CONTINUED STRONG GROWTH ONLINE

OCTOBER 1 - DECEMBER 31, 2019

- The Group's net sales decreased 0.2 percent to SEK 196.4 million (196.9). Excluding currency effects, sales decreased 3.1 percent.
- Net sales for own e-commerce and e-tailers amounted to SEK 51.5 million (45.0), an increase of 14.3 percent.
- The gross profit margin was 50.8 percent (55.5).
- Operating profit amounted to SEK 1.4 million (16.0).
- The loss after tax amounted to SEK 2.7 million (+14.6).
- Earnings per share before and after dilution amounted to SEK –0.11 (0.58).

JANUARY 1 - DECEMBER 31, 2019

- The Group's net sales increased 6.7 percent to SEK 756.9 million (709.6). Excluding currency effects, sales rose 3.7 percent.
- Net sales for own e-commerce and e-tailers amounted to SEK 194.6 million (160.0), an increase of 21.6 percent.
- The gross profit margin was 53.7 percent (57.4).
- Operating profit amounted to SEK 51.4 million (71.0).
- Profit after tax amounted to SEK 38.9 million (59.9).
- Earnings per share before and after dilution amounted to SEK 1.55 (2.39).

QUOTE FROM THE CEO

"The partnerships with our e-tailers continue to produce good results and we also had good growth in our own e-commerce, which together represent 25.7 percent (22.5) of total net sales," commented CEO Henrik Bunge.

SEK million	Oct-Dec 2019	Oct-Dec 2018	Full-year 2019	Full-year 2018
Net sales	196.4	196.9	756.9	709.6
Gross profit margin, %	50.8	55.5	53.7	57.4
Operating profit	1.4	16.0	51.4	71.0
Operating margin, %	0.7	8.1	6.8	10.0
Profit after tax	–2.7	14.6	38.9	59.9
Earnings per share before dilution, SEK	–0.11	0.58	1.55	2.39
Earnings per share after dilution, SEK	–0.11	0.58	1.55	2.39
Brand sales*	381	454	1,640	1,603

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

CEO'S COMMENT

The Björn Borg brand is by far our most important asset, and during the quarter our biggest victory was that we had never before received such high scores in our consumer surveys. Both in Sweden and the Netherlands we are strengthening our position as a sports fashion brand. Our communication strategy, "Always on," has been very successful, and in the quarter we completed 40 smaller promotions in our focus cities: Stockholm, London, Berlin, Antwerp, Amsterdam, Copenhagen, Oslo and Helsinki. We also began a global collaboration in the quarter with the actor Joel Kinnaman, who shares our view that exercise makes a difference and will help us in our brand mission.

Net sales in the quarter were SEK 196.4 million, a decrease of 0.2 percent compared with the previous year. Importantly, we closed two warehouses in the quarter to facilitate a global warehouse that supports all our markets. This is an important step to create better availability for our customers, but also to reduce total inventory volume in relation to sales. The result of the inventory clearance can be seen in very high short-term sales growth at the wholesale level in the Netherlands –51 percent on a currency neutral basis.

We also saw very good growth in Germany at 209 percent. The partnerships with our e-tailers continue to produce good results and we also had good growth in our own e-commerce, which was up 27 percent, which together represent 25.7 percent (22.5) of total net sales. Our own comparable stores in Sweden, England, the Netherlands and Belgium also grew compared with the previous year. Our sports apparel collection drove growth in the quarter through e-commerce and e-tailers, and I would add that our fall collection got a fantastic response from consumers. On the other hand, our wholesale business in Sweden dropped 10 percent in the quarter, and it is clear that several of our customers are facing big challenges owing to the transition Swedish retailers are going through. It also affects us through lower sales with higher discounts.

The gross profit margin fell to 50.8 percent (55.5). Adjusted for currency effects, with the krona weakening against both the EUR and USD, the margin would have been 52.8 percent. One reason for the lower margin is that the sales increase in the Netherlands is due to sales of highly discounted merchandise to clear out old inventory prior to an impending warehouse move. Our expenses in the quarter also rose and were driven mainly by currency effects, increased variable expenses tied to the strong sales in the Netherlands, and higher staff costs as planned. Slightly higher revenue, but with a lower gross profit margin and increased expenses, reduced operating profit to SEK 1.4 million (16.0). I am convinced that we can continue, thanks to the changes we have now implemented, to live up to our financial goal of an operating margin of at least 10 percent.

In conclusion, I would note that the short-term cost to build something that lasts, improved warehousing, had a big negative impact in the last quarter of the year, where profitability declined significantly compared with the previous year. The focus going forward is to truly benefit from the efficiency improvements we have made so that profitability can increase over the comparable quarter.

Let's go!

Head coach, Henrik Bunge

OPERATIONS

BRAND SALES

Brand sales are a calculation of the total sales value of Björn Borg products at the consumer level excluding VAT. In the fourth quarter brand sales fell. The decrease was mainly in the product areas underwear and footwear, while sports apparel and bags saw growth. In total, brand sales decreased 16 percent to SEK 381 million (454). Adjusted for currency effects, brand sales decreased 18 percent in the quarter. For the full-year 2019 brand sales increased to SEK 1,640 million (1,603), up 2 percent. Excluding currency effects, brand sales rose only marginally.

