpings Sinfonietta at the same time that employees from Björn Borg exercised to the music. The symphony was launched on Spotify, YouTube, at fitness events in all our markets and in social media. The AW19 collection fit in naturally with the campaign, which spread widely online and in the media. The campaign was created together with Nord DDB.

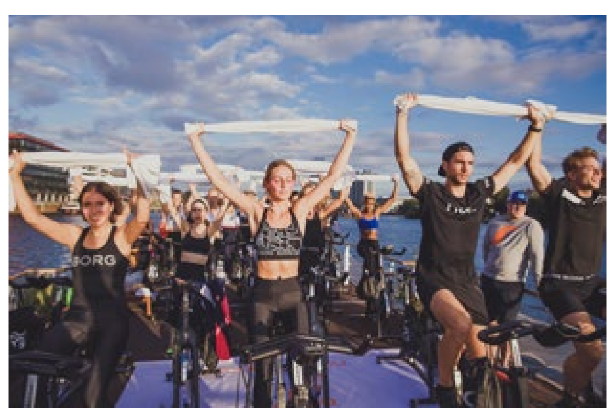
SPONSORSHIPS AND EVENTS

Björn Borg wants to be close to consumers and therefore works actively with fitness events. In 2019 we sponsored *Tough Viking* and *Strong Viking* in seven markets, where participants competed in obstacle runs wearing Björn Borg products. During the year nearly 250 events were held in eight cities under the name *City Attack.* Influencers and consumers both took part in workouts and other activities. These events were arranged in collaboration with local partners in fitness, health and nutrition. Every event was documented in social media. *City Attack* has quickly become a very important channel to spread Björn Borg's vision and maintain direct contact with consumers.

Björn Borg's collaboration with Robyn

The Ragefulness campaign

The Smartness campaign



City Attack – Berlin

PRODUCT DEVELOPMENT

BRAND AND PRODUCTS

Björn Borg is an activewear brand offering athleisure wear, underwear (fashion and performance), swimwear, socks and loungewear.

Björn Borg's products are sporty and modern, with clear guidelines in place to ensure a consistent, contemporary design. The feeling and expression of our garments is detailed in a design platform, complemented by instructions and inspiration for each season. These are followed by Björn Borg's internal design department and external licensees for bags, footwear, eyewear, homewear and fragrances.

IMPORTANT EVENTS IN 2019

The largest product area in terms of sales is still underwear, but the fastest growing category is sports apparel.

The Björn Borg Performance collection with functional fitness clothing grew strongly during the year and our partnership with the *Tough Viking* and *Strong Viking* obstacle races has been very popular.

Two special sports apparel collections were launched: a second line in our Archive collection inspired by previous periods in the company's history and a collaboration with Dutch style icon Joris van Velzen in the outer space-inspired MANMAN x Björn Borg collection.

Björn Borg Swimwear continues to perform well – bold patterns with strong sell-through.

There were a number of major collaborations during the year, most notably the collection released together with Swedish artist Robyn. We also launched the first of two collaborations with London-based design studio DPM, which specializes in camouflage patterns.

The underwear category was driven by three collaborations with Hypebeast, one of the world's leading online destinations for men's contemporary fashion, where three hot designers interpreted our Core underwear: Ryan Hawaii, Vivendii and Liam Hodges.

We also introduced underwear in innovative materials such as hemp and S.Café, which is made from recycled PET bottles and coffee grounds. These briefs have received widespread attention in the international press.

We incorporate sustainability in every design, and the number of sustainably sourced products is growing each season. These products are labeled with a *B. Tomorrow* tag on the garment and the homepage. A special website for our sustainability work was launched during the year. We also received honorable mention in the Drapers Sustainability Awards and were ranked in the top 25 percent of listed companies in aligning our sustainability work with the UN's Sustainable Development Goals, in an evaluation by the business daily Dagens Industri.

Another big focus in 2019 was ensuring that we work with the right suppliers and that our products live up to high quality expectations, so that we are able over the long term to deliver products of the best quality.

FOCUS GOING FORWARD

In 2019 we recruited our new Creative Director, Andreas Gran, whose vision is to create a distinctively Scandinavian sports fashion brand where our heritage and strong vision that sports make everyone better is reflected in everything we do. The goal is to maintain a top position in men's underwear in our mature markets, continue to develop functional underwear, and successfully establish our sports apparel in the right channels. Adding more sustainable alternatives is a critical element in our design approach and product development.


BJÖRN BORG
BJÖRN BORG

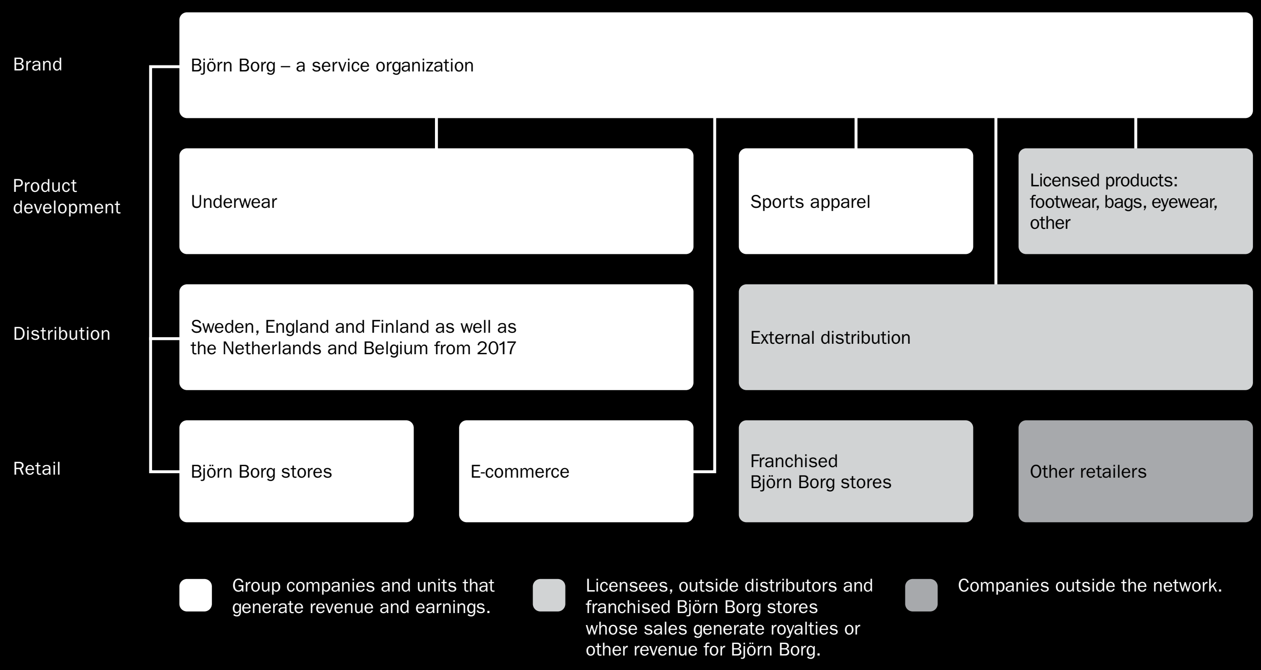
OPERATIONS

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 by 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 the business model with a network of its own units and independent partners, Björn Borg can be involved in key links 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.



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 achieved through, among other things, guidelines and various tools for partners in the network, including marketing, displays and graphic identity, which creates brand 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 essential. 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 fighting against the sale of counterfeit products.

PRODUCT AREAS

The largest and strategically most important product areas, underwear and 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 autumn 2016 collection was the first sports and performance clothing 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 all markets, 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 monitored. 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 changing fashions. The company also stresses that suppliers follow 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.


BORG

DISTRIBUTION

Wholesale operations and product distribution to retailers are managed 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 have an extensive distribution network in their local market with the resources for long-term investments. In new markets, each distributor is evaluated on the basis of 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 managed through companies within the Group. In the main areas of underwear and 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 things.

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. 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 in the network is important to the successful expansion of the brand.

RETAIL

Björn Borg products are sold in 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 combination creates the right positioning in the upper mid-price segment while also generating high sales volumes.

The expansive network of retailers represents an important interface with consumers. In all, around 3,700 retailers sell Björn Borg underwear and sports apparel, including 900 in Sweden, 520 in Denmark, 660 in the Netherlands, 640 in Norway, 240 in Belgium, 280 in England and 460 in Finland. In smaller markets, around 900 retailers sell these products. Björn Borg products are sold by a total of around 4,600 retailers.

Apparel and sporting goods chains and 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 high traffic areas.

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 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 to the brand's exposure and marketing and a valuable 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 both 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. The sports apparel line again grew in weight in 2019, although underwear still accounts for a majority of sales. Björn Borg's own e-commerce sales rose during the year, and it still sees good growth opportunities. Looking ahead it will remain a priority sales channel.

E-tail sales continue to rise in both Björn Borg's own markets and markets where distribution is managed by external partners. Total sales from Björn Borg's own e-commerce and e-tailers amounted to SEK 195 million (160) during the year. Björn Borg will maintain a strong focus on e-tailers and virtual marketplaces going forward.

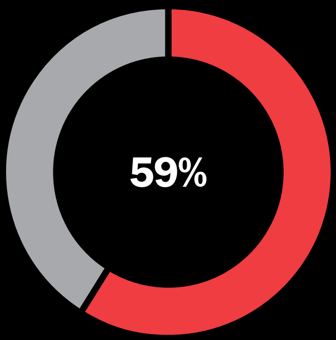
BJÖRN BORG STORES AS OF DEC. 31, 2019

	Group-owned	Franchises
Sweden	8	–
Netherlands	10	–
Belgium	3	–
Finland	9	–
Norway	–	4
England	1	–
Total	**31**	**4**

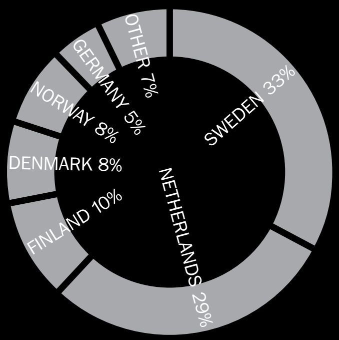
PRODUCT AREAS

UNDERWEAR

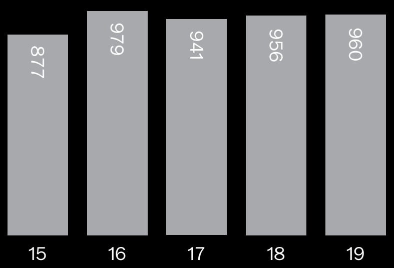
UNDERWEAR, SHARE OF TOTAL BRAND SALES 2019



UNDERWEAR, BRAND SALES BY COUNTRY 2019



UNDERWEAR, SALES TREND 2015-2019, 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.

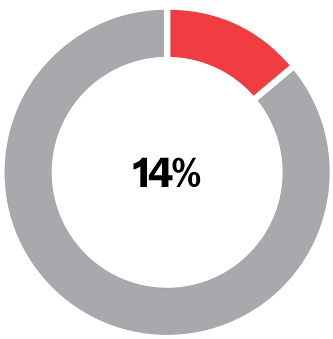
Björn Borg underwear is sold by independent retailers, apparel and sporting goods chains, department stores, Björn Borg stores, and our own and external e-commerce. Product development is managed within the Björn Borg Group.

Brand sales in underwear increased in 2019 to SEK 960 million (956) and the product area accounted for 59 percent (60) of total brand sales. Among large markets, Sweden, the Netherlands, Norway and Germany grew during the year, while Finland and Denmark decreased. Smaller markets such as England and Belgium reported declines compared with 2018.

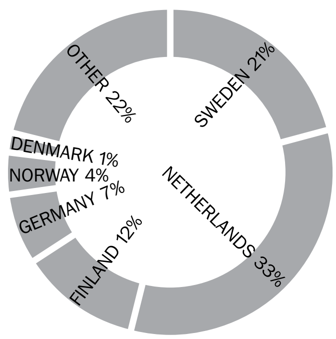

BORG BJÖRN BORG

SPORTS APPAREL

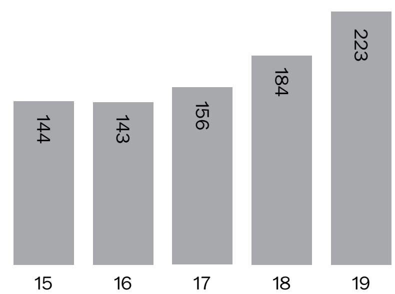
SPORTS APPAREL, SHARE OF TOTAL BRAND SALES 2019



SPORTS APPAREL, BRAND SALES BY COUNTRY 2019



SPORTS APPAREL, SALES TREND 2015-2019, 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*.

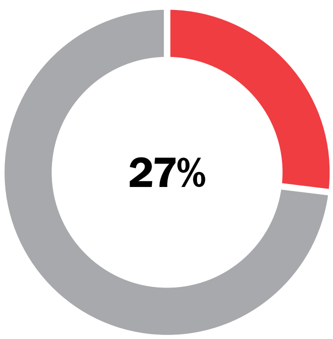
Today Björn Borg's sports apparel is sold in a total of 17 markets. Retailers include sports apparel and sporting goods chains, department stores, Björn Borg stores and e-tailers.

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.

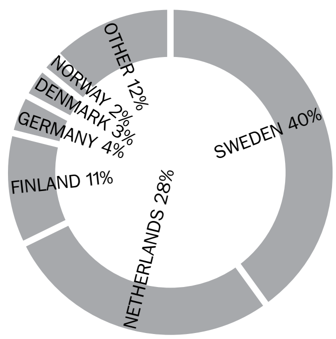

BJÖRN BORG

OTHER PRODUCTS

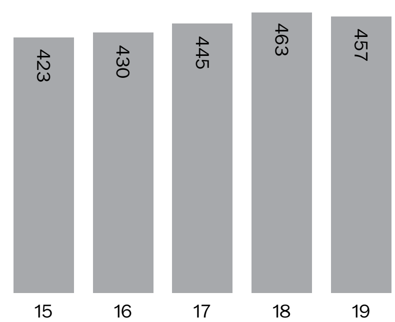
OTHER PRODUCTS, SHARE OF TOTAL BRAND SALES 2019



OTHER PRODUCTS, SALES BY COUNTRY 2019



OTHER PRODUCTS, SALES TREND 2015-2019, 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 2019 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.

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 2019 was primarily through specialty retailers.

OTHER PRODUCTS IN 2019

Total brand sales of other products amounted to SEK 457 million (463) in 2019, a decrease of 1 percent compared with 2018. As a whole, other products accounted for 27 percent of total brand sales.

The footwear product area reported a decrease of 2 percent to SEK 377 million (387), or 23 percent of brand sales. Other product areas – mainly bags and eyewear – saw an aggregate sales increase of 5 percent to SEK 80 million (76). Together, they accounted for 5 percent of brand sales.

BORG
BORG
BORG

GEOGRAPHICAL MARKETS

LARGE MARKETS

Björn Borg is currently represented in around 20 markets, of which Sweden, the Netherlands, Finland, Norway, Denmark and Germany, 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 33 percent of total brand sales. Björn Borg products are sold by about 900 retailers around the country, through Björn Borg's eight stores, two of which are factory outlets, as well as 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 2019 compared with the previous year.

NETHERLANDS

As of January 2017 Björn Borg AB owns the former Benelux distributor. The acquisition was 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. The Netherlands was the Björn Borg brand's second largest market in 2019, with 29 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. Every product area is sold in the Dutch market, where brand sales rose 34 percent during the year.

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 10 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 around 460 external retailers, but there are also nine Björn Borg stores in Finland, four of which are factory outlets. Brand sales in Finland decreased 19 percent during the year.

NORWAY

The brand was launched in the Norwegian market in the early 1990s. Norway today accounts for 6 percent of total brand sales. Products are sold through about 640 retailers around the country and in four Björn Borg stores. All product groups are represented in Norway. Brand sales in the Norwegian market rose 6 percent year-over-year.

DENMARK

Björn Borg was launched in Denmark in 1992 and today it accounts for 6 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 2019 brand sales decreased 17 percent compared with 2018.

GERMANY

Björn Borg was launched in Germany in spring 2016. Today Germany is Björn Borgs Borg's sixth largest market, with 5 percent of total brand sales. Underwear dominates the German market, although all the product areas are sold. Björn Borg's products are sold through around 45 external retailers as there are currently no Björn Borg stores in the country. Brand sales in the German market rose 35 percent compared with 2018.

SMALLER MARKETS

Smaller markets include Belgium and England as well as a number of other markets such as Switzerland, the US, Slovenia, France and Canada.

BELGIUM

Björn Borg was launched in Belgium in the second half of the 1990s. Today Belgium is Björn Borg's sixth largest market, with 5 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 three Björn Borg stores. Brand sales in the Belgian market decreased 9 percent compared with 2018.

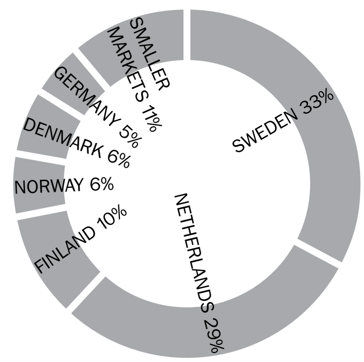
ENGLAND

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 Harrods, John Lewis and House of Fraser, at the same time that more categories have been added such as sports apparel. In addition to external retailers, Björn Borg has its own factory outlet in England, where brand sales decreased 14 percent in 2019 and accounted for 4 percent of total brand sales.

OTHER SMALLER MARKETS

Brand sales are decreasing in many smaller markets with the exceptions of Switzerland, Slovenia and France, where sales are on the rise. 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 SUSTAINABILITY WORK

Running any type of global business comes with responsibilities, but as a player in one of the world's most contaminated industries we have an especially big responsibility.

The umbrella term *B. Tomorrow* represents all our sustainability initiatives and our transition to a more sustainable future. It represents every step we take in the organization to contribute to this shared objective, but also our hope to inspire others to do likewise. It stands for the idea that together we can make a difference. In brief, it is a both vision and an approach: Let's all contribute to a better future. *Let's B. Tomorrow!*

B. Tomorrow is a way for us to express our conviction that a sustainable approach to products and partners is necessary to stay relevant as a brand to future consumers.

