



BJÖRN BORG 

ANNUAL REPORT 2020



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“I am especially pleased with our strong performance in both own e-commerce and e-tailers, which together increased by 17 percent to SEK 227.8 million with our own e-commerce growing 38 percent. This gives us confidence in the future.”

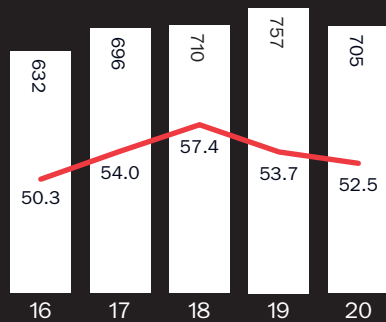
Henrik Bunge





BJÖRN BORG IN BRIEF

■ NET SALES, SEK MILLION
— GROSS PROFIT MARGIN (%)



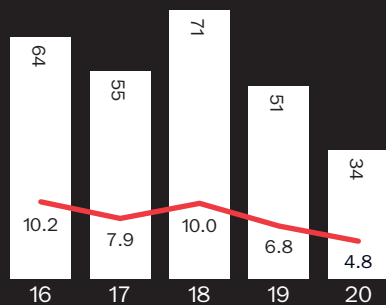
THE GROSS PROFIT MARGIN WAS
52.5 PERCENT

52.5

THE NUMBER OF BJÖRN BORG STORES
AT YEAR-END WAS 32, 29 OF WHICH
ARE GROUP-OWNED

32

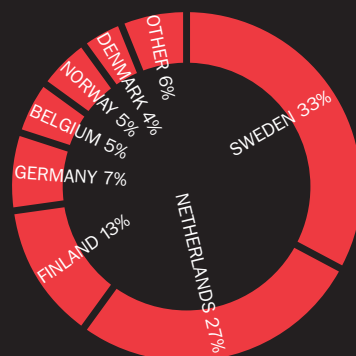
■ OPERATING PROFIT, SEK MILLION
— OPERATING MARGIN (%)



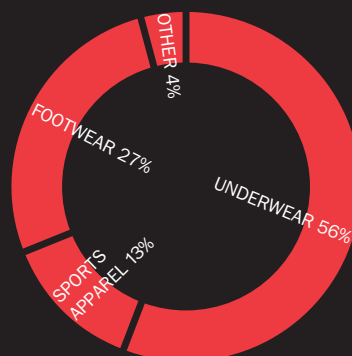
THE OPERATING MARGIN WAS
4.8 PERCENT

4.8

BRAND SALES BY COUNTRY



BRAND SALES BY PRODUCT AREA



BJÖRN BORG GROUP

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

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

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

2020 BY THE NUMBERS

- The Group's net sales decreased 6.8 percent to SEK 705.2 million (756.9). Excluding currency effects, the decrease was 5.8 percent.
- Net sales for own e-commerce increased 38 percent to SEK 83.3 million (60.2). Net sales for own e-commerce and e-tailers amounted to SEK 227.8 million (195.0), an increase of 17 percent.
- The gross profit margin was 52.5 percent (53.7).
- Operating profit amounted to SEK 33.7 million (51.4).
- Profit after tax amounted to SEK 18.8 million (38.9).
- Earnings per share before and after dilution amounted to SEK 0.75 (1.55).
- The Board of Directors has decided to propose to the Annual General Meeting a distribution of SEK 1.50 (0.00) per share, corresponding in total to SEK 37.7 million (0.0).

BRAND SALES

Brand sales for the full-year 2020 decreased to SEK 1,498 million (1,640), or by 9 percent. Excluding currency effects, brand sales decreased by 8 percent. (See definitions on page 93.)

THE BJÖRN BORG BRAND

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

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

MARKETS

- Björn Borg is represented in around 20 markets, the largest of which are Sweden and the Netherlands.

NEW STORES

One new outlet was opened during the year in Netherlands, while two stores were closed: one in Sweden and one in England. At year-end, there were 32 (33) Björn Borg stores, 29 (30) of which are Group-owned.

A WORD FROM THE CEO

2020 will always be remembered as the year that a global pandemic crippled an entire world. For brick-and-mortar retail, which even before the pandemic had been struggling with low profitability, the restrictions following in the pandemic's wake caused great difficulty with many bankruptcies and reconstructions. The winners in the new reality are mainly those with a flourishing e-commerce business. Despite the big shift from brick-and-mortar to e-commerce in 2020, I still expect brick-and-mortar to survive the pandemic, but at the same time I am just as sure that growth for sports apparel and fashion will come online.

2020 for us meant maintaining control and slashing costs to avoid large losses as income fell. We made the tough but necessary decision to reduce the team at our head office by 19. During the year, we also moved the head office, which is a large cost savings. At the same time, we were willing to invest in our brand and to maintain our strong focus online.

PEOPLE MAKE THE DIFFERENCE

After a year in which we were largely forced to work from home, we still strongly believe that people and the team make a difference. We decided early on not to postpone but instead to adapt. Our company-wide exercise hour, for example, went digital. We livestream the workout on Instagram each Friday at 11-12 am, so that all our employees and even the public can join in. We continued to work internally with clearly defined goals, repeated follow-ups and dedicated time for reflection, but virtually instead of on site. Our goal is still to be the world's best workplace and externally a brand that inspires everyone to be the best version of themselves. In anonymous internal surveys, we made major progress despite a challenging year, with an increase in employee engagement.

OUR BRAND IS OUR MOST IMPORTANT ASSET

Other than our team, by far our biggest asset is owning a strong brand. During the year, we continued to promote exercise as the key to becoming the best version of yourself. Our focus is on evolving and strengthening our position as an athletic clothing brand. Our conviction that exercise and health is not a passing trend grew even stronger in 2020. There were clear signs that interest in well-being rose during the pandemic. Our mission to inspire others to be better and exercise to feel better and not primarily to get better at a specific sport is right in line with the societal changes we are now seeing as a result of the pandemic. Awareness of Björn Borg as a sports apparel brand increased by 50 percent during the year, at the same time that we

maintained our position as market leader in men's underwear, both in awareness and customer preference.

We teamed up several times in 2020 with our global ambassador, actor Joel Kinnaman, to spread our message. This has been successful and we believe more strongly than ever that partnerships with ambassadors on various digital platforms make a difference. We see even more potential going forward. During the year, we also greatly increased our digital focus organically and through online spending and reached over 100 million consumers. Our social channels remain very important to us since our target audience spends a great deal of time there.

SALES

Net sales decreased in 2020 to SEK 705.2 million, or by 6.8 percent compared with 2019. Despite a weak year in terms of sales, I am still pleased. Especially with our strong performance in both own e-commerce and e-tailers, which together increased by 17 percent to SEK 227.8 million with our own e-commerce growing 38 percent. This gives us confidence in the future. The pop-up stores we opened during the summer were a success and resulted in good growth, mainly in Finland, where the majority of our 14 pop-ups were established. Germany also saw good growth, driven exclusively by our collaboration with Zalando. Otherwise we experienced a big drop in sales for our wholesale business in most markets as a result of the restrictions that followed in the pandemic's footsteps.

Despite the challenging times, we received several indications during the year that our strategy of focusing on athletic wear is spot on. Sales of athletic wear in our own e-commerce grew by 64%, for example, compared with the previous year.

PROFITABILITY

The gross profit margin for 2020 decreased to 52.5 percent (53.7). The lower margin is largely due to increased discounts in the second quarter of 2020 to soften the blow



that Covid-19 had on our wholesale customers. Operating expenses decreased at the same time by SEK 11.9 million compared with 2019. This is a result of the measures we took to reduce the financial impact of the widespread shutdowns on our own business. Lower income and a lower gross profit margin, but also lower expenses, meant that our operating profit decreased to SEK 33.7 million (51.4). The operating margin was 4.8 percent (6.8).

