

# BJÖRN BORG

BJÖRN BORG AB INTERIM REPORT  
JANUARY – JUNE 2016

## SALES INCREASE

### APRIL 1 – JUNE 30, 2016

- The Group's net sales increased by 23.2 percent to SEK 122.2 million (99.2). Excluding currency effects, sales increased by 24.8 percent.
- The gross profit margin was 53.5 percent (53.0).
- Operating profit amounted to SEK 0.3 million, against a year-earlier loss of SEK 1.7 million.
- The loss after tax was SEK 2.2 million, against a year-earlier loss of SEK 2.3 million.
- Earnings per share before dilution amounted to SEK –0.09 (–0.04) and earnings per share after dilution amounted to SEK –0.08 (–0.04).

### JANUARY 1 – JUNE 30, 2016

- The Group's net sales increased by 21.7 percent to SEK 280.2 million (230.3). Excluding currency effects, sales increased by 22.4 percent.
- The gross profit margin was 51.5 percent (53.4).
- Operating profit amounted to SEK 14.2 million (11.2).
- Profit after tax amounted to SEK 4.3 million (12.6).
- Earnings per share before dilution amounted to SEK 0.20 (0.57) and earnings per share after dilution amounted to SEK 0.20 (0.57).

**QUOTE FROM THE CEO** "During the quarter we strengthened our position as planned in sports and sports apparel, especially in our male target market. In one of our consumer surveys, 25 percent of respondents said they would buy athletic apparel from us, and in both the Netherlands and Norway we ranked fourth among men. We succeeded at the same time in maintaining our strong position in men's underwear, where we remain number 1 in all our priority markets," said CEO Henrik Bunge.

SEK million	April-June 2016	April-June 2015	January-June 2016	January-June 2015	July 2015-June 2016	Full-year 2015
Net sales	122.2	99.2	280.2	230.3	624.3	574.3
Gross profit margin, %	53.5	53.0	51.5	53.4	51.7	52.4
Operating profit	0.3	–1.7	14.2	11.2	61.6	58.6
Operating margin, %	0.2	neg	5.1	4.8	9.9	10.2
Profit after tax	–2.2	–2.3	4.3	12.6	33.4	41.6
Earnings per share before dilution, SEK	–0.09	–0.04	0.20	0.57	1.42	1.79
Earnings per share after dilution, SEK	–0.08	–0.04	0.20	0.57	1.41	1.77
Brand sales*	281	246	700	640	1,503	1,443

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



## CEO'S COMMENT

During the second quarter sales continued to trend higher, rising in total by 23.2 percent compared with the same quarter in 2015. Part of the increase was due to earlier shipments than the previous year, which is a result of a more efficient product flow, where we have shortened lead times. We are performing well in all our markets except Norway, where sales remain weak. The downtrend there mainly relates to inventory cuts by our Norwegian distributor in 2016, which resulted in lower purchases. Our e-commerce business grew by 15 percent, while our own stores posted a weaker quarter with lower year-on-year sales for comparable units. Fewer visitors and a smaller share of discounted sales are two main reasons why. Underwear and footwear continue to drive growth, while our sports apparel collection posted slightly lower sales than the previous year.

The gross profit margin for the second quarter was slightly better than the previous year at 53.5 percent (53.0), while operating expenses rose according to plan. The increase in expenses is due to the higher number of Group-owned stores and higher sales in our own markets, which raised distribution expenses compared with the previous year. Operating profit rose in the quarter to SEK 0.3 million after a year-earlier loss of SEK 1.7 million.

During the quarter we strengthened our position in sports and sports apparel, especially in our male target market. In one of our consumer surveys, 25 percent of

respondents said they would buy athletic apparel from us, and in both the Netherlands and Norway we ranked fourth among men. We succeeded at the same time in maintaining our strong position in men's underwear, where we remain number 1 in all our priority markets. To convert the strong interest in our athletic collection into actual sales, we focused during the quarter on better understanding current and potential consumers. We know that a continued emphasis on the store floor, virtual and physical, broader sports apparel distribution and product development are the right way forward. One example is how we celebrated Björn Borg's 60th birthday during the quarter with a unique tennis collection that was sold this summer in selected distribution. We also launched an ambassadors program to increase our presence in various social platforms. Lastly, in an effort to reduce our environmental impact, we lowered the use of air freight by 50 percent during the quarter as part of our sustainability work.

We have closed the books on another quarter in which we outperformed the previous year, putting us one more quarter closer to meeting the goals of our business plan, Northern Star.

Head coach  
Henrik Bunge



## OPERATIONS

### BRAND SALES

Sales improved in the second quarter, mainly of underwear, though footwear also performed well. As a result, brand sales (excluding VAT) rose by 14 percent to SEK 281 million (246). Adjusted for currency effects, brand sales increased by 16 percent for the quarter. For the first half of 2016 brand sales increased to SEK 700 million (640), up 9 percent. Excluding currency effects, sales rose by 11 percent.

### PRODUCT AREAS FIRST HALF OF 2016

Brand sales in the underwear product area improved by 17 percent in the first half of 2016. Underwear accounted for 61 percent (57) of brand sales.