We have divided our sustainability work into three focus areas with clearly defined goals, down to the smallest area of operations: *Responsible Production*, *Reduced Climate Impacts* and *Driving Sustainable Consumption*.

A large part of our sustainability work involves finding and introducing sustainable materials and manufacturing processes for our products, store interiors, packaging. By doing so, we reduce consumption of raw materials, water, chemicals and energy and contribute to a circular economy.

By improving efficiencies and optimizing our logistical and warehousing solutions, we reduce transports in terms of both volume and distance, and in the process our carbon footprint. At the end of 2019, for example, we closed our large warehouse in the Netherlands and moved to a new, automated warehouse in Helsingborg. In early 2020 we are integrating our Swedish warehouse in Borås with the new warehouse, thereby creating significant synergies.

We are also dedicated to issues of social responsibility and occupational health and safety, and set strict requirements in our supplier agreements, code of conduct and chemical restrictions that suppliers must follow. Another extremely important point is our commitment to creating the world's best workplace for one of our most important assets, our employees.

Our supply chain comprises very few suppliers, which facilitates a continuous dialogue and monitoring. Björn Borg has been a member since January 2008 of the trade organization Amfori and applies Amfori BSCI's code of conduct. These rules follow the UN's principles on trade and human rights and the International Labour Organisation's conventions and declarations. Unannounced inspections are periodically conducted by independent audit firms to ensure compliance with the code.

Björn Borg's products are free from hazardous chemicals. Our suppliers follow the EU's chemical regulation (REACH) and must also avoid *Substances of Very High Concern* (SVHC), chemicals that are proven to be hazardous but are still permitted up to a specific maximum limit within the EU generally.

Our vision and overarching goal are ambitious and without question will require hard work to achieve. While our investments in sustainability at this point are not generating a financial return, we are convinced that active sustainability work is critical not only for the planet's survival, but also the company's.

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

BJÖRN BORG'S RESPONSIBILITY
Sports not only make us stronger and faster and give us more endurance. With the help of exercise, we also think more clearly, sleep better, eat better and stay in a better mood. Exercise can basically change the world and we are confident that it can help each and every one of us to be whatever we want. This attitude is ingrained in our entire organization – internally and externally. By practicing what we preach, we find opportunities and solutions. There is no question we will never give up, and always strive to be our best. And inspire others to be their best. Together we can create a better tomorrow, for each other and for the environment, and we see it as our role to take responsibility for our own actions as best we can, and encourage others to do the same.

In 2015 sustainability was integrated for the first time in our business plan. Since then we have been working actively to get better, and today the entire organization has specific sustainability goals, tailored to each specialty. After several years of hard work, mainly integrating new sustainable materials and production processes and reducing emissions from our transports, the 2022 plan gives every department and individual clearer sustainability goals with periodic follow-ups over the course of the year.

Björn Borg's long-term sustainability goal is to reduce our CO_2 footprint, including by manufacturing our collections from sustainable fibers and with production processes that use less water and chemicals. In our 2022 plan the goal by autumn 2023 is to offer sustainably sourced material in the entire collection (designed in 2022), and we have already made good progress. As recently as autumn 2017 our first sustainable products in organic cotton and recycled polyester reached the market. Three years later (autumn 2020) we have phased out all conventional cotton and are well on the way with other materials.

By 2022 all packaging will be made of sustainable materials that are easily recycled, as will our store fixtures. The goal from 2013 to reduce our CO_2 footprint by 40 percent was reached in 2018, but we continue to reduce our footprint as much as we can, not least with the help of efficiencies in transports and warehousing. Now we are also introducing renewable energy as far as possible in our various markets and integrating our licensees even more actively in order to offer sustainable licensed products going forward.

Just as important is our social responsibility, maintaining fair working conditions and wages for employees of our suppliers, but also at home in our offices around the world.

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

- Reduce our wastes and dependency on finite resources.
- Hold ourselves accountable.
- Maintain sustainable production and sustainable design.
- Take full responsibility for ensuring that suppliers follow our guidelines to reduce their environmental impact and take social responsibility.
- Include sustainability criteria through the product's entire journey to the consumer.
- Full transparency.
- Always encourage consumers and other stakeholders to embrace high ethical standards and sustainability.
- Always try to be better, never stop looking for new solutions.

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 company we also need structure and standardized routines – while still maintaining 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, Empowering, Winning Attitude, Bold* and *Magnetic.* These five distinguish the way we work and all communication internally and externally.

The company's mission is that "We inspire people to be more through our belief that sports can make our mind, souls and bodies become something more than what they are today and that anyone can become anything," which is a major driver that unites employees and a mission 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 design, product, finance and digital branding with an emphasis on sports fashion. Through a skills audit, we have 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 and 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 the coming years. 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 high 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. Every employee 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 work-life balance. Based on the outcomes, goals and action plans are set each year both at a group level and for each individual. Each employee also has personal sustainability goals in order to contribute to Björn Borg's sustainability work, with a focus on reducing climate impacts.

The company's compensation system comprises a base salary and variable compensation for certain key employees based on performance in relation to a combination of the company's financial goals and individual targets.

ORGANIZATION BY THE NUMBERS

The average number of Group employees was 212 in 2019, compared with 213 in 2018.

The average age was 35, and 66 percent were women and 34 percent men. Biologically, their average age is 27, eight years younger than their physical age, according to a fitness test of endurance, strength, flexibility and perceived well-being that all employees underwent during the year with a professional personal trainer, who also helped them set personal goals.

Employee engagement in the organization is high (81 percent) and increased during the year in line with current goals. All departments have been involved in setting their own goals for the coming years.

BJÖRN BORG BY THE NUMBERS

FINANCIAL REPORTS

FIVE-YEAR SUMMARY

FIVE-YEAR SUMMARY

SEK thousands	2019	2018	2017	2016	2015
Income statement in summary					
Operating revenue	779,055	716,781	704,255	638,570	584,498
Operating profit	51,365	71,003	55,367	64,196	58,592
Profit after financial items	48,693	74,028	51,398	63,470	57,560
Profit for the year	38,947	59,886	37,372	46,897	41,643
Balance sheet in summary					
Intangible assets	232,538	232,234	228,353	208,492	209,336
Tangible non-current assets	18,127	15,390	15,392	9,277	10,076
Other long-term receivables	–	–	–	10,700	8,900
Deferred tax assets	14,958	23,228	22,530	13,452	35,315
Right-of-use assets	131,458	–	–	–	–
Inventory	128,424	139,564	109,770	67,477	75,851
Current receivables	144,706	144,112	111,534	153,913	107,395
Short-term investments	–	–	500	26,167	80,909
Cash & cash equivalents	29,002	36,388	52,620	48,948	50,643
Total assets	**699,213**	**590,916**	**540,699**	**538,426**	**578,425**
Equity	264,884	281,705	277,398	289,103	290,675
Non-current liabilities	–	3,824	22,925	17,273	174,832
Deferred tax liabilities	40,370	42,892	42,949	35,418	41,969
Non-current lease liability	96,137	–	–	–	–
Current liabilities	297,822	262,495	197,427	196,632	70,949
Total equity and liabilities	**699,213**	**590,916**	**540,699**	**538,426**	**578,425**
Key ratios [1]					
Gross profit margin, %	53.7	57.4	54.0	50.3	52.4
Operating margin, %	6.8	10.0	7.9	10.2	10.2
Profit margin, %	6.4	10.4	7.4	10.0	10.0
Return on capital employed, %	12.0	18.4	13.2	16.3	14.8
Return on average equity, %	14.3	21.5	13.1	16.3	15.6
Profit attributable to Parent Company's shareholders	38,948	60,128	37,099	47,361	45,062
Equity/assets ratio, %	46.9	47.7	51.3	53.7	50.3
Equity per share, SEK	10.53	11.20	11.03	11.50	11.56
Investments in intangible non-current assets	3,845	7,264	4,921	–	301
Investments in tangible non-current assets	8,732	6,486	7,868	5,231	4,746
Investments in financial assets	–	–	–	–	–
Depreciation/amortization for the year	–57,227	–8,877	–9,906	–6,797	–6,592
Average number of employees	212	213	212	133	132
Data per share					
Earnings per share, SEK	1.55	2.39	1.48	1.88	1.79
Earnings per share (after dilution), SEK	1.55	2.39	1.48	1.88	1.77
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	25,148,384	25,148,384	25,604,384

[1] For descriptions of alternative key ratios, see page 93.

QUARTERLY DATA FOR THE GROUP

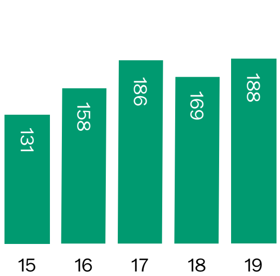
QUARTERLY DATA FOR THE GROUP

SEK thousands	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net sales	196,407	230,585	141,705	188,155	196,898	203,132	140,341	169,204
Gross profit margin, %	50.8	52.5	55.4	56.8	55.5	57.7	59.9	57.1
Operating profit	1,432	33,065	–1,678	18,545	16,033	36,999	2,888	15,085
Operating margin, %	0.7	14.3	–1.2	9.9	8.1	18.2	2.1	8.9
Profit/loss after financial items	–2,566	34,140	–2,828	19,946	16,081	35,633	3,216	19,099
Profit margin, %	–1.3	14.8	–2.0	9.6	8.2	17.5	2.3	11.3
Earnings per share, SEK	–0.11	1.07	–0.09	0.67	0.58	1.15	0.06	0.60
Earnings per share after dilution, SEK	–0.11	1.07	–0.09	0.67	0.58	1.15	0.06	0.60
Number of Björn Borg stores at end of period	33	34	34	34	36	37	38	39
of which Group-owned Björn Borg stores	30	30	30	30	31	32	34	34
Brand sales	380,927	513,901	272,185	473,112	453,784	443,527	294,022	411,661

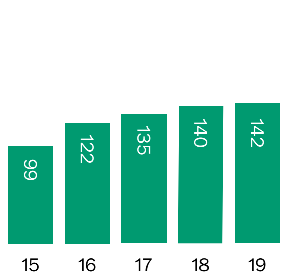
SEASONAL VARIATIONS

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

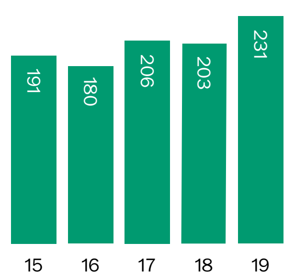
NET SALES
2015-2019, Q1, SEK MILLION



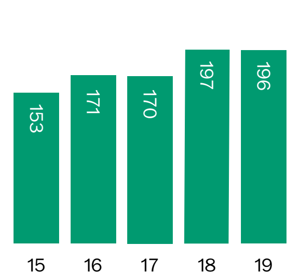
NET SALES
2015-2019, Q2, SEK MILLION



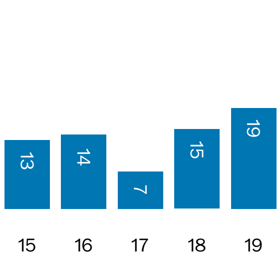
NET SALES
2015-2019, Q3, SEK MILLION



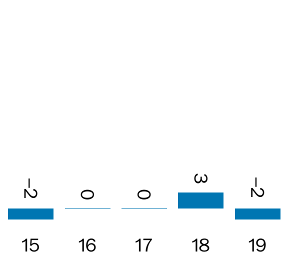
NET SALES
2015-2019, Q4, SEK MILLION



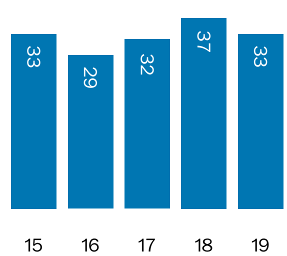
OPERATING PROFIT
2015-2019, Q1, SEK MILLION



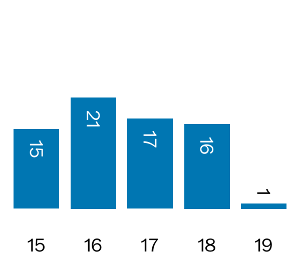
OPERATING PROFIT
2015-2019, Q2, SEK MILLION



OPERATING PROFIT
2015-2019, Q3, SEK MILLION



OPERATING PROFIT
2015-2019, 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 2019.

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 and the Baltic countries.

BJÖRN BORG SHARE AND OWNERSHIP ANALYSIS

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 8,173 shareholders at year-end. The largest shareholder as of December 28, 2019 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 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 14, 2019 in Stockholm resolved to re-elect Alessandra Cama, Göran Carlson, Christel Kinning, Fredrik Lövstedt, Mats H Nilsson and Heiner Olbrich as Directors, and elected Anette Klintfält as a new Director. As a result, there are a total of seven Directors. The AGM resolved to re-elect Heiner Olbrich as 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 issue new shares. The minutes of the AGM are available on Björn Borg's website.

BOARD WORK

In 2019 the Board held five scheduled meetings, four of which were in connection with the quarterly financial reports and one by circulation in connection with the preparations for the AGM. 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 GOALS

Björn Borg's long-term financial goals, which were most recently established in 2015 for the period 2015-2019, were updated in 2019 and are as follows:

- Annual sales growth of minimum 5 percent
- Annual operating margin of minimum 10 percent
- An annual dividend of at least 50 percent of net profit
- The equity/assets ratio should not fall below 35 percent.

Comment on the financial objectives

Sales growth is expected to mainly come from sports apparel, although other product groups are also expected to grow.

DIVIDEND

Against the backdrop of the uncertainty created by the coronavirus, the Board of Directors proposes that the Annual General Meeting resolve not to pay a dividend or distribution for the financial year 2019.

EVENTS IN 2019

Organization

At the beginning of the year a project called "System Excellence" was launched to update and replace the existing enterprise, point-of-sale, reporting and order processing systems, among others. It has been a successful implementation.

At the end of the year the company shut down its warehouse in Tilburg, the Netherlands, to centralize and consolidate in a single central warehouse in Helsingborg, Sweden. The new partner in Sweden, Nowaste, runs a fully automated warehouse that will create synergies and efficiency opportunities. The collaboration with the current partner in Sweden, DHL, will be terminated in early 2020, at which point Björn Borg will only have one central warehouse for the entire business.

Markets

During the year we signed an agreement with our external licensing partner for bags, Libro Fashion Works AB, to integrate with Björn Borg's existing operations. This 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. The integration will take place in 2020.

Björn Borg stores
Four new stores were opened during the year: three in Finland and one in Netherlands, while four stores were also closed: two in Sweden and two in Belgium. At year-end there were 35 (36) Björn Borg stores, 31 (31) of which are Group-owned.

THE GROUP'S DEVELOPMENT

Net sales
The Group's net sales for the full-year 2019 amounted to SEK 756.9 million (709.6), an increase of 6.7 percent. Excluding currency effects, sales rose 3.7 percent.

The positive trend compared with 2018 is largely due to increased net sales in the wholesale business, which grew 11 percent. Sweden, the Netherlands, Germany and England all saw strong growth, while the Finnish market was down 11 percent year-over-year due to our decision to terminate the collaborations with several customers whose work has not aligned with the brand's future direction. The wholesale business in Belgium was also down, by 33 percent, due to low sell-through. Sales for the retail company in Sweden fell 3 percent in total due to fewer stores. Comparable store sales rose 6 percent, mainly due to increased foot traffic. Net sales for the retail companies in the Netherlands and Belgium fell 4 percent in total, also due to fewer stores year-over-year. Comparable store sales in the Netherlands and Belgium rose 1 percent compared with the previous year. Adjusted for currency effects, sales for comparable stores in the Netherlands and Belgium were down 3 percent. The Finnish retail company saw a sales increase of 18 percent year-over-year, while sales for comparable stores decreased 2 percent compared with the previous year. Adjusted for currency effects, comparable store sales in Finland decreased 5 percent. Sales for the retail company in England increased 17 percent. E-commerce saw growth of 22 percent, with website traffic and orders better than the previous year. The product companies' external sales increased year-over-year, mainly driven by a positive trend in the Norwegian market. External royalties were in line with the previous year.

Profit
The gross profit margin for the full-year 2019 decreased to 53.7 percent (57.4). A stronger USD, combined with a strong EUR, negatively affected margins. Adjusted for currency effects, the gross profit margin would have been 56.0 percent.

Other operating revenue amounted to SEK 22.2 million (7.2) and mainly refers to unrealized gains on accounts receivable in foreign currency, which positively affects profit.

Operating expenses increased SEK 33.7 million, or 9.8 percent. Adjusted for currency effects, operating expenses would have risen SEK 29.5 million, or 8.6 percent.

The higher revenue coupled with the lower gross profit margin and higher operating expenses than the previous year led to a decrease in operating profit to SEK 51.4 million (71.0). The operating margin was 6.8 percent (10.0).

Net financial items amounted to SEK –2.7 million (3.0). The decrease compared with 2018 is mainly due to the introduction of IFRS 16, which led to an increase in interest expenses for the full-year 2019 of SEK 3.8 million (0.0). Profit after tax decreased to SEK 38.9 million (59.9).

Investments and cash flow
The Group's cash flow from operating activities amounted to SEK 112.5 million (22.8) in the full-year 2019. The improvement from the previous year primarily came from an inventory reduction. While the change in working capital has been positive since the introduction of IFRS 16, there has been a corresponding decrease in financing activities.

Cash flow from investing activities was negative at SEK –12.6 million (–15.6). Large investments were made in existing stores. Total investments in tangible and intangible non-current assets amounted to SEK 12.6 million (13.8) for the period.

Financing activities generated negative cash flow of SEK –108.4 million (–25.3). The negative flow mainly comes from the company's distribution to shareholders of SEK 50.3 million (50.3). The increased outflow compared with the previous period comes from the above-mentioned introduction of IFRS 16, which negatively affected financing activities by

FIVE-YEAR SUMMARY

	2019	2018	2017	2016	2015
Net sales, SEK million	756.9	709.6	696.5	631.6	574.3
Operating profit, SEK million	51.4	71.0	55.4	64.2	58.6
Operating margin, %	6.8	10.0	7.9	10.2	10.2
Profit before tax, SEK million	48.7	74.0	51.4	63.5	57.6
Profit for the year, SEK million	38.9	59.9	37.4	46.9	41.6
Earnings per share, SEK	1.55	2.39	1.48	1.88	1.79
Earnings per share after dilution, SEK	1.55	2.39	1.48	1.88	1.77
Equity/assets ratio, %	46.9	47.7	51.3	53.7	50.3
Equity per share, SEK	10.53	11.20	11.03	11.50	11.56

SEK 47.2 million (0), but where we see a corresponding positive flow within working capital, as well as convertible loan repayments of SEK 18.2 million (0).