PRODUCT AREAS FOR THE FULL-YEAR 2019

Brand sales in the underwear product area marginally improved for the full-year 2019, while sports apparel rose 21 percent. Underwear accounted for 59 percent (60) of brand sales and sports apparel for 14 percent (11).

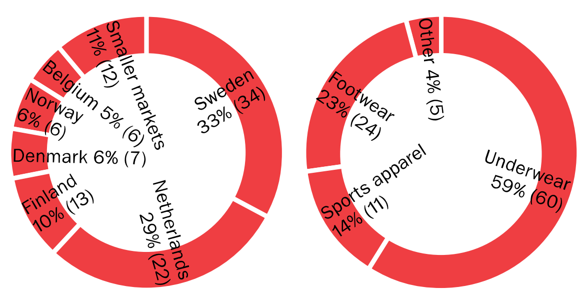
Brand sales of footwear decreased 2 percent compared with the previous year, while other licensed products rose 5 percent, with bags seeing the strongest growth. In total, brand sales of licensed products decreased 1 percent in the full-year 2019.

MARKETS FULL-YEAR 2019

Among large markets, the Netherlands, Sweden and Norway grew, with the Netherlands reporting the strongest growth, while Belgium, Denmark and Finland declined year-over-year. Smaller markets combined for a decrease of 14 percent.

BRAND SALES* OF BJÖRN BORG PRODUCTS JANUARY-DECEMBER 2019. TOTAL SEK 1,640 MILLION (1,603)

Country **Product area****



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

** Other product areas: Bags, eyewear and homewear.

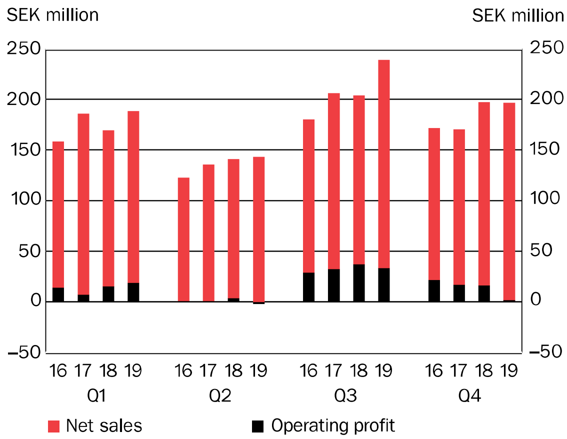
BJÖRN BORG STORES

Four new stores were opened during the year: three in Finland and one in the Netherlands, while five stores were closed: two in Sweden, two in Belgium and one in Norway. As of December 31, 2019, the total number of Björn Borg stores was 33 (34), of which 30 (30) are Group-owned.

THE GROUP'S DEVELOPMENT

Sales decreased slightly in the fourth quarter, largely due to a weak quarter for the Swedish wholesale business, while the wholesale business in the Netherlands and e-commerce saw strong growth. The operating result declined year-over-year due to negative currency effects on the gross profit margin.

QUARTERLY NET SALES AND OPERATING PROFIT, 2016-2019



SALES

Fourth quarter, October-December 2019

The Group's net sales amounted to SEK 196.4 million (196.9) in the fourth quarter, a decrease of 0.2 percent. Currencies positively affected sales in the quarter. Adjusted for currency effects, sales decreased 3.1 percent.

The decrease compared with the fourth quarter of 2018 is largely due to lower net sales in the Swedish wholesale business, which was down 19 percent. This was offset by strong growth in the Dutch wholesale business, which was up 58 percent compared with the previous year, mainly driven by high sales when we closed our warehouse in the Netherlands and migrated to a central warehouse in Sweden. A positive currency effect in EUR also positively affected sales in the Netherlands. Adjusted for currency effects, sales in the Netherlands rose 51 percent. The German wholesale business also performed strongly, growing 209 percent year-over-year, with strong growth from e-tailers driving the increase.

Sales for the Swedish retail company increased 10 percent for comparable stores, while total sales decreased 6 percent due to the closure of two stores in 2019. E-commerce grew 27 percent in the quarter, with the biggest year-over-year gains in website traffic and orders. The retail companies in the Netherlands and Belgium rose 2 percent in total against the previous year, with comparable stores growing 1 percent. The retail company in Finland saw a total increase of 43 percent, driven by three new stores compared with the fourth quarter of 2018, while comparable store sales were down 6 percent compared with the previous year. The store in England rose 35 percent compared with the previous year.

The product company's external sales decreased year-over-year, mainly driven by the Norwegian and Danish markets, which saw weak development in the fourth quarter. This was offset somewhat by other markets, which reported positive development.

External royalties decreased in the quarter, driven by lower licensing revenue from footwear.

