

# BJÖRN BORG

BJÖRN BORG AB YEAR-END REPORT  
JANUARY - DECEMBER 2016

## STRONG QUARTER

### OCTOBER 1 – DECEMBER 31, 2016

- The Group's net sales increased by 12.3 percent to SEK 171.4 million (152.6). Excluding currency effects, sales rose by 10.2 percent.
- The gross profit margin was 48.0 percent (51.8). Excluding currency effects, the margin was 49.9 percent.
- Operating profit amounted to SEK 21.4 million (14.6).
- Profit after tax was SEK 17.9 million (7.3).
- Earnings per share before and after dilution amounted to SEK 0.74 (0.34).

### JANUARY 1 – DECEMBER 31, 2016

- The Group's net sales increased by 10 percent to SEK 631.6 million (574.3). Currency effects were marginal.
- The gross profit margin was 50.3 percent (52.4). Excluding currency effects, the margin was 50.7 percent.
- Operating profit amounted to SEK 64.2 million (58.6).
- Profit after tax amounted to SEK 46.9 million (41.6).
- Earnings per share before and after dilution amounted to SEK 1.88 (1.79).
- The Board of Directors has decided to propose to the Annual General Meeting a distribution of SEK 2.00 (2.00) per share, totaling SEK 50.3 million (50.3).

### QUOTE FROM THE CEO

"We finished the year very strongly, and two years and four months after the launch of our business plan, Northern Star, we closed the books on another year in which we improved our key indicators," said CEO Henrik Bunge.

SEK million	Oct-Dec 2016	Oct-Dec 2015	Full-year 2016	Full-year 2015
Net sales	171.4	152.6	631.6	574.3
Gross profit margin, %	48.0	51.8	50.3	52.4
Operating profit	21.4	14.6	64.2	58.6
Operating margin, %	12.5	9.5	10.2	10.2
Profit after tax	17.9	7.3	46.9	41.6
Earnings per share before dilution, SEK	0.74	0.34	1.88	1.79
Earnings per share after dilution, SEK	0.74	0.29	1.88	1.64
Brand sales*	372	330	1,551	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

We finished the year very strongly, and two years and four months after the launch of our business plan, Northern Star, we closed the books on another year in which we improved our key indicators.

Compared with the plan we presented to the Board of Directors in fall 2014, I would say first that it is not all that easy to predict the future, and secondly that we are slightly behind in terms of sales, but slightly ahead of planned operating profit.

Sales and profit both increased by about 10 percent in 2016. Despite a temporary decrease in the gross profit margin in the fourth quarter, the margin for the full-year held above 50 percent. Sales growth is driven by increases in our own retail and e-commerce operations, with our retail rising by 33 percent. In wholesaling, we saw very good growth continue in Sweden, Finland and the UK, while Norway and Benelux continued to lose ground year-on-year. Margins were squeezed by a higher percentage of discounted sales, a change in the distribution mix and a scheduled warehouse move, where we sold off inventory to make the move as efficient as possible. The higher sales, coupled with the lower gross profit margin and slightly higher operating expenses, produced an operating profit of SEK 64.2 million (SEK 58.6 million).

We finished the year with one of the company's best fourth quarters ever, and personally I am especially pleased with the performance of our sports apparel, where brand sales rose by 30 percent, and that we are seeing a positive trend for Performance Underwear, which has been one of the best sellers in our own retail operations since its launch in fall 2016. During the year we also nearly cut in half our air freight costs and in the process significantly reduced our impact on the environment. Lastly, we took a big step forward when we decided to acquire the operations of our former Benelux distributor, in Björn Borg's largest market.

In summing up 2016 I would note that we met the goal set a year ago to improve the key indicators we had identified in the business plan. This was accomplished by a fantastic team that worked together, through training and with clearly defined goals, to produce good results largely in line with our plan. The aim for 2017 is to continue to improve all our key indicators with better sell-through, stronger engagement, better operating profit and higher net sales than we delivered in the year just ended.

Head coach  
Henrik Bunge



## OPERATIONS

### BRAND SALES

Brand sales trended strongly upward in the fourth quarter compared with the previous year. Brand sales of underwear grew by 4 percent, while sports apparel increased by as much as 30 percent. Licensed products increased by 48 percent in the quarter, with footwear rising significantly, though bags also developed positively, while eyewear sales fell compared with the same quarter in 2015. For the quarter in total, brand sales rose by 13 percent to SEK 372 million (330). Adjusted for currency effects, brand sales increased by 9 percent in the quarter. For the full year brand sales increased to SEK 1,551 million (1,443), or by 7 percent. Currency effects were marginal.

### PRODUCT AREAS FULL-YEAR 2016

Brand sales in the underwear product area improved by 12 percent for the full-year 2016. Underwear accounted for 63 percent (61) of brand sales.

Brand sales of sports apparel were unchanged for the full-year, while sales of footwear grew by 8 percent. Sales for the product groups bags, eyewear and fragrances decreased year-on-year. In total, brand sales of licensed products increased by 2 percent during the year.