Financial position and liquidity
The Björn Borg Group's cash & cash equivalents and investments amounted to SEK 29.0 million (36.4) at the end of the period with interest-bearing liabilities of SEK 290.5 million (303.8). The liabilities have been affected by IFRS 16. Interest-bearing net liabilities, excluding lease liabilities, amounted to SEK 128.2 million (135.4). Total lease liabilities amounted to SEK 133.3 million (0), of which SEK 96.1 million (0) represents the long-term share and SEK 37.1 million (0) the short-term share.

In addition to the revolving credit of SEK 150 million, which is fully utilized, Björn Borg has an overdraft facility of SEK 90 million from Danske Bank, of which SEK 7.2 million (0.0) was utilized as of December 31, 2019.

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, 2019 the ratio was 2.15 (1.65) and the equity/assets ratio was 46.9 percent (47.7).

No changes were otherwise made with regard to pledged assets and contingent liabilities compared with December 31, 2018.

Transactions with related parties
Aside from customary compensation (salary, bonuses and other benefits) to the CEO, senior executives and the Board of Directors as well as intra-Group sales, no transactions with related parties were executed during the period.

SEGMENTS (FOR MORE INFORMATION, SEE NOTE 4)

Licensing
The segment mainly consists of royalty revenue and expenses associated with the brand.

The segment's operating revenue amounted to SEK 83.4 million (83.8) in the full-year 2019. External operating revenue rose to SEK 15.5 million (15.4). The increase is a result of higher brand sales of licensed products, with bags accounting for most of the growth. Royalties as a percentage vary between product categories, because of which there is not always an exact correlation between royalties and brand sales.

Operating profit increased to SEK 13.4 million (13.4) for the full-year 2019.

Distributors
The Distributors segment mainly consists of revenue and expenses associated with sales to external distributors of product groups developed by the company.

The segment's operating revenue amounted to SEK 463.8 million (494.0) in the full-year 2019. External operating revenue rose to SEK 50.3 million (49.1), corresponding to an increase of 2 percent from the previous year. The year-over-year increase in sales to our distributor for the Norwegian market was the main reason for the improvement. Smaller distributor markets also saw strong growth, while we saw a decrease in Denmark.

Operating profit decreased to SEK 11.1 million (14.8) due to the lower gross margins in the segment.

Wholesale
The segment consists of revenue and expenses associated with the Björn Borg Group's wholesale operations. The Group has wholesale businesses in Sweden, Finland, the Netherlands, Belgium and England for apparel and underwear as well as in Sweden, Finland and the Baltic countries for footwear.

The segment's operating revenue increased in the full-year 2019 to SEK 530.4 million (468.6). External operating revenue amounted to SEK 516.2 million (466.5), an increase of 11 percent. One reason for the increase is that the company saw growth in all markets except Finland and in the footwear business, where the Netherlands, Sweden and Germany performed very strongly compared with the previous year. Finland lost ground year-over-year as a result of the decision to terminate the collaborations with several customers whose work has not aligned with the brand's future direction. Sales to e-tailers, which primarily sell online, are growing in all markets except England. Growth in e-tail was 21 percent for the full-year 2019 and amounted to SEK 134.4 million (110.7).

Operating profit amounted to SEK 29.6 million (45.6) compared with the previous year. The decrease is mainly due to lower gross profit margins, which were negatively affected by currencies with a weaker SEK compared with USD and EUR, and a larger staff.

Consumer Direct
The segment consists of revenue and expenses associated with the Björn Borg Group's direct sales to consumers. The Björn Borg Group owns and operates a total of 30 stores and factory outlets in Sweden, Finland, the Netherlands, Belgium and England with sales of underwear, sports apparel, adjacent products and other licensed products. In addition, Björn Borg sells online through www.bjornborg.com.

Operating revenue in the Consumer Direct segment increased in the full-year 2019 to SEK 197.3 million (185.8). External operating revenue increased in the full-year 2019 to SEK 197.1 million (185.8), up 6 percent. The increase is mainly due to increased store traffic as well as a strong performance in e-commerce, which grew 22 percent year-over-year. The Group's own stores in Sweden declined 3 percent year-over-year due to fewer stores, while comparable stores increased 6 percent. The stores in the Netherlands and Belgium were down 4 percent in total, while comparable store sales rose 1 percent from the previous year. The Finnish stores saw a total increase of 18 percent due to an increased number of stores, while comparable stores fell 2 percent compared with the previous year. The store in England grew 17 percent year-over year. In total, sales for comparable stores rose 2 percent compared with the previous year.

The operating loss for the full-year 2019 was SEK 2.7 million, against a year-earlier loss of SEK 2.9 million. The slightly lower loss is due to higher sales with slightly improved gross profit margins. External operating expenses increased slightly from the previous year, primarily due to slightly higher logistics expenses in e-commerce as a result of higher sales.

Brick-and-mortar stores play an important role for consumers when combined with a digital presence and help to create a consistent brand image. We therefore continually assess conditions and locations to optimize our retail holdings.

Intra-Group sales
Intra-Group sales for 2019 amounted to SEK 515.4 million (474.2).

PERSONNEL
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.

The average number of employees in the Group was 212 (213) for the twelve-month period ending December 31, 2019, of whom 66 percent (68) are women.

REMUNERATION GUIDELINES FOR THE CEO AND OTHER SENIOR EXECUTIVES

The Annual General Meeting on May 14, 2019 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 not exceed the base salary. If terminated by the company, the notice period will not exceed 12 months. Severance should not be paid. Pension benefits are defined contribution and entitle senior executives to receive a pension from age 65. The proposed guidelines to the Annual General Meeting 2020 are in line with current guidelines.

The Annual General Meeting 2019 resolved to introduce a new long-term incentive plan, LTIP 2022, which can be described as variable cash remuneration based on the price of the Björn Borg share. Employees entitled to participate in the incentive plan, which runs between 2019 and 2022, are members of the company's management team. Under LTIP 2022, participants may be entitled to a cash payout from Björn Borg, depending on price of the Björn Borg share and based on each participant's annual fixed salary for 2019. The first level of payout under the incentive plan is 25 percent of each participant's yearly fixed salary for 2019, which participants are entitled to if the price of the Björn Borg share has been traded at a price of SEK 35 for a period of one hundred (100) non-consecutive days during any of the years 2020, 2021 and 2022. The highest level of payout under the incentive plan is 160 percent of each participant's fixed annual salary for 2019, on the condition that the Björn Borg share has been traded at a price of SEK 70 for the period described below. On the assumption that nine management team members participate in LTIP 2022, the maximum payout under LTIP 2022 will be SEK 28,520,000, including social security costs.

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

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 is a philosophy at Björn Borg, 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 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 are working 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 be 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 continue to work passionately to further increase our share of sustainable clothing.

More information on Björn Borg's sustainability work can be found in the sustainability report required according to the Annual Accounts Act 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. Furthermore, as the company has noted, the coronavirus outbreak has greatly changed the world around us and is affecting the Björn Borg Group. The extent of the impact is difficult to assess, but the outbreak will have a substantial financial effect on the Björn Borg Group's business. We are currently seeing a major financial impact on our own stores with fewer visitors and a large decrease in sales. In particular, the company is seeing that overall development and/or regulatory decisions in the countries where the company conducts its business are leading to, or may lead to, reduced demand in the retail market, potential disruptions to the distribution chain, unfavorable currency impacts, payment difficulties by our customers and closed stores with reduced sales as a result. Such effects were already evident by the end of the first quarter 2020 (see interim report for the first quarter 2020 for more information), where we at the end of the first quarter 2020 closed all of our own stores in the Netherlands and Belgium as well as three stores in Finland. The negative financial effects will probably increase in the second quarter 2020. The company's liquidity remains good despite that the adverse effects mentioned above, because of which the company in the first quarter 2020 utilized part of the SEK 90 million overdraft facility it has with Danske Bank. As an added precautionary measure, the company has applied for, and been granted, an additional short-term loan from Danske Bank of SEK 40 million. Additional measures that the company has implemented to mitigate the financial effects of the coronavirus include short-term layoffs, renegotiated lease payments for the Group's own stores, an application to defer tax payments and overall reductions in operating expenses.

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 sports 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 and comprehensive 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 2020

As a policy, the company does not issue earnings forecasts. However, the coronavirus outbreak has greatly changed the world around us and is adversely affecting the Björn Borg Group. The extent of the impact is difficult to assess, but the outbreak will have a substantial financial effect on the Björn Borg Group's business. We are currently seeing a major financial impact on our own stores with fewer visitors and a large decrease in sales. In particular, the company is seeing that overall development and/or regulatory decisions in the countries where the company conducts its business are leading to, or may lead to, reduced demand in the retail market, potential disruptions to the distribution chain, unfavorable currency impacts, payment difficulties by our customers and closed stores with reduced sales as a result. Such effects were already evident by the end of the first quarter 2020 and will probably increase in the second quarter 2020.

PARENT COMPANY

Björn Borg AB (publ) is primarily engaged in intra-Group activities. During the period the company acquired the 25 percent minority share in Bjorn Borg Finland Oy for EUR 300,000. As of December 31, 2019 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, Baseline and Bjorn Borg Finland Oy. It also owns 75 percent of the shares in Björn Borg (China) Ltd.

The Parent Company's net sales for the year amounted to SEK 102.5 million (106.5).

Profit before tax amounted to SEK 45.1 million (113.9) for the period. Cash & cash equivalents and investments amounted to SEK 0 million (2.1) as of December 31, 2019.

PROPOSED DISTRIBUTION OF PROFIT

The following unappropriated earnings are at disposal of the Annual General Meeting:	
Retained earnings, SEK	96,316,232
Profit for the year, SEK	43,020,798
	139,337,030
The Board proposes that:	
Carried forward, SEK	139,337,030
	139,337,030

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

SEK thousands	Note	2019	2018
Net sales		756,853	709,576
Other operating revenue		22,202	7,205
Operating revenue	4, 5	**779,055**	**716,781**
Goods for resale		–350,735	–302,555
Other external expenses		–151,768	–192,161
Staff costs		–150,467	–136,761
Depreciation/amortization of tangible/intangible non-current assets		–57,227	–8,877
Other operating expenses		–17,492	–5,424
Operating profit	4, 6, 8, 10, 12, 19, 20	**51,365**	**71,003**
Interest income and similar credits	12, 14	5,521	6,715
Interest expenses and similar charges	12, 14	–8,193	–3,690
Profit after financial items		**48,693**	**74,028**
Profit before tax		**48,693**	**74,028**
Tax on profit for the year	16	–9,745	–14,142
Profit for the year		**38,948**	**59,886**
Profit for the year attributable to:			
Parent Company's shareholders		38,948	60,128
Non-controlling interests	30	–	–242
Earnings per share before dilution, SEK	17	1.55	2.39
Earnings per share after dilution, SEK	17	1.55	2.39

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Note	2019	2018
Profit for the year		**38,948**	**59,886**
Components that may be reclassified to profit or loss			
Translation difference for the year		–5,472	–2,312
Total other comprehensive income for the year [1]		**–5,472**	**–2,312**
Total comprehensive income for the year		**33,476**	**57,574**
Total comprehensive income for the year attributable to			
Parent Company's shareholders		33,475	58,635
Non-controlling interests	30	–28	–1,061

[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, 2019	Dec. 31, 2018
ASSETS			
Non-current assets			
Intangible assets	18		
Goodwill		35,098	34,746
Trademarks		187,532	187,532
Other intangible assets		9,908	9,956
		232,538	**232,234**
Tangible non-current assets			
Property, plant and equipment	19	18,127	15,390
Right-of-use assets	11	131,458	–
		149,585	**15,390**
Deferred tax assets	16	14,958	23,228
		14,958	**23,228**
Total non-current assets		**397,081**	**270,852**
Current assets			
Inventory	21		
Trading book		127,828	132,811
Advance payments		596	6,753
		128,424	**139,564**
Current receivables			
Accounts receivable	22	124,805	130,487
Other current receivables		4,031	2,876
Prepaid expenses and accrued income	23	15,871	10,749
		144,706	**144,112**
Cash & cash equivalents			
Cash and bank balances	7, 24	29,002	36,388
		29,002	**36,388**
Total current assets		**302,131**	**320,064**
TOTAL ASSETS		**699,213**	**590,916**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Note	Dec. 31, 2019	Dec. 31, 2018
EQUITY AND LIABILITIES			
Equity			
Share capital		7,859	7,859
Other paid-in capital		182,145	182,145
Reserves		–12,973	–7,529
Retained earnings		93,743	105,092
Equity attributable to Parent Company's shareholders		**270,774**	**287,567**
Non-controlling interests	30	–5,890	–5,862
Total equity		**264,884**	**281,705**
Non-current liabilities			
Deferred tax liabilities	16	40,370	42,892
Non-current liabilities to credit institutions	27	150,000	150,000
Non-current lease liability	11	96,137	–
Other non-current liabilities	24	–	3,824
		286,507	**196,716**
Current liabilities			
Accounts payable		55,862	37,646
Current lease liability	11	37,123	–
Current tax liabilities		4,377	11,051
Current liability to credit institution		7,242	–
Other current liabilities	24, 27	18,277	31,075
Accrued expenses and prepaid income	28	24,941	32,723
		147,822	**112,495**
Total liabilities		**434,329**	**309,211**
TOTAL EQUITY AND LIABILITIES		**699,213**	**590,916**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousands	Note	Share capital	Share premium reserve	Translation reserve	Retained earnings	Non-controlling interests	Total equity
Opening balance, January 1, 2018		**7,859**	**182,145**	**–6,036**	**92,939**	**491**	**277,398**
Total comprehensive income for the year		–	–	–1,493	60,128	–1,061	57,574
Transactions with shareholders							
Distribution for 2017 through share redemption	25	–3,929	–	–	–46,368	–	–50,297
Bonus issue		3,929	–	–	–3,929	–	–
Correction of minority share		–	–	–	4,026	–4,026	–
Acquisition of non-controlling interest		–	–	–	–1,704	–1,266	–2,970
Total transactions with shareholders		**0**	**–**	**–**	**–47,975**	**–5,292**	**–53,267**
Closing balance, December 31, 2018		**7,859**	**182,145**	**–7,529**	**105,092**	**–5,862**	**281,705**
Opening balance, January 1, 2019		**7,859**	**182,145**	**–7,529**	**105,092**	**–5,862**	**281,705**
Total comprehensive income for the year		–	–	–5,444	38,948	–28	33,476
Transactions with shareholders							
Distribution for 2018 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, 2019		**7,859**	**182,145**	**–12,973**	**93,743**	**–5,890**	**264,884**

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK thousands	Note	2019	2018
OPERATING ACTIVITIES			
Profit after tax		38,948	59,886
Income tax expensed through profit or loss		9,745	14,142
Financial expenses and income recognized through profit or loss		2,672	–3,025
Depreciation/amortization of tangible/intangible non-current assets		57,227	8,877
Other non-cash items		–4,941	544
Interest received		23	75
Interest paid		–1,236	–2,984
Taxes paid		–10,723	–829
Cash flow from operating activities before changes in working capital		**91,715**	**76,686**
Changes in working capital			
Change in inventory		11,140	–32,230
Change in accounts receivable		–5,682	39,008
Change in other receivables		7, 542	–74,037
Change in accounts payable		–18,216	–17,194
Change in other current liabilities		26,013	30,530
Change in working capital		**20,797**	**–53,923**
Cash flow from operating activities		**112,512**	**22,763**
INVESTING ACTIVITIES			
Acquisition of minority share		–	–2,970
Investments in intangible assets	18	–3,845	–7,264
Investments in tangible non-current assets	19	–8,732	–6,486
Sale of short-term investments		–	1,112
Cash flow from investing activities		**–12,577**	**–15,608**
FINANCING ACTIVITIES			
Loan proceeds		–	50,000
Amortization of loans		–	–25,000
Amortization of debt, convertible		–18,153	–
Amortization of lease liability		–47,218	–
Overdraft facility		7,242	–
Distribution		–50,297	–50,297
Cash flow from financing activities	32	**–108,426**	**–25,297**
CASH FLOW FOR THE YEAR		**–8,491**	**–18,142**
Cash & cash equivalents at beginning of the year		36,388	52,620
Translation difference in cash & cash equivalents		1,105	1,910
Cash & cash equivalents at year-end		**29,002**	**36,388**
Increase/decrease in cash & cash equivalents		**7,386**	**16,232**

PARENT COMPANY'S FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

SEK thousands	Note	2019	2018
Net sales		102 502	106 506
Other operating revenue		2 499	815
Operating revenue	5	**105 001**	**107 321**
Goods for resale		–2	–5
Other external expenses		–64,303	–62,271
Staff costs		–40,258	–35,475
Depreciation/amortization of tangible/intangible non-current assets		–2,096	–1,741
Other operating expenses		–1,305	–629
Operating profit/loss	4, 6, 7, 8, 10, 11, 18, 19	**–2,963**	**7,200**
Result from shares in subsidiaries	13	37,725	50,300
Group contributions received		15,761	58,458
Interest income and similar credits	14	3,610	6,877
Interest expenses and similar charges	14	–8,610	–8,344
Profit after financial items		**45,523**	**114,491**
Appropriations	15	–429	–609
Profit before tax		**45,094**	**113,882**
Tax on profit for the year	16	–2,073	–13,407
Profit for the year		**43,021**	**100,475**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Note	2019	2018
Profit for the year		**43,021**	**100,475**
Other comprehensive income		**–**	**–**
Total comprehensive income for the year		**43,021**	**100,475**