Full-year 2019

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

The positive trend compared with 2018 is largely due to increased net sales in the wholesale business, which grew 11 percent. Sweden, the Netherlands, Germany and England all saw strong growth, while the Finnish market was down 11 percent year-over-year due to our decision to terminate the collaborations with several customers whose work has not aligned with the brand's future direction. The wholesale business in Belgium was also down, by 33 percent, due to low sell-through.

Sales for the retail company in Sweden fell 3 percent in total due to fewer stores. Comparable store sales rose 6 percent, mainly due to increased foot traffic. Net sales for the retail companies in the Netherlands and Belgium fell 4 percent in total, also due to fewer stores year-over-year. Comparable store sales in the Netherlands and Belgium rose 1 percent compared with the previous year. Adjusted for currency effects, sales for comparable stores in the Netherlands and Belgium were down 3 percent. The Finnish retail company saw a sales increase of 18 percent year-over-year, while sales for comparable stores decreased 2 percent compared with the previous year. Adjusted for currency effects, comparable store sales in Finland decreased 5 percent. Sales for the retail company in England increased 17 percent. E-commerce saw growth of 22 percent, with website traffic and orders better than the previous year.

The product companies' external sales increased year-over-year, mainly driven by a positive trend in the Norwegian market.

External royalties were in line with the previous year.

		Operating revenue, SEK thousands January-December		Operating profit, SEK thousands January-December		Operating margin, % January-December	
Segment	Revenue source	2019	2018	2019	2018	2019	2018
Wholesale	Products	530,435	468,621	29,587	45,646	6	10
Consumer Direct	Products	197,290	185,800	–2,707	–2,866	–1	–2
Distributors	Products	463,813	494,010	11,094	14,797	2	3
Licensing	Royalties	83,437	83,769	13,391	13,426	16	16
Less internal sales		–495,920	–515,419				
Total		**779,055**	**716,781**	**51,365**	**71,003**	**7**	**10**

PROFIT

Fourth quarter, October-December 2019

The gross profit margin for the fourth quarter decreased to 50.8 percent (55.5). A weak SEK compared with USD and EUR, negatively affected margins. Adjusted for currency effects, the gross profit margin would have been 52.8 percent. In addition, the gross margin was adversely affected by discounted sales of merchandise from previous seasons due to the replacement of a logistics partner.

Other operating revenue amounted to SEK 6.1 million (0.0) and mainly refers to unrealized gains on accounts receivable in foreign currency, which positively affects profit.

Operating expenses increased SEK 11.1 million compared with the previous year mainly due to added staff as well as unrealized losses on accounts payable, which negatively affects profit. In connection with the introduction of IFRS 16, other external expenses decreased in the quarter by approximately SEK 16 million, while depreciation increased correspondingly. Net financial items declined by SEK 1.0 million in connection with IFRS 16.

The lower gross profit margin in connection with higher operating expenses led to a decrease in operating profit to SEK 1.4 million (16.0). The operating margin was 0.7 percent (8.1).

Net financial items amounted to SEK -4.0 million (0.0). The decline compared with 2018 is mainly due to exchange rate losses on current receivables and the introduction of IFRS 16, which increased interest expenses in the quarter by SEK 1.0 million (0.0). The loss after tax for the period amounted to SEK 2.7 million, against year-earlier profit of SEK 14.6 million.

Full-year 2019

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

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

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

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

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

Development by segment

Björn Borg's segment reporting consists of the company's primary revenue sources, which are divided into: *Licensing, Distributors, Wholesale* and *Consumer Direct*, which is also how the business is monitored internally in the Group.

Wholesale

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

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

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

Consumer Direct

The segment consists of revenue and expenses associated with the Björn Borg Group's direct sales to consumers. The Björn Borg Group owns and operates a total of 31 stores and factory outlets in Sweden, Finland, the Netherlands, Belgium and England with sales of underwear, sports apparel, adjacent products and other licensed products. In addition, Björn Borg sells online through www.bjornborg.com.

Operating revenue in the Consumer Direct segment increased in the full-year 2019 to SEK 197.3 million (185.8). External operating revenue increased in the full-year 2019 to SEK 197.1 million (185.8), up 6 percent. The increase is mainly due to increased store traffic as well as a strong performance in e-commerce, which grew 22 percent year-over-year.

The Group's own stores in Sweden declined 3 percent year-over-year due to fewer stores, while comparable stores increased 6 percent. The stores in the Netherlands and Belgium were down 4 percent in total, while comparable store sales rose 1 percent from the previous year. The Finnish stores saw a total increase of 18 percent due to an increased number of stores, while comparable stores fell 2 percent compared with the previous year. The store in England grew 17 percent year-over year. In total, sales for comparable stores rose 2 percent compared with the previous year.

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

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

Distributors

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

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

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

Licensing

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

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

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

Intra-Group sales

Intra-Group sales for the full-year 2019 amounted to SEK 495.9 million (515.4).

SEASONAL VARIATIONS

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

INVESTMENTS AND CASH FLOW

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

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

Financing activities generated negative cash flow of SEK –108.4 million (–25.3). The negative flow mainly comes from the company's distribution to shareholders of SEK 50.3 million (50.3). The increased outflow compared with the previous period comes from the above-mentioned introduction of IFRS 16, which negatively affected financing activities by SEK 47.2 million (0), but where we see a corresponding positive flow within working capital, as well as convertible loan repayments of SEK 18.2 million (0).