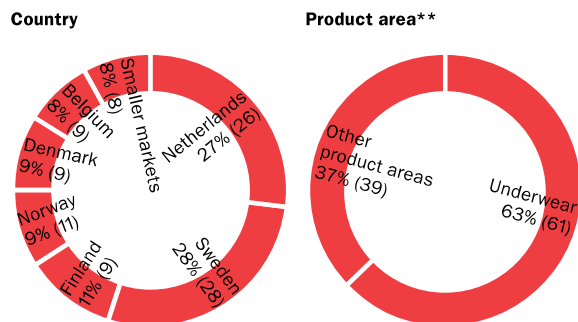
### MARKETS FULL-YEAR 2016

All large markets except Norway and Belgium reported growth. Sweden, the Netherlands, Finland and England saw good to very good growth during the year. Smaller markets continued to decrease year-on-year.

### BENELUX ACQUISITION

Björn Borg acquired Baseline Group, the former distributor of Björn Borg products in the Netherlands and Belgium (Benelux). The distribution agreement for Benelux was terminated in December 2015 and expires in December 2019,

### BRAND SALES\* OF BJÖRN BORG PRODUCTS JANUARY-DECEMBER 2016. TOTAL SEK 1,551 MILLION (1,443)



\* 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.

when distribution will be taken over by the Björn Borg Group. The acquisition of the Benelux operations, which closed on January 2, 2017, is an important step in accelerating the vertical integration of Björn Borg's operations and in line with the strategy to get closer to consumers and retailers.

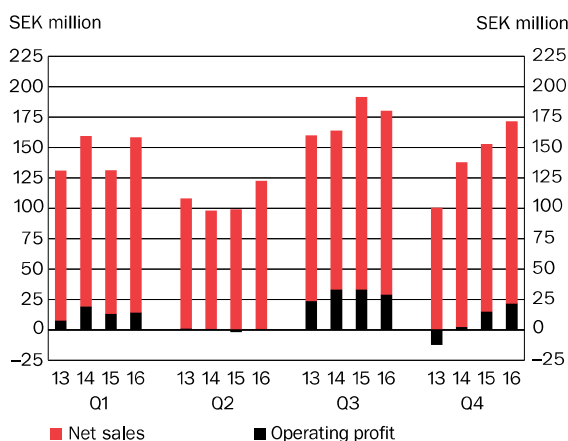
### BJÖRN BORG STORES

A new Björn Borg was opened in the Netherlands in the fourth quarter. As of December 31, 2016 there were a total of 40 (41) Björn Borg stores, of which 20 (21) are Group-owned.

## THE GROUP'S DEVELOPMENT

Net sales rose in the fourth quarter with significantly higher operating profit year-on-year.

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



### SALES

#### Fourth quarter, October-December 2016

The Group's net sales amounted to SEK 171.4 million (152.6) in the fourth quarter, an increase of 12.3 percent. Excluding currency effects, sales increased by 10.2 percent.

The product company's sales decreased compared with the same quarter of 2015 due to lower sales to the Benelux and Danish distributors. All of the Group's own markets grew from the previous year, with the Swedish and Finnish underwear and sportswear companies seeing substantial growth. Growth in the Swedish and Finnish wholesale companies was partly driven by a higher percentage of discounted sales to reduce inventory levels prior to the warehouse move in January 2017. Aside from the higher percentage of discounted products, growth in the wholesale companies was again driven by increased distribution of underwear to sporting goods retailers. The Swedish retail company also saw good growth during the quarter, primarily in e-commerce (+37 percent), although footwear sales also grew in total and for comparable units. Footwear sales doubled from the same quarter of 2015 mainly thanks to significantly higher follow-on orders. The English company grew by 5 percent in the quarter in both wholesaling and through its own store. Royalties increased slightly in the quarter.

#### Full-year 2016

The Group's net sales amounted to SEK 631.6 million (574.3) in the full-year 2016, an increase of 10.0 percent. Currency effects on net sales were marginal.

The positive sales trend compared with the previous year was driven by the Group's own wholesale and retail operations. External distribution revenue in the product companies decreased significantly from the previous year mainly due to lower sales to Norway and Benelux, while Denmark stayed at the same level as 2015. All Group-owned wholesale and retail companies grew significantly compared with the previous year. The increases in Sweden, Finland and England were mainly due to broader distribution of underwear through sporting goods retailers, but also to growth from existing customers. Sales of discounted merchandise were higher than the previous year, partly due to the considerable price pressure in the market, a change in the distribution mix and initiatives to reduce inventory levels prior to moving the warehouse in January 2017. The footwear wholesale company is growing partly thanks to the new Danish distribution rights, but also through new and existing customers in Sweden. The Swedish retail company is growing mainly in e-commerce (32.9 percent), but also in physical sales thanks to a larger number of stores during the year. Sales for comparable stores fell in Sweden were unchanged from the previous year. External royalties were in line with the previous year.

### PROFIT

#### Fourth quarter, October-December 2016

The gross profit margin for the fourth quarter was lower than the previous year at 48.0 percent (51.8). Adjusted for currency effects, the margin was 49.9 percent.