SUSTAINABLE BUSINESS MODEL AND GROWTH

2020 was a trying year, but in the midst of it we reached a major milestone in the sustainability area. In our spring/summer 2021 clothing collection, which was designed during the year, all the products will carry the B. Tomorrow sustainability label. This means that at least 70 percent of the fibers in every piece in the collection is sustainably sourced. All our packages are now made of cardboard from sustainably logged forests, our new office and new warehouse are both green buildings, and all office workers (70 percent of all employees) now have personal green goals. During the year, we also signed the UN's Fashion Industry Charter for Climate Action to reduce greenhouse

gas emissions by 30 percent by 2030, which sets the direction for our future climate work.

AMBITION

At the time I am writing this CEO comment for 2020, the Covid-19 pandemic is far from over. When I look back at how we did financially in 2020, I am nevertheless thankful for the good year we are leaving behind. For comparison, the restaurant industry dropped 52 percent in 2020 and the number of hotel and restaurant bankruptcies increased by 38 percent in Sweden. There is no question that it was a challenging year, but in several respects we still finished it stronger than when we began. Our debt has been greatly reduced, as have accounts receivable and inventory. This gives us opportunities to grow going forward where we see potential, i.e. online. Lastly, my belief in our business and our why – to inspire people to exercise more to feel better – is stronger than ever.

Now let's go!
Henrik Bunge
Head Coach

VISION, BUSINESS CONCEPT, GOALS AND STRATEGY

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

We honor our values. They weren't written by consultants but by us, through our conviction and drive. Our reward is inspiring people to be their best, since we know that anyone can be anything.

THE FIRST QUESTION IS:

WHERE ARE WE GOING?

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

THE SECOND QUESTION IS:

WHERE ARE WE?

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

THE THIRD QUESTION IS:

WHAT TO DO?

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

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

THE FOURTH QUESTION DESCRIBES OUR VALUES:

HOW DO WE DO THINGS?

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

- *Passion*
Energy literally sparks from our bodies in our constant charge forward. Not because someone forces us to, but because we love it. Sports is the power that gives us adrenaline and confidence, and our hearts lead the way. We are driven by passion for what we do, whatever we do.

- *Empowering*

We care about others and we prove it. We have a strong belief in personal growth and that anyone can go beyond their limitations. That's why we push each other forward because we are all stronger when we give each other power. That's why we believe that one plus one equals not just three, but even more.

- *Winning attitude*

We aim high to reach high. Winning is in our genes and we never accept losing. If we are alone, we aim to win. If we are in a team, we aim to win for that team. We never give up and never stop believing that we have the power to win.

- *Bold*

We don't believe in norms – we believe in following our own vision with clear determination. We stand up for what we believe in, no matter the consequences. That is why we always do things our own way and fight on the frontline against any norm, ideal or tradition that prevents people from reaching their full potential.

- *Magnetic*

We always put on a smile in everything we do and have confidence enough to not take ourselves too seriously. Some people call it aura, others attraction. We call it magnetic. A special glow that comes from within, a combination of looks, appearance and expression.

THE FIFTH QUESTION DESCRIBES WHAT INSPIRES AND MOTIVATES US:

WHY DO WE DO THIS? (OUR MISSION)

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

FINANCIAL OBJECTIVES

Björn Borg's long-term financial goals, which were last updated in 2019, are as follows:

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

THE BJÖRN BORG BRAND

BRAND DEVELOPMENT

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

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

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

A new brand platform was implemented in 2019 and serves as a basis for both design and marketing communications. It reflects the brand's sporty identity and mission to inspire others to reach their full potential through exercise.

Björn Borg aims to provide the best possible service to its distributors and licensees, which commit to a specific level of investment in their markets. The aim is to create opportunities to build sales and brand awareness, while at the same time ensuring consistent branding. Support for distributors and licensees includes branding guidelines and marketing support such as ad campaigns, PR, media buying and point-of-sale displays – packaged for each market's needs, stage of development and budget.

MARKETING COMMUNICATIONS

Björn Borg wants its brand to inspire people to achieve their personal best, with exercise playing a key role. The Group's focus is therefore on continuing this shift and strengthening its position as an athletic wear brand. The Björn Borg brand is profiled through innovative marketing activities. The strategy is to build the brand and drive sales consistently over the long term. To achieve cost efficiencies and broad impact, the Group is focused going forward on building a strong community through social media, campaigns and events, as well as trade shows and point of sale. Social media have continued to grow in importance to the interaction between Björn Borg and consumers. The company sees these channels as important and cost-efficient for branding and sales promotions.

Background material and guidelines are produced centrally as part of the marketing packages that markets and distributors have access to, while detailed planning and implementation are left to each market and channel.

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

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

CAMPAIGNS AND FOCUS 2020

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

COLLABORATION WITH JOEL KINNAMAN

In early 2020, Björn Borg launched the first campaign with long-term global ambassador Joel Kinnaman, to get people to see all the benefits of exercise. During the year, he was brought in across all brand touchpoints and channels, both the Group's own and its customers'. Product categories such as workout wear, underwear and sportswear were worn by Kinnaman. The biggest launch was the *Centre Collection*, which includes hoodies, crewnecks and sweatpants.

Graphics with images of the ambassador were rolled out in all of the Group's countries and drove strong through-sales and increased brand preference. Joel Kinnaman shares the company's values and view of exercise, that you work out to live and not vice versa. That, together with his reach, makes him the right long-term ambassador, who is strong for both inside selling and through-sales.

LIVE SPORTS HOUR

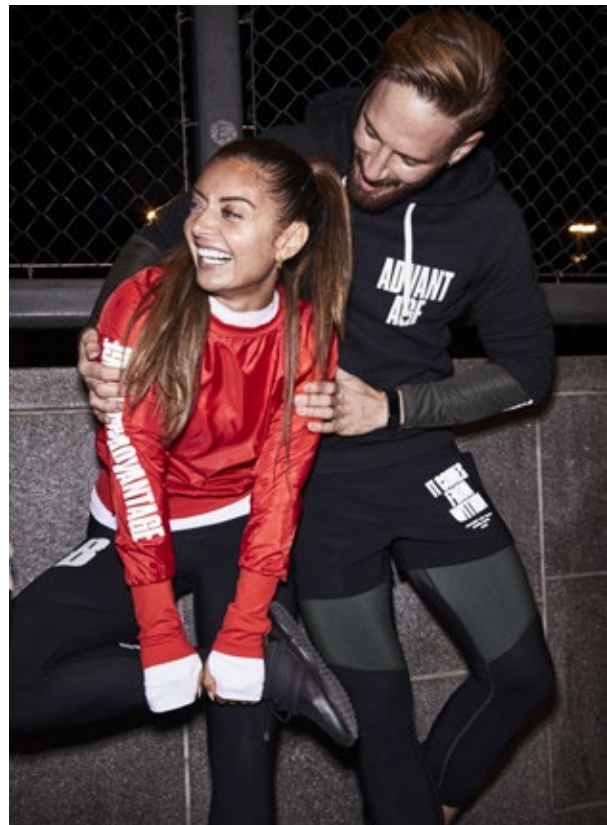
During the year's repeated changes and restrictions, Björn Borg has adapted rather than postponed. We started livestreaming on Instagram the mandatory exercise hour on Fridays at 11 am when employees could no longer be in the office and work out together. In this way, the Group's strong corporate culture has also been communicated to customers. The Friday exercise hour has strong symbolic value and is clear proof of the brand's mission, to inspire everyone to achieve their personal best through exercise.

RUNNING FROM DAYLIGHT

Björn Borg wants to encourage people to exercise. It strengthens the body, soul and mind. Last fall, a concept was launched to inspire more of us: *Running From Daylight*. The concept contained workout clothing and sportswear and was rolled out in the Group's own channels: at e-tailers and brick-and-mortar retail. The collection mixed sport and fashion and each piece communicated the Group's values in a written message. The roll-out and activation were virtual due to various restrictions during the pandemic. A workout podcast was created and launched on Spotify, in selected stores and on social media. With influencers and consumers participating, the campaign achieved a wide reach and was a key part of last fall's roll-outs to inspire more customers to work out.