FINANCIAL POSITION AND LIQUIDITY

The Björn Borg Group's cash & cash equivalents and investments amounted to SEK 29.0 million (36.4) at the end of the period with interest-bearing liabilities of SEK 290.5 million (303.8). The liabilities have been affected by IFRS 16. Interest-bearing net liabilities, excluding lease liabilities, amounted to SEK 128.2 million (135.4). Total lease liabilities amounted to SEK 133.3 million (150.0), of which SEK 96.1 million (106.8) represents the long-term share and SEK 37.1 million (43.2) the short-term share.

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

COMMITMENTS AND CONTINGENT LIABILITIES

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

As of December 31, 2019 the ratio was 2.15 (1.65) and the equity/assets ratio was 46.9 percent (47.7).

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

PERSONNEL

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

INCENTIVE PLAN, LTIP 2022

The Annual General Meeting resolved to introduce a new, long-term incentive plan, LTIP 2022, which can be described as a variable cash payout based on the price of the Björn Borg share. The employees eligible to participate in the plan, which extends between 2019 and 2022, are members of Björn Borg's management team. LTIP 2022 means that the participants will be entitled to a cash payout from Björn Borg depending on the development of the Björn Borg share and based on each participant's annual fixed base salary for 2019. The lowest payout level is 25 percent of each participant's annual salary in 2019, which participants are entitled to if the price of the Björn Borg share has reached a threshold of SEK 35 during a period of one hundred (100) nonconsecutive days of trading during any of the years 2020, 2021 or 2022. The highest payout level is 160 percent of the participant's annual salary in 2019, which requires the price of the Björn Borg share to reach the threshold of SEK 70 during a period as described above.

Assuming that the members of the management team who participate in LTIP 2022 is nine, the maximum payout is SEK 28,520,000, including social security contributions.

The incentive plan is recognized as other long-term employee benefits according to IAS 19. For the financial year 2019 the payout is estimated at zero, because of which no provision has been allocated.

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 asintra/Group sales, there were no transactions with realted 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 60-61 and in note 3 in the annual report for 2018.

PARENT COMPANY

Björn Borg AB (publ) is primarily engaged in intra-Group activities. As of December 31, 2019 the company owns 100 percent of the shares in Björn Borg Brands AB, Björn Borg Footwear AB, Björn Borg Inc., Björn Borg Services AB, Björn Borg UK, Baseline and Bjorn Borg Finland Oy. In addition, the company owns 75 percent of the shares in Bjorn Borg (China) Ltd.

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

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

EVENTS AFTER THE REPORTING PERIOD

There are no significant events to report after the reporting period.

NUMBER OF SHARES

Björn Borg has 25,148,384 shares outstanding.

FINANCIAL GOALS

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

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

Comments to the financial objectives:

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

DIVIDEND

The Board of Directors has decided to propose to the Annual General Meeting 2019 a distribution of SEK 1.50 (2.00) per share for the financial year 2019, corresponding to 97 percent (84) 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 1.50 per share. Payment for the redemption share, contingent on the approval of the AGM, is expected to be made around June 18, 2020.

The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 37.7 million (50.3).

ANNUAL REPORT

The annual report for 2019 will be available on the company's website by April 23, 2020 at the latest.

ANNUAL GENERAL MEETING

The Annual General Meeting for the financial year 2019 will be held at 5:30 pm (CET) on May 14, 2020.

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 2018 with the exception of IFRS 16, which is applied as of January 1, 2019. The accounting principles are described on page 56 in the annual report 2018.

New and amended accounting principles

Transition to IFRS 16 Leases

As of January 1, 2019 the Group applies IFRS 16. The Group's leasing contracts largely relate to leases of properties and vehicles. The transition is recognized according to the modified retrospective approach, because of which comparative amounts are not restated. The cumulative effect of applying IFRS 16 is recognized on January 1, 2019; see note 4 for further information. Lease liabilities attributable to leases that were previously classified as operating leases according to IAS 17 are measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of January 1, 2019. Furthermore, the Group has elected to measure right-of-use assets at an amount corresponding to the lease liability (adjusted for prepaid and accrued leasing fees). In addition to the above, the following exemptions have been applied in connection with review of leases in accordance with IFRS 16: short-term leases (which expire within 12 months of the application date) and assets of low value (less than SEK 50,000) are exempt from leasing. The Group has also elected not to separate non-lease components from lease components for property leases.

Björn Borg has determined that all leases within the Björn Borg Group are to be recognized as leases in accordance with IFRS 16. In cases where property leases within the Björn Borg Group have an extension option, a lease-by-lease assessment is made whether it is reasonably certain that the option will be exercised. This assessment considers all relevant facts and circumstances that create an economic incentive in, e.g., the lease terms for extensions compared with market interest rates, significant leasehold improvements that have been made (or are expected to be made) during the lease term, costs that arise when the lease is terminated, e.g., negotiation costs and relocation costs, and the weight of the underlying asset in the business.