Significantly higher revenue with a lower gross profit margin and slightly lower expenses led to an increase in operating profit to SEK 21.4 million (14.6), with an operating margin of 12.5 percent (9.5). The lower gross profit margin in the quarter is a result of increased price pressure in the market, but is also due to an accelerated rate of discounted sales prior to the warehouse move in January 2017. The gross profit margin and operating profit were also affected by an SEK 1.4 million writedown of an older inventory of fragrances. Operating expenses excluding goods for resale decreased by 1.2 percent to SEK 63.9 million (64.7). The decrease in operating expenses in the quarter was mainly due to currency effects from the restatement of operations-related receivables and liabilities in foreign currency. Adjusted for these effects, operating expenses increased by 4 percent, mainly driven by higher expenses for logistics, since sales volumes are higher.

Net financial items amounted to SEK 4.0 million (-2.7). The realized and unrealized return on investments, plus coupon interest less interest on the bond loan, positively affected the Group's financial net by SEK +1.6 million (-2.7). Net financial items were also positively affected by the revaluation of financial assets and liabilities in foreign currency. Profit before tax increased to SEK 25.4 million year-on-year (11.9).

Business segment	Revenue source	Operating revenue, SEK thousands		Operating profit, SEK thousands		Operating margin, %	
		2016	2015	2016	2015	2016	2015
Brand	Royalties	83,448	84,338	19,500	24,179	23%	29%
Product development	Products	363,903	462,133	33,415	37,425	9%	8%
Wholesale	Wholesale revenue	320,832	235,172	17,595	-4,065	5%	-2%
Retail	Retailers	144,977	115,589	-6,314	1,053	-4%	1%
Less internal sales		-274,589	-312,734	-	-	--	-
<b>Total</b>		<b>638,571</b>	<b>584,498</b>	<b>64,196</b>	<b>58,592</b>	<b>10%</b>	<b>10%</b>

## Full-year 2016

The gross profit margin for the full-year decreased to 50.3 percent (52.4). Adjusted for exchange rates, the margin was 50.7 percent. The year-on-year decrease in the gross profit margin was due to increased price pressure in the market with a higher share of discounted merchandise and a change in the distribution mix at the wholesale level. The product companies' margins were also affected by the pressure on external distributors due to lower margins in their markets. Moreover, an inventory of older fragrances was written down by SEK 1.4 million in the fourth quarter.

The higher revenue, coupled with the lower gross profit margin and slightly higher operating expenses, led to an increase in operating profit to SEK 64.2 million (58.6). The operating margin was 10.2 percent (10.2). Operating expenses excluding goods for resale rose by 2.9 percent year-on-year. Adjusted for one-off expenses of SEK 1.7 million from the acquisition of Baseline as well as one-off expenses of SEK 2.2 million in the previous year, expenses rose by 3.2 percent. The increase is mainly due to the higher number of Group-owned stores open during the year and increased logistics expenses as an effect of higher net sales in the Group's own channels.

Net financial items amounted to SEK -0.7 million (-1.0). The realized and unrealized return on investments, plus coupon interest less interest on the bond loan, negatively affected the Group's financial net by SEK -1.3 million (-2.6). The remaining decrease compared with the previous year was mainly due to the revaluation of financial assets and liabilities in foreign currency. Profit before tax amounted to SEK 63.5 million (57.6).

## 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 83.4 million (84.3) during the year. External operating revenue decreased to SEK 33.6 million (34.7) 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 decreased to SEK 19.5 million (24.2). The lower operating profit was due to lower margins.

### Product development

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

The segment's operating revenue amounted to SEK 363.9 million (462.1) during the year, a decrease of 21 percent. The segment's external revenue amounted to SEK 187.7 million (238.1), a decrease of SEK 50 million or 21 percent. The decrease was mainly due to a weak Norwegian market, where the distributor is adjusting inventory by selling off older merchandise, and because distributors in smaller markets are greatly reducing their purchases or have been terminated. Benelux decreased in the second half of the year and for the full-year, while Denmark maintained the previous year's levels.

Operating profit decreased to SEK 33.4 million (37.4) due to the lower total sales.

### 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 segment's operating revenue rose during the year to SEK 320.8 million (235.2), up 36 percent. External operating revenue amounted to SEK 289.6 million (207.1), an increase of SEK 82.5 million or 40 percent. Growth in the segment came from every market, mainly in underwear and footwear. In the case of underwear, it was partly driven by broader distribution to sporting goods retailers, but also by existing customers. For footwear, growth was partly driven by the new distribution rights in Denmark, which took effect on July 1, 2015, but also because the Swedish business is growing from new and existing customers.

Operating profit amounted to SEK 17.6 million (-4.1) due to the revenue increase, but with a lower gross profit margin because of price pressure and a change in the distribution mix.