Sports apparel saw a drop in brand sales of 6 percent in the first six months. Brand sales rose in the footwear product area, but fell for bags, eyewear and fragrances. In total, sales of licensed products rose by 1 percent in the first quarter.

### MARKETS FIRST HALF OF 2016

Among large markets, every country except Norway reported growth. Sweden, the Netherlands and England noted the highest growth in the first half of 2016, though Denmark, Finland and Belgium also performed well. Smaller markets continue to decrease year-on-year.

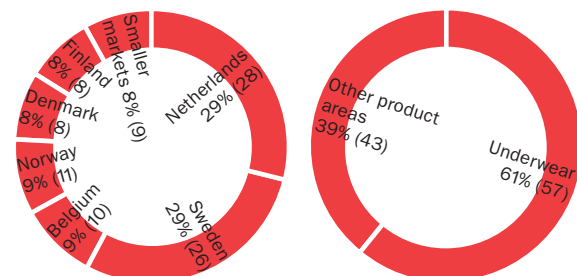
### BJÖRN BORG STORES

One new Björn Borg was opened in Norway in the second quarter, while one closed in Belgium. As of June 30, 2016 there were a total of 40 (38) Björn Borg stores, of which 21 (17) are Group-owned.

### BRAND SALES\* OF BJÖRN BORG PRODUCTS JANUARY-JUNE 2016. TOTAL SEK 700 MILLION (640)

Country

Product area\*\*



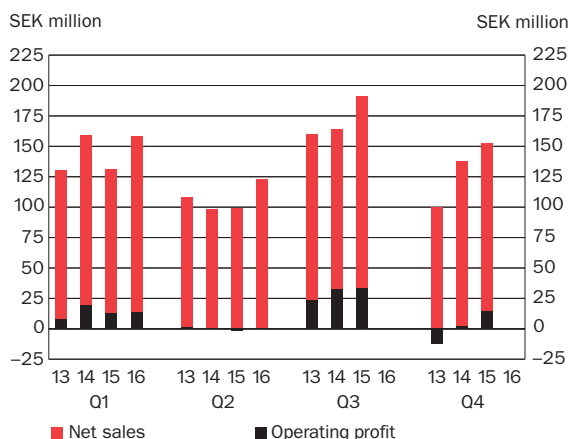
\* Estimated total sales of Björn Borg products at the consumer level, excluding VAT, based on reported sales at the wholesale level.

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

## THE GROUP'S DEVELOPMENT

Sales grew in the second quarter with higher operating profit than the same period in 2015.

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



### SALES

#### Second quarter, April-June 2016

The Group's net sales amounted to SEK 122.2 million (99.2) in the second quarter, an increase of 23.2 percent. Excluding currency effects, sales increased by 24.8 percent.

The positive sales trend compared with the same quarter of 2015 was partly due to strong Group sales to wholesalers, but also to earlier shipment of the fall/winter 2016 collection, a larger share of which was delivered in the second quarter than in 2015. The earlier shipment positively affected net sales by about SEK 7 million; adjusted for this shipment, net sales rose by 16 percent. Due to the earlier shipment, the product companies' external revenue rose compared with the same quarter in 2015. The increases in Sweden, Finland and England are mainly due to broader distribution of underwear through sporting goods retailers, but also to good growth from existing customers. The footwear wholesale company is growing partly thanks to the distribution rights for Denmark, which it has as of July 1, 2015, but also to growth in the Swedish market. The Swedish retail company had a poorer quarter in terms of store sales, while e-commerce reported continued good growth. External royalties decreased slightly as brand sales by external licensees fell during the quarter.

#### First half-year, January-June 2016

The Group's net sales amounted to SEK 280.2 million (230.3) in the first half of 2016, an increase of 21.7 percent. Excluding currency effects, sales rose by 22.4 percent.

The positive sales trend compared with the previous year was mainly driven by the Group's own sales at the wholesale and retail levels, but also to earlier shipment of the fall/winter 2016 collection by the product companies, more of which was delivered in the second quarter than in 2015. The earlier shipment positively affected net sales by about SEK 7 million; adjusted for this shipment, net sales rose by 18.7 percent. Despite the earlier shipment, the product companies' external revenue decreased due to lower sales to the Norwegian market, which performed weakly. All Group-owned wholesale and retail companies raised their sales significantly compared with the previous year. The increases in Sweden, Finland and England are mainly due to broader distribution of underwear through sporting goods retailers, but also to growth from existing customers. The footwear wholesale company is growing partly thanks to the new Danish distribution rights, but also to growth in Sweden. The Swedish retail company is growing most strongly in e-commerce, though also in brick-and-mortar sales. External royalties decreased as brand sales by external licensees fell in the first half of 2016.

### PROFIT

#### Second quarter, April-June 2016

The gross profit margin for the second quarter was slightly better than the previous year at 53.5 percent (53.0). Exchange rates had minimal impact on the margin.

The combination of higher revenue and consistent gross profit margins, but also higher operating expenses, led to an increase in operating profit to SEK 0.3 million (-1.7), with an operating margin of 0.2 percent (-1.7). Operating expenses excluding goods for resale rose by 16.4 percent to SEK 67.7 million (58.2). The increase is due to the higher number of Group-owned stores and increased logistics expenses as an effect of higher net sales in the Group's own channels.