Björn Borg's collaboration with Joel Kinnaman



Running From Daylight

PRODUCT DEVELOPMENT

BRAND AND PRODUCTS

Björn Borg is a sports fashion brand offering sports apparel, underwear (fashion and performance), bags, swimwear, socks and loungewear. Björn Borg also offers footwear and eyewear under license.

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

IMPORTANT EVENTS IN 2020

The global pandemic had a major impact on operations in 2020, but with a clear focus, in-house talent and strong passion it was still a very positive year for the product.

The year's first collections were collaborations with DPM, Liam Hodges, Naito and Scandinavian Man, before the company found a new creative voice with a new Creative Director at the helm. The emphasis in the AW20 collection was on both product and communication to highlight the company's identity. A modern, uniquely Scandinavian expression was created with the company's values playing a more prominent role. The new creative direction has since then influenced the collections in a very positive way.

Key elements like the *Centre Collection* were relaunched after extensive efforts to improve fit, quality and function. Underwear was broadened to include more silhouettes and price levels with a more modern expression.

Sports apparel was the strategic focus for the entire year and the launch last autumn of the *Running from Daylight* concept successfully introduced the creative change. To further inspire people to exercise and live a sustainable life, home workout equipment was released last autumn in the Group's own channels.

Building a strong brand has been our ambition for many years. In 2020, the bag collection went from being manufactured under license to becoming a product group designed by Björn Borg's internal product department. This makes it easier to maintain a consistent product line.

In terms of sustainability, the company's focus during the year was on becoming an even more sustainable supplier. AW21, which was introduced for sell-in in November 2020, offers only sustainably produced sports apparel and underwear. This means that all of the company's clothing delivered in autumn 2021 will qualify as sustainable alternatives.

Greater focus was put in 2020 on ensuring that external production partners around the world, despite the global pandemic, continued to deliver quality on time.

FOCUS GOING FORWARD

In 2021, the company will adapt to new conditions. A more efficient team will build on a collection that has never been stronger.

The focus will be on getting closer to the customer and offering the right products more efficiently. With a growing e-commerce business, the collections will change and the relationship with the consumer is expected to impact the way we work.

The sustainability work will result in more sustainably produced bags and shoes and a roadmap to reduce the climate impact of our production by another 30 percent by 2030 with 2021 as a baseline.



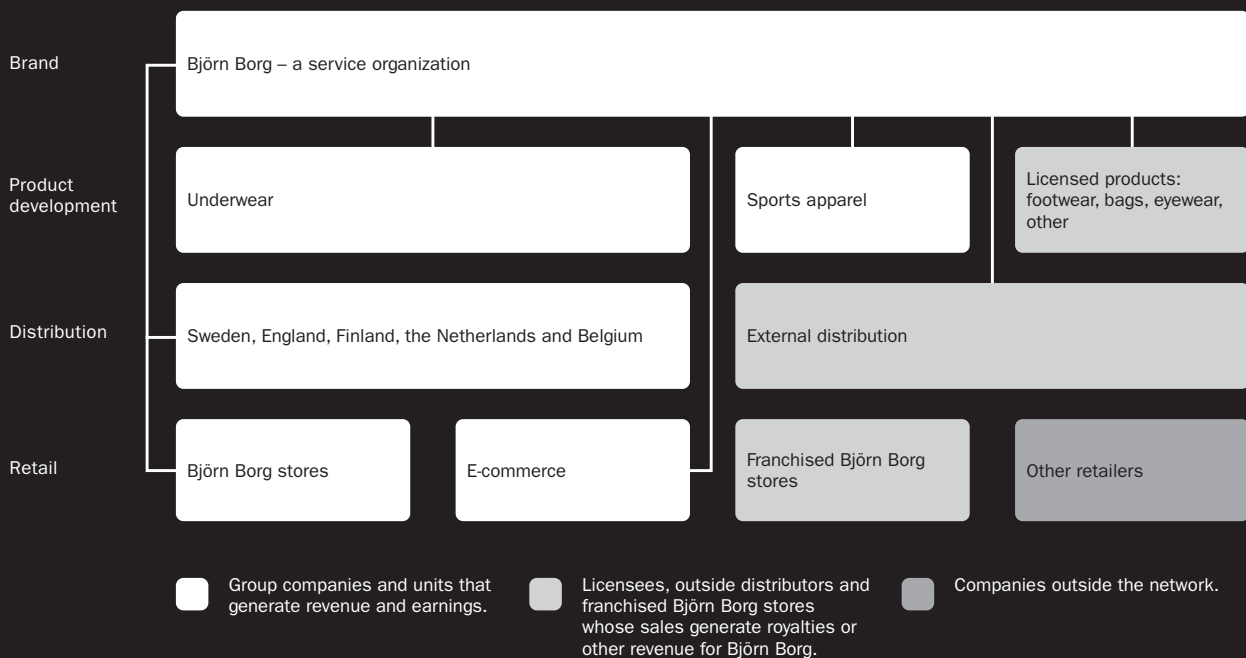
OPERATIONS

BUSINESS MODEL

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

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

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





BRAND

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

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

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

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

PRODUCT AREAS

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

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

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

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

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



DISTRIBUTION

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

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

OWN DISTRIBUTION

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

COOPERATION WITH EXTERNAL DISTRIBUTORS

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

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

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

RETAIL

Björn Borg products are sold in department stores, chains and individual retailers as well as through Group-owned and franchised Björn Borg stores and factory outlets. A growing share is sold in Björn Borg stores and through own and external e-commerce. This combination creates the right positioning in the upper mid-price segment while also generating high sales volumes.

The expansive network of retailers represents an important interface with consumers. In all, around 4,000 retailers sell Björn Borg underwear and sports apparel, including 1,220 in Sweden, 480 in Denmark, 550 in the Netherlands, 620 in Norway, 230 in Belgium, 230 in England and 620 in Finland. In smaller markets, around 840 retailers sell these products. In addition, there are around 1,870 retailers in the footwear segment in the Swedish and Finnish markets combined. Björn Borg products are sold by a total of around 6,700 retailers.

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

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

BJÖRN BORG STORES

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

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

E-COMMERCE

E-commerce enables Björn Borg as a brand to showcase the breadth of its product range, which makes it a directly measurable channel to spot the latest consumer trends. The sports apparel line again grew in weight in 2020, although underwear still accounts for a majority of sales. Björn Borg's own e-commerce sales rose during the year, and it still sees good growth opportunities. Looking ahead it will remain a priority sales channel.

E-tail continues to grow in both Björn Borg's own markets and markets where distribution is managed by external partners. Total sales from Björn Borg's own e-commerce and e-tailers amounted to SEK 228 million (195) during the year. Björn Borg will maintain a strong focus on e-tailers and virtual marketplaces going forward.