PARENT COMPANY BALANCE SHEET

SEK thousands	Note	Dec. 31, 2019	Dec. 31, 2018
ASSETS			
Non-current assets			
Intangible assets	18		
Retained expenditures		6,449	5,610
		6,449	**5,610**
Tangible non-current assets	19		
Property, plant and equipment		1,010	481
		1,010	**481**
Financial non-current assets			
Deferred tax assets		11	16
Shares in Group companies	20	344,106	344,106
		344,117	**344,122**
Total non-current assets		**351,576**	**350,213**
Current assets			
Current receivables			
Accounts receivable	22	23	70
Receivables from Group companies		771,067	684,330
Tax assets		–	937
Other current receivables		235	–
Prepaid expenses and accrued income	23	8,499	4,787
		779,824	**690,124**
Cash & cash equivalents			
Cash and bank balances	24	0	2,143
		0	**2,143**
Total current assets		**779,824**	**692,267**
TOTAL ASSETS		**1,131,400**	**1,042,480**

PARENT COMPANY BALANCE SHEET

SEK thousands	Note	Dec. 31, 2019	Dec. 31, 2018
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		96,315	46,137
Profit for the year		43,021	100,475
		139,336	**146,612**
Total equity		**194,012**	**201,288**
Untaxed reserves	26	1,038	609
Non-current liabilities			
Non-current liabilities to credit institutions	27	150,000	150,000
Other non-current liabilities	27	–	3,824
		150,000	**153,824**
Current liabilities			
Accounts payable		5,514	8,570
Current liability to credit institution		7,242	–
Due to Group companies		755,248	640,514
Other current liabilities		14,558	32,108
Accrued expenses and prepaid income	28	3,788	5,567
Total current liabilities		**786,350**	**686,759**
Total liabilities		**936,350**	**840,583**
TOTAL EQUITY AND LIABILITIES		**1,131,400**	**1,042,480**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK thousands	Note	Share capital	Statutory reserve	Retained earnings	Total equity
Opening balance, January 1, 2018		**7,859**	**46,817**	**96,435**	**151,110**
Distribution for 2017 through share redemption	25	–3,929	–	–46,368	–50,297
Bonus issue		3,929	–	–3,929	–
Total comprehensive income for the period		–	–	100,475	100,475
Closing balance, December 31, 2018		**7,859**	**46,817**	**146,613**	**201,288**
Opening balance, January 1, 2019		**7,859**	**46,817**	**146,613**	**201,288**
Distribution for 2018 through share redemption	25	–3,929	–	–46,368	–50,297
Bonus issue		3,929	–	–3,929	0
Total comprehensive income for the period		–	–	43,021	43,021
Closing balance, December 31, 2019		**7,859**	**46,817**	**139,337**	**194,012**

PARENT COMPANY STATEMENT OF CASH FLOWS

SEK thousands	Note	2019	2018
OPERATING ACTIVITIES			
Profit after tax		43,021	100,475
Income tax expensed through profit or loss		2,073	13,407
Financial expenses and income recognized through profit or loss	14	5,000	1,467
Depreciation/amortization of tangible/intangible non-current assets	18, 19	2,096	1,741
Appropriations	15	429	609
Group contributions received, unpaid		–15,761	–58,458
Dividend received, unpaid	13	–37,725	–50,300
Interest received		249	467
Interest paid		–3,340	–2,852
Taxes paid		–6,473	–698
Cash flow from operating activities before changes in working capital		**–10,431**	**5,858**
CHANGES IN WORKING CAPITAL			
Change in accounts receivable		47	–31
Change in other receivables		–38,693	–35,162
Change in accounts payable		–3,056	6,367
Change in other current liabilities		114,526	46,860
Change in working capital		**72,824**	**18,034**
Cash flow from operating activities		**62,393**	**23,892**
INVESTING ACTIVITIES			
Acquisition of minority share	20	–	–2,970
Investments in tangible non-current assets	19	–962	–192
Investments in intangible non-current assets	18	–2,501	–4,689
Sale of short-term investments	3	–	1,112
Cash flow from investing activities		**–3,462**	**–6,738**
FINANCING ACTIVITIES			
Loan proceeds		–	50,000
Amortization		–	–25,000
Amortization of debt, convertible		–18,153	–
Overdraft facility		7,242	–
Distribution	25	–50,297	–50,297
Cash flow from financing activities	32	**–61,208**	**–25,297**
CASH FLOW FOR THE YEAR		**–2,277**	**–8,143**
Cash & cash equivalents at beginning of the year		2,143	10,267
Translation differences		–134	–19
Cash & cash equivalents at year-end		**0**	**2,143**
Increase/decrease in cash & cash equivalents		**2,277**	**8,143**

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 OMX in Stockholm. A list of the largest individual shareholders as of December 31, 2019 is provided on page 99 of this annual report. The annual report was approved by the Board of Directors and the CEO on June 9, 2020 and adopted by the Annual General Meeting of the Parent Company on June 30, 2020.

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, 2019. 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 2019

Björn Borg applies IFRS 16 *Leases* as of January 1, 2019. This new standard replaces IAS 17 *Leases*. IFRS 16 introduces a "right of use" model and for the lessee means that practically all leases will be recognized in the statement of financial position. As a result, leases will no longer be classified as operating or finance. Depreciation of the asset and interest expenses on the liability are recognized through profit or loss. Björn Borg's leases largely relate to properties and vehicles. The Group has applied the simplified transition approach, modified retroactivity, and therefore has not restated comparative amounts. Furthermore, right-of-use assets have been measured at an amount corresponding to the lease liability (adjusted for prepaid and accrued lease payments). The Group has applied the recognition exemption for short-term leases and for low-value assets, which means that they are not included in the lease liability upon transition or prospectively.

The Group's assets in the form of right-of-use assets, as well as lease liabilities, increased by approximately SEK 150 million as of January 1, 2019 due to IFRS 16, of which SEK 43.2 million was the short-term portion and SEK 106.8 million the long-term portion. See table below. The leases that expired in 2019 and where there was an option to extend the contract are included in the lease liability to the extent it was considered reasonably certain that they would be extended. In total, the Group as of January 1, 2019 had 24 leases expiring in 2019, 12 of which were expected to be extended. Shown below is a bridge to reconcile the recognized commitments for operating leases and the recognized liability as of January 1, 2019. In the annual report 2018 the Group reported that the commitments amounted to SEK 231 million. In connection with the introduction of IFRS 16, Björn Borg announced that the calculation of minimum lease payments as of 2018 was incorrect and that the minimum lease payments of SEK 123.2 million reported by the Group were too high. Of this amount, SEK 122.2 million was included in the minimum lease payments and would fall due if all the contracts were for a five-year period (regardless of whether the agreed minimum term was shorted than five years). Other errors of SEK 0.9 million related to indexing and inaccurately included contracts. The correct minimum lease payments thus amounted to SEK 107.8 million. Amounts below in SEK million.

SEK million	2018
Commitment for operating leases according to the annual report 2018	231.0
Correction of incorrect application of disclosure requirement according to IAS 17	–123.2
Adjusted commitments as of December 31, 2018	**107.8**
Effects of extension options (recognized according to IFRS 16)	53.7
Leases for short terms and low-value assets (deducted when expensed)	–0.4
Discounting effect (weighted average marginal borrowing rate was 2.1%)	–11.1
Lease liability recognized as of January 1, 2019	**150.0**

Other changes in IFRS standards or statements from IFRIC that are applied for the financial year 2019 have not affected the Group's financial reports.

NEW ACCOUNTING PRINCIPLES AS OF 2020

Other new or revised IFRS standards or statements from IFRIC are not expected to affect the Group's financial statements when applied for the first time.

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 measurement 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 remeasured 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 FROM CONTRACTS WITH CUSTOMERS

The Group primarily recognizes revenue from the sale of Björn Borg products. Revenue is recognized based on the contract with the customer and measured as the consideration the company expects to have the right to in exchange for the transfer of promised services, excluding amounts which are received on behalf of third parties. Revenue is recognized when control of the goods has transferred to the customer.

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

1. *Revenue in the Distributor segment*
   The Group-owned product companies for the product areas 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, which is the point of time when controls transfers to the buyer. The distributors have no right to returns or significant volume discounts. Payment terms are normally 10 days.
2. *Revenue in the Consumer Direct segment*
   Group-owned Björn Borg stores and the web shop generate revenue for Björn Borg from sales to consumers. Retail purchases are usually made by credit or debit card. Revenue is recognized when the stores report their sales, which coincides with the point of time when control is transferred to the consumer. Provisions for returns are based on the Group's collective experience with returns and historical data.
3. *Revenue in the Wholesale segment*
   The Group-owned distribution companies for the product areas underwear and footwear generate revenue for Björn Borg from product sales to retailers. Revenue is recognized upon delivery to the retailer, which coincides with the point of time when control is transferred to the retailer. Björn Borg applies various discount structures such as key account discount and volume discount. General payment terms are 30 days, but also 60 and 90 days exist in specific cases. Björn Borg does not apply open purchase and the possibility of returns is not available.
4. *Revenue in the Licensing segment*
   Royalty revenue is generated through the sale 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 at the same time as the distributor's sale at the wholesale level.

INTEREST INCOME AND DIVIDEND REVENUE

Interest income is recognized applying the effective interest rate method. Dividend revenue is recognized when the right to receive payment has been determined.

LEASING

The Group determines whether a contract is or contains a lease at the contract's commencement. The Group recognizes a right-of-use asset and a corresponding lease liability for all leases in which the Group is the lessee, with the exception of short-term leases (contracts classified as leases with a term of 12 months or less) and leases of low value (e.g., computers and office equipment). For these leases the Group expenses the lease payments on a straight-line basis over the lease term, unless another systematic approach is more representative of when the economic benefits from the leased assets are consumed by the Group.

The lease liability is initially measured as the present value of lease payments that have not been paid on the commencement date, discounted by the lease's implicit rate, if this interest rate can be easily determined. If this interest rate cannot be easily determined, the Group instead uses the incremental borrowing rate. The incremental borrowing rate is the interest rate that the Group would have to pay for debt financing for a corresponding period, and with corresponding collateral, for the right to use an asset in a similar economic environment. When determining the incremental borrowing rate, Björn Borg takes into account the risk profile of the countries where the leases were signed as well as the term of the leases.

The following lease payments are included in the measurement of the lease liability:

- Fixed payments (including in substance fixed payments), after deducting any economic benefits,
- Variable lease payments that are linked to an index or a price, initially measured with the help of an index or price on the commencement date,
- Amount expected to be paid out according to residual value guarantees,
- The exercise price of options to buy if the lessee is reasonably certain to exercise such an option, and
- Termination penalties if the lease term reflects that the Group will exercise an option to terminate the lease.

In cases where property leases within the Group have an extension option, a lease-by-lease assessment is made whether it is reasonably certain that the option will be exercised. This assessment considers all relevant facts and circumstances that create an economic incentive in, e.g., the lease terms for extensions compared with market interest rates, significant leasehold improvements that have been made (or are expected to be made) during the lease term, costs that arise when the lease is terminated, e.g., negotiation costs and relocation costs, and the weight of the underlying asset for the business.

The lease liability is presented on a separate line in the Group's statement of financial position. After first-time adoption the lease liability is measured by increasing the carrying value to reflect the interest rate on the lease liability (applying the effective interest method) and by reducing the carrying value to reflect paid lease payments. The Group remeasures the lease liability (and makes a corresponding adjustment to the right-of-use asset) if:

- The lease term has changed or if there is a change in the assessment of an option to buy the underlying asset, in which case the lease liability must be remeasured by discounting the revised lease payments by a revised discount rate, or
- The lease payments change due to changes in an index or price or a change in the amount that is expected to be paid out according to a residual value guarantee. In these cases, the lease liability is remeasured by discounting the revised lease payments by the initial discount rate (provided the changes in the lease payments are not due to a revised variable interest rate, in which case the revised discount rate is used instead).

If a lease is revised and the change is not recognized as a separate lease, the lease liability is remeasured by discounting the revised lease payments by a revised discount rate.

Right-of-use assets comprise the sum of the initial valuation of the corresponding lease liability, lease payments on or before the commencement date and any initial direct costs. In subsequent periods they are measured at cost after deducting accumulated depreciation and impairment. Right-of-use assets are depreciated over the lease term or the underlying asset's estimated period of use, whichever is shorter. If a lease transfers ownership of the underlying asset to the Group or if the cost of the right-of-use asset reflects that the Group expects to exercise a call option, the associated right-of-use asset is depreciated over the underlying asset's estimated period of use. Depreciation begins on the lease's commencement date. Right-of-use assets are presented on a separate line in the consolidated statement of financial position. The Group applies IAS 36 to test right-of-use assets for impairment and recognizes any impairment losses it identifies as described in the principle for "Tangible non-current assets."

Variable lease payments that are not linked to an index or price are not included in the measurement of the lease liability and right-of-use asset. These associated payments are expensed in the period when the event or circumstances that gave rise to the payments occurred and are included on the line Other external expenses in the consolidated income statement.

IFRS 16 allows, as a practical implication, a lessee not to separate non-lease components from lease components and instead recognize each lease component and all associated non-lease components as a single lease component. The Group has elected to apply this practical implication.

Leasing principles applied for comparative figures from 2018 (IAS 17 Leases)

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.

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 or at the present value of the minimum lease payments, whichever is lower. The corresponding liability is carried in the balance sheet as a liability to the lessor. The lease payments are distributed between interest and principal. Interest is distributed over the lease term so that each reporting period is charged with an amount corresponding to a fixed interest rate on the recognized liability for each period. Assets obtained through finance leases are depreciated as owned assets, with the exception of lease assets where it is unlikely Björn Borg will retain 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 payments 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 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 an 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 the deferred tax 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 an intangible asset and amortized over the 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 property, plant and 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.

FINANCIAL ASSETS AND LIABILITIES
Recognition in and derecognition from the statement of financial position
A financial asset or financial liability is recognized in the statement of financial position when the company becomes a party to the instrument's contractual terms. A receivable is recognized when the company has performed as agreed and there is a contractual obligation for the counterparty to pay, even if the invoice has not yet been received. Accounts receivable are recognized in the statement of financial position when the invoice has been issued. The liability is 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 statement of financial position 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 from the statement of financial position when the obligation in the agreement is fulfilled or otherwise discharged. The same applies to part of a financial liability. Acquisitions and sales of financial assets are recognized on the trade day. The trade day is the day when the company commits to buying or selling the asset.

Classification and measurement
Classification and measurement (IFRS 9 Financial instruments is applied as of January 1, 2018)

Financial assets are classified based on the business model that the asset is managed in and its cash flow characteristics. Björn Borg applies two different business models. Cash & cash equivalents, accounts receivable and other current receivables are included in the "hold to collect" model, which means that the purpose of the financial assets is to collect on contractual cash flows. Financial assets included in this business model are recognized at amortized cost. The expected maturity of accounts receivable is short, due to which they are carried at their nominal amount without discounting.

Short-term investments and derivatives are included in the business model "other," which means that the holdings are held for trading purposes. Financial assets included in this business model are recognized at fair value through profit or loss.

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 are recognized at fair value through profit or loss if it is contingent consideration as defined by IFRS 3 Business Combinations, if it is held for trading purposes or if the liability is initially identified as a liability at fair value through profit or loss. Other financial liabilities are recognized at amortized cost.

Accounts payable are recognized at amortized cost. The expected maturity of accounts payable is short, due to which the liability is carried at the nominal amount without discounting. Interest-bearing bank loans, overdraft facilities and other loans are recognized at amortized cost according to the effective interest rate method. Any differences between the loan proceeds (net after transaction costs) and loan repayments or amortization are recognized over the life of the loans. Contingent consideration is classified and measured at fair value through profit or loss.

Impairment (IFRS 9 Financial Instruments)
The Group recognizes a loss reserve for expected credit losses on a financial asset at amortized cost or fair value through other comprehensive income, for a lease receivable and for a contract asset. On each reporting date the Group recognizes in profit or loss the change in expected credit losses since initial recognition.

Expected credit losses are measured in a way that reflects an objective and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money and reasonable verifiable information on current conditions and forecasts of future economic conditions.

For accounts receivable, simplifications allow the Group to directly recognize lifetime expected credit losses for the asset. For all other financial assets, the loss reserve amounts to 12-month expected credit losses. For financial assets for which there has been a significant increase in credit risk since initial recognition, a reserve is recognized based on lifetime credit losses for the asset.

The Group's exposure to credit risk is primarily attributable to accounts receivable. The simplified approach is used to calculate credit losses on the Group's accounts receivable. Expected credit losses are calculated through an individual assessment of each customer based on the customer's solvency, expected future risk and the value of any collateral received. The expected credit losses for accounts receivable are calculated with the help of a provision matrix based on previous events, current conditions and forecasts of future economic conditions and the time value of money if applicable.

Impairment of accounts receivable and other receivables is recognized in operating expenses. Impairment of cash & cash equivalents and Other long-term securities holdings is recognized as a financial expense.

The general approach to impairment is applied to cash & cash equivalents. The exemption for low credit risk is applied.

The Group defines defaults as cases where it is unlikely that the counterparty will meet its commitments, which is demonstrated through signs of financial difficulties such as missed payments. Regardless, an asset is considered in default if payment is overdue more than 90 days. The Group writes off a receivable when its assessment is that there is no reasonable further possibility of cash flows.

Classification and measurement (IAS 39 Financial Instruments) is applied through 31 December 2017.

Cash & cash equivalents
Cash & cash equivalents consist of cash and demand deposits. Cash and bank deposits are recognized at nominal amounts.

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 the nominal amount without discounting. Liabilities to credit institutions, funding, 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 expected maturity of more than one year, while current liabilities have a maturity of less than one year.

Amortized cost and effective interest rate
The amortized cost of a financial asset is the amount at which the financial asset is initially recognized less the principal, plus the cumulative amortization using the effective interest rate method of any difference between the principal and outstanding principal, adjusted for any impairment. The recognized gross value of a financial asset is amortized cost of a financial asset before adjustments for any loss reserves.

Financial liabilities are recognized at amortized cost using the effective interest rate method or at fair value through profit or loss. The effective interest rate is the rate at which the discounting of all future expected cash flows over their expected maturity results in the initial carrying amount of the financial asset or the 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.

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.

Due to the connection between reporting and taxation, the rules in IFRS 16 do not have to be applied in a legal entity. Instead, leases may be recognized in accordance with the rules in RFR 2. The amendments to RFR 2 with respect to IFRS 16 will be applied beginning on or after January 1, 2019. The Parent Company applies the exemption from the application of IFRS 16, which means that the Parent Company's leases are recognized on a straight-line basis over the lease term, which in essence means that the previous principles are unchanged. Other additions and amendments to RFR applicable as of January 1, 2019 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 on or after January 1, 2020, are not expected to have a material effect on the Parent Company's results or financial position.