Net financial items amounted to SEK -0.3 million (0.1). The realized and unrealized return on investments, less interest on the bond loan, negatively affected the Group's financial net by SEK -1.1 million (1.9). Net financial items were also positively affected by a revaluation of financial assets and liabilities in foreign currency. Profit before tax increased by SEK 1.6 million year-on-year (-1.6).

#### First half-year, January-June 2016

The gross profit margin for the first half of 2016 decreased to 51.5 percent (53.4). Exchange rates had minimal impact on the margin. The year-on-year decrease in the gross profit margin is due to increased price pressure in the market and a change in the distribution mix at the wholesale level. The product companies' margins were also affected by pressure on external distributors from lower realized margins in their markets.

The higher revenue, coupled with the lower gross profit margin and increased operating expenses, led to an increase in operating profit to SEK 14.2 million (11.2). The operating margin was 5.1 percent (4.8). Operating expenses excluding goods for resale rose by 11 percent year-on-year.

Business segment	Revenue source	Operating revenue, SEK thousands		Operating profit, SEK thousands		Operating margin, %	
		2016	2015	2016	2015	2016	2015
Brand	Royalties	42,661	35,944	11,373	7,900	27	22
Product development	Products	215,665	168,118	14,984	12,456	7	7
Wholesale	Wholesale revenue	138,749	96,604	-743	-4,027	-1	-4
Retail	Retailers	59,367	45,080	-11,419	-5,163	-19	-11
Less internal sales		-174,676	-108,533				
<b>Total</b>		<b>281,765</b>	<b>237,213</b>	<b>14,195</b>	<b>11,166</b>	<b>5</b>	<b>5</b>

The increase is mainly due to the higher number of Group-owned stores and increased logistics expenses as an effect of higher net sales in the Group's own channels.

Net financial items amounted to SEK -4.6 million (5.0). The realized and unrealized return on investments, less interest on the bond loan, negatively affected the Group's financial net by SEK -2.7 million (2.9). The remaining decrease in net financial items compared with the previous year is mainly due to a revaluation of financial assets and liabilities in foreign currency, where the previous year had a strongly positive result while this year's result is negative. Profit before tax amounted to SEK 9.6 million (16.2).

#### **Development by business segment**

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

#### **Brand**

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

The business segment's operating revenue amounted to SEK 42.7 million (35.9) in the first six months of 2016. External operating revenue decreased to SEK 16.0 million (18.2) as a result of lower brand sales by licensees and certain distributors. Royalty percentages vary by product category, due to which there is not always a precise correlation between royalties and brand sales.

Operating profit increased to SEK 11.4 million (7.9) for the first six months of 2016. The improved operating profit is due to higher revenue.

#### **Produktutveckling**

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

The business segment's operating revenue amounted to SEK 215.7 million (168.1) in the first six months of 2016, an increase of 28 percent. The segment's external revenue amounted to SEK 91.3 million (96.5) and during the period was positively affected by SEK 7 million by earlier shipment of the fall/winter 2016 collection compared with the same period in 2015. Despite the positive impact of the shipment, external revenue fell by 5 percent; adjusted for the earlier shipment, the decrease is 13 percent. The decrease is mainly due to a weak Norwegian market and because distributors in smaller markets are reducing their purchases or have been terminated.

Operating profit increased to SEK 15.0 million (12.5) due to the higher total sales and slightly higher operating expenses.

#### **Wholesale**

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

The business segment's operating revenue rose to SEK 138.7 million (96.6) in the first six months of 2016, up 44 percent. External operating revenue amounted to SEK 123.5 million (82.8). Growth in the segment is coming from all markets, mainly in underwear and footwear. In the case of underwear, growth is partly driven by broader distribution of underwear to sporting goods retailers, but also by existing customers. For footwear, growth is partly due to the distribution rights in Denmark, which apply as of July 1, 2015, but also because business from existing customers is also growing in the Swedish market.

The operating loss was reduced to SEK 0.7 million, against a year-earlier loss of SEK 4.0 million, thanks to the revenue increase, but with a lower gross profit margin as a result of price pressure and a change in the distribution mix.

#### **Retail**

*The Björn Borg Group owns and operates a total of 21 stores and factory outlets in Sweden, Finland and England that sell underwear, sports apparel, adjacent products and other licensed products. Björn Borg also sells online through [www.bjornborg.com](http://www.bjornborg.com).*

Operating revenue in the Retail segment increased by 32 percent in the first six months of 2016 to SEK 59.4 million (45.1). External net sales rose by 28 percent to SEK 50.9 million (39.6). The increase is due to both e-commerce, which continues to grow, and the positive development by Group-owned stores during the period. E-commerce sales increased by 52.5 percent to SEK 22.1 million (14.5). Sales for comparable Björn Borg stores rose by 2 percent year-on-year.

The operating loss for the first half of 2016 was SEK 11.4 million, against a year-earlier loss of SEK 5.1 million. The larger loss is a result of lower gross profit margins due to price pressure in the market and higher operating expenses due to newly opened stores.

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

Intra-Group sales for the first six months of 2016 amounted to SEK 174.7 million (108.5).