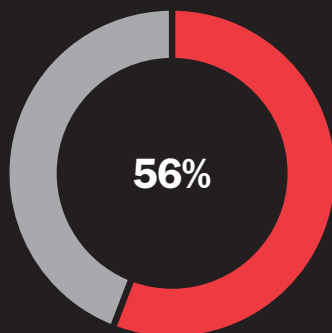
BJÖRN BORG STORES AS OF DEC. 31, 2020

	Group-owned	Franchises
Sweden	7	–
Netherlands	10	–
Belgium	3	–
Finland	9	–
Norway	–	3
Total	29	3

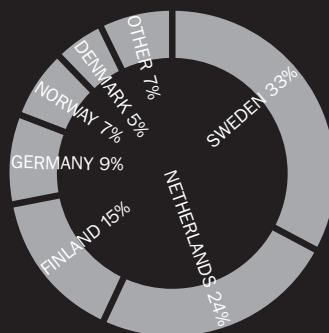
PRODUCT AREAS

UNDERWEAR

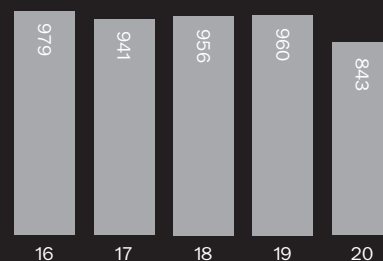
UNDERWEAR, SHARE OF TOTAL BRAND SALES 2020



UNDERWEAR, BRAND SALES BY COUNTRY 2020



UNDERWEAR, SALES TREND 2016-2020, SEK MILLION



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

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

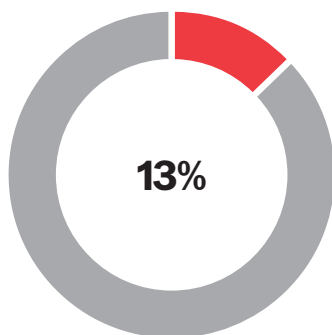
Brand sales in underwear decreased in 2020 to SEK 843 million (960) and the product area accounted for 56 percent (59) of total brand sales. Among large markets, Germany and Finland grew during the year, while Sweden, the Netherlands, Norway and Denmark decreased. Smaller markets such as Belgium reported growth, while England declined compared with 2019.

¹ Beskrivningar av de alternativa nyckeltalen, se sidan 93.

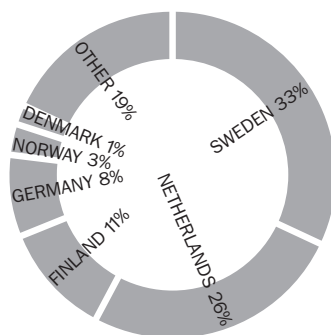


SPORTS APPAREL

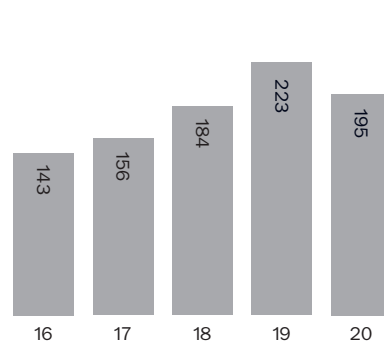
SPORTS APPAREL, SHARE OF TOTAL BRAND SALES 2020



SPORTS APPAREL, BRAND SALES BY COUNTRY 2020



SPORTS APPAREL, SALES TREND 2016-2020, SEK MILLION



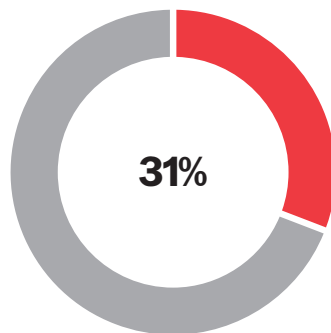
Björn Borg offers clothing collections for both women and men, mainly fashionable performance apparel in vibrant patterns. The product range comprises two main categories: *Performance* and *Sportswear*.

Today Björn Borg's sports apparel is sold in a total of 14 markets. Retailers include sports apparel and sporting goods chains, department stores, Björn Borg stores and e-commerce.

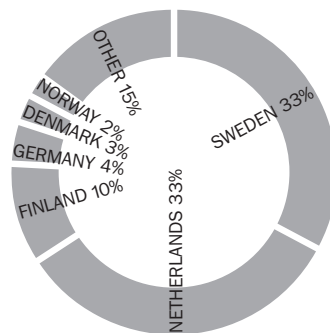


OTHER PRODUCTS

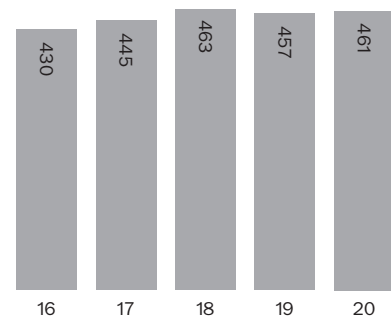
OTHER PRODUCTS, SHARE OF TOTAL BRAND SALES 2020



OTHER PRODUCTS, SALES BY COUNTRY 2020



OTHER PRODUCTS, SALES TREND 2016-2020, SEK MILLION



FOOTWEAR

The footwear product area, which is managed by an external licensee, offers a range of casual and sporty designer shoes for men and women – sold by independent retailers, footwear and sporting goods chains, department stores, major e-tailers, Björn Borg stores and online at www.bjornborg.com. In recent years, the licensee has expanded the business internationally to several markets. In 2020, Björn Borg shoes were sold in around twenty European markets, of which Sweden, the Netherlands, Finland and Belgium are the largest. Growth is targeted in Björn Borg's main markets in Northern Europe.

BAGS

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

EYEWEAR

Björn Borg's trendy frames are sold to opticians through the licensee's distribution organization. A line of sunglasses is sold as well through other categories of retailers such as fashion boutiques, department stores and Björn Borg stores.

OTHER PRODUCTS IN 2020

Total brand sales of other products amounted to SEK 461 million (457) in 2020, an increase of 1 percent compared with 2019. As a whole, other products accounted for 31 percent of total brand sales.

The footwear product area increased 6 percent to SEK 401 million (377), or 27 percent of brand sales. Other product areas – mainly bags and eyewear – reported an aggregate sales decrease of 25 percent to SEK 60 million (80). Together, they accounted for 4 percent of brand sales.



BORG / PERFORMANCE
STRAIVE FOR FULL POTENTIAL
STOCKHOLM SINCE 1988
RESEARCHED TRAINING GEAR

ADJUST
KNOT
WASH

BE
LAVINIA

BJÖRN BORG

KRAFTMARK

5 KG

KRAI

GEOGRAPHICAL MARKETS

LARGE MARKETS

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

SWEDEN

The Björn Borg trademark was registered in Sweden in 1989 and established in the Swedish apparel market in the first half of the 1990s. The first Björn Borg store was opened in Stockholm in 1994. Today Sweden accounts for 33 percent of total brand sales. Björn Borg products are sold by about 1,220 retailers around the country, through Björn Borg's seven stores, two of which are factory outlets, as well as through e-commerce. Today Björn Borg has broad distribution in the Swedish market, where all its product groups are represented. Further expansion at the retail level is done selectively with existing and new product categories such as sports apparel and performance wear. Brand sales fell 9 percent in 2020 compared with the previous year.

NETHERLANDS

As of January 2017, Björn Borg AB owns the former Benelux distributor. The acquisition was an important step to accelerate the vertical integration of Björn Borg's operations and is in line with the strategy to get closer to consumers and retailers in Björn Borg's main markets. The Netherlands was the Björn Borg brand's second largest market in 2020, with 27 percent of total brand sales. Operations in the country date back to 1993, when the brand quickly established a market position through growing volumes and a broad presence. Björn Borg products are currently sold by around 550 retailers and ten Björn Borg stores. Every product area is sold in the Dutch market, where brand sales decreased 17 percent during the year.

FINLAND

The brand was established in Finland in the second half of the 1990s and has developed strongly in recent years. Today Finland accounts for about 13 percent of total brand sales and is Björn Borg's third largest market. Underwear is the dominant product area, although footwear, sports apparel and bags are sold as well. Distribution is mainly through around 620 external retailers, but there are also nine Björn Borg stores in Finland, four of which are factory outlets. Brand sales in Finland increased 15 percent during the year.

GERMANY

Björn Borg was launched in Germany in spring 2016 and has quickly grown. Today Germany is Björn Borg's fourth largest market, with 7 percent of total brand sales. Underwear dominates the German market, although all the product areas are sold. Björn Borg's products are sold through around 40 external retailers as there are currently no Björn Borg stores in the country. Brand sales in the German market rose 27 percent compared with 2019.