### Retail

*The Björn Borg Group owns and operates a total of 20 (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 25 percent during the year to SEK 145.0 million (115.6). External net sales rose by 22 percent to SEK 127.6 million (104.6). The increase was due to growth in e-commerce and physical retail, mainly as a result of a higher number of Group-owned stores during the year. E-commerce sales rose by 32.9 percent during the year to SEK 50.8 million (38.2). Sales for comparable Björn Borg stores rose by 4 percent compared with 2015.

The operating loss for the year was SEK -6.3 million, against a year-earlier profit of SEK 1.1 million. The loss was a result of lower gross profit margins due to price pressure in the market, a higher share of shares through factory outlets and higher operating expenses due to newly opened stores.

### Intra-Group sales

Intra-Group sales for 2016 amounted to SEK 274.6 million (312.7).

### 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 positive during the year and amounted to SEK 15.3 million (-17.8). Cash flow improved year-on-year mainly due to improved cash flow from operations. Working capital increased and affected cash flow negatively, primarily due to higher accounts receivable, while inventory decreased from the previous year. The increase in accounts receivable was driven by a strong rise in wholesale sales in Q4, but was also affected by the Benelux acquisition, where the company granted the previous distributor longer payment terms when the agreement was signed. The disposal of short-term investments of SEK 55.0 million (47.7) and purchases and sales of tangible non-current assets totaling SEK -5.2 million (-4.7) produced cash flow from investing activities of SEK 49.7 million (42.7). The negative cash flow from financing activities of SEK -68.5 million (-60.6) is largely due to the dividend to shareholders of SEK -50.3 million (-37.7), but also to bond repurchases of about SEK 18 million. The Group's cash flow for the year was negative at SEK -3.4 million (-35.6) and cash & cash equivalents amounted to SEK 48.9 million (50.6) at the end of the period.

## FINANCIAL POSITION AND LIQUIDITY

The Björn Borg Group's cash & cash equivalents and investments amounted to SEK 75.1 million (131.6) at the end of the period, with interest-bearing liabilities (bond loan) of SEK 137.1 million (154.5).

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 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 December 31, 2016 investments had been made in bonds with a book value of SEK 26.2 million (80.5), which represents the fair value on the same date. During the period bonds were repurchased for SEK 18.0 million.

In addition to the bond loan, Björn Borg has an overdraft facility of SEK 90 million from Danske Bank, which had not been utilized as of December 31, 2016.

## 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 December 31, 2016 the ratio was 1.12 (0.62) and the equity/assets ratio was 53.7 percent (50.3). 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.

The covenants for the overdraft facility include ensuring that Group's net debt and operating profit before depreciation will not exceed 3.00 on the last day of each quarter, with the exception of the first three quarters of 2017. For the first and the second quarter of 2017 the ratio cannot exceed 4.00 and for the third quarter the ratio cannot exceed 3.50. Further, the Group will maintain an equity/assets ratio of at least 35 percent.

No other changes were otherwise 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 full-year 2016, of whom 71 percent (68) are women.

## RELATED PARTY TRANSACTIONS

Aside from the customary remuneration (salary, variable compensation and other benefits) to the CEO, senior executives and the Board of Directors as well as intra-Group sales, 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.

## EVENTS AFTER THE BALANCE SHEET DATE

On January 2, 2017 Björn Borg acquired its former Benelux distributor, Baseline. Björn Borg is paying SEK 7.2 million for all the shares and shareholders' loans in the Baseline Group. A portion of the acquisition price was paid on the closing day and the remainder is due for payment during the three subsequent financial years. The acquisition was financed with own

funds. There is no contingent consideration. Björn Borg has also taken over working capital financing of SEK 16.6 million from local banks. For more information on the acquisition, see note 3.

Björn Borg has signed an agreement with Danske Bank on a three-year revolving credit of SEK 150 million to repay the bond loan maturing in April 2017. As a loan covenant, the company has pledged, among other things, that the ratio between the Group's net debt and operating profit before depreciation will not exceed 3.00 on the last day of each quarter, with the exception of the first three quarters of 2017. For the first and the second quarter of 2017 the ratio cannot exceed 4.00 and for the third quarter the ratio cannot exceed 3.50. Further, the Group will maintain an equity/assets ratio of at least 35 percent.

## PARENT COMPANY

Björn Borg AB (publ) is primarily engaged in intra-Group activities. As of December 31, 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 15.9 million (13.1) for the fourth quarter and SEK 64.9 million (52.4) for the year.

Profit before tax was SEK 77.9 million (75.2) for the fourth quarter and SEK 53.9 million (39.1) for the year. Cash & cash equivalents and investments amounted to SEK 39.5 million (106.6) as of December 31, 2016. The year's investments in tangible and intangible non-current assets amounted to SEK 1.6 million (2.0).

## NUMBER OF SHARES

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

## FINANCIAL OBJECTIVES

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

- By the financial year 2019 the Group 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 target for 2019 corresponds to average annual organic growth of 16 percent. The sales increase, along with the increase in the operating margin, is expected to come from new product groups in sports fashion as well as expanded geographical distribution within all the product groups.