#### **SEASONAL VARIATIONS**

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

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

The Group's cash flow from operating activities was negative during the first half of 2016 and amounted to SEK -16.4 million (-12.1). The lower cash flow year-on-year is due to increased capital tied up in accounts receivable and inventory as an effect of the earlier fall/winter 2016 shipments and higher sales by the wholesale companies. The disposal of short-term investments of SEK 49.5 million (23.8), acquisition of the minority holding in the UK subsidiary of SEK -0.8 million, and purchases and sales of tangible and intangible non-current assets totaling SEK -1.5 million (-0.7) produced cash flow from investing activities of SEK 47.1 million (23.2). The negative cash flow from financing activities of SEK -58.9 million (-51.6) is largely due to the dividend to shareholders of SEK -50.2 million (-37.7). The Group's cash flow for the first six months was SEK -28.2 million (-40.5) and cash & cash equivalents amounted to SEK 22.5 million (45.8) at the end of the period.

#### **FINANCIAL POSITION AND LIQUIDITY**

The Björn Borg Group's cash & cash equivalents and investments amounted to SEK 51.0 million (156.8) at the end of the period, with interest-bearing liabilities (bond loan) of SEK 144.3 million (176.8).

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

The surplus liquidity arising from the issuance of the bond loan and the convertible plan is placed in interest-bearing financial instruments, highly liquid corporate bonds, within the framework of the financial policy laid down by the Board of Directors. As of June 30, 2016 investments had been made in bonds with a book value of SEK 28.5 million (111.1),

which represents the fair value on the same date. During the period bonds were repurchased for SEK 10 million.

#### **COMMITMENTS AND CONTINGENT LIABILITIES**

As a commitment for the above-mentioned bond loan, the company has pledged to ensure that the ratio between the Group's net debt and operating profit before depreciation and amortization does not exceed 3.00 on the last day of each quarter and that the Group maintains an equity/assets ratio of at least 30 percent at any given time. As of June 30, 2016 the ratio was 1.68 (0.36) and the equity/assets ratio was 48.5 percent (46.2). A complete description of commitments and conditions of the bond loan is provided in the prospectus, which is available on the company's website and from the Swedish Financial Supervisory Authority.

No other changes were made with regard to pledged assets and contingent liabilities compared with December 31, 2015.

#### **PERSONNEL**

The average number of employees in the Group was 133 (132) for the 12-month period ended June 30, 2016, of whom 70 percent (68) are women.

#### **RELATED PARTY TRANSACTIONS**

There were no transactions with related parties during the period.

#### **SIGNIFICANT RISKS AND UNCERTAINTIES**

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

#### **PARENT COMPANY**

Björn Borg AB (publ) is primarily engaged in intra-Group activities. As of June 30, 2016 the company also owns 100 percent of the shares in Björn Borg Brands AB, Björn Borg Footwear AB, Björn Borg Sport BV, Björn Borg Inc., Björn Borg Services AB and Björn Borg UK. In addition, the company owns 75 percent of the shares in Bjorn Borg (China) Ltd and 75 percent of the shares in Bjorn Borg Finland Oy.

The Parent Company's net sales amounted to SEK 16.5 million (13.0) for the second quarter and SEK 32.8 million (26.2) for the first half of 2016.

The loss before tax for the second quarter amounted to SEK 6.8 million, against a year-earlier loss of SEK 9.9 million, while the loss before tax for the first half of 2016 was SEK 14.0 million, against a loss of SEK 19.6 million a year earlier. Cash & cash equivalents and investments amounted to SEK 29.5 million (114.1) as of June 30, 2016. For the first six months of 2016 investments in tangible and intangible non-current assets amounted to SEK 1.2 million (0.3).

#### **EVENTS AFTER THE BALANCE SHEET DATE**

There are no significant events to report following the conclusion of the reporting period.

#### **NUMBER OF SHARES**

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

#### **FINANCIAL OBJECTIVES**

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

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

#### **Comments to the financial objectives:**

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

#### **ANNUAL GENERAL MEETING**

The Annual General Meeting held on May 19, 2016 resolved to distribute SEK 2.00 (1.50) per share to shareholders for the financial year 2015.

Directors Martin Bjäringer, Mats H Nilsson and Heiner Olbrich were re-elected with Fredrik Lövestedt as Chairman of the Board. Kerstin Hessius, Isabelle Ducellier and Nathalie Schuterman declined re-election. Lotta de Champs, Petra Stenqvist and Christel Kinning were elected as new directors.