BELGIUM

Björn Borg was launched in Belgium in the second half of the 1990s. Today Belgium is Björn Borg's fifth largest market, with 5 percent of total brand sales. Underwear dominates the Belgian market, although all the product areas are sold. Björn Borg's products are sold through around 230 retailers and three Björn Borg stores. Brand sales in the Belgian market decreased 4 percent compared with 2019.

NORWAY

The brand was launched in the Norwegian market in the early 1990s. Norway today accounts for 5 percent of total brand sales. Products are sold through about 620 retailers around the country and in three Björn Borg stores. All product groups are represented in Norway. Brand sales in the Norwegian market decreased 21 percent year-over-year.

DENMARK

Björn Borg was launched in Denmark in 1992 and today it accounts for 4 percent of total brand sales. Björn Borg products are sold exclusively through around 480 external retailers. There are currently no Björn Borg stores in the country. Every product area is represented in Denmark. In 2020, brand sales decreased 36 percent compared with 2019.

SMALLER MARKETS

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

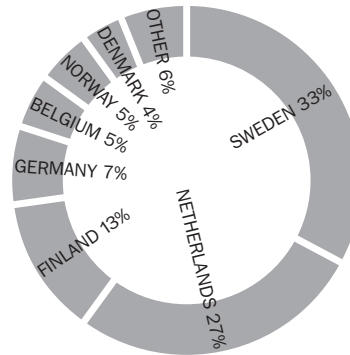
ENGLAND

Björn Borg was established in England in 2006 through a launch at the department store Selfridges in London. In 2011, Björn Borg started its own operations together with a local partner after the previous distributor was terminated. Distribution has since been broadened to include several other well-known retailers such as Harrods, John Lewis and House of Fraser, at the same time that more categories have been added such as sports apparel. In addition to external retailers, Björn Borg had its own factory outlet in England until September 2020, after which the store was closed. Brand sales in England decreased 27 percent in 2020 and accounted for 3 percent of total brand sales.

OTHER SMALLER MARKETS

Brand sales increased in many of the other smaller markets, with the exceptions of France and Italy, where sales declined. In total, other smaller markets increased 86 percent. Björn Borg has chosen to focus more on the markets it considers its key markets, i.e., Northern Europe.

BRAND SALES BY COUNTRY



BJÖRN BORG'S SUSTAINABILITY WORK

The umbrella term B. Tomorrow represents our journey to a sustainable future and every step we take in the organization to contribute to a better tomorrow. It also represents our hope to inspire others to do likewise. It stands for the idea that together we can make a difference. We can create a better tomorrow for humanity and the environment. In essence, it is a both vision and an approach.

People and the planet are the focus of everything we do internally. Through a materiality analysis, we have refined our most important aims, with additional focus areas within each aim – each area with its own targets.

Our aims are:

- Responsible production
- Reduced climate impacts
- Sustainable consumption, and
- Harmonious people

This year will go down in history. It has been shaped by personal tragedy, but also by hope. By opportunities to start over, do better. ESG issues affect our entire organization and feel more important than ever. We have found the energy to work even harder, and with a sharper focus. This year we reached the target to offer our first collection of exclusively sustainable products. At least 70% of the materials in the collection seen in stores in autumn 2021 are sustainably sourced. This is a milestone we did not expect to achieve for another two years. Now we are turning to new targets.

OUR TARGETS 2023

- 100% sustainable products in our clothing collections and bags
- 100% sustainable and easily recycled materials and designs in our packaging
- Meet Agenda 2030 targets to reduce greenhouse gases
- 100% sustainable import and export material in the supply chain
- Full transparency in tiers 1 and 2.

OUR COMMITMENT

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

- Reduce our wastes and dependency on finite resources.
- Hold ourselves accountable.
- Maintain sustainable production and sustainable design.
- Take full responsibility for ensuring that suppliers follow our guidelines to reduce their environmental impact and take social responsibility.
- Include sustainability criteria through the product's entire journey to the consumer.
- Full transparency.
- Always encourage consumers and other stakeholders to embrace high ethical standards and sustainability.

- Always try to be better, never stop looking for new solutions.

Our entire organization has specific sustainability targets, tailored to each specialty area. A large part of our sustainability work involves finding and introducing sustainable materials and manufacturing processes for our products, store interiors, packaging. By doing so, we reduce consumption of raw materials, water, chemicals and energy and contribute to a circular economy. By improving efficiencies and optimizing our logistical and warehousing solutions, we reduce transports in terms of both volume and distance, and in the process our carbon footprint

We began from zero in 2015 and the journey to a fully sustainable collection has been intense. But achieving ambitious goals gives us the energy to set the bar even higher. We continue to develop our products through the materials and processes we use, and by offering timeless design and high quality.

Our supply chain encompasses very few suppliers, which enables continuous dialogue and monitoring. We are dedicated to issues of social responsibility and occupational health and safety and set strict requirements in our supplier agreements, code of conduct and chemical restrictions that suppliers must follow. Björn Borg has been a member since January 2008 of the trade organization Amfori and applies Amfori BSCI's code of conduct. These rules follow the UN's principles on trade and human rights and the International Labour Organisation's conventions and declarations. Unannounced inspections are periodically conducted by independent audit firms to ensure compliance with the code.

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

We are also committed to creating the world's best workplace for our most important asset, our employees. The basic assumption is that good health through regular exercise leads to higher performance and well-being at every level. By making regular exercise mandatory during working hours and by monitoring performance, engagement and occupational health, we get a reading on the company's ability to support and engage.

More information on Björn Borg's sustainability work can be found in our sustainability report, which can be downloaded from our website:

<https://corporate.bjornborg.com/en/section/sustainability/>



EMPLOYEES AND ORGANIZATION

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

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

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

SHARED VALUES

Shared values play an important unifying function for Björn Borg, with its extensive international business and network of partners, but also for the brand's development. The values that define Björn Borg can be summarized as follows: *Passion, Empowering, Winning Attitude, Bold* and *Magnetic*. These five distinguish the way we work and all communication internally and externally.

The company's mission is that *"We inspire people to be more through our belief that sports can make our mind, souls and bodies become something more than what they are today and that anyone can become anything,"* which is a major driver that unites employees and a mission we take very seriously. Everyone at Björn Borg is treated equally and has the same opportunities regardless of race, ethnicity, age, religion, gender, sexual orientation or disability.

ORGANIZATION DURING THE YEAR

During the year, Björn Borg maintained very strong engagement despite the challenges due to restrictions necessitated by the Covid-19 pandemic. To mitigate the financial impact of the pandemic, nearly all the employees were furloughed for about a half year. In addition, terminations due to redundancies during the summer reduced the headquarters staff by about one fifth. The changes were implemented according to plan and with good results, largely thanks to strong employee engagement throughout the year. The company has performed a talent audit with the goal of ensuring clear lines of responsibility in the new organization and to identify additional areas to strengthen in the coming year. This is a long-term effort also aimed at creating a competence-oriented and stimulating work environment. Each employee has individual development goals in terms of both functional competency and personal well-being. Employees are offered various options to develop their professional and personal skills, where leadership, self-leadership and health are priority areas.

PERFORMANCE MANAGEMENT

A growing company requires a well-structured organization with clearly delegated responsibility. Björn Borg uses detailed job descriptions with measurable goals for every employee and takes a structured approach to creating an efficient environment where people thrive and perform well. The company has created a business plan (*Northern Star*) with clearly defined goals for the coming years, and in 2020 it was adjusted to remain relevant in the changing times that the industry is experiencing. Employees at every level of the organization have been involved, with support from senior management. The overarching goals have been broken down, with the same high degree of involvement, by department and individual, so that everyone in the company has clear goals and activities that lead to shared business goals. This is followed up through individual

reviews each month to maximize focus, development and results. In addition to strategic growth, the goals include improvements to the work environment, corporate culture and each individual's development professionally and personally ("Get better goal"). Every employee also has a personal health goal ("Get stronger goal"), which is tracked through individual tests a couple of times a year in collaboration with a professional personal trainer. Mental health is measured as well, with a focus on stress and work-life balance. Based on the outcomes, goals and action plans are set each year both at a group level and for each individual. Each employee also has a personal sustainability goal ("Get greener goal") to contribute to Björn Borg's sustainability work, with a focus on reducing climate impacts.