## DIVIDEND

The Board of Directors has decided to propose to the Annual General Meeting 2017 a distribution of SEK 2.00 (2.00) per share for the financial year 2016, corresponding to 106 percent (112) of net income. As proposed, the distribution would be paid through an automatic redemption, where every share is divided into a common share and a redemption share. The redemption share will then automatically be redeemed for SEK 2.00 per share. Payment for the redemption share, contingent on the approval of the AGM, is expected to be made around June 15, 2016.

The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 50.3 million (37.7). For 2015 a distribution of SEK 2.00 was paid per share, corresponding to 112 percent of net income.

**ANNUAL REPORT**

The annual report for 2016 will be available on the company's website by April 20, 2017.

**ANNUAL GENERAL MEETING**

The Annual General Meeting for the financial year 2016 will be held in Stockholm at 5:30 pm (CET) on May 11, 2017.

**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 the Q2 report for 2016.

**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 2017**

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

# CONSOLIDATED INCOME STATEMENT

## CONDENSED

SEK thousands	Note	Oct-Dec 2016	Oct-Dec 2015	Full-year 2016	Full-year 2015
Net sales		171,410	152,618	631,616	574,328
Other operating revenue		2,989	250	6,954	10,170
<b>Operating revenue</b>		<b>174,399</b>	<b>152,868</b>	<b>638,570</b>	<b>584,498</b>
Goods for resale		-89,111	-73,601	-314,137	-273,126
Other external expenses	1	-37,127	-35,006	-148,187	-136,135
Staff costs		-26,604	-26,296	-105,191	-106,013
Depreciation/amortization of tangible/intangible non-current assets		-1,617	-1,506	-6,797	-6,592
Other operating expenses		1,425	-1,905	-62	-4,040
<b>Operating profit</b>		<b>21,365</b>	<b>14,554</b>	<b>64,196</b>	<b>58,592</b>
Net financial items		4,048	-2,699	-727	-1,032
<b>Profit before tax</b>		<b>25,413</b>	<b>11,855</b>	<b>63,469</b>	<b>57,560</b>
Tax		-7,528	-4,515	-16,572	-15,917
<b>Profit for the period</b>		<b>17,884</b>	<b>7,340</b>	<b>46,897</b>	<b>41,643</b>
<b>Profit for the period attributable to</b>					
Parent Company's shareholders		18,361	8,488	47,361	45,062
Non-controlling interests		-477	-1,148	-464	-3,419
Earnings per share before dilution, SEK		0.74	0.34	1.88	1.79
Earnings per share after dilution, SEK		0.74	0.29	1.88	1.64
Number of shares		25,148,384	25,148,384	25,148,384	25,148,384

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## CONDENSED

SEK thousands	Note	Oct-Dec 2016	Oct-Dec 2015	Full-year 2016	Full-year 2015
<b>Net profit for the period</b>		<b>17,884</b>	<b>7,340</b>	<b>46,897</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		-1,394	-40	1,704	-2,887
<b>Total other comprehensive income for the period</b>		<b>-1,394</b>	<b>-40</b>	<b>1,704</b>	<b>-2,887</b>
<b>Total comprehensive income for the period</b>		<b>16,490</b>	<b>7,300</b>	<b>48,601</b>	<b>38,756</b>
<b>Total comprehensive income attributable to</b>					
Parent Company's shareholders		16,967	8,182	49,065	42,424
Non-controlling interests		-477	-882	-464	-3,668



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### CONDENSED

SEK thousands	Note	Dec 31 2016	Dec 31 2015
<b>Non-current assets</b>			
Goodwill		19,292	19,064
Trademarks		187,532	187,532
Other intangible assets		1,668	2,740
Tangible non-current assets		9,277	10,076
Long-term receivables	2	10,700	8,900
Deferred tax assets		13,452	35,315
<b>Total non-current assets</b>		<b>241,921</b>	<b>263,627</b>
<b>Current assets</b>			
Inventory		67,477	75,851
Accounts receivable		137,769	87,816
Other current receivables		16,144	19,579
Investments	2	26,167	80,909
Cash & cash equivalents		48,948	50,643
<b>Total current assets</b>		<b>296,505</b>	<b>314,799</b>
<b>Total assets</b>		<b>538,426</b>	<b>578,425</b>
<b>Equity and liabilities</b>			
Equity		289,103	290,675
Deferred tax liabilities		35,418	41,969
Other non-current liabilities		17,273	20,294
Bond loan	2	137,092	154,538
Accounts payable		13,797	21,019
Other current liabilities	2	45,743	49,931
<b>Total equity and liabilities</b>		<b>538,426</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		42,424	-3,668	38,756
Distribution for 2014		-37,723	-	-37,723
Shareholder contribution from minority shareholders		-	1,580	1,580
Issuance of warrants	3	1,200	-	1,200
Warrant premium convertible	3	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		49,065	-464	48,601
Distribution for 2015		-50,297	-	-50,297
Non-controlling interest arising through acquisition		-6,925	6,925	0
Issuance of warrants	3	68	-	68
Warrant premium convertible	3	55	-	55
<b>Closing balance, December 31, 2016</b>		<b>289,375</b>	<b>-272</b>	<b>289,103</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