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 21.4 percent is considered a deferred tax liability and 78.6 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

Lease payments are expensed on a straight-line basis over the lease term unless another systematic approach better reflects the user's economic benefits over time.

Financial guarantees

The Parent Company applies the exemption in RFR 2 and recognizes financial guarantees, e.g., guarantee commitments, 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, 2019 was SEK 14,958 thousand (23,228). 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, 2019 amounted to SEK 222,630 thousand (222,278).

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. 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.

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.

Right-of-use assets
For estimates of right-of-use assets, see Note 11.

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. The Group's transaction risk arises because Björn Borg mainly sells in SEK and EUR and buys primarily in USD and EUR. About 3 percent (6) of the Group's sales is in USD, which eliminates a portion of the transaction risk. Björn Borg did not use any derivatives to manage this currency risk in 2019. Realized and unrealized exchange rate differences affected operating profit negatively by SEK 1,628 thousand (1,185) during the year.

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. Since the bond loan has been fully repaid and the bond portfolio fully divested, the remaining financial transaction 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, GBP and CNY. Björn Borg has chosen not to hedge the translation exposure. The exposure as of December 31, 2019 amounted to EUR –1,030 thousand (–1,510), USD –1,190 thousand (–1,190), GBP –4,290 thousand (–4,420) and CNY –5,130 (–5,130).

SENSITIVITY ANALYSIS
Commercial transaction exposure
In 2019 the Björn Borg Group was affected by both a stronger euro and a stronger dollar than in 2018.

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. The effect of a change in the USD has only 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 46 percent (61) 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

2019	%	Estimated effect on revenue, %	Estimated effect on operating profit, %	Estimated effect on equity, %
Stronger USD vs. SEK	10	0,3	–26.9	–4.1
Weaker USD vs. SEK	–10	–0,3	26.9	4.1
Stronger EUR vs. SEK	10	4,9	15.4	5.7
Weaker EUR vs. SEK	–10	–4,9	–15.4	–5.7

ESTIMATED CURRENCY EFFECT

2018	%	Estimated effect on revenue, %	Estimated effect on operating profit, %	Estimated effect on equity, %
Stronger USD vs. SEK	10	0,4	–21.8	–4.3
Weaker USD vs. SEK	–10	–0,4	21.8	4.3
Stronger EUR vs. SEK	10	4,6	15.5	5.9
Weaker EUR vs. SEK	–10	–4,6	–15.5	–5.9

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

2019	%	Estimated effect on profit, SEK thousands	Estimated effect on equity, SEK thousands
EUR	+/–10	+/–6,775	+/–5,284
USD	+/–10	+/–458	+/–357
GBP	+/–10	+/–396	+/–309
NOK	+/–10	+/–46	+/–36

ESTIMATED CURRENCY EFFECT

2018	%	Estimated effect on profit, SEK thousands	Estimated effect on equity, SEK thousands
EUR	+/–10	+/–2,376	+/–1,853
USD	+/–10	+/–59	+/–46
GBP	+/–10	+/–643	+/–502
NOK	+/–10	+/–1	+/–0

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

2019	%	Estimated effect on equity, SEK thousands
EUR	+/–10	+/–1,000
USD	+/–10	+/–1,000
GBP	+/–10	+/–5,000
CNY	+/–10	+/–1,000

ESTIMATED CURRENCY EFFECT

2018	%	Estimated effect on equity, SEK thousands
EUR	+/–10	+/–2,000
USD	+/–10	+/–1,000
GBP	+/–10	+/–5,000
CNY	+/–10	+/–1,000

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 the entire bond portfolio, where Björn Borg had investments until mid-2018, is divested, there is no price risk in the Group.

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 from funding in the form of bond loans and overdraft facilities.

As of December 31, 2019 interest-bearing assets in the form of bank balances amounted to SEK 29,002 thousand (36,388). 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.

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 +/–150 thousand (350) on the closing day, based on average interest-bearing assets in 2019. The effect on equity would have been about SEK +/–120 thousand (270).

Moreover, there is an interest rate risk associated with the SEK 150 million credit facility and SEK 90 million overdraft facility which 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, 2019 Björn Borg had utilized SEK 150 million of its credit facility and SEK 7.2 million of the overdraft facility. An increase in the 3-month STIBOR of 1 percentage point, all else being equal, would increase Björn Borg's interest expenses by SEK 1,572 thousand per year (1,500). A decrease of 1 percentage point would result in a corresponding decrease given that STIBOR is not negative. Equity would be affected correspondingly by about SEK +/–1,226 thousand (1,170).

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. The following table shows the Björn Borg Group's credit risks as of December 31, 2019.

THE BJÖRN BORG GROUP'S OUTSTANDING CREDIT RISK AS OF DEC. 31, 2019

	Group		Parent Company	
SEK thousands	2019	2018	2019	2018
Accounts receivable	124,805	130,487	23	70
Other current receivables	4,031	2,876	235	–
Cash and bank balances	29,002	36,388	–	2,143
	157,837	**169,751**	**258**	**2,213**

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 previous bond loan, which was fully divested in the second quarter of 2018, 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. For more information, see the Board of Directors' report om Risks, uncertainties and risk management.

Maturity analysis of the Björn Borg Group's outstanding receivables and liabilities as of Dec. 31, 2019 (contractual and undiscounted cash flows):

MATURITY ANALYSIS OF THE BJÖRN BORG GROUP'S OUTSTANDING ASSETS AND LIABILITIES AS OF DEC. 31, 2019

Dec. 31, 2019	Up to 3 mos.	3–12 mos.	1–5 yrs.	Over 5 yrs
Accounts receivable	124,805	–	–	–
Other receivables	4,031	–	–	–
Cash and bank balances	29,002	–	–	–
Other liabilities	–7,242	–47,595	–	–
Accounts payable	–55,862	–	–	–
Non-current liabilities to credit institutions	–	–	–150,000	–
Total	**94,733**	**–47,595**	**–150,000**	**–**

MATURITY ANALYSIS OF THE BJÖRN BORG GROUP'S OUTSTANDING ASSETS AND LIABILITIES AS OF DEC. 31, 2018

Dec. 31, 2018	Up to 3 mos.	3–12 mos.	1–5 yrs.	Over 5 yrs.
Accounts receivable	130,487	–	–	–
Other receivables	2,876	–	–	–
Cash and bank balances	36,388	–	–	–
Other liabilities	–	–74,849	–3,824	–
Accounts payable	–37,646	–	–	–
Non-current liabilities to credit institutions	–	–	–150,000	–
Total	**132,105**	**–74,849**	**–153,824**	**–**

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 components 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, 2019 the ratio was 2.15 (1.65) and the equity/assets ratio was 46.9 percent (47.7).

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.

WHOLESALE

The segment consists of revenue and expenses associated with the Björn Borg Group's wholesale operations. The Group has wholesale operations in Sweden, Finland, the Netherlands, Belgium, Germany and England for apparel and underwear as well as in Sweden, Finland and the Baltic countries for footwear.

CONSUMER DIRECT

The segment consists of revenue and expenses associated with the Björn Borg Group's direct sales to consumers through its own concept stores and outlets as well as online.

DISTRIBUTORS

The Distributors segment mainly consists of revenue and expenses associated with sales to external distributors of product groups developed by the company.

LICENSING

The Licensing segment mainly consists of royalty revenue from licensees and expenses for the Group associated with the licensing operations.

Note 4, continued

2019 SEK thousands	Wholesale	Consumer Direct	Distributors	Licensing	Total	Eliminations	Group
Revenue							
External sales	516,237	197,065	50,284	15,468	779,055	–	779,055
Internal sales	14,198	225	413,529	67,969	495,921	–495,920	–
Total revenue	**530,435**	**197,290**	**463,813**	**83,437**	**1 274,976**	**–495,920**	**779,055**
Operating profit	**29,587**	**–2,707**	**11,094**	**13,391**	**51,365**	**–**	**51,365**
Interest income and similar credits							5,521
Interest expenses and similar charges							–8,193
Profit before tax							**48,693**
Non-current assets	497,051	157,110	46,043	13,517	713,721	–316,640	397,081
Inventory	99,337	41,824	–	–	141,161	–12,737	128,424
Other current assets	2,675,328	604,428	218,248	38,519	3,536,523	–3,362,815	173,708
Total assets	**3,271,716**	**803,362**	**264,291**	**52,036**	**4,391,405**	**–3,692,192**	**699,213**
Other liabilities	2,753,174	613,440	222,916	36,412	3,625,942	–3,191,614	434,328
Total liabilities	**2,753,174**	**613,440**	**222,916**	**36,412**	**3,625,942**	**–3,191,614**	**434,328**
Investments in tangible and intangible non-current assets	6,075	5,131	256	79	11,542	1,035	12,577
Depreciation/amortization	–42,703	–13,280	–955	–293	–57,230	4	–57,227

2018 SEK thousands	Wholesale	Consumer Direct	Distributors	Licensing	Total	Eliminations	Group
Revenue							
External sales	466,485	185,788	49,102	15,406	716,781	–	716,781
Internal sales	2,136	13	444,907	68,363	515,419	–515,419	–
Total revenue	**468,621**	**185,801**	**494,010**	**83,769**	**1 232,200**	**–515,419**	**716,781**
Operating profit	**45,646**	**–2,867**	**14,797**	**13,426**	**71,003**	**–**	**71,003**
Interest income and similar credits							6,715
Interest expenses and similar charges							–3,690
Profit before tax							**74,028**
Non-current assets	427,062	98,827	45,309	13,384	584,582	–313,730	270,852
Inventory	141,479	35,489	–	–	176,968	–37,404	139,564
Other current assets	2,333,530	547,370	210,649	39,298	3,130,847	–2,950,348	180,500
Total assets	**2,902,072**	**681,685**	**255,958**	**52,682**	**3,892,397**	**–3,301,482**	**590,915**
Other liabilities	2,344,934	530,698	204,886	34,276	3,114,795	–2,805,584	309,211
Total liabilities	**2,344,934**	**530,698**	**204,886**	**34,276**	**3,114,795**	**–2,805,584**	**309,211**
Investments in tangible and intangible non-current assets	6,146	7,179	384	121	13,831	–80	13,751
Depreciation/amortization	–4,216	–4,919	–147	–43	–9,325	448	–8,877

RECONCILIATION BETWEEN OPERATING PROFIT AND PROFIT FOR TAX PURPOSES

The difference between operating profit for segments for which information is disclosed, SEK 51,365 thousand (71,003), and profit before tax, SEK 48,693 thousand (74,028), is net financial items, SEK –2,672 thousand (–3,025).

INTERNAL PRICING

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

ELIMINATIONS

The column for eliminations refers strictly to internal transactions.

GEOGRAPHICAL AREAS

	Sweden		Netherlands		Finland		Other		Koncernen	
SEK thousands	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net sales	271,512	264,686	209,853	175,933	109,692	114,608	165,795	154,349	756,853	709,576
Assets	245,468	211,759	189,724	140,753	99,170	91,691	149,893	123,485	684,255	567,688
Investments	3,205	5,833	2,775	6,185	5,055	953	1,542	779	12,577	13,751

The Group presents revenue for its three largest markets: Sweden, the Netherlands and Finland. Assets in each segment are excluding financial instruments and deferred tax assets.

NOTE 5 REVENUE DISTRIBUTION

NETTOOMSÄTTNING OCH ÖVRIGA RÖRELSEINTÄKTER

	Group		Parent Company	
SEK thousands	2019	2018	2019	2018
Goods	741,385	694,170	–	–
Trademarks/royalties	15,468	15,406	–	–
Other operating revenue	22,202	7,205	105,001	107,321
Total revenue	**779,055**	**716,781**	**105,001**	**107,321**

The Group's other operating revenue mainly consists of currency revaluations of monetary items (assets and liabilities) with the exception of cash & cash equivalents or loans as well as reinvoiced expenses. The Parent Company includes other operating revenue of SEK 2,499 thousand (815), largely consisting of reinvoiced expenses.

Outstanding accounts receivable amounted to SEK,124 805 thousand (130,487) on the closing day; see also Note 22.

The Group has contract liabilities in the form of prepaid goods as well as settlements with licensees and franchisees with a total closing balance of SEK 714 thousand (2,566).

These items are included in the item accrued expenses and prepaid income; see Note 28. Of the opening cumulative amount, SEK 2,566 thousand (2,419) was recognized in the period. The Group has no contract assets.

NOTE 6 OTHER EXTERNAL EXPENSES

	Group		Parent Company	
SEK thousands	2019	2018	2019	2018
Premises [1]	5,590	48,146	12,981	10,262
Selling expenses	48,709	46,097	4,742	3,403
Marketing expenses	53,080	59,437	27,654	32,345
Administrative expenses	33,473	27,532	16,470	12,630
Other	10,926	10,949	2,456	3,631
	151,779	**192,161**	**64,303**	**62,271**

[1] The difference of SEK 42.6 million in the cost of premises includes SEK 46.6 million for replacement of the accounting principle for leasing. The lease payment is no longer expensed and instead is recognized as interest and amortization.

Correspondingly, selling costs were affected by SEK 3.4 million. As a result, other external expenses decreased by a total of SEK 49.0 million compared with the previous year. The corresponding increase in expenses can be found under depreciation/amortization in the consolidated income statement.

NOTE 7 CASH AND CASH EQUIVALENTS

SEK thousands	Group Dec. 31, 2019	Group Dec. 31, 2018
Cash and bank balances	29,002	36,388
	29,002	**36,388**

The company has cash and cash equivalents in Swedish banks with a rating of at least A. The credit reservation is calculated according to the general approach with the assumption of low credit risk. Given the short maturity and stable counterparties, the expected future losses are immaterial and therefore no reserve for future losses is reported.

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	2019	2018	2019	2018
Wages, salaries and other compensation	104,588	100,865	24,272	21,393
Social security contributions	27,124	23,861	9,206	7,497
Pension costs	9,609	8,827	3,437	3,013
Total	**141,321**	**133,553**	**36,914**	**31,903**

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

	Group		Parent Company	
SEK thousands	2019	2018	2019	2018
Board, CEO and other senior executives	15,187	13,476	12,826	12,240
Other employees	89,401	87,389	11,446	9,153
Total	**104,588**	**100,865**	**24,272**	**21,393**

AVERAGE NUMBER OF EMPLOYEES [1]

	Group		Parent Company	
SEK thousands	2019	2018	2019	2018
Women	141	143	21	24
Men	72	70	9	8
Total	**213**	**213**	**30**	**32**

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

GENDER DISTRIBUTION AMONG DIRECTORS AND SENIOR EXECUTIVES

Group	2019		2018	
SEK thousands	Men	Women	Men	Women
Board	4	3	4	2
Other senior executives	6	4	5	3
Total	**10**	**7**	**9**	**5**

COMPENSATION AND OTHER BENEFITS TO DIRECTORS

	2019		2018	
SEK thousands	Board fees	Other compen-sation	Board fees	Other compen-sation
Chairman of the Board				
Heiner Olbrich	420	82	410	82
Other Directors:				
Mats H Nilsson	180	96	175	96
Alessandra Cama	180	–	175	–
Fredrik Lövstedt	180	–	175	–
Anette Klintfält	180	–	–	–
Christel Kinning	180	55	175	55
Göran Carlsson	180	–	175	–
Total	**1,500**	**233**	**1,285**	**233**

LÖNER, ANDRA ERSÄTTNINGAR OCH ANDRA FÖRMÅNER 2019

SEK thousands	Base salary	Variable compen-sation	Pension	Sever-ance	**Total**
CEO	3,882	330	945	206	**5,363**
Other senior executives	8,568	674	1,803	237	**11,283**
Total	**12,450**	**1,004**	**2,748**	**443**	**16,646**

LÖNER, ANDRA ERSÄTTNINGAR OCH ANDRA FÖRMÅNER 2018

SEK thousands	Base salary	Variable compen-sation	Pension	Sever-ance	**Total**
CEO	3,760	330	913	206	**5,209**
Other senior executives	7,228	640	1,432	202	**9,502**
Total	**10,988**	**970**	**2,345**	**408**	**14,711**

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 1,733 thousand (1,518) in 2019. The Chairman received SEK 420 thousand (410), while other Directors received SEK 180 thousand (175) each. In addition to their fees, the Chairman and other Directors were 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 2019 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

Björn Borg's CEO received salary and other remuneration of SEK 3,882 thousand (3,760), in addition to variable compensation of SEK 330 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 nine other executives in 2019. The average number of other senior executives during the year excluding the Deputy CEO was nine. Base salaries paid to senior executives amounted to SEK 8,568 thousand (7,228) in 2019, in addition to which they receive variable compensation if the Group's sales and results exceed the Board's established budget. Variable compensation for 2019 amounted to SEK 674 thousand (640). One senior executive receives commission-based variable compensation that can exceed base salary, which is an exception to the established guidelines. Certain senior executives also have access to a company car. Björn Borg pays pension premiums to a defined contribution pension plan. Retirement benefit costs for 2019 amounted to SEK 1,803 thousand (1,432). If terminated by the company, senior executives are entitled to a term of notice of 3–6 months. Senior executives' holdings of shares and options in Björn Borg are described below.

SHAREHOLDINGS OF BOARD, CEO AND OTHER SENIOR EXECUTIVES AS OF DEC. 31, 2019

SEK thousands	No. of shares
Fredrik Lövstedt	1,050,040
Mats H Nilsson	1,638,440
Anette Klintfält	0
Christel Kinning	0
Göran Carlson	73,500
Heiner Olbrich	40,000
Alessandra Cama	20,000
CEO	110,000
Other senior executives	40,041
Total number of shares	**2,972,021**

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 2019 amounted to SEK 9.6 million (8.8).

CONVERTIBLE DEBENTURES

The convertible debentures Björn Borg issued on June 16, 2015 for a total nominal value of SEK 18,155 thousand fell due for payment on June 30, 2019 without any holder requesting a conversion to shares (the conversion price was SEK 37.96 per share). The convertibles had carried interest as of July 1, 2015, which was paid annually in arrears. The recognized interest expense for 2019 was SEK 0 thousand. The distribution between the liability and equity portions is as follows:

SEK thousands	Dec. 31, 2019	Dec. 31, 2018
Nominal value convertible debentures	–	18,155
Less equity portion	–	–1,209
Accrued interest	–	1,521
Paid interest	–	–489
Recognized liability	**–**	**17,978**

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 have been recognized for the employee convertibles.