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

ORGANIZATION BY THE NUMBERS

The average number of Group employees was 192 in 2020, compared with 212 in 2019.

The average age was 35, and 64 percent were women and 36 percent men. Biologically, their average age is 27, eight years younger than their physical age, according to a fitness test of endurance, strength, flexibility and perceived well-being that all employees underwent during the year with a professional personal trainer, who also helped them set personal goals.

Employee engagement in the organization is very high (83 percent) and increased during the year in line with current goals. Confidence in management is very high (88 percent) in line with the company's aim, with a focus on lower-level management, which affects individual development and performance to a great extent. All departments have been involved in setting their own goals for improving results in coming years.

BJÖRN BORG BY THE NUMBERS





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FIVE-YEAR SUMMARY

FIVE-YEAR SUMMARY

SEK thousands	2020	2019	2018 ²	2017	2016
Income statement in summary					
Operating revenue	734,007	779,055	716,781	704,255	638,570
Operating profit	33,694	51,365	71,003	55,367	64,196
Profit after financial items	17,579	48,693	74,028	51,398	63,470
Profit for the year	18,833	38,947	59,886	37,372	46,897
Balance sheet in summary					
Intangible assets	232,094	232,538	232,234	228,353	208,492
Tangible non-current assets	16,580	18,127	15,390	15,392	9,277
Other long-term receivables	–	–	–	–	10,700
Deferred tax assets	15,761	14,958	23,228	22,530	13,452
Right-of-use assets	57,481	131,458	–	–	–
Inventory	123,357	128,424	139,564	109,770	67,477
Current receivables	103,510	144,706	144,112	111,534	153,913
Short-term investments	–	–	–	500	26,167
Cash & cash equivalents	70,235	29,002	36,388	52,620	48,948
Total assets	619,018	699,213	590,916	540,699	538,426
Equity	291,013	264,884	281,705	277,398	289,103
Non-current liabilities	–	–	3,824	22,925	17,273
Deferred tax liabilities	39,289	40,370	42,892	42,949	35,418
Non-current lease liability	35,701	96,137	–	–	–
Current liabilities	253,015	297,822	262,495	197,427	196,632
Total equity and liabilities	619,018	699,213	590,916	540,699	538,426
Key ratios ¹					
Gross profit margin, %	52.5	53.7	57.4	54.0	50.3
Operating margin, %	4.8	6.8	10.0	7.9	10.2
Profit margin, %	2.5	6.4	10.4	7.4	10.0
Return on capital employed, %	4.8	12.0	18.4	13.2	16.3
Return on average equity, %	6.8	14.3	21.5	13.1	16.3
Profit attributable to Parent Company's shareholders	18,333	38,948	60,128	37,099	47,361
Equity/assets ratio, %	51.8	46.9	47.7	51.3	53.7
Equity per share, SEK	11.57	10.53	11.20	11.03	11.50
Investments in intangible non-current assets	3,474	3,845	7,264	4,921	–
Investments in tangible non-current assets	5,490	8,732	6,486	7,868	5,231
Depreciation/amortization for the year	–40,846	–57,227	–8,877	–9,906	–6,797
Average number of employees	192	212	213	212	133
Data per share					
Earnings per share, SEK	0.75	1.55	2.39	1.48	1.88
Earnings per share (after dilution), SEK	0.75	1.55	2.39	1.48	1.88
Number of shares	25,148,384	25,148,384	25,148,384	25,148,384	25,148,384
Weighted average number of shares	25,148,384	25,148,384	25,148,384	25,148,384	25,148,384
Effect of dilution	–	–	–	–	–
Weighted average number of shares (after dilution)	25,148,384	25,148,384	25,148,384	25,148,384	25,148,384

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

² IFRS 16 Leases is applied prospectively as of 2019. This means that for previous years leasing is recognized according to IAS 17 Leases.

QUARTERLY DATA FOR THE GROUP

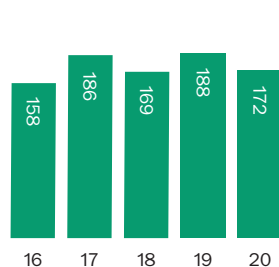
QUARTERLY DATA FOR THE GROUP

SEK thousands	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net sales	160,364	224,909	147,966	171,973	196,407	230,585	141,705	188,155
Gross profit margin, %	56.6	50.4	49.1	54.1	50.8	52.5	55.4	56.8
Operating profit	6,455	33,403	-13,410	7,246	1,432	33,065	-1,678	18,545
Operating margin, %	4.0	14.9	-9.1	4.2	0.7	14.3	-1.2	9.9
Profit (loss) after financial items	-5,744	32,951	-22,846	13,218	-2,566	34,140	-2,828	19,946
Profit margin, %	-3.6	14.7	-15.4	7.7	-1.3	14.8	-2.0	9.6
Earnings per share, SEK	0.05	1.02	-0.75	0.42	-0.11	1.07	-0.09	0.67
Earnings per share after dilution, SEK	0.05	1.02	-0.75	0.42	-0.11	1.07	-0.09	0.67
Number of Björn Borg stores at end of period	32	33	33	33	33	34	34	34
of which Group-owned Björn Borg stores	29	30	30	30	30	30	30	30
Brand sales	296,871	443,619	277,149	450,792	380,927	513,901	272,185	473,112

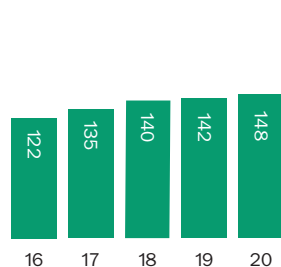
SEASONAL VARIATIONS

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

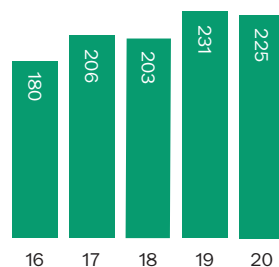
NET SALES 2016-2020, Q1, SEK MILLION



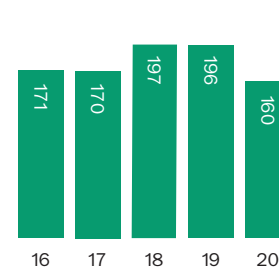
NET SALES 2016-2020, Q2, SEK MILLION



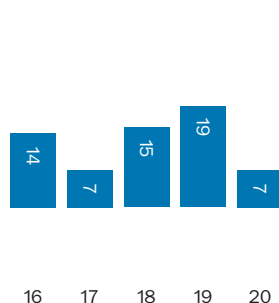
NET SALES 2016-2020, Q3, SEK MILLION



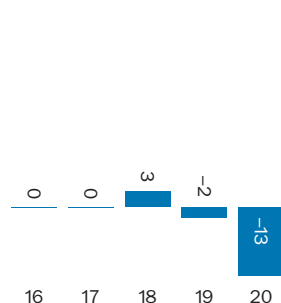
NET SALES 2016-2020, Q4, SEK MILLION



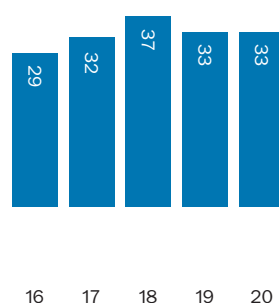
OPERATING PROFIT 2016-2020, Q1, SEK MILLION



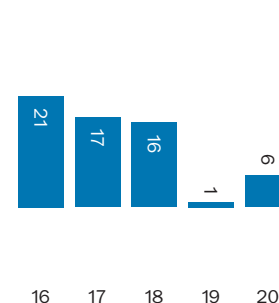
OPERATING PROFIT 2016-2020, Q2, SEK MILLION



OPERATING PROFIT 2016-2020, Q3, SEK MILLION



OPERATING PROFIT 2016-2020, Q4, SEK MILLION



BOARD OF DIRECTORS' REPORT

The Board of Directors and the CEO of Björn Borg AB (publ), company registration number 556658-0683, herewith present the annual report and consolidated financial statements for the financial year 2020.