## CONDENSED

SEK thousands	Oct-Dec 2016	Oct-Dec 2015	Full-year 2016	Full-year 2015
<b>Cash flow from operating activities</b>				
Before changes in working capital	24,281	6,945	69,378	48,534
Changes in working capital	-21,690	3,426	-54,066	-66,343
<b>Cash flow from operating activities</b>	<b>2,591</b>	<b>10,371</b>	<b>15,312</b>	<b>-17,809</b>
Investments in intangible non-current assets	-	-165	-	-301
Investments in tangible non-current assets	-128	-3,335	-5,231	-4,746
Sale of non-current assets	-	-	-	129
Investments/sale of investments	-1,587	13,145	54,962	47,657
<b>Cash flow from investing activities</b>	<b>-1,715</b>	<b>9,645</b>	<b>49,731</b>	<b>42,739</b>
Distribution	-	-	-50,297	-37,723
Acquisition of minority shares	-	-	-842	-
Amortization of loans	-	-1,875	1,034	-7,500
Issuance of warrants/convertibles	-	-	125	18,510
Bond loan repurchases	-7,403	-4,016	-18,480	-33,844
<b>Cash flow from financing activities</b>	<b>-7,403</b>	<b>-5,891</b>	<b>-68,460</b>	<b>-60,557</b>
<b>Cash flow for the period</b>	<b>-6,527</b>	<b>14,125</b>	<b>-3,417</b>	<b>-35,627</b>
Cash & cash equivalents at beginning of year	54,416	36,355	50,643	85,080
Translation difference in cash & cash equivalents	1,058	163	1,722	1,190
<b>Cash &amp; cash equivalents at end of the period</b>	<b>48,948</b>	<b>50,643</b>	<b>48,948</b>	<b>50,643</b>

## KEY FIGURES

### GROUP

SEK thousands	Oct-Dec 2016	Oct-Dec 2015	Full-year 2016	Full-year 2015
Gross profit margin, %	48.0	51.8	50.3	52.4
Operating margin, %	12.5	9.5	10.2	10.2
Profit margin, %	14.8	7.8	10.0	10.0
Return on capital employed, %	14.3	14.8	14.3	14.8
Return on average equity, %	16.3	15.6	16.3	15.6
Profit attributable to Parent Company's shareholders	18,361	8,488	47,361	45,062
Equity/assets ratio, %	53.7	50.3	53.7	50.3
Equity per share, SEK	11.50	11.56	11.50	11.56
Investments in intangible non-current assets	-	165	-	301
Investments in tangible non-current assets	128	3,335	5,231	4,746
Business combinations	-	-	842	-
Depreciation, amortization and impairment losses for the period	-1,617	-1,506	-6,797	-6,592
Average number of employees	135	139	133	132

## SUMMARY BY SEGMENT

### GROUP

SEK thousands	Oct-Dec 2016	Oct-Dec 2015	Full-year 2016	Full-year 2015
<b>Operating revenue</b>				
<b>Brand</b>				
External revenue	7,506	7,241	33,626	34,747
Internal revenue	10,456	12,501	49,822	49,591
	<b>17,962</b>	<b>19,742</b>	<b>83,448</b>	<b>84,338</b>
<b>Product development</b>				
External revenue	55,079	67,149	187,747	238,062
Internal revenue	13,145	78,756	176,156	224,071
	<b>68,224</b>	<b>145,905</b>	<b>363,903</b>	<b>462,133</b>
<b>Wholesale</b>				
External revenue	72,384	45,576	289,633	207,131
Internal revenue	7,731	5,306	31,199	28,041
	<b>80,115</b>	<b>50,882</b>	<b>320,832</b>	<b>235,172</b>
<b>Retail</b>				
External revenue	39,430	32,901	127,565	104,557
Internal revenue	4,822	2,588	17,412	11,031
	<b>44,252</b>	<b>35,489</b>	<b>144,977</b>	<b>115,589</b>
Less internal sales	-36,154	-99,150	-274,589	-312,734
<b>Operating revenue</b>	<b>174,400</b>	<b>152,868</b>	<b>638,571</b>	<b>584,498</b>
<b>Operating profit</b>				
Brand	3,848	6,429	19,500	24,179
Product development	9,596	11,791	33,415	37,425
Wholesale	3,698	-9,689	17,595	-4,065
Retail	4,224	6,022	-6,314	1,053
<b>Operating profit</b>	<b>21,365</b>	<b>14,554</b>	<b>64,196</b>	<b>58,592</b>

#### Reconciliation between operating profit and profit before tax

The difference between operating profit for segments for which information must be disclosed, SEK 64,196 thousand (58,592), and profit before tax, SEK 63,469 thousand (57,560), is net financial items, SEK -727 thousand (-1,032).