WARRANTS

The warrants Björn Borg issued to the Group's senior executives on June 16, 2015 expired on June 15, 2019 without being exercised to subscribe for shares (the last day for subscriptions was June 14, 2019 and the subscription price was SEK 37.96 per share). As a result, the warrants did not cause any dilution.

WARRANTS

	2019		2018	
	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**	**520,000**	**37.96**
Issued	–	–	–	–
Forfeited	–	–	–	–
Exercised	–	–	–	–
Expired	–520,000	–37.96	–	–
As of December 31	**–**	**–**	**520,000**	**37.96**

INCENTIVE PLAN 2022

The Annual General Meeting 2019 resolved to introduce a new long-term incentive plan, LTIP 2022, which can be described as variable cash remuneration based on the price of the Björn Borg share. Employees entitled to participate in the incentive plan, which runs between 2019 and 2022, are members of the company's management team. Under LTIP 2022, participants may be entitled to a cash payout from Björn Borg, depending on price of the Björn Borg share and based on each participant's annual fixed salary for 2019. The first level of payout under the incentive plan is 25 percent of each participant's yearly fixed salary for 2019, which participants are entitled to if the price of the Björn Borg share has been traded at a price of SEK 35 for a period of one hundred (100) non-consecutive days during any of the years 2020, 2021 and 2022. The highest level of payout under the incentive plan is 160 percent of each participant's fixed annual salary for 2019, on the condition that the Björn Borg share has been traded at a price of SEK 70 for the period described below. On the assumption that nine management team members participate in LTIP 2022, the maximum payout under LTIP 2022 will be SEK 28,520,000, including social security costs.

NOTE 9 RELATED PARTY TRANSACTIONS

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 2019.

PARENT COMPANY'S TRANSACTIONS WITH SUBSIDIARIES

	Group	
SEK thousands	2019	2018
Sales to subsidiaries	102,941	106,124
Purchase from subsidiaries	6,499	2,908

The Parent Company's sales to subsidiaries mainly consist of remuneration to cover common costs for rents, central administration, common systems and marketing services.

The Parent Company's purchases from subsidiaries mainly consist of marketing products.

NOTE 10 AUDITORS' FEES

	Group		Parent Company	
SEK thousands	2019	2018	2019	2018
Deloitte				
Statutory audit	1,409	1,668	700	589
Other attestation services	364	200	364	200
Tax advisory services	95	55	95	55
Other services	27	14	–	–
	1,895	**1,937**	**1,159**	**844**
Other accounting firms				
Statutory audit	93	83	–	–
	93	**83**	**–**	**–**
Total	**1,987**	**2,021**	**1,159**	**844**

NOTE 11 LEASING

The Björn Borg Group leases mainly office and retail space, vehicles and office equipment.

MATURITY ANALYSIS LEASE LIABILITY:

SEK thousands	Group
2020	37,579
2021	32,725
2022	24,142
2023	16,277
2024	15,273
later than 2025	14,273
Total payments	**140,269**

The Group has signed leases that have not yet taken effect. The lease payment for the entire term amounts to SEK 143 thousand..

RECOGNIZED LIABILITY ACCORDING TO THE BALANCE SHEET

SEK thousands	Group Dec 31, 2019
Short-term portion	37,123
Long-term portion	96,137
Total	**133,260**

RIGHT-OF-USE ASSETS

	Group			
SEK thousands	Premises	Vehicles	Property, plant and equipment	Total
Acquisition cost				
As of January 1, 2019	141,828	7,546	615	**149,989**
Additional right-of-use assets	25,480	1,342	175	**26,997**
Renegotiated/terminated contracts	–1,271	–279	–	**–1,550**
As of December 31, 2019	**166,037**	**8,609**	**790**	**175,436**
Accumulated depreciation				
As of January 1, 2019	–	–	–	**–**
Depreciation	–43,958	–2,978	–282	**–47,218**
As of December 31, 2019	**–43,958**	**–2,978**	**–282**	**–47,218**
Translation differences	3,242	41	–43	**3,240**
Carrying amount				
As of December 31, 2019	**125,321**	**5,672**	**465**	**131,458**

AMOUNT RECOGNIZED IN PROFIT OR LOSS

SEK thousands	Group
Depreciation right-of-use assets	47,218
Interest expenses for lease liabilities	3,804
Expenses related to short-term leases	167
Expenses related to leases of low-value assets	664
Expenses related to variable lease payments not included in measurements of lease liabilities	3,861

The total cash flow for lease payments amounted to SEK 55,714 thousand.

Certain store leases have only variable rent based on sales, while others store leases carry a fixed minimum rent but with a sales-based component. Variable lease payments are not included in the lease liability, which means that for leases based wholly or in part on sales the sales-based rent is expensed in the period in question and not included in the lease liability.

Half of the Group's store leases contain a variable lease payment based on sales in the leased space. Variable lease payments are used to align the payment with the stores' cash flow and reduce the fixed cost. The breakdown of the payment for these stores is as follows and refers to the distribution of paid fixed and variable payments:

SEK thousands	Group 2019
Fixed payments	7,439
Variable lease payments	2,590
Total payments	**10,030**

As a rule, the leases require that property tax be paid, which also represents a variable cost. Property tax is not included in the table above, however.

An increase in sales of 10 percent in the stores whose rents are based wholly or in part on sales would increase lease expenses by SEK 912 thousand.

Lease terms and conditions differ by country. Retail leases average a minimum of three years, while office leases average five years. The term for store leases is short but with an option to extend, which gives the Group flexibility, and the strategy is to sign short-term leases. Leases are generally designed so that if neither party terminates the contract by a specific time before its expiration, usually 3-9 months, the lease is extended for an additional term. For store leases the extension is generally 1 year.

When the Group signs a lease, a determination is made whether it is reasonably certain that the extension option will be exercised. In its determination the Group weighs all relevant facts and circumstances that create an economic incentive, e.g., contractual terms for extension periods compared with market-rate rents, significant leasehold improvements that have been (or are expected to be) made, expenses that arise when the lease is terminated such as negotiating and relocation expenses, and the importance of the underlying asset to the business. A reassessment is made when an important event has occurred beyond the Group's control. At the latest, however, the lease is extended on the date of automatic extension (if neither party has terminated the lease).

The table below shows the Group's exposure to future cash flows from leases whose extension option is not included in the recognized lease liability on the closing day, since an extension is not reasonably certain. Future cash flow is based on the lease's extension for a period of 1-3 years.

SEK thousands	Group 2019
Within 1 year	4,351
Between 1-3 years	43,939
Total cash flow	**48,290**

DISCLOSURE FOR THE GROUP FOR 2018 (IAS 17) AND FOR THE PARENT COMPANY

SEK thousands	Group 2018	Parent Company 2019	Parent Company 2018
Rental and lease expenses during the year amount to	46,419	12,103	9,310
Future rental and lease expenses amount to			
– within 1 year	41,672	9,187	12,103
– later than 1 year but within 5 years	55,287	157	9,344
– over 5 years	10,861	–	–
Total	**107,820**	**21,447**	**30,757**

In the annual report 2018 the Group reported that the commitments amounted to SEK 230,980 thousand. In connection with the introduction of IFRS 16, Björn Borg announced that the calculation of minimum lease payments as of 2018 was incorrect and that the minimum lease payments of SEK 123,160 thousand reported by the Group were too high. Of this amount, SEK 122,248 thousand was included in the minimum lease payments and would fall due if all the contracts were for a five-year period (regardless of whether the agreed minimum term was shorted than five years). Other errors of SEK 911 thousand related to indexing and inaccurately included contracts. The correct minimum lease payments thus amounted to SEK 107,821 thousand. Amounts below in SEK thousands.

SEK thousands	Group 2019
Commitment for operating leases according to the annual report 2018	230,980
Correction of incorrect application of disclosure requirement according to IAS 17	–123,160
Adjusted commitments as of December 31, 2018	**107,820**
Of which expire within 1 year	41,672
Of which expire between 1-5 years	55,287
Of which expire over 5 years	10,861

The Björn Borg Group leases offices and retail space. The leases are signed at market rates with regard to price and duration. Certain leases are variable and include both a minimum rent and a sales-based component. The expense for variable rents in 2018 was immaterial. As of the closing day, December 31, 2018, the Björn Borg Group had no finance leases.

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

	Group	
SEK thousands	2019	2018
Assets at amortized cost	24,129	7,435
Financial assets at fair value through profit or loss (financial income)	–	612
Financial liabilities at amortized cost (financial expenses)	–16,951	–275
Total	**7,178**	**7,772**

Of the assets recognized at amortized cost, 1,680 is recognized in operating profit and 5,498 in net financial items.

NOTE 13 RESULT FROM SHARES IN SUBSIDIARIES

	Parent Company	
SEK thousands	2019	2018
Anticipated dividend	37,725	50,300
	37,725	**50,300**

NOTE 14 NET FINANCIAL ITEMS

	Group		Parent Company	
SEK thousands	2019	2018	2019	2018
Change in exchange rates	5,498	6,028	1,775	1,846
Interest income [1]	22	75	1,835	4,419
Other financial income [2]	–	612	–	612
Total financial income	**5,521**	**6,715**	**3,610**	**6,877**
Change in exchange rates	–	–	–	–
Interest expenses [1]	–4,389	–3,640	–8,610	–8,294
Interest expense leasing	–3,804	–	–	–
Other financial expenses [2]	–	–50	–	–50
Total financial expenses	**–8,193**	**–3,690**	**–8,610**	**–8,344**
Net financial items	**–2,672**	**3,025**	**–5,000**	**–1,467**

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 0 million (2) related to assets measured at fair value.

2 Of which SEK 0 thousand (612) relates to unrealized changes in short-term investments at fair value through profit or loss.

NOTE 15 APPROPRIATIONS

	Parent Company	
SEK thousands	2019	2018
Appropriations		
Change in accelerated depreciation/amortization	–429	–609
	–429	**–609**

NOTE 16 TAXES

TAX ON PROFIT FOR THE YEAR

	Group		Parent Company	
SEK thousands	2019	2018	2019	2018
Current tax on profit for the year	–3,948	–14,136	–2,069	–13,106
Deferred tax expense	–5,797	–6	–4	–301
Total recognized tax expense	**–9,745**	**–14,142**	**–2,073**	**–13,407**

TAX RATE RECONCILIATION

	Group		Parent Company	
SEK thousands	2019	2018	2019	2018
Recognized profit before tax	48,693	74,028	45,094	113,882
Tax according to current tax rate in Sweden, 21.4%	–10,420	–16,286	–9,650	–25,054
Tax effect of:				
Non-deductible expenses	–360	–1,586	–195	–580
Tax-exempt income	162	2,862	8,073	11,992
Effect of tax rates in other countries	–962	83	–	–
Utilized tax loss carry-forwards where undeferred tax is taken into account	–324	492	–	–
Effect of change in tax rates	2,634		–	
Tax related to previous years	–475	293	–301	235
Recognized tax expense	**–9,745**	**–14,142**	**–2,073**	**–13,407**

DEFERRED TAXES

	Group		Parent Company	
SEK thousands	2019	2018	2019	2018
Deferred tax assets recognized in the balance sheet				
Property, plant and equipment	99	131	11	16
Right-of-use assets	403	–	–	–
Internal gain on inventory	2,910	9,036	–	–
License	1,033	2,144	–	–
Tax loss carryforwards	10,513	11,917	–	–
Total deferred tax assets	**14,958**	**23,228**	**11**	**16**
Deferred tax liabilities recognized in the balance sheet				
Trademarks	39,065	41,256	–	–
Finland	–	435	–	–
Baseline	60	–	–	–
Untaxed reserves	1,245	1,201	–	–
Total deferred tax liabilities	**40,370**	**42,892**	**–**	**–**

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 10,513 thousand (11,917). The taxable value of these tax loss carryforwards is SEK 42,370 thousand (48,030). 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 146,666 thousand (144,790) as of December 31, 2019 and is attributable to the operations in the US, the Netherlands, Belgium, Finland and the 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 23,478 thousand (23,426). The majority of these deficits do not expire. The company has a transfer pricing arrangement which guarantees each jurisdiction a specific margin.

NOTE 17 EARNINGS PER SHARE

SEK thousands	Earnings per share 2019	Earnings per share 2018	Earnings per share after dilution 2019	Earnings per share after dilution 2018
Earnings				
Earnings attributable to Parent Company's shareholders	38,947	60,128	38,947	60,128
Net profit used to determine earnings per share after dilution	**38,947**	**60,128**	**38,947**	**60,128**
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	**1.55**	**2.39**	**1.55**	**2.39**

SEK thousands	2019	2018
Earnings per share, SEK	1.55	2.39
Earnings per share, SEK (after dilution)	1.55	2.39
Number of shares	25,148,384	25,148,384
Number of shares, weighted average	25,148,384	25,148,384
Number of shares, weighted average (after dilution)	25,148,384	25,148,384

Earnings per share before dilution is calculated by 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.

NOTE 18 INTANGIBLE ASSETS

GROUP

SEK thousands	Note	Dec. 31, 2019	Dec. 31, 2018
Goodwill			
Accumulated cost			
Opening balance		34,746	35,755
Adjustment acquisition price Baseline	31	–	–1,829
Translation differences for the year		352	820
Carrying amount at year-end		**35,098**	**34,746**
Trademarks			
Accumulated cost			
Opening balance		187,532	187,532
Carrying amount at year-end		**187,532**	**187,532**
Licenses			
Accumulated cost			
Opening balance		1,510	1,448
Investments		–	–
Translation differences for the year		24	62
Closing balance		**1,534**	**1,510**
Accumulated amortization			
Opening balance		–1,510	–1,448
Amortization for the year		–	–
Translation differences for the year		–24	–62
Closing balance		**–1,534**	**–1,510**
Carrying amount at year-end		**–**	**–**
Tenancy rights			
Accumulated cost			
Opening balance		1,725	1,725
Disposals and discontinued operations		–1,225	–
Closing balance		**500**	**1,725**
Accumulated amortization			
Opening balance		–1,725	–1,725
Disposals and discontinued operations		1,225	–
Closing balance		**–500**	**–1,725**
Carrying amount at year-end		**–**	**–**

SEK thousands	Note	Dec. 31, 2019	Dec. 31, 2018
Capitalized expenditure for software			
Accumulated cost			
Opening balance		22,735	15,044
Investments		3,845	7,264
Translation differences for the year		157	427
Closing balance		**26,737**	**22,735**
Accumulated amortization			
Opening balance		–12,779	–9,978
Amortization for the year		–3,845	–2,460
Translation differences for the year		–206	–341
Closing balance		**–16,829**	**–12,779**
Carrying amount at year-end		**9,908**	**9,956**

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SEK thousands	Dec. 31, 2019	Dec. 31, 2018
Capitalized expenditure for software		
Accumulated cost		
Opening balance	8,425	3,733
Investments	2,501	4,692
Closing balance	**10,926**	**8,425**
Accumulated amortization		
Opening balance	–2,815	–2,213
Amortization for the year	–1,663	–602
Closing balance	**–4,477**	**–2,815**
Carrying amount at year-end	**6,449**	**5,610**

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.

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

SEK thousands	Dec. 31, 2019	Dec. 31, 2018
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	5,807	5,688
Baseline BV	15,348	15,115
	35,098	**34,746**
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 legal budget adopted by the Board for 2020 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, 2019 applied approximately an 8 percent (8) 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, 2019 based on current economic conditions in the markets mainly in Europe where Björn Borg has operations. The forecast period stretches from 2020 to 2024, 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 assumed discount rate and projected growth in free cash flow 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.

2019	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, %	2	2	3	3	3	3

2018	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, %	4	4	3	3	-3	3

NOTE 19 19 TANGIBLE NON-CURRENT ASSETS

	Group		Parent Company	
SEK thousands	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Accumulated cost				
Opening balance	57,823	48,660	11,403	11,214
Investments	8,732	6,486	962	189
Sales and disposals	–4,298	–544	–	–
Translation differences for the year	1,533	3,221	–	–
Closing balance	**63,790**	**57,823**	**12,365**	**11,403**
Accumulated depreciation				
Opening balance	–42,433	–33,268	–10,922	–9,783
Sales and disposals	3,869	–	–	–
Depreciation for the year	–6,167	–6,417	–433	–1,139
Translation differences for the year	–932	–2,748	–	–
Closing balance	**–45,663**	**–42,433**	**–11,355**	**–10,922**
Carrying amount at year-end	**18,127**	**15,390**	**1 010**	**481**

NOTE 20 FINANCIAL NON-CURRENT ASSETS

SHARES IN SUBSIDIARIES

	Parent Company	
SEK thousands	Dec. 31, 2019	Dec. 31, 2018
Opening cost	344,106	341,136
Acquisition of subsidiary	–	2,970
Closing accumulated cost	**344,106**	**344,106**

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	100	8,681
Björn Borg Limited (China) Limited CR	1671008	Hong Kong	7,500	75	
Björn Borg (Shanghai) Trading Co. Ltd	310000400680797	Shanghai	n/a	100	
					344,106

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	2019	2018	2019	2018
Finished goods and goods for resale	127,828	132,811	–	–
Advances to suppliers	596	6,753	–	–
	128,424	**139,564**	**–**	**–**

Impairment losses for obsolescence of finished goods of SEK 6,718 thousand (5,399) are included in the closing inventory balance. Total expenses for obsolescence amounted to SEK 1,318 thousand (-669) during the year.

Expensed inventory during the period amounted to SEK 417,617 thousand (349,731).

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

SEK thousands	Group Dec. 31, 2019	Group Dec. 31, 2018	Parent Company Dec. 31, 2019	Parent Company Dec. 31, 2018
Accounts receivable, gross	127,319	131,887	23	70
Reserve for impaired receivables	–2,514	–1,400	–	–
Total accounts receivable, net after reserve for impaired receivables	**124,805**	**130,487**	**23**	**70**

As of December 31, 2019 the Group and the Parent Company had recognized SEK 2,514 thousand (1,400) in impaired receivables.