OPERATIONS

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

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

BJÖRN BORG SHARE AND OWNERSHIP ANALYSIS

Björn Borg AB is listed on Nasdaq Stockholm. The total number of shares in Björn Borg is 25,148,384. There is only one class of share. The share capital amounts to SEK 7,858,870 and the quota value per share is SEK 0.3125. Each share carries one vote at the Annual General Meeting (AGM) and there are no limitations on how many votes each shareholder may cast at the AGM. Björn Borg had 8,456 shareholders at year-end. The largest shareholder as of December 31, 2020 was Martin Bjäringer, who directly and indirectly holds 9.9 percent of the shares in Björn Borg.

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

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

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

ANNUAL GENERAL MEETING

The Annual General Meeting 2020, which was held on June 30, 2020 in Stockholm, resolved to re-elect Alessandra Cama, Anette Klintfält, Fredrik Lövestedt, Mats H Nilsson and Heiner Olbrich as Directors. Göran Carlson and Christel Kinning declined re-election and stepped down from the Board of Directors. As a result, there are now a total of five directors. The AGM resolved to elect Heiner Olbrich as Chairman of the Board. The AGM also resolved that no dividend or other

distribution be paid for the financial year 2019 and gave the Board limited authorization to decide to issue new shares. The minutes of the AGM are available on Björn Borg's website.

BOARD WORK

In 2020, the Board held seven meetings, four of which were in connection with the quarterly financial reports and three by circulation. Further information on the Board's work and members' attendance at the meetings held during the year can be found in the corporate governance report on page 96. Note that the corporate governance report is a separate report, not part of the Board of Directors' report.

FINANCIAL GOALS

Björn Borg's long-term financial goals, which were most recently established in 2019, are as follows:

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

The company is maintaining these goals, but was not able to meet them in 2020 due to the financial impact of the coronavirus.

Comment on the financial objectives

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

DIVIDEND

The Board of Directors has proposed to the Annual General Meeting a distribution for 2020 of SEK 1.50 per share, corresponding to 200 percent 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 21, 2021.

The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 37.7 million (0.0). Against the backdrop of the uncertainty caused by the coronavirus, the Board of Directors proposed to the Annual General Meeting 2019 that no dividend or distribution be paid for the financial year 2019.

EVENTS IN 2020

Organization

The company has stated that the coronavirus outbreak has greatly changed the market and is negatively affecting the Björn Borg Group. The extent of this impact is difficult to assess, but the outbreak has had, and will continue to have, a material financial effect on the Björn Borg Group's business. We are currently seeing a major financial impact on our own stores with fewer visitors and a large decrease in sales. In particular, the company is seeing overall trends and/or regulatory decisions in the countries where it operates that are leading to, or may lead to, reduced demand in the retail market, potential disruptions to the distribution chain, unfavorable currency

impacts, payment difficulties by our customers and closed stores with reduced sales as a result. Such effects were already evident in spring 2020, where we at the end of March 2020 and in a large part the second quarter of 2020 closed all of our own stores in the Netherlands, Belgium and England as well as three stores in Finland. In the fourth quarter, we saw the same situation in the Netherlands and Belgium as well. The stores in Sweden have been open. The negative financial effects were greater in the second quarter than the first quarter, then eased in the beginning and middle of the third quarter before increasing again at the end of the third quarter and in the fourth quarter. The measures that the company has implemented to mitigate the financial effects of the coronavirus include short-term furloughs, renegotiated lease payments for the Group's own stores, an application to defer tax payments and overall reductions in operating expenses.

During the year, the company implemented a new product lifecycle management (PLM) system to manage product information. The implementation has been successful and will produce efficiencies in the integration between product information and enterprise system.

During the year, the enterprise system for the footwear business was upgraded to the same version as other companies within the Group, and now all legal entities use the same system.

The project to centralize and consolidate all inventory and distribution in a central warehouse with Nowaste in Helsingborg, Sweden was completed in 2020. The collaboration with the previous partner, DHL, has been terminated and Björn Borg now has only one central warehouse for the entire company.

Markets

The agreement with our external licensing partner for bags, Libro Fashion Works AB, was terminated during the year and Björn Borg has instead integrated these operations. The integration was an important step to accelerate Björn Borg's vertical integration and is in line with the strategy to get closer to consumers and retailers in key markets.

Another step in the vertical integration has been taken in the Danish market, where Björn Borg has established a new legal entity to integrate the Danish operations, which were previously managed by a distributor. Operational activities launch in 2021.

Björn Borg stores

During the year, a new outlet was opened in Netherlands, while two stores were closed: one in Sweden and one in England. At year-end, there were 32 (33) Björn Borg stores, 29 (30) of which are Group-owned.

THE GROUP'S DEVELOPMENT

Net sales

The Group's net sales for the full-year 2020 amounted to SEK 705.2 million (756.9), a decrease of 6.8 percent. Excluding currency effects, sales decreased 5.8 percent.

The negative sales trend compared with 2019 is largely due to lower net sales in the wholesale business, which was down 10 percent due to the coronavirus, specifically the wholesale business in the Netherlands and Belgium, which fell 29 percent. Other wholesale markets besides Germany and the footwear business also decreased year-over-year. On the other hand, we saw growth mainly in the German wholesale market, which continued a positive trend and rose by 49 percent, with mainly e-tailers showing strong growth. We also saw positive development in the footwear business, which was up 3 percent.

Sales for the retail company in Sweden fell 19 percent in total due to the coronavirus. Sales for comparable stores decreased 12 percent for the same reason. The retail companies in the Netherlands and Belgium reported lower net sales, down 26 percent in total and 31 percent for comparable stores, driven by the coronavirus. The Finnish retail company reported a substantial increase in year-over-year sales of 57 percent, while sales fell 18 percent for comparable stores. The year-over-year increase was driven by a higher number of stores, many in pop-up form to meet demand, while the decrease for comparable

FIVE-YEAR SUMMARY ¹

	2020	2019	2018	2017	2016
Net sales, SEK million	705.2	756.9	709.6	696.5	631.6
Operating profit, SEK million	33.7	51.4	71.0	55.4	64.2
Operating margin, %	4.8	6.8	10.0	7.9	10.2
Profit before tax, SEK million	17.6	48.7	74.0	51.4	63.5
Profit for the year, SEK million	18.8	38.9	59.9	37.4	46.9
Earnings per share, SEK	0.75	1.55	2.39	1.48	1.88
Earnings per share after dilution, SEK	0.75	1.55	2.39	1.48	1.88
Equity/assets ratio, %	51.8	46.9	47.7	51.3	53.7
Equity per share, SEK	11.57	10.53	11.20	11.03	11.50

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

stores is due to the coronavirus. Sales for the retail company in England dropped 63 percent, partly due to spreading coronavirus, but also because the company closed the store in England as of September 30, 2020. E-commerce saw growth of 38 percent, with better website conversion than the previous year.

Sales by external distributors decreased year-over-year, mainly due to a negative trend in the Danish market.

External royalties decreased, mainly in bags and eyewear, while we saw higher licensing revenue from footwear.