#### **ACCOUNTING PRINCIPLES**

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

#### **New and amended accounting principles**

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

#### **AUDIT REPORT**

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

#### **OUTLOOK 2016**

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

## CONSOLIDATED INCOME STATEMENT CONDENSED

SEK thousands	Note	April-June 2016	April-June 2015	January- June 2016	January- June 2015	July 2015- June 2016	Full-year 2015
Net sales		122,165	99,199	280,229	230,280	624,277	574,328
Other operating revenue		2,690	3,954	1,536	6,933	4,774	10,170
<b>Operating revenue</b>		<b>124,855</b>	<b>103,153</b>	<b>281,765</b>	<b>237,213</b>	<b>629,051</b>	<b>584,498</b>
Goods for resale		-56,818	-46,603	-135,790	-107,372	-301,543	-273,126
Other external expenses	1	-35,379	-30,262	-70,767	-61,703	-145,200	-136,135
Staff costs		-29,411	-25,016	-55,029	-51,163	-109,880	-106,013
Depreciation/amortization of tangible/ intangible non-current assets		-1,738	-1,706	-3,363	-3,567	-6,388	-6,592
Other operating expenses		-1,203	-1,228	-2,620	-2,242	-4,418	-4,040
<b>Operating profit</b>		<b>305</b>	<b>-1,662</b>	<b>14,195</b>	<b>11,166</b>	<b>61,622</b>	<b>58,592</b>
Net financial items		-321	77	-4,633	5,030	-10,395	-1,032
<b>Profit before tax</b>		<b>-16</b>	<b>-1,585</b>	<b>9,563</b>	<b>16,196</b>	<b>50,926</b>	<b>57,560</b>
Tax		-2,186	-689	-5,230	-3,605	-17,542	-15,917
<b>Profit for the period</b>		<b>-2,202</b>	<b>-2,274</b>	<b>4,332</b>	<b>12,591</b>	<b>33,384</b>	<b>41,643</b>
<b>Profit for the period attributable to:</b>							
Parent Company's shareholders		-2,164	-1,033	4,948	14,419	35,591	45,062
Non-controlling interests		-38	-1,241	-616	-1,828	-2,207	-3,419
Earnings per share before dilution, SEK		-0.09	-0.04	0.20	0.57	1.42	1.79
Earnings per share after dilution, SEK		-0.08	-0.04	0.20	0.57	1.41	1.77
Number of shares		25,148,384	25,148,384	25,148,384	25,148,384	25,184,384	25,148,384

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME CONDENSED

SEK thousands	Note	April-June 2016	April-June 2015	January- June 2016	January- June 2015	July 2015- June 2016	Full-year 2015
<b>Net profit for the period</b>		<b>-2,202</b>	<b>-2,274</b>	<b>4,332</b>	<b>12,591</b>	<b>33,384</b>	<b>41,643</b>
<b>OTHER COMPREHENSIVE INCOME</b>							
<b>Components that may be reclassified to profit or loss</b>							
Translation difference for the period		-899	1,002	1,932	-2,975	2,020	-2,887
<b>Total other comprehensive income for the period</b>		<b>-899</b>	<b>1,002</b>	<b>1,932</b>	<b>-2,975</b>	<b>2,020</b>	<b>-2,887</b>
<b>Total comprehensive income for the period</b>		<b>-3,101</b>	<b>-1,272</b>	<b>6,265</b>	<b>9,616</b>	<b>35,404</b>	<b>38,756</b>
<b>Total comprehensive income attributable to</b>							
Parent Company's shareholders		-3,030	-182	6,390	12,028	36,785	42,423
Non-controlling interests		-70	-1,090	-125	-2,412	-1,381	-3,668

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONDENSED

SEK thousands	Note	June 30 2016	June 30 2015	Dec 31 2015
<b>Non-current assets</b>				
Goodwill		19,213	19,108	19,064
Trademarks		187,532	187,532	187,532
Other intangible assets		2,162	3,373	2,740
Tangible non-current assets		8,511	9,303	10,076
Long-term receivable	2	8,000	8,900	8,900
Deferred tax assets		31,162	31,398	35,315
<b>Total non-current assets</b>		<b>256,580</b>	<b>259,614</b>	<b>263,627</b>
<b>Current assets</b>				
Inventory		84,820	55,845	75,851
Accounts receivable		91,480	62,387	87,816
Other current receivables		25,041	25,837	19,579
Investments	2	28,499	111,061	80,909
Cash & cash equivalents		22,495	45,722	50,643
<b>Total current assets</b>		<b>252,335</b>	<b>300,852</b>	<b>314,799</b>
<b>Total assets</b>		<b>508,915</b>	<b>560,466</b>	<b>578,425</b>
<b>Equity and liabilities</b>				
Equity		246,767	258,902	290,675
Deferred tax liabilities		43,025	39,000	41,969
Other non-current liabilities		21,247	9,443	20,294
Bond loan	2	144,303	176,780	154,538
Accounts payable		14,227	31,664	21,019
Other current liabilities		39,346	44,677	49,931
<b>Total equity and liabilities</b>		<b>508,915</b>	<b>560,466</b>	<b>578,425</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONDENSED

SEK thousands	Note	Equity attributable to Parent Company's shareholders	Non-controlling interests	Total equity
<b>Opening balance, January 1, 2015</b>				
Total comprehensive income for the period		12,028	-2,412	9,616
Distribution for 2014		-37,723	-	-37,723
Issuance of warrants		1,300	-	1,300
<b>Closing balance, June 30, 2015</b>		<b>265,959</b>	<b>-7,057</b>	<b>258,902</b>
<b>Opening balance, January 1, 2015</b>				
Total comprehensive income for the period		42,423	-3,668	38,755
Distribution for 2014		-37,723	-	-37,723
Shareholder contribution paid		-	1,580	1,580
Issuance of warrants		1,200	-	1,200
Warrant premium convertible		1,154	-	1,154
<b>Closing balance, December 31, 2015</b>		<b>297,408</b>	<b>-6,733</b>	<b>290,675</b>
<b>Opening balance, January 1, 2016</b>				
Total comprehensive income for the period		6,390	-125	6,265
Distribution for 2015		-50,297	-	-50,297
Issuance of warrants		68	-	68
Issuance of convertible		55	-	55
Non-controlling interest arising through acquisition		-5,969	5,969	0
<b>Closing balance, June 30, 2016</b>		<b>247,655</b>	<b>-889</b>	<b>246,767</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS CONDENSED