The ages of these receivables are distributed as follows:

OVERDUE RECEIVABLES

SEK thousands	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Not overdue	87,277	97,997	23	23
1-30 days	18,998	29,585	–	–
31-60 days	11,703	2,056	–	–
61-90 days	3,641	1,661	–	–
>90 days	5,700	588	–	47
Total	**127,319**	**131,887**	**23**	**70**

As of December 31, 2019 the Group had SEK 37,528 thousand (32,490) in overdue receivables that were not considered impaired. These overdue receivables relate to a number of customers that have not previously had payment problems.

The ages of these receivables are distributed as follows:

OVERDUE RECEIVABLES NOT CONSIDERED IMPAIRED

SEK thousands	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Not overdue	87,277	97,997	23	23
1-30 days	18,998	29,585	–	–
31-60 days	11,703	2,056	–	–
61-90 days	3,641	1,651	–	–
>90 days	3,186	–802	–	47
Total	**124,805**	**130,487**	**23**	**70**

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

EXPECTED CREDIT LOSS – RECONCILIATION

SEK thousands	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Provisions at beginning of the year	–1,400	–2,235	–	–
Reversed provisions for the period	739	372	–	–
Provisions for the period	–2,514	–1,400	–	–
Established losses	661	1,863	–	–
	–2,514	**–1,400**	**–**	**–**

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

NOTE 23 PREPAID EXPENSES AND ACCRUED INCOME

SEK thousands	Group Dec. 31, 2019	Group Dec. 31, 2018	Parent Company Dec. 31, 2019	Parent Company Dec. 31, 2018
Accrued interest income	413	1,184	413	1,184
Prepaid interest	338	163	338	163
Prepaid rents	6,011	5,847	2,609	2,515
Prepaid insurance	370	161	321	130
Prepaid leasing	31	591	–	–
Prepaid marketing expenses	5,865	627	3,431	–
HR-related items	888	708	642	291
Other	1,955	1,468	745	504
	15,871	**10,749**	**8,499**	**4,787**

NOTE 24 FINANCIAL ASSETS AND LIABILITIES

GROUP 2019

SEK thousands	Measured at amortized cost	Total carrying amount	Non-financial assets and liabilities	Total assets
Accounts receivable	124,805	124,805	–	124,805
Cash and bank balances	29,002	29,002	–	29,002
Total financial assets	**153,807**	**153,807**	**–**	**153,807**
Non-current liabilities credit institutions	150,000	150,000	–	150,000
Current liability credit institutions	7,242	7,242	–	7,242
Other current liabilities	–	–	18,277	18,277
Accounts payable	55,862	55,862	–	55,862
Total financial liabilities	**213,104**	**213,104**	**18,277**	**231,379**

GROUP 2018

SEK thousands	Measured at amortized cost	Total carrying amount	Non-financial assets and liabilities	Total assets
Accounts receivable	130,487	130,487	–	130,487
Cash and bank balances	36,388	36,388	–	36,388
Total financial assets	**166,875**	**166,875**	**–**	**166,875**
Other non-current liabilities	3,824	3,824	–	3,824
Non-current liabilities to credit institutions	150,000	150,000	–	150,000
Other current liabilities	–	–	31,075	31,075
Accounts payable	37,646	37,646	–	37,646
Total financial liabilities	**191,470**	**191,469**	**31,075**	**222,545**

The fair value of financial assets and liabilities essentially corresponds to their carrying amounts.

Fair values are determined according to a valuation hierarchy on 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.

NOTE 25 DIVIDEND PER SHARE

The Annual General Meeting on May 14, 2019 approved a distribution of SEK 50,296,768 for the financial year 2018, corresponding to SEK 2.00 per share.

Against the backdrop of the uncertainty caused by the coronavirus, the Board of Directors recommends that the Annual General Meeting resolve not to pay a dividend or distribution for the financial year 2019

NOTE 26 UNTAXED RESERVES

	Parent Company	
SEK thousands	Dec. 31, 20198	Dec. 31, 2018
Untaxed reserves		
Accumulated accelerated depreciation/ amortization	1,038	609
	1,038	**609**

NOTE 27 LIABILITIES

NON-CURRENT AND CURRENT INTEREST-BEARING LIABILITIES

	Group		Parent Company	
SEK thousands	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Non-current liabilities credit institutions	150,000	150,000	150,000	150,000
Current liability credit institutions	7,242	–	7,242	–
Total interest-bearing liabilities	**157,242**	**150,000**	**157,242**	**150,000**

OTHER NON-CURRENT LIABILITIES

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

As of December 31, 2019, SEK 150 million (150) of the revolving credit limit of SEK 150 million had been utilized, as well as SEK 7.2 million (0) of the overdraft facility. SEK 82.8 million (90) of 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, 2019 the ratio was 2.15 (1.65) and the equity/assets ratio was 46.9 percent (47.7). No changes were otherwise made with regard to pledged assets and contingent liabilities compared with December 31, 2018.

NOTE 28 ACCRUED EXPENSES, DEFERRED INCOME AND PROVISIONS

	Group		Parent Company	
SEK thousands	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
HR-related items	14,383	12,646	4,618	3,775
Freight and customs	4,752	6,216	–	–
Audit expenses	496	452	–	–
Marketing expenses	1,376	1,999	334	1,200
Rent expenses	100	143	–	–
Inventory reserve	–	886	–	–
Deferred income	3,292	5,919	–	–
Interest expenses	413	1,184	–	–
Other	130	3,278	–1,164	592
	24,941	**32,723**	**3,788**	**5,567**

NOTE 29 PLEDGED ASSETS AND CONTINGENT LIABILITIES

PLEDGED ASSETS

	Group		Parent Company	
SEK thousands	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Shares in subsidiaries	203,656	201,031	58,216	58,216
	203,656	**201,031**	**58,216**	**58,216**

CONTINGENT LIABILITIES

	Group		Parent Company	
SEK thousands	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Rental guarantee and other guarantees	7,976	9,095	–	–
	7,976	**9,095**	**–**	**–**

See also Note 20.

NOTE 30 NON-CONTROLLING INTERESTS

INFORMATION ON NON-CONTROLLING INTERESTS

SEK thousands	Dec. 31, 2019	Dec. 31, 2018
Opening balance	–5,862	491
Share of profit for the year	0	–242
Share of total comprehensive income for the year	–28	–819
Correction of minority share	–	–4,026
Change as a result of acquisition of shares from non-controlling interests	–	–1,266
Closing balance	**–5,890**	**–5,862**

The Björn Borg Group has a subsidiary in which, as of December 31, 2019, there are significant non-controlling interests, Björn Borg China Ltd. The company has been dormant since 2014.

SUBSIDIARIES

	Result distributed to non-controlling interests 2019 2018		Cumulative holdings of non-controlling interests 2019 2018	
SEK thousands	2019	2018	2019	2018
Björn Borg Finland Oy	–	–185	–	–185
Other non-controlling interests	–28	–876	–5,890	–5,677
Total	**–28**	**–1,061**	**–5,890**	**–5,862**

CONDENSED FINANCIAL INFORMATION

The financial information below shows the values prior to eliminations.

INCOME STATEMENT

	Björn Borg Finland	
SEK thousands	2019	2018
Revenue	–	92,280
Expenses	–	–90,885
Profit for the year	**–**	**1,395**
Other comprehensive income	–	–
Total comprehensive income for the year	**–**	**1,395**

STATEMENT OF FINANCIAL POSITION

	Björn Borg Finland	
SEK thousands	Dec. 31, 2019	Dec. 31, 2018
Non-current assets	–	2,117
Current assets	–	23,273
Total assets	**–**	**25,390**
Equity	–	2,641
Non-current liabilities	–	–
Current liabilities	–	22,750
Total liabilities	**–**	**22,750**
Total equity and liabilities	**–**	**25,391**

CASH FLOWS

	Björn Borg Finland	
SEK thousands	2019	2018
From operating activities	–	1,531
From investing activities	–	–205
From financing activities	–	–
Total cash flow	**–**	**1,326**

NOTE 31 BENELUX ACQUISITION

On December 8, 2016 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 5.3 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 receivable) 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.

SEK thousands	Fair value
Acquisition payments fall due as follows:	
2018	–
2019	–
2020	3,558
Total unpaid acquisition payments	**3,558**

The acquisition analysis has been prepared using the share price on the acquisition date.

NOTE 32 CASH FLOW

GROUP

				Non-cash items					
SEK thousands	Dec. 31, 2018	New accounting principles	Cash flow	Reclassification from long to short	Capitalized interest	Other change [1]	Fair value changes	Change in impairment	Dec. 31, 2019
Long-term loans	150,000	–	–	–	–	–	–	–	150,000
Other non-current liabilities	3,824	–	–	–3,824	–	–	–	–	0
Other current liabilities (convertible debentures) [2]	17,978	–	–10,911	3,824	175	60	–	–	11,126
Lease liability	–	149,989	–47,218	–	–	30,489	–	–	133,260
Total loans from financial activities	**171,802**	**149,989**	**–58,129**	**–**	**175**	**30,549**	**–**	**–**	**294,386**

1 "Other change" in the lease liability mainly refers to newly signed leases and extended leases. This includes a decrease in the liability after two leases were renegotiated and only consist of variable payments and exchange rate differences (SEK 3,240 thousand).

2 The opening balance for current liabilities in 2019 amounted to SEK 31,075 thousand, of which convertible debentures amounted to SEK 17,978 thousand. The convertible has expired, which has affected cash flow by SEK –18,153. In addition, the overdraft facility has been utilized, which has had a positive effect on cash flow of SEK 7,242 thousand. The recognized liability for the overdraft facility of SEK 7,242 thousand and the liability attributable to the earlier acquisition of Baseline of SEK 3,884 thousand, totaling SEK 11,126 thousand, are included in current liabilities..

PARENT COMPANY

			Non-cash items					
SEK thousands	Dec. 31, 2018	Cash flow	Reclassification from long to short	Capitalized interest	Translation differences	Fair value changes	Change in impairment	Dec. 31, 2019
Long-term loans	150,000	–	–	–	–	–	–	150,000
Other non-current liabilities	3,824	–	–3,824	–	–	–	–	0
Short-term loans form part of other current liabilities	17,978	–10,911	3,824	175	60	–	–	11,126
Total loans from financial activities	**171,802**	**–10,911**	**–**	**175**	**60**	**–**	**–**	**161,126**

Short-term loans of SEK 11,126 thousand consisting of SEK 7,242 thousand utilized from the overdraft facility and the SEK 3,884 thousand liability attributable to the earlier Benelux acquisition represent part of other current liabilities in the Parent Company's balance sheet. See also the Group above.

GROUP

SEK thousands	Dec. 31, 2017	Cash flow	Non-cash items: Reclassification from long to short	Capitalized interest	Translation differences	Fair value changes	Change in impairment	Dec. 31, 2018
Long-term loans	125,000	25,000	–	–	–	–	–	150,000
Other non-current liabilities	22,925	–	–17,647	375	–	–	–1,829	3,824
Short-term loans form part of other current liabilities	–	–	17,647	331	–	–	–	17,978
Total loans from financial activities	**147,925**	**25,000**	**–**	**706**	**–**	**–**	**–1,829**	**171,802**

PARENT COMPANY

SEK thousands	Dec. 31, 2017	Cash flow	Non-cash items: Reclassification from long to short	Capitalized interest	Translation differences	Fair value changes	Change in impairment	Dec. 31, 2018
Long-term loans	125,000	25,000	–	–	–	–	–	150,000
Other non-current liabilities	22,925	–	–17,647	375	–	–	–1,829	3,824
Short-term loans form part of other current liabilities	–	–	17,647	331	–	–	–	17,978
Total loans from financial activities	**147,925**	**25,000**	**–**	**706**	**–**	**–**	**–1,829**	**171,802**

NOTE 33 EVENTS AFTER THE BALANCE SHEET DATE

The coronavirus outbreak has greatly changed the world around us and is adversely affecting the Björn Borg Group. The extent of the impact is difficult to assess, but the outbreak will have a substantial financial effect on the Björn Borg Group's business. We are currently seeing a major financial impact on our own stores with fewer visitors and a large decrease in sales. In particular, the company is seeing that overall development and/or regulatory decisions in the countries where the company conducts its business are leading to, or may lead to, reduced demand in the retail market, potential disruptions to the distribution chain, unfavorable currency impacts, payment difficulties by our customers and closed stores with reduced sales as a result. Such effects were already evident by the end of the first quarter 2020 and will probably increase in the second quarter 2020.

NOTE 34 PROPOSED DISTRIBUTION OF PROFIT

The following unappropriated earnings are at disposal of the Annual General Meeting:	
Retained earnings, SEK	96,316,232
Profit for the year, SEK	43,020,798
	139,337,030
The Board proposes that:	
Carried forward, SEK	139,337,030
	139,337,030


ADVANT
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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, June 9, 2020

Heiner Olbrich
Chairman

Alessandra Cama Board member	Göran Carlson Board member	Christel Kinning Board member
Anette Klintfält Board member	Fredrik Lövstedt Board member	Mats H Nilsson Board member

Henrik Bunge
CEO

Our audit report was submitted on June 9, 2020
Deloitte AB

Didrik Roos
Authorized Public Accountant

This is an English translation of the Swedish annual report. In case of discrepancies between the English translation and the Swedish annual report, the Swedish annual report shall prevail.


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AUDIT REPORT

This is an unofficial translation of the Swedish auditor's 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 the financial year January 1, 2019 – December 31, 2019. The annual accounts and consolidated accounts of the company are included on pages 40-84 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, 2019 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, 2019 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 therefore recommend that the general meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014/EU) Article 11.

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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014), Article 5.1, have been provided to the audited company or, where applicable, its Parent Company or its controlled companies within the EU.

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 Group recognized inventory of SEK 128 million on December 31, 2019. Inventory is recognized at the lower of cost according to the first-in-first-out method and net selling price. Net selling price 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 Group's inventory is a material item and because the Group's operations are highly affected by the changing trends and fashions, which can affect the ability of the Group 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 in the Board of Directors' report and the Group's accounting principles in Note 1.

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 physical inventory counts of various warehouses.

Revenue recognition

The Group's net sales amounted to SEK 757 million as of December 31, 2019. Net sales consist of four revenue streams, which are described in the company's accounting principles in Note 1. 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 and when the revenue can be measured reliably. 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 Group'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 applied 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, 89-95 and 101-103. The Board of Directors and the Managing Director 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 MANAGING DIRECTOR

The Board of Directors and the Managing Director 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 Managing Director 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 Managing Director 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 Managing Director intend to liquidate the company, to cease operations or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

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 audit 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 ISAs 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 Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director'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 audit 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 audit 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 for 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 deficiencies 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 audit report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS

In addition to our audit of the annual accounts, we have audited the administration of the Board of Directors and the Managing Director of Björn Borg AB (publ) for the financial year January 1, 2019 – December 31, 2019 and the proposed appropriations of the company's profit or loss.

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 Managing Director 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 and 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 MANAGING DIRECTOR

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 Managing Director 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.

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 Managing Director 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. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that 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 situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion whether the Board of Directors' proposed appropriations of the company's profit or loss we have examined whether the proposal is in accordance with the Companies Act.

Deloitte AB was appointed auditors of Björn Borg AB by the general meeting of the shareholders on the May 14, 2019 and has been the company's auditor since May 20, 2005.

Stockholm, June 9, 2020
Deloitte AB

Didrik Roos
Authorized Public Accountant

BORG

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 assets and profits.

TRADING

The last price paid on December 30, 2019 was SEK 25.25, giving Björn Borg a market capitalization of about SEK 635 million. A total of 7,804,725 shares were traded in 2019 at a value of approximately SEK 189 million. The average daily turnover was 31,344 shares. The share price increased during the year by SEK 5.86, or by 30.2 percent from the previous year. The share reached a high of SEK 29.20 and fell to a low of SEK 19.06.

CONVERTIBLE DEBENTURES 2015/2019

The convertible debentures Björn Borg issued on June 16, 2015 for a total nominal value of SEK 18,155 thousand fell due for payment on June 30, 2019 without any holder requesting a conversion to shares (the conversion price was SEK 37.96 per share). The convertibles had carried interest as of July 1, 2015, which was paid annually in arrears. The recognized interest expense for 2019 was SEK 0 thousand.

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 2015/2019

The warrants Björn Borg issued to the Group's senior executives on June 16, 2015 expired on June 15, 2019 without being exercised to subscribe for shares (the last day for subscriptions was June 14, 2019 and the subscription price was SEK 37.96 per share). As a result, the warrants did not cause any dilution.

INCENTIVE PLAN 2022

The Annual General Meeting 2019 resolved to introduce a new long-term incentive plan, LTIP 2022, which can be described as variable cash remuneration based on the price of the Björn Borg share. Employees entitled to participate in the incentive plan, which runs between 2019 and 2022, are members of the company's management team. Under LTIP 2022, participants may be entitled to a cash payout from Björn Borg, depending on price of the Björn Borg share and based on each participant's annual fixed salary for 2019. The first level of payout under the incentive plan is 25 percent of each participant's yearly fixed salary for 2019, which participants are entitled to if the price of the Björn Borg share has been traded at a price of SEK 35 for a period of one hundred (100) non-consecutive days during any of the years 2020, 2021 and 2022. The highest level of payout under the incentive plan is 160 percent of each participant's fixed annual salary for 2019, on the condition that the Björn Borg share has been traded at a price of SEK 70 for the period described below.

On the assumption that nine management team members participate in LTIP 2022, the maximum payout under LTIP 2022 will be SEK 28,520,000, including social security costs.

DIVIDEND POLICY

According to Björn Borg's long-term financial goals, at least 50 percent of net profit will be distributed annually to the company's shareholders.

DIVIDEND PROPOSAL

Against the backdrop of the uncertainty created by the coronavirus, the Board of Directors proposes that the Annual General Meeting resolve not to pay a dividend or distribution for the financial year 2019.

SHAREHOLDERS

As of December 30, 2019 Björn Borg had 8,173 shareholders (8,009), according to Euroclear, after shareholder grouping by the company. Björn Borg's ten largest shareholders owned shares corresponding to 50.4 percent (51.8) 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
Fourth Swedish National Pension Fund	1,697,261	6.7
Mats Nilsson	1,638,440	6.5
Swedbank Robur Small Cap Fund	1,475,946	5.9
Fredrik Lövstedt	1,050,040	4.2
Avanza Pension	1,031,208	4.1
Vilhelm Schottenius	1,023,520	4.1
Lazard Frères Banque	990,000	3.9
Nordnet Pension	805,800	3.2
Stiftelsen Vin och Sprithist muséet	500,000	2.0
Total, largest shareholders	**12,662,215**	**50.4**
Total, other	**12,486,169**	**49.6**
Total number of shares	**25,148,384**	**100.0**

According to share register on December 30, 2019, shareholders grouped by the company.