## QUARTERLY DATA

### GROUP

SEK thousands	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net sales	171,410	179,977	122,165	158,065	152,618	191,430	99,199	131,081
Gross profit margin, %	48.0	50.4	53.5	50.0	51.8	51.9	53.0	53.6
Operating profit/loss	21,365	28,636	305	13,891	14,554	32,872	-1,662	12,828
Operating margin, %	12.5	15.9	0.2	8.8	9.5	17.2	neg	9.8
Profit/loss after financial items	25,413	28,493	-16	9,579	11,855	29,510	-1,585	17,781
Profit margin, %	14.8	15.8	0.0	6.1	7.8	15.4	neg	13.6
Earnings per share before dilution, SEK	0.74	0.95	-0.09	0.28	0.34	0.88	-0.04	0.61
Earnings per share after dilution, SEK	0.74	0.95	-0.09	0.28	0.29	0.84	-0.04	0.61
Number of Björn Borg stores at end of period	40	39	40	40	41	38	38	40
of which Group-owned Björn Borg stores	20	20	21	21	21	18	17	18
Brand sales	371,960	479,109	280,888	424,685	330,214	472,865	249,063	394,206

# PARENT COMPANY INCOME STATEMENT

## CONDENSED

SEK thousands	Note	Oct-Dec 2016	Oct-Dec 2015	Full-year 2016	Full-year 2015
Net sales		15,909	13,128	64,905	52,358
Other operating revenue		729	630	3,964	5,624
<b>Operating revenue</b>		<b>16,638</b>	<b>13,758</b>	<b>68,869</b>	<b>57,982</b>
Goods for resale		-2	-21	-74	-24
Other external expenses	1	-15,405	-14,461	-55,768	-51,268
Staff costs		-8,868	-8,964	-34,615	-42,152
Depreciation/amortization of tangible/intangible non-current assets		-524	-514	-2,234	-1,873
Other operating expenses		-	-126	-443	-3
<b>Operating loss</b>		<b>-8,161</b>	<b>-10,328</b>	<b>-24,265</b>	<b>-37,338</b>
Result from shares in subsidiaries		47,800	43,769	54,270	43,769
Net financial items		-1,843	-6,276	-16,199	-15,434
<b>Profit/loss after financial items</b>		<b>37,796</b>	<b>27,165</b>	<b>13,806</b>	<b>-9,003</b>
Group contributions received		39,047	48,054	39,047	48,054
Appropriations		1,014	-	1,014	-
<b>Profit before tax</b>		<b>77,857</b>	<b>75,219</b>	<b>53,867</b>	<b>39,051</b>
Tax		-877	47	-877	47
<b>Profit for the period</b>		<b>76,980</b>	<b>75,266</b>	<b>52,990</b>	<b>39,098</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>76,980</b>	<b>75,266</b>	<b>52,990</b>	<b>39,098</b>

# PARENT COMPANY BALANCE SHEET

## CONDENSED

SEK thousands	Note	Dec 31 2016	Dec 31 2015
<b>Non-current assets</b>			
Intangible assets		193	284
Tangible non-current assets		2,306	3,118
Long-term receivables	2	10,700	8,900
Deferred tax		131	1,008
Shares in Group companies		353,181	353,882
<b>Total non-current assets</b>		<b>366,511</b>	<b>367,192</b>
<b>Current assets</b>			
Receivables from Group companies		428,241	330,805
Current receivables		4,632	15,198
Investments	2	26,167	80,909
Cash & cash equivalents		13,330	25,717
<b>Total current assets</b>		<b>472,370</b>	<b>452,629</b>
<b>Total assets</b>		<b>838,881</b>	<b>819,821</b>
<b>Equity and liabilities</b>			
Equity		150,687	147,872
Untaxed reserves		0	1,014
Other non-current liabilities		17,273	20,294
Bond loan	2	137,092	154,538
Due to Group companies		516,066	480,250
Accounts payable		2,777	2,637
Other current liabilities	2	14,986	13,216
<b>Total equity and liabilities</b>		<b>838,881</b>	<b>819,821</b>

# PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

## CONDENSED

SEK thousands	Full-year 2016	Full-year 2015
<b>Opening balance</b>	<b>147,872</b>	<b>144,143</b>
Distribution	-50,297	-37,723
Issuance of warrants	68	1,200
Warrant premium convertible	55	1,154
Total comprehensive income for the period	52,990	39,098
<b>Closing balance</b>	<b>150,687</b>	<b>147,872</b>

## SUPPLEMENTARY DISCLOSURES

### NOTE 1 OTHER EXTERNAL EXPENSES

SEK thousands	Group		Parent Company	
	2016	2015	2016	2015
Cost of premises	30,385	27,175	10,614	10,899
Selling expenses	43,372	34,149	2,766	4,757
Marketing expenses	37,913	42,610	21,225	22,053
Administrative expenses	26,282	23,066	15,611	10,151
Other	10,235	9,135	5,552	3,408
<b>Total</b>	<b>148,187</b>	<b>136,135</b>	<b>55,768</b>	<b>51,268</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 54,962 thousand during the year.