SEK thousands	April-June 2016	April-June 2015	January- June 2016	January- June 2015	Full-year 2015
<b>Cash flow from operating activities</b>					
Before changes in working capital	-261	-4,544	10,907	11,296	48,534
Changes in working capital	-17,632	-7,087	-27,343	-23,417	-66,343
<b>Cash flow from operating activities</b>	<b>-17,893</b>	<b>-11,630</b>	<b>-16,436</b>	<b>-12,120</b>	<b>-17,809</b>
Investments in intangible non-current assets	-9	-	-70	-136	-301
Investments in tangible non-current assets	-861	-427	-1,451	-619	-4,746
Sale of non-current assets	-	-	-	74	129
Investments /sale of investments	43,953	23,929	49,481	23,844	47,657
Acquisition of subsidiary	-842	-	-842	-	-
<b>Cash flow from investing activities</b>	<b>42,240</b>	<b>23,502</b>	<b>47,117</b>	<b>23,163</b>	<b>42,739</b>
Distribution	-50,297	-37,723	-50,297	-37,723	-37,723
Acquisition of minority shares	-	-	-	-	-
Amortization of loans	-	-1,875	-	-3,750	-7,500
Issue of warrants/convertibles	1,007	1,200	1,007	1,200	18,510
Repurchase of bond loan	-1,612	-8,376	-9,657	-11,278	-33,844
<b>Cash flow from financing activities</b>	<b>-50,835</b>	<b>-46,774</b>	<b>-58,880</b>	<b>-51,551</b>	<b>-60,557</b>
<b>Cash flow for the period</b>	<b>-26,487</b>	<b>-34,902</b>	<b>-28,198</b>	<b>-40,508</b>	<b>-35,627</b>
Cash & cash equivalents at beginning of year	49,517	81,615	50,643	85,080	85,080
Translation difference in cash & cash equivalents	-535	-991	50	1,150	1,190
<b>Cash &amp; cash equivalents at end of the period</b>	<b>22,495</b>	<b>45,722</b>	<b>22,495</b>	<b>45,722</b>	<b>50,643</b>

## KEY FIGURES

### GROUP

SEK thousands	April-June 2016	April-June 2015	January- June 2016	January- June 2015	July 2015- June 2016	Full-year 2015
Gross profit margin, %	53.5	53.0	51.5	53.4	51.7	52.4
Operating margin, %	0.2	-1.7	5.1	4.8	9.9	10.2
Profit margin, %	0.0	-1.6	3.4	7.0	8.2	10.0
Return on capital employed, %	14.8	14.8	14.8	14.8	14.8	14.8
Return on average equity, %	14.1	17.0	14.1	17.0	14.1	15.6
Profit attributable to Parent Company's shareholders	-2,164	-1,033	4,948	14,419	35,591	45,062
Equity/assets ratio, %	48.5	46.2	48.5	46.2	48.5	50.3
Equity per share, SEK	9.81	10.29	9.81	10.29	9.81	11.56
Investments in intangible non-current assets	9	-	70	136	235	301
Investments in tangible non-current assets	861	427	1,451	619	5,578	4,746
Depreciation, amortization and impairment losses for the period	-1,738	-1,706	-3,363	-3,567	-6,388	-6,592
Average number of employees	-	-	-	-	133	132

## SUMMARY BY SEGMENT GROUP

SEK thousands	April-June 2016	April-June 2015	January-June 2016	January-June 2015	July 2015-June 2016	Full-year 2015
<b>Operating revenue</b>						
<b>Brand</b>						
External revenue	6,675	6,727	16,014	18,222	32,540	34,747
Internal revenue	13,357	6,934	26,647	17,722	58,515	49,591
	<b>20,032</b>	<b>13,661</b>	<b>42,661</b>	<b>35,944</b>	<b>91,055</b>	<b>84,338</b>
<b>Product development</b>						
External revenue	48,651	43,647	91,298	96,506	232,855	238,062
Internal revenue	78,137	27,663	124,366	71,612	276,824	224,071
	<b>126,788</b>	<b>71,310</b>	<b>215,665</b>	<b>168,118</b>	<b>509,679</b>	<b>462,133</b>
<b>Wholesale</b>						
External revenue	46,569	31,150	123,546	82,844	247,834	207,131
Internal revenue	5,970	6,911	15,203	13,760	29,484	28,041
	<b>52,539</b>	<b>38,062</b>	<b>138,749</b>	<b>96,604</b>	<b>277,318</b>	<b>235,172</b>
<b>Retail</b>						
External revenue	22,959	21,629	50,906	39,641	115,822	104,557
Internal revenue	4,047	2,909	8,461	5,438	14,054	11,031
	<b>27,006</b>	<b>24,538</b>	<b>59,367</b>	<b>45,080</b>	<b>129,876</b>	<b>115,589</b>
Less internal sales	-101,510	-44,417	-174,677	-108,533	-378,877	-312,734
<b>Operating revenue</b>	<b>124,855</b>	<b>103,153</b>	<b>281,765</b>	<b>237,213</b>	<b>629,051</b>	<b>584,498</b>
<b>Operating profit</b>						
Brand	5,529	1,468	11,373	7,900	27,652	24,179
Product development	8,859	3,174	14,984	12,456	39,952	37,425
Wholesale	-6,265	-5,713	-743	-4,027	-781	-4,065
Retail	-7,819	-591	-11,419	-5,163	-5,204	1,053
<b>Operating profit</b>	<b>305</b>	<b>-1,662</b>	<b>14,195</b>	<b>11,166</b>	<b>61,619</b>	<b>58,592</b>