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

SHAREHOLDER ANALYSIS

Size of holding	No. of shareholders	No. of shares	Capital and votes, %
1 – 500	5,718	805,761	3.2
501 – 1,000	1,019	868,273	3.5
1,001 – 5,000	1,117	2,697,369	10.7
5,001 – 10,000	170	1,312,634	5.2
10,001 – 15,000	31	397,510	1.6
15,001 – 20,000	33	595,631	2.4
20,001 –	85	18,471,206	73.4
Total	**8,173**	**25,148,384**	**100.0**

Source: Euroclear Sweden AB on December 30, 2019, shareholders grouped by the company

DATA PER SHARE

	2019	2018	2017	2016	2015
Earnings per share before dilution, SEK	1.55	2.39	1.48	1.88	1.79
Earnings per share after full dilution, SEK	1.55	2.39	1.48	1.88	1.77
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	25,148,384	25,148,384	25,604,384

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/financial-definitions/

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.

COMPARABLE STORE SALES
Sales for own stores that were also open in the previous period.
Purpose: To obtain comparable sales between periods for own stores.

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 adjusted for lease liabilities.
Purpose: This indicator shows financial risk, expressed as a share of total restricted equity financed by the owners.

GROSS PROFIT MARGIN
Net sales less cost of goods sold divided by net sales.
Purpose: Gross margin is used to measure operating profitability.

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

GROSS PROFIT MARGIN EXCL. CURRENCY EFFECTS
Gross profit margin calculated using year-earlier exchange rates.
Purpose: To obtain a currency neutral gross profit margin.

GROUP NET SALES EXCL. CURRENCY EFFECTS
Net sales calculated using year-earlier exchange rates.
Purpose: To obtain comparable and currency neutral net sales.

NET DEBT
Interest-bearing liabilities excluding lease liabilities less investments and cash & cash equivalents.
Purpose: Net debt reflects the company's total debt situation.

NET DEBT TO EBITDA RATIO
Interest-bearing liabilities excluding lease liabilities less investments and cash & cash equivalents divided by operating profit before depreciation/amortization.
Purpose: This indicator shows the company's ability to pay debts.

NET FINANCIAL ITEMS
Financial income less financial expenses.
Purpose: Describes the company's financial activities.

OPERATING MARGIN
Operating profit as a percentage of net sales.
Purpose: The operating margin is used to measure operating profitability.

OPERATING PROFIT
Profit before tax plus net financial items.
Purpose: This indicator facilitates profitability comparisons regardless of the company's tax rate and independent of its financing structure.

PROFIT MARGIN
Profit before tax as a percentage of net sales.
Purpose: Profit margin shows the company's profit in relation to its sales.

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

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

BOARD OF DIRECTORS AND AUDITORS

Heiner Olbrich
Chairman of the Board since 2017
Director 2015-2017
Born: 1965
MBA from University of Hamburg, PhD in Economics, University of St. Gallen, Switzerland
Other current assignments: Director of Eckes Granini AG, Warsteiner Brauerei Haus Cramer KG, ABS Protection GmbH
Previous assignments: Chief Marketing and Sales Officer at Miele, Senior Vice President Global Sales at Adidas
Shares in Björn Borg: 40,000
Independent of the company and management as well as of major shareholders.

Alessandra Cama
Director since 2018
Born: 1967
L.U.I.S.S. (Libera Università degli Studi Sociali), Rome. LICEO SCIENTIFICO "Leonardo da Vinci", Reggio Calabria
Other current assignments: CEO of Zertus and ZRT Fr. Meyers Sohn Holding
Previous assignments: Managing Director Marketing & Sales at Warsteiner Brauerei, member of the Managing Board at GfK, partner at Roland Berger Strategy Consultants
Shareholding in the company: 20,000
Independent of the company and management as well as of major shareholders.

Göran Carlson
Director since 2018
Born: 1957
MBA from HEC in Paris (Haute études commercial), School of Economics at the University of Gothenburg
Other current assignments: Chairman of Actic Group AB, Deputy Chairman of Svenskt Tenn
Previous assignments: Director of Haldex AB and Budbee AB, CEO and owner of Departments & Stores, founder and Deputy Chairman of pharmacy chain Medstop and Chairman of the publicly listed company Haldex AB
Shares in Björn Borg: 73,500
Independent of the company and management as well as of major shareholders.

Christel Kinning
Director since 2016
Born: 1962
Education: Studies at Gothenburg School of Economics, Business and Marketing
Other current assignments: Own consultancy within Soldränkta Tomater AB, Chairman of Lagerhaus, director of Zound Industries International AB, Reima, Stadium, Venue Retail Group and Vasakronan.
Previous assignments: Director of e.g. HOPE, Mio, MQ, Hemtex, SATS, Melon Fashion Group, President and CEO of RNB Retail and Brands AB and CEO of Polarn o Pyret AB
Shares in Björn Borg: 0
Independent of the company and management as well as of major shareholders.

Anette Klintfält
Director since 2019
Born: 1963
Architecture at KTH Royal Institute of Technology
Other current assignments: Anette Klintfält Design AB with a focus on the fashion industry with customers such as Gina Trikå and Matter of Time
Previous assignments: Design work for GANT, Zalando, Klättermusen, Åhlens, H&M New Business, BRIO, SAS. Responsible for design at Polarn o Pyret, Creative Manager for Dockers Levi's, Esprit de Corp, H&M Rocky. Director of NK Nära Kroppen
Shares in Björn Borg: 0
Independent of major shareholders but not the company and management.

Fredrik Lövstedt
Director since 2017
Chairman 2005-2017
Director 2004-2005
Born: 1956
Education: MSc Eng, KTH Royal Institute of Technology; MBA, INSEAD
Other current assignments: Founder AlertSec Inc., CEO and major owner of Durator AB
Previous assignments: Deputy CEO of Protect Data AB (1996–2001). Has run his own company since 1984
Shares in Björn Borg: 1,050,040
Independent of the company and management as well as of major shareholders.

Mats H Nilsson
Director since 1998
Born: 1955
Education: BSc Econ, Stockholm School of Economics
Other current assignments: Director of Credelity Capital AB
Previous assignments: Former Executive Director of Swiss Bank Corporation, London, and Director of SG Warburg & Co Ltd, London
Shares in Björn Borg: 1,638,440
Independent of the company and management as well as of major shareholders.

Auditors
Deloitte AB.
Didrik Roos, Authorized Public Accountant

Shareholdings as of December 31, 2019.

SENIOR MANAGEMENT

Henrik Bunge
CEO
Born 1973
Recruited 2014
LLB from University of Uppsala; Sales Management at Harvard
Previous assignments: CEO of Peak Performance, Managing Director Group Area Nordic at Adidas, VP Sales and Marketing at Hästens sängar
Shares in Björn Borg: 110,000

Daniel Grohman
Business Development Director
Born 1975
Recruited 2015
MBA
Previous assignments: CFO & Buying Director at Efva Attling, Nordic Finance Director at Adidas Group Nordic
Shares in Björn Borg: 3,796

Jens Nyström
CFO
Born 1973
Recruited 2018
MBA
Previous assignments: CFO of Haglöfs, Nordic Finance Director at Sanofi Pasteur MSD, Nordic Finance Director at SC Johnson
Shares in Björn Borg: 5,000

Mija Nideborn
Design & Product Development Director
Born 1972
Recruited 2016
Bachelor of Fine Arts in Fashion Design, the Swedish School of Textiles University of Borås
Previous assignments: Design & Development Director at Helly Hansen, Design Manager at Peak Performance
Shares in Björn Borg: 0

Lena Nordin
HR Director
Born 1972
Recruited 2014
BSc Econ, HR Management at Stockholm School of Economics
Previous assignments: HR Director at Peak Performance, HR Director at Adidas Area Nordic, HR Director at SATS
Shares in Björn Borg: 0

Anna-Karin Lingham
Marketing Director (interim)
Born 1965
Recruited 2019
BSc Marketing
Previous assignments: Marketing Manager at Axfood Sweden, Concept Manager at Hästens Sängar, Business Development at Apotek Hjärtat, Brand Strategist Lingham Enterprise
Shares in Björn Borg: 0

Joacim Sjödin
Global Sales Director
Born 1975
Recruited 2015
Previous assignments: Country manager at Adidas Group, 2006-2012; European Sales Director at Peak Performance, 2012-2015
Shares in Björn Borg: 30,000

Andreas Gran
Creative Director as of November 6, 2019
Born 1978
Recruited 2019
Previous assignments: Freelance stylist, Fashion Buyer at H&M, Designer and Product Manager at GANT, Head of Accessories at Tiger of Sweden, Head of Design Menswear at Tiger of Sweden, Head of Design at Björn Borg
Shares in Björn Borg: 245

Robin Salazar
Global E-commerce Director
Born 1982
Recruited 2017
Marketing Communications, Berghs SoC. Digital marketing, Hyper Island.
Previous assignments: Global E-commerce Manager at Peak Performance, CEO of Societ46, Agency Director at Britny.
Shares in Björn Borg: 0

Lisa Udd
Management Assistant
Born 1961
Recruited 2014
Distribution/Office & Language at Stockholm University
Previous assignments: Peak Performance, Entreprenörföretagen, Plåtslageriernas Riksförbund, Accuray Scandinavia, FRA, Nam-Nam
Shares in Björn Borg: 1,000

Shareholdings as of December 31, 2019.

CORPORATE GOVERNANCE REPORT 2019

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 solution it has adopted instead and state the reasons for doing so. During the year Björn Borg derogated from point 1.4 of the Code (point 1.5 of the version in effect at the time) as the minutes of the Annual General Meeting 2019 were adjusted by a Director. The reason for the noncompliance was that the minutes had to be signed directly after the AGM to ensure that the automatic redemption program approved by the AGM could be registered by the Swedish Companies Registration Office in time.

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 or warrants, the AGM may authorize the Board to take decisions.

Annual General Meeting 2020

The 2020 AGM, which previously scheduled for May 14, 2020, has been postponed due to the outbreak of the coronavirus. The AGM will be held on June 30, 2020 and the notice convening the meeting will be released no later than four weeks in advance and issued in accordance with the Articles of Association and the rules that apply according to the Companies Act and the Code.

Annual General Meeting 2019

The 2019 AGM was held in Stockholm on May 14, 2019. The AGM resolved, among other things, to re-elect Directors Alessandra Cama, Göran Carlson, Christel Kinning, Fredrik Lövstedt, Mats H Nilsson and Heiner Olbrich as Directors, and elected Anette Klintfält as a new Director. The AGM also resolved to transfer earnings to shareholders through an automatic share redemption procedure and gave the Board limited authorization to resolve to issue new shares. The minutes of the AGM are available on Björn Borg's website.

NOMINATION COMMITTEE

According to the resolution of the 2019 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, 2019 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 November 2019, consists of the following members for the 2020 AGM:

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

Bo Jungner was named Chairman of the Nomination Committee. According to the resolution of Björn Borg's 2019 AGM, the Nomination Committee's mandate is to propose to the 2020 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, a resolution on the Nomination Committee, the Chairman of the AGM and the election of the auditors and their remuneration. The Nomination Committee has held four meetings at which minutes were taken since the 2019 AGM, in addition to other contacts. No compensation was paid to the members of the committee.

Rule 4.1 of the Swedish Code of Corporate Governance is applied as a diversity policy for the Board of Directors. Leading up to 2019 AGM the Nomination Committee focused on analyzing and discussing potential Board candidates from the standpoint of Björn Borg Group's operations, stage of development and circumstances in general. The Nomination Committee discussed the Board's size and composition in terms of experience and competence in all the areas relevant to Björn Borg's operations. The Nomination Committee paid special attention to the need for gender parity on the Board.

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 2019 AGM reelected Directors Alessandra Cama, Göran Carlson, Christel Kinning, Fredrik Lövstedt, Mats H Nilsson and Heiner Olbrich as Directors, and elected Anette Klintfält as a new Director. Heiner Olbrich was reelected 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 2019 AGM the Nomination Committee concluded that all of the nominated Directors were independent of the company and its management as well as of major shareholders with the exception of Anette Klintfält, who was not considered independent of the company and its management as she had been hired by the company as a consultant in 2017 and 2018.

An annual board review, one of the aims of which is to analyze the Board's work and whether the Board's composition is appropriate for the company's needs, was conducted within the company in 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 94 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 15, 2019, define the principles for Board work, the delegation between the Board and the CEO, and the financial reporting.

Board work

In 2019 the Board held five scheduled meetings, four of which were in connection with the quarterly financial reports and one by circulation in connection with the preparations for the AGM. 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 held one meeting at which minutes were kept leading up to the 2020 AGM, in addition to informal meetings and 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 its 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 2019, all in connection with the quarterly reports. All of the Committee's members attended these meetings, except for the November meeting, which Christel Kinning did not attend. In 2019 the CEO attended the meetings as a co-opted member, except for the meeting in February. The Audit Committee is a drafting committee.

CHIEF EXECUTIVE OFFICER

The Board has established an instruction for the CEO's work and role, which in its current wording was adopted on August 15, 2019. 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 95 of the annual report.

DIRECTORS' ATTENDANCE IN 2019

	Feb 21	Apr 4*	May 14	Aug 5	Nov 14
Alessandra Cama	1	1	1	1	1
Göran Carlson	1	1	1	1	1
Christel Kinning	1	1	1	1	1
Anette Klintfeldt**	–	–	–	1	1
Fredrik Lövstedt	1	1	1	1	1
Mats H Nilsson	1	1	1	1	1
Heiner Olbrich	1	1	1	1	1
No. of attendees	**6 (of 6)**	**6 (of 6)**	**6 (of 6)**	**7 (of 7)**	**7 (of 7)**

* Meeting held by circulation with all members participating in the decisions.
** The individual in question was appointed as a Director at the 2019 AGM.

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 2019 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 2020 AGM.

Further information on the auditors can be found on page 94 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 2019 AGM, the Chairman received of SEK 420,000 and other Directors received SEK 180,000. For committee work in 2019 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 2019 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 metrics 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 Annual General Meeting 2019 resolved to introduce a new long-term incentive plan, LTIP 2022, which can be described as variable cash remuneration based on the price of the Björn Borg share.

Employees entitled to participate in the incentive plan, which runs between 2019 and 2022, are members of the company's management team. Under LTIP 2022, participants may be entitled to a cash payout from Björn Borg, depending on price of the Björn Borg share and based on each participant's annual fixed salary for 2019.

The first level of payout under the incentive plan is 25 percent of each participant's yearly fixed salary for 2019, which participants are entitled to if the price of the Björn Borg share has been traded at a price of SEK 35 for a period of one hundred (100) non-consecutive days during any of the years 2020, 2021 and 2022. The highest level of payout under the incentive plan is 160 percent of each participant's fixed annual salary for 2019, on the condition that the Björn Borg share has been traded at a price of SEK 70 for the period described above.

As indicated above, the maximum payout in LTIP 2022 is 160 percent of management's aggregate annual salaries for 2019. On the assumption that nine management team members participate in LTIP 2022, the maximum payout under LTIP 2022 will be SEK 28,520,000, including social security costs.

FINANCIAL REPORTING

The quality of the financial reporting is assured through 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 2019 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 procurement and revenue processes, where the valuation of inventory and accounts receivable is a key element of the balance sheet analysis. 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 ANALYSIS

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 8,173 shareholders (8,009) at year-end. The largest shareholder as of December 30, 2019 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, 2019

	No. of shares	%
Martin Bjäringer	2,450,000	9.7
Fourth Swedish National Pension Fund	1,697,261	6.7
Mats Nilsson	1,638,440	6.5
Swedbank Robur Small Cap Fund	1,475,946	5.9
Fredrik Lövstedt	1,050,040	4.2
Avanza Pension	1,031,208	4.1
Vilhelm Schottenius	1,023,520	4.1
Lazard Frères Banque	990,000	3.9
Nordnet Pension	805,800	3.2
Stiftelsen Vin och Sprithist muséet	500,000	2.0
Total, largest shareholders	**12,662,215**	**50.4**
Total, other	**12,486,169**	**49.6**
Total number of shares	**25,148,384**	**100.0**

AUDITOR’S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

This is an unofficial translation of the Swedish auditor’s report.

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

ENGAGEMENT AND RESPONSIBILITY
The Board of Directors is responsible for the corporate governance statement for the financial year January 1, 2019 – December 31, 2019 on pages 96-99 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, June 9, 2020
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, June 30, 2020 at 10.00 am (CET) at the company's office, Tulegatan 11, Stockholm. Registration starts at 9.30.

To be entitled to participate in the Annual General Meeting, shareholders must be entered in the shareholders' register maintained by Euroclear Sweden AB by Wednesday, June 24, 2020 and must notify the company of their intention to participate by this date (Wednesday, June 24, 2020) 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 Wednesday, June 24, 2020, shareholders must inform nominees well in advance of this date.

Due to the outbreak of the coronavirus, the Annual General Meeting will be held in the simplest form possible. Neither food nor drink will be offered and the CEO's presentation has been cancelled. Björn Borg encourages shareholders to vote by mail in order to minimize the number of participants attending the AGM in person and thus reduce the spread of the infection. More information on mail-in voting can be found in the notice and at https://corporate.bjornborg.com/en/annual-general-meeting-2020

2020 CALENDAR

The Annual General Meeting 2020 will be held at 10.00 pm (CET) on June 30, 2020.

The interim report for January-March 2020 will be released at 7.00 pm (CET) on May 14, 2020.

The interim report for January-June 2020 will be released on August 18, 2020.

The interim report for January-September 2020 will be released on November 20, 2020.

The year-end report for 2020 will be released on February 19, 2021.

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
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Tel: +46 8 506 33 700

Jens Nyström, CFO
E-mail: jens.nystrom@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, high summer and fall/winter 2020 collections.

Concept, design and production: Wirtén Design Group.


RUNNING
FROM
DAYLIGHT


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