The Group as lessee (applies as of January 1, 2019)

The Group determines whether a contract is or contains a lease at the contract's commencement. The Group recognizes a right-of-use asset and a corresponding lease liability for all leases in which the Group is the lessee. This does not apply, however, to short-term leases (with a term of 12 months or less) and leases where the underlying asset has a low value. For these leases the Group recognizes leasing fees as an operating expense on a straight-line basis over the lease term, unless another systematic approach better reflects how the economic benefits of the underlying asset are consumed by the lessee.

The lease liability is initially measured as the present value of leasing fees that have not been paid on the commencement date, discounted by the lease's implicit rate. If this interest rate cannot be easily determined, the Group uses the incremental borrowing rate. The incremental borrowing rate is the interest rate that a lessee would have to pay for debt financing for a corresponding period, and with corresponding collateral, for the right to use an asset in a similar economic environment.

The following leasing fees are included in the calculation of the lease liability:

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

The lease liability is presented on a separate line in the Group's statement of financial position.

After first-time adoption the lease liability is measured by increasing the carrying value to reflect the interest rate on the lease liability (applying the effective interest method) and by reducing the carrying value to reflect paid leasing fees.

The Group remeasures the lease liability (and makes a corresponding adjustment to the associated right-of-use asset) if:

- The lease term has changed or if there is a change in the assessment of an option to buy the underlying asset. In these cases, the lease liability is remeasured by discounting the revised leasing fees by a revised discount rate.

- The leasing fees change due to changes in an index or price or a change in the amount that is expected to be paid out according to a residual value guarantee. In these cases, the lease liability is remeasured by discounting the revised leasing fees by the initial discount rate (provided the changes in the leasing fees are not due to a revised variable interest rate, in which case the revised discount rate is used instead).
- A lease is revised and the change is not recognized as a separate lease. In these cases, the lease liability is remeasured by discounting the revised leasing fees by a revised discount rate.

On the acquisition date the right-of-use assets are recognized at the value of the corresponding lease liability, leasing fees paid on or before the commencement date and any initial direct costs. In subsequent periods they are measured at cost after deducting accumulated depreciation and impairment.

Right-of-use assets are depreciated over the estimated period of use or over the lease term, whichever is shorter. If a lease transfers ownership of the underlying asset at the end of the lease term or if the cost of the right-of-use asset reflects that the Group expects to exercise a call option, the underlying asset is depreciated over the period of use. Depreciation begins on the lease's commencement date.

Right-of-use assets are presented on a separate line in the consolidated statement of financial position.

The Group applies IAS 36 Impairment of Assets to test right-of-use assets for impairment and recognizes any impairment losses it identifies in accordance with the description in the section Impairment in the annual report 2018.

Variable leasing fees that are not linked to an index or price are not included in the measurement of the lease liability and right-of-use asset. Such leasing fees are expensed in the period when they arise and are included on the line Other external expenses in the consolidated income statement.

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

AUDIT REPORT

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

OUTLOOK 2020

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

CONSOLIDATED INCOME STATEMENT
CONDENSED

SEK thousands	Note	Oct-Dec 2019	Oct-Dec 2018	Full-year 2019	Full-year 2018
Net sales	1	196,407	196,898	756,854	709,576
Other operating revenue		6,100	21	22,201	7,205
Operating revenue		**202,507**	**196,919**	**779,055**	**716,781**
Goods for resale		–96,725	–87,628	–350,735	–302,555
Other external expenses	2	–40,379	–56,215	–151,768	–192,161
Staff costs		–38,191	–33,568	–150,467	–136,761
Depreciation/amortization of tangible/intangible non-current assets	2	–19,063	–2,202	–57,227	–8,877
Other operating expenses		–6,718	–1,273	–17,493	–5,424
Operating profit		**1,432**	**16,033**	**51,365**	**71,003**
Net financial items		–3,998	48	–2,672	3,025
Profit before tax		**–2,566**	**16,081**	**48,693**	**74,028**
Tax		–111	–1,480	–9,745	–14,142
Profit for the period		**–2,677**	**14,601**	**38,948**	**59,886**
Profit for the period attributable to					
Parent Company's shareholders		–2,677	14,612	38,948	60,128
Non-controlling interests		–	–11	–	–242
Earnings per share before dilution, SEK		–0.11	0.58	1.55	2.39
Earnings per share after dilution, SEK		–0.11	0.58	1.55	2.39
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 2019	Oct-Dec 2018	Full-year 2019	Full-year 2018
Net profit for the period		**–2,677**	**14,601**	**38,948**	**59,886**
OTHER COMPREHENSIVE INCOME					
Components that may be reclassified to profit or loss					
Translation difference for the period		–1,572	–3,016	–5,472	–2,312
Total other comprehensive income for the period		**–1,572**	**–3,016**	**–5,472**	**–2,312**
Total comprehensive income for the period		**–4,249**	**11,585**	**33,476**	**57,574**
Total comprehensive income attributable to					
Parent Company's shareholders		–4,249	12,140	33,504	58,635
Non-controlling interests		–	–555	–28	–1,061