### Reconciliation between operating profit and profit before tax

The difference in the first half of 2016 between operating profit for segments for which information must be disclosed, SEK 14,195 thousand (11,166), and profit before tax, SEK 9,563 thousand (16,196), is net financial items, SEK -4,633 thousand (5,030). The difference in the second quarter between operating profit for segments for which information must be disclosed, SEK 305 thousand (-1,662), and profit before tax, SEK -16 thousand (-1,585), is net financial items, SEK -321 thousand (77).

## QUARTERLY DATA GROUP

SEK thousands	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Net sales	122,165	158,065	152,618	191,430	99,199	131,081	135,278	163,723
Gross profit margin, %	53.5	50.0	51.8	51.9	53.0	53.6	54.1	52.4
Operating profit/loss	305	13,891	14,554	32,872	-1,662	12,828	3,559	32,821
Operating margin, %	0.2	8.8	9.5	17.2	neg	9.8	2.6	20.0
Profit/loss after financial items	-16	9,579	11,855	29,510	-1,585	17,781	5,612	33,834
Profit margin, %	0.0	6.1	7.8	15.4	neg	13.6	4.1	20.7
Earnings per share before dilution, SEK	-0.09	0.28	0.34	0.88	-0.04	0.61	0.18	1.00
Earnings per share after dilution, SEK	-0.08	0.28	0.29	0.84	-0.04	0.61	0.18	1.00
Number of Björn Borg stores at end of period	40	40	41	38	38	40	41	38
– of which Group-owned Björn Borg stores	21	21	21	18	17	18	18	17
Brand sales	280,888	419,474	330,214	472,865	249,063	394,206	342,904	452,422

## PARENT COMPANY INCOME STATEMENT CONDENSED

SEK thousands	Note	April-June 2016	April-June 2015	January- June 2016	January- June 2015	July 2015- June 2016	Full-year 2015
Net sales		16,511	12,995	32,791	26,168	58,981	52,358
Other operating revenue		99	2,148	2,260	2,269	5,615	5,624
<b>Operating revenue</b>		<b>16,610</b>	<b>15,143</b>	<b>35,051</b>	<b>28,437</b>	<b>64,596</b>	<b>57,982</b>
Goods for resale		-23	-	-25	-	-49	-24
Other external expenses	1	-13,768	-12,412	-25,302	-22,987	-53,583	-51,268
Staff costs		-10,409	-10,039	-18,445	-20,792	-39,805	-42,152
Depreciation/amortization of tangible/ intangible non-current assets		-558	-458	-1,085	-931	-2,027	-1,873
Other operating expenses		-52	-62	-425	-131	-297	-3
<b>Operating loss</b>		<b>-8,200</b>	<b>-7,828</b>	<b>-10,231</b>	<b>-16,404</b>	<b>-31,165</b>	<b>-37,338</b>
Result from shares in subsidiaries		6,470	-	6,470	-	50,239	43,769
Net financial items		-5,054	-1,133	-10,265	-3,243	-22,456	-15,434
<b>Loss after financial items</b>		<b>-6,784</b>	<b>-8,961</b>	<b>-14,026</b>	<b>-19,647</b>	<b>-3,382</b>	<b>-9,003</b>
Group contributions received		-	-	-	-	48,054	48,054
<b>Profit/loss before tax</b>		<b>-6,784</b>	<b>-8,961</b>	<b>-14,026</b>	<b>-19,647</b>	<b>44,672</b>	<b>39,051</b>
Tax		-	-	-	-	47	47
<b>Profit/loss for the period</b>		<b>-6,784</b>	<b>-8,961</b>	<b>-14,026</b>	<b>-19,647</b>	<b>44,719</b>	<b>39,098</b>
Other comprehensive income		-	-	-	-	-	-
<b>Total comprehensive income for the period</b>		<b>-6,784</b>	<b>-8,961</b>	<b>-14,026</b>	<b>-19,647</b>	<b>44,719</b>	<b>39,098</b>