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

SEK thousands	Level 1	Level 2	Level 3
Securities held for trading	25,955		
Derivatives held for trading		212	
Contingent consideration (liability)			-4,138
<b>Net</b>	<b>25,955</b>	<b>212</b>	<b>-4,138</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 December 31, 2016 was SEK 4,138 thousand (4,138) and is included in level 3. The carrying amount of financial instruments recognized at amortized cost corresponds to the fair value as of December 31, 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 outstanding loan to the Dutch distributor was SEK 10.7 million at the end of the period. Due to the acquisition of Baseline, the entire liability has been reclassified as a long-term receivable, because of which long-term receivables increased from the previous year.

### NOTE 3 BENELUX ACQUISITION

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

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

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

The acquisition of the Benelux operations is an important step in accelerating the vertical integration of the Björn Borg operations and in line with the strategy to get closer to consumers and retailers.

Consolidating Baseline in the Björn Borg Group is estimated to increase annual net sales by SEK 100 million with marginal impact on EBIT, excluding short-term negative effects for 2017. In 2017 the Björn Borg Group's EBIT is expected to decline due to timing effects for revenues from the Benelux market as a consequence of accounting effects when the wholesale and consumer sales are managed within the Björn Borg Group instead of by an external distributor. At the same time, from 2017 the earn-out payments to the former owner of the Björn Borg brand will discontinue, which is estimated to positively impact EBIT by SEK 21 million, largely compensating for the negative short-term effect from the acquisition of Baseline Group.

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

The table shows a preliminary acquisition analysis.

#### ACQUIRED NET ASSETS

SEK thousands	Fair value
Preliminary acquisition price	11,980
Adjustment net assets	-4,829
Acquisition price	7,151
<b>Acquired net assets</b>	
Intangible and tangible assets	6,731
Financial non-current assets	11,923
Inventory	60,932
Other short-term receivables	8,701
Long-term interest-bearing liabilities	-20,547
Short-term non-interest-bearing liabilities	-76,775
Total acquired assets and liabilities	-9,035
Goodwill	16,187
<b>Total net assets</b>	<b>7,151</b>
<b>Acquisition payments fall due as follows:</b>	
2017	1,764
2018	109
2019	1,688
2020	3,590
<b>Total acquisition payments</b>	<b>7,151</b>

## DEFINITIONS

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

### BRAND SALES

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

**Purpose:** Shows the sales trend measured as retail value excluding VAT.

### CAPITAL EMPLOYED

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

**Purpose:** Capital employed measures capital use and efficiency.

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

Profit after tax in relation to the weighted average number of shares during the period.

**Purpose:** This indicator is used to assess an investment from an owner's perspective.

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

Earnings per share adjusted for any dilution effect.

**Purpose:** This indicator is used to assess an investment from an owner's perspective.

### EQUITY/ASSETS RATIO

Equity as a percentage of total assets.

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

### GROSS PROFIT MARGIN

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

**Purpose:** The gross margin is used to measure operating profitability.

### NET DEBT

Liabilities less investments and cash & cash equivalents.

**Purpose:** Net debt reflects the company's total debt situation.

### NET DEBT TO EBITDA RATIO

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

**Purpose:** This indicator shows the company's ability to pay debts.

### NET FINANCIAL ITEMS

Financial income less financial expenses.

**Purpose:** Describes the company's financial activities.

### RETURN ON CAPITAL EMPLOYED

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

**Purpose:** This indicator is the key measure to quantify the return on the capital used in operations.

### RETURN ON EQUITY

Profit for the period/year attributable to the Parent Company's shareholders (for rolling 12 months) according to the income statement as a percentage of average equity. Average equity is calculated by adding equity at January 1 to equity at December 31 and dividing by two.

**Purpose:** This indicator is used to show, from an ownership perspective, the return generated on the owners' invested capital.

### OPERATING MARGIN

Operating profit as a percentage of net sales.

**Purpose:** The operating margin is used to measure operating profitability.

### OPERATING PROFIT

Profit before tax plus net financial items.

**Purpose:** This indicator facilitates profitability comparisons regardless of the company's tax rate and independent of its financing structure.

### PROFIT MARGIN

Profit before tax as a percentage of net sales.

**Purpose:** Profit margin shows the company's profit in relation to its sales.

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

Stockholm, February 16, 2017

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



**CALENDAR**

The annual report in April 2017.

The Annual General Meeting 2017 will be held at 5:30 pm (CET) on May 11, 2017.

The interim report for January-March 2017 at 5:30 pm (CET) on May 11, 2017.

The interim report for January-June 2017 on August 18, 2017.

The interim report for January-September 2017 on November 16, 2017.

The year-end report for 2016 on February 23, 2018.

**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 2016 amounted to about SEK 1.6 billion, excluding VAT, at the consumer level. Group net sales amounted to SEK 631.6 million in 2016, with an average of 133 employees. The Björn Borg share has been listed on Nasdaq Stockholm since 2007.

**IMAGES IN THE YEAR-END REPORT**

The images in the year-end report are from Björn Borg's spring/summer 2017 collection.

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Björn Borg is required to make public the information in this interim report according to the EU's Market Abuse Regulation. The information was released for publication on February 17, 2017 at 7:30 am (CET)