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
CONDENSED

SEK thousands	Note	Dec 31 2019	Dec 31 2018
Non-current assets			
Goodwill		35,098	34,746
Trademarks		187,532	187,532
Other intangible assets		9,908	9,956
Tangible non-current assets		18,127	15,390
Deferred tax assets		14,958	23,228
Right-of-use assets	3	131,458	–
Total non-current assets		**397,081**	**270,852**
Current assets			
Inventory		128,424	139,564
Accounts receivable		124,805	130,487
Other current receivables		19,901	13,625
Cash & cash equivalents		29,002	36,388
Total current assets		**302,132**	**320,064**
Total assets		**699,213**	**590,916**
Equity and liabilities			
Equity		264,884	281,705
Deferred tax liabilities		40,370	42,892
Non-current liabilities credit institutions		150,000	150,000
Long-term lease liability	3	96,137	–
Other non-current liabilities		–	3,824
Current liabilities to credit institutions		7,242	–
Accounts payable		55,862	37,646
Short-term lease liability	3	37,123	–
Other current liabilities		47,595	74,849
Total equity and liabilities		**699,213**	**590,916**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
CONDENSED

SEK thousands	Note	Equity attributable to Parent Company's shareholders	Non-controlling interests	Total equity
Opening balance, January 1, 2018		**276,907**	**491**	**277,398**
Total comprehensive income for the period		58,635	–1,061	57,574
Correction of minority share		4,026	–4,026	–
Distribution for 2017		–50,297	–	–50,297
Acquisition of non-controlling interest		–1,704	–1,266	–2,970
Closing balance, December 31, 2018		**287,567**	**–5,862**	**281,705**
Opening balance, January 1, 2019		**287,567**	**–5,862**	**281,705**
Total comprehensive income for the period		33,504	–28	33,476
Distribution for 2018		–50,297	–	–50,297
Closing balance, December 31, 2019		**270,774**	**–5,890**	**264,884**

CONSOLIDATED STATEMENT OF CASH FLOWS
CONDENSED

SEK thousands	Oct-Dec 2019	Oct-Dec 2018	Full-year 2019	Full-year 2018
Cash flow from operating activities				
Before changes in working capital	12,842	16,860	91,715	76,686
Changes in working capital	44,891	–360	20,797	–53,923
Cash flow from operating activities	**57,733**	**16,500**	**112,512**	**22,763**
Acquisition of minority share	–	–	–	–2,970
Investments in intangible non-current assets	–840	–2,011	–3,845	–7,264
Investments in tangible non-current assets	–4,367	–662	–8,732	–6,486
Investments/sale of investments	–	–		1,112
Cash flow from investing activities	**–5,207**	**–2,673**	**–12,577**	**–15 608**
Distribution	–	–	–50,297	–50,297
Amortization of loans	–	–	–	–25,000
Amortization of lease liability	–17,782	–	–47,218	–
Repayment of convertible loan	–	–	–18,153	–
Newly raised loan	–	–	–	50,000
Overdraft facility	–5 319	–	7 242	–
Cash flow from financing activities	**–23,101**	**–**	**–108,426**	**–25,297**
Cash flow for the period	**29 425**	**13,827**	**–8,491**	**–18,142**
Cash & cash equivalents at beginning of year	–	22,891	36,388	52,620
Translation difference in cash & cash equivalents	–423	–330	1,105	1,910
Cash & cash equivalents at end of the period	**29,002**	**36,388**	**29,002**	**36,388**

KEY FIGURES
GROUP

SEK thousands	Oct-Dec 2019	Oct-Dec 2018	Full-year 2019	Full-year 2018
Gross profit margin, %	50.8	55.5	53.7	57.4
Operating margin, %	0.7	8.1	6.8	10.0
Profit margin, %	–1.3	8.2	6.4	10.4
Return on capital employed, %	12.0	18.4	12.0	18.4
Return on average equity, %	14.3	21.5	14.3	21.5
Profit attributable to Parent Company's shareholders	–2,677	14,612	38,948	60,128
Equity/assets ratio, % *	46.9	47.7	46.9	47.7
Equity per share, SEK	10.53	11.20	10.53	11.20
Investments in intangible non-current assets	840	2,011	3,845	7,264
Investments in tangible non-current assets	4,367	662	8,732	6,486
Business acquisition	–	–	–	2,970
Depreciation, amortization and impairment losses for the period	–19,063	–2,202	–57,227	–8,877
Average number of employees	212	213	212	213

* The ratio was adjusted for lease liabilities after the introduction of IFRS 16 Leasing on January 1, 2019. The definition of the ratio can be found on page 16.