## PARENT COMPANY BALANCE SHEET CONDENSED

SEK thousands	Note	June 30 2016	June 30 2015	Dec 31 2015
<b>Non-current assets</b>				
Intangible assets		238	329	284
Tangible non-current assets		2,999	2,289	3,118
Long-term receivable	2	8,000	8,900	8,900
Deferred tax		1,008	961	1,008
Shares in Group companies		354,724	335,331	353,882
<b>Total non-current assets</b>		<b>366,969</b>	<b>347,810</b>	<b>367,192</b>
<b>Current assets</b>				
Receivables from Group companies		510,504	398,770	330,805
Current receivables		11,207	15,412	15,198
Investments	2	28,499	111,061	80,909
Cash & cash equivalents		998	3,027	25,717
<b>Total current assets</b>		<b>551,208</b>	<b>528,270</b>	<b>452,629</b>
<b>Total assets</b>		<b>918,177</b>	<b>876,080</b>	<b>819,821</b>
<b>Equity and liabilities</b>				
Equity		83,672	88,073	147,872
Untaxed reserves		1,014	1,014	1,014
Bond loan	2	144,303	176,780	154,538
Other non-current liabilities	2	4,138	5,792	20,294
Due to Group companies		649,526	582,375	480,250
Accounts payable		1,345	3,025	2,637
Other current liabilities		34,179	19,021	13,216
<b>Total equity and liabilities</b>		<b>918,177</b>	<b>876,080</b>	<b>819,821</b>

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY CONDENSED

SEK thousands	January- June 2016	January- June 2015	Full-year 2015
<b>Opening balance</b>	<b>147,872</b>	<b>144,143</b>	<b>144,143</b>
Distribution	-50,297	-37,723	-37,723
Issuance of warrants	68	1,300	1,200
Warrant premium convertible	55	-	1,154
Total comprehensive income for the period	-14,026	-19,647	39,098
<b>Closing balance</b>	<b>83,672</b>	<b>88,073</b>	<b>147,872</b>

## TILLÄGGSUPPLYSNINGAR

### NOTE 1 OTHER EXTERNAL EXPENSES

SEK thousands	Group		Parent Company	
	Jan-June 2016	Jan-June 2015	Jan-June 2016	Jan-June 2015
Cost of premises	14,937	14,343	5,370	5,684
Selling expenses	20,510	13,973	1,523	2,464
Marketing expenses	16,631	18,367	8,874	8,487
Administrative expenses	12,674	11,751	6,768	5,128
Other	6,015	3,269	2,767	1,224
<b>Total</b>	<b>70,767</b>	<b>61,703</b>	<b>25,302</b>	<b>22,987</b>

### NOTE 2 FINANCIAL ASSETS AND LIABILITIES

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

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

Net divestments in the company's portfolio of corporate bonds amounted to SEK 49,481 thousand during the quarter.

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

SEK thousands	Level 1	Level 2	Level 3
Securities held for trading	28,313		
Derivatives held for trading		-130	
Contingent consideration (liability)			-4,138
<b>Net</b>			

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

In 2013 the company granted the Dutch distributor an interest-bearing loan of SEK 17 million maturing on March 31, 2017 with quarterly amortizations of SEK 900,000 beginning on December 31, 2013.

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

Stockholm, August 19, 2016

Fredrik Lövestedt  
Chairman

Martin Bjäringer  
Board member

Lotta de Champs  
Board member

Petra Stenqvist  
Board member

Mats H Nilsson  
Board member

Heiner Olbrich  
Board member

Christel Kinning  
Board member

Henrik Bunge  
CEO

## DEFINITIONS

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

### BRAND SALES

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

### CAPITAL EMPLOYED

Total assets less non-interest-bearing liabilities and provisions.

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

Earnings in relation to the weighted average number of shares during the period.

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

Earnings per share adjusted for any dilution effect.

### EQUITY/ASSETS RATIO

Equity as a percentage of total assets.

### GROSS PROFIT MARGIN

Net sales less cost of goods sold divided by net sales.

### NET DEBT

Liabilities less investments and cash & cash equivalents divided by operating profit before depreciation/amortization.

### NET FINANCIAL ITEMS

Financial income less financial expenses.

### RETURN ON CAPITAL EMPLOYED

Profit after financial items plus financial expenses (per rolling 12-month period) as a percentage of average capital employed.

### 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.

### OPERATING MARGIN

Operating profit as a percentage of net sales.

### OPERATING PROFIT

Profit before tax plus net financial items.

### PROFIT MARGIN

Profit before tax as a percentage of net sales.

### RATIO NET DEBT AND OPERING PROFIT BEFORE DEPRECIATIONS

Net debt divided with operating profit before depreciations (12 months rolling).

**FINANCIAL CALENDAR 2016**

Interim report January-September 2016 on November 14, 2016

Year-end report for 2016 on February 17, 2017

**FINANCIAL REPORTS**

Financial reports can be downloaded from the company's website, [www.bjornborg.com](http://www.bjornborg.com)

or ordered by telephone +46 8 506 33 700

or by e-mail [info@bjornborg.com](mailto:info@bjornborg.com).

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**ABOUT THE BJÖRN BORG GROUP**

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

**IMAGES IN THE INTERIM REPORT**

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

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Björn Borg is required to make public the information in this interim report in accordance with the Securities Market Act. The information was released for publication on August 19, 2016 at 7:30 am (CET).