SUMMARY BY SEGMENT

GROUP

SEK thousands	Oct-Dec 2019	Oct-Dec 2018	Full-year 2019	Full-year 2018
Operating revenue				
Wholesale				
External revenue	132,543	123,379	516,237	466,485
Internal revenue	10,404	235	14,198	2,136
	142,947	**123,614**	**530,435**	**468,621**
Consumer Direct				
External revenue	58,406	51,796	197,065	185,787
Internal revenue	6	6	225	13
	58,412	**51,802**	**197,290**	**185,800**
Distributors				
External revenue	10,108	18,087	50,284	49,102
Internal revenue	87,915	127,808	413,529	444,908
	98,023	**145,895**	**463,813**	**494,010**
Licensing				
External revenue	1,450	3,656	15,468	15,406
Internal revenue	13,236	20,501	67,969	68,363
	14,686	**24,157**	**83,437**	**83,769**
Less internal sales	–111,561	–148,549	–495,920	–515,419
Operating revenue	**202,507**	**196,919**	**779,055**	**716,781**
Operating profit				
Wholesale	–2,231	6,438	29,587	45,646
Consumer Direct	1,018	1,236	–2,707	–2,866
Distributors	1,440	5,305	11,094	14,797
Licensing	1,205	3,054	13,391	13,426
Operating profit	**1,432**	**16,033**	**51,365**	**71,003**

Reconciliation between operating profit and profit before tax

The difference between operating profit for segments for which information must be disclosed, SEK 51,365 thousand (71,033), and the result before tax, SEK 48,693 thousand (74,028), is net financial items, SEK -2,673 thousand (3,025).

QUARTERLY DATA

GROUP

SEK thousands	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net sales	196,407	230,585	141,705	188,155	196,898	203,132	140,341	169,204
Gross profit margin, %	50.8	52.5	55.4	56.8	55.5	57.7	59.9	57.1
Operating profit/loss	1,432	33,065	–1,678	18,545	16,033	36,999	2,888	15,085
Operating margin, %	0.7	14.3	–1.2	9.9	8.1	18.2	2.1	8.9
Profit/loss after financial items	–2,566	34,140	–2,828	19,946	16,081	35,634	3,216	19,099
Profit margin, %	–1.3	14.8	–2.0	10.6	8.2	17.5	2.3	11.3
Earnings per share before dilution, SEK	–0.11	1.07	–0.09	0.67	0.58	1.15	0.06	0.60
Earnings per share after dilution, SEK	–0.11	1.07	–0.09	0.67	0.58	1.15	0.06	0.60
Number of Björn Borg stores at end of period	33	34	34	34	34	34	38	39
of which Group-owned Björn Borg stores	30	30	30	30	30	30	34	34
Brand sales	380,927	513.901	272,185	473,112	453,784	443,527	294,022	411,661

PARENT COMPANY INCOME STATEMENT

CONDENSED

SEK thousands	Note	Oct-Dec 2019	Oct-Dec 2018	Full-year 2019	Full-year 2018
Net sales		25,666	26,542	102,502	106,506
Other operating revenue		502	–	2,499	815
Operating revenue		**26,168**	**26,542**	**105,001**	**107,321**
Goods for resale		–	–1	–2	–5
Other external expenses	2	–20,172	–22,925	–64,303	–62,271
Staff costs		–9,635	–8,278	–40,258	–35,475
Depreciation/amortization of tangible/intangible non-current assets		–541	–381	–2,096	–1,741
Other operating expenses		–515	–237	–1,305	–629
Operating profit/loss		**–4,695**	**–5,280**	**–2,963**	**7,200**
Result from shares in subsidiaries		37,725	50,300	37,725	50,300
Net financial items		–1,644	74	–5,000	–1,467
Profit/loss after financial items		**31,386**	**45,094**	**29,762**	**56,033**
Group contributions received		15,761	58,458	15,761	58,458
Appropriations		–429	–609	–429	–609
Profit before tax		**46,718**	**102,943**	**45,094**	**113,882**
Tax		–1,780	–13,407	–2,073	–13,407
Profit/loss for the period		**44,938**	**89,536**	**43,021**	**100,475**
Other comprehensive income		–	–	–	–
Total comprehensive income for the period		**44,938**	**89,536**	**43,021**	**100,475**

PARENT COMPANY BALANCE SHEET

CONDENSED

SEK thousands	Note	Dec 31 2019	Dec 31 2018
Non-current assets			
Intangible assets		6,449	5,610
Tangible non-current assets		1,010	481
Deferred tax		11	16
Shares in Group companies		344,106	344,106
Total non-current assets		**351,576**	**350,213**
Current assets			
Receivables from Group companies		771,067	684,330
Current receivables		7,739	5,794
Cash & cash equivalents		–	2,143
Total current assets		**778,806**	**692,267**
Total assets		**1,130,382**	**1,042,480**
Equity and liabilities			
Equity		194,012	201,288
Untaxed reserves		1,038	609
Non-current liabilities credit institutions		150,000	150,000
Other non-current liabilities		–	3,824
Current liability to credit institution		7,242	–
Due to Group companies		755,248	640,514
Accounts payable		5,514	8,570
Other current liabilities		17,328	37,675
Total equity and liabilities		**1,130,382**	**1,042,480**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
CONDENSED

SEK thousands	Full-year 2019	Full-year 2018
Opening balance	**201,288**	**151,110**
Distribution	–50,297	–50 ,297
Total comprehensive income for the period	43,021	100,475
Closing balance	**194,012**	**201,288**

SUPPLEMENTARY DISCLOSURES

NOTE 1 NET SALES

The Group's net sales consist of sales of products and royalties for usage of the company's brand. Transfers of goods/royalties are made at fixed points in time.

	Group	
SEK thousands	2019	2018
Sweden	271,512	264,686
Netherlands	209,853	175,933
Finland	109,692	114,608
Other	165,795	154,349
Total	**756,853**	**709,576**

NOTE 2 OTHER EXTERNAL EXPENSES

	Group		Parent Company	
SEK thousands	2019	2018	2019	2018
Cost of premises*	5,590	48,146	12,981	10,262
Selling expenses	48,709	46,097	4,742	3,403
Marketing expenses	53,080	59,437	27,654	32,345
Administrative expenses	33,463	27,532	16,470	12,630
Other	10,926	10,949	2,456	3,631
Total	**151,768**	**192,161**	**64,303**	**62,271**

* The difference of SEK 42.6 million in cost of premises refers to SEK 46.6 million from the change in the accounting principle for leasing, where the leasing fee is no longer recognized as an operating expense; instead, payment of the leasing fee is recognized as interest and amortization. In a similar way, selling expenses were affected by SEK 3.4 million. Other external expenses thereby decreased in total by SEK 49.0 million compared with the previous year. The corresponding increase in costs can be found under depreciation in the consolidated income statement.

NOTE 3 EFFECTS OF TRANSITION TO IFRS 16 LEASING

EFFECTS ON ASSETS, LIABILITIES AND EQUITY, JANUARY 1, 2019

SEK thousands	Recognized balance sheet items December 31, 2018	Restatement to IFRS 16	Restated balance sheet items January 1, 2019
Assets			
Intangible assets	232,234	–	232,234
Tangible non-current assets	15,390	–	15,390
Deferred tax assets	23,228	–	23,228
Right-of-use assets	–	149,989	149,989
Total non-current assets	**270,852**	**149,989**	**420,841**
Total current assets	**320,064**	**–**	**320,064**
Total assets	**590,916**	**149,989**	**740,905**
Equity and liabilities			
Equity	281,705	–	281,705
Deferred tax liabilities	42,892	–	42,892
Liabilities to credit institutions	153,824	–	153,824
Long-term lease liability	–	106,760	106,760
Total non-current liabilities	**478,421**	**106,760**	**585,181**
Accounts payable	37,646	–	37,646
Other current liabilities	74,849	–	74,849
Short-term lease liability	–	43,229	43,229
Total current liabilities	**112,495**	**43,229**	**155,724**
Total equity and liabilities	**590,916**	**149,989**	**740,905**

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.

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

EARNINGS PER SHARE (DEFINED ACCORDING TO IFRS)
Profit after tax in relation to the weighted average number of shares during the period.
Purpose: This indicator is used to assess an investment from an owner's perspective.

EARNINGS PER SHARE AFTER DILUTION (DEFINED ACCORDING TO IFRS)
Earnings per share adjusted for any dilution effect.
Purpose: This indicator is used to assess an investment from an owner's perspective.

EQUITY/ASSETS RATIO
Equity as a percentage of total assets.
Purpose: This indicator shows financial risk, expressed as a share of total restricted equity financed by the owners.

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

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

GROSS PROFIT MARGIN EXKL EXCL. CURRENCY EFFECTS
Gross profit margin calculated by using last years currency.
Purpose: To obtain currency neutral gross profit margin.

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

NET DEBT
Liabilities less investments and cash & cash equivalents.
Purpose: Net debt reflects the company's total debt situation.

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

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

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

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

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

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

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

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

Stockholm, February 20, 2020

Heiner Olbrich
Chairman

Alessandra Cama
Board member

Göran Carlson
Board member

Christel Kinning
Board member

Anette Klintfeldt
Board member

Fredrik Lövstedt
Board member

Mats H Nilsson
Board member

Henrik Bunge
CEO

KALENDARIUM 2020

Annual report 2019 in late April 2020.

Annual General Meeting 2019 will be held on May 14, 2020.

The interim report for January-March 2020 will be released at 5:30 pm (CET) on May 14, 2020.

The interim report for January-June 2020 will be released at 7:30 am (CET) on August 18, 2020.

The interim report for January-September 2020 will be released on at 7:30 am (CET) November 20, 2020.

The year-end report for 2020 will be released at 7:30 am (CET) on February 26, 2021.

FINANCIAL REPORTS

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

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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 twenty markets, of which Sweden and the Netherlands are the largest. The Björn Borg Group has operations at every level from branding to consumer sales in its own Björn Borg stores. Total sales of Björn Borg products in 2019 amounted to about SEK 1.6 billion, excluding VAT, at the consumer level. Group net sales amounted to SEK 756.9 million in 2019, with an average of 212 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 taken from Björn Borg's holiday 2019 collection.

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Björn Borg is required to make public this information according to the EU's Market Abuse Regulation.
The information was released for publication by the above-mentioned contacts on February 20, 2020 at 7:30 am (CET).