Profit

The gross profit margin for the full-year 2020 decreased to 52.5 percent (53.7). Exchange rates between SEK and both USD and EUR fluctuated fairly significantly during the year, but as a whole only marginally affected the gross profit margin. Adjusted for currency effects, the gross profit margin would have been 51.9 percent. The reason for the lower margin has more to do with increased discounts to retailers to mitigate the negative effects of the coronavirus outbreak.

Other operating revenue amounted to SEK 28.8 million (22.2) and mainly refers to unrealized gains on accounts receivable in foreign currency, which positively affected profit.

Operating expenses decreased SEK 11.9 million, or by 3.1 percent, mainly due to the company's own measures to reduce the financial impact of the coronavirus.

The lower revenue, coupled with the lower gross profit margin but with slightly lower operating expenses than the previous year, reduced operating profit to SEK 33.7 million (51.4). The operating margin was 4.8 percent (6.8).

Net financial items amounted to SEK -16.1 million (-2.7). The decrease compared with 2019 is mainly due to the remeasurement of financial assets and liabilities in foreign currency. Profit after tax decreased to SEK 18.8 million (38.9).

Investments and cash flow

The Group's cash flow from operating activities amounted to SEK 142.6 million (112.5) in the full-year 2020. The improvement from the previous year primarily came from improved working capital through lower accounts receivable.

Cash flow from investing activities was negative at SEK -9.0 million (-12.6). Large investments were in a product system update and the new headquarters.

Cash flow from financing activities amounted to SEK -90.3 million (-108.4). The year-over-year improvement primarily came from the elimination of the dividend to the shareholders.

Financial position and liquidity

The Björn Borg Group's cash & cash equivalents and investments amounted to SEK 70.2 million (34.3) at the end of the period, plus an unutilized overdraft facility of SEK 141 million (82.7). Interest-bearing net liabilities, excluding lease liabilities, amounted to SEK 28.8 million (128.2). The company has maintained a strong liquidity position and the lower net liability at the end of the year is mainly explained by a reduction in working capital. Total interest-bearing liabilities amounted to SEK 156.1 million (290.5), where total lease liabilities amounted to SEK 57.1 million (133.3), of which SEK 35.7 million represents the long-term share and SEK 21.4 million the short-term share.

The previous lease liability for the Group's headquarters has been remeasured, which has led to lower lease liabilities and a right-of-use asset of SEK 46 million. This was after the Group decided not to exercise the option to extend the lease on the previous headquarters and instead search for new premises.

The lease on the new headquarters took effect on January 1, 2021. The preliminary estimated lease liability and the right-of-use asset amount to approximately SEK 20.6 million.

The Group has also renegotiated some of its store leases to be strictly sales-based rents, which has also reduced the lease liability.

In addition to the revolving credit of SEK 150 million, where SEK 99 million was utilized as of December 31, 2020, Björn Borg has an overdraft facility of SEK 90 million from Danske Bank, which has not been utilized as of December 31, 2020. The fair value of financial instruments essentially coincides with book value.

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, 2020, the ratio was 0.70 (2.15) and the equity/assets ratio was 51.8 percent (46.9).

No changes were otherwise made with regard to pledged assets and contingent liabilities compared with December 31, 2019.

Related party transactions

Other than customary compensation (salary, bonuses and other benefits) to the CEO, senior executives and the Board of Directors, as well as intra-Group sales, transactions occurred with related parties during the period but not of a material nature.

SEGMENTS (FOR MORE INFORMATION, SEE NOTE 4)

Licensing

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

The segment's external operating revenue decreased in the full-year 2020 to SEK 14.0 million (15.5). The decrease is a result of lower brand sales of licensed products, with bags and eyewear accounting for most of that. Footwear saw growth, however. 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 decreased to SEK 12.5 million (13.4) for the full-year 2020. The decline is due to the lower external sales in the segment.

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 external operating revenue decreased in the full-year 2020 to SEK 44.7 million (50.3), down 11 percent from the previous year. The main reason was a year-over-year decrease in sales to both major distributor markets, Norway and Denmark, primarily driven by Denmark, which reported weak sales towards the end of the year.

Operating profit decreased to SEK 7.0 million (11.1) due to the lower external sales in the segment.

Wholesale

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

well as in Sweden, Finland and the Baltic countries for footwear.

The segment's external operating revenue amounted to SEK 464.4 million (516.2), a decrease of 10 percent. One reason for the decrease is that the company saw lower demand due to the impact of the coronavirus, especially in the Dutch and Belgian market. The Swedish, Finnish and English markets also saw decreases compared with the previous year. The German market and footwear business reported year-over-year growth. Sales to e-tailers, which primarily sell online, increased a combined 7 percent for the full-year 2020 to SEK 144.5 million (134.8). All markets except the Netherlands grew, with Sweden and Germany seeing strong growth.

Operating profit amounted to SEK 16.9 million (29.6) compared with the previous year, a decrease of SEK 12.7 million. The decrease is primarily due to lower sales combined with slightly lower gross profit margins, negatively affected by currencies, as well as higher discounts to retailers to mitigate the negative effects of the coronavirus.

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 29 stores and factory outlets in Sweden, Finland, the Netherlands and Belgium with sales of underwear, sports apparel, adjacent products and other licensed products. In addition, Björn Borg sells online through www.bjornborg.com.

External operating revenue in the Consumer Direct segment increased in the full-year 2020 to SEK 211.0 million (197.1), or by 7 percent. The increase is mainly due to a higher number of stores, mainly pop-ups opened in the summer, but also own e-commerce, which grew strongly in the year. The Group's own stores in Sweden declined 19 percent in total year-over-year, while comparable stores only fell 12 percent. The Benelux stores performed weakly with sales decreasing 26 percent in total and 31 percent for comparable stores. The Finnish stores, on the other hand, saw strong growth with a total year-over-year increase of 57 percent due to a higher number of stores, many in the form of pop-ups to meet demand. Comparable stores were down 18 percent, as these stores were partly closed for much of the second quarter. The store in England saw sales drop 63 percent from the previous year because the store closed as of September 30, 2020. In total, sales in the Group's own stores decreased 8 percent, while comparable stores fell 24 percent. This trend was offset by continued strong growth in the Group's own e-commerce, which was up 38 percent for the full-year 2020 compared with the previous year, mainly thanks to high website conversion.

The operating loss for the full-year 2020 was SEK -2.7 million (-2.7) mainly due to lower gross profit margins than the previous year, while external operating expenses decreased from the previous year due to the measures the company has taken to reduce the impact of the coronavirus.

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

Intra-Group sales

Intra-Group sales for the full-year 2020 amounted to SEK 481.3 million (495.9).

PERSONNEL

The competence, creativity and drive of Björn Borg's employees are important to the development of the brand and the Group

and are essential to our future success. Retaining current employees and attracting new professionals to the organization is therefore one of management's top priorities. The company's current compensation system comprises a base salary and an individual bonus system for certain key employees, where the bonus is paid out when individual performance targets are met. During the year, the company implemented furloughs and received support. They are recognized as a cost reduction under staff costs in the period that the costs which the support is intended to cover are recognized. During the period, SEK 4.5 million was recognized.

The average number of employees in the Group was 212 (213) for the twelve-month period ending December 31, 2020, of whom 66 percent (68) are women.

REMUNERATION GUIDELINES FOR THE CEO AND OTHER SENIOR EXECUTIVES

The Annual General Meeting on June 30, 2020 resolved that remuneration for the CEO and other members of senior management will comprise a base salary, variable compensation and other benefits, including a pension. In addition, the Annual General Meeting can, independent of the guidelines, resolve to pay share- and share price-based remuneration. Total compensation must be competitive given current market conditions and reasonable relative to each individual's responsibilities and authority. The variable compensation will be based on performance in relation to defined, measurable goals, designed to promote the company's business strategy and long-term value creation, and be maximized at 50 percent of the base salary under measurement period, which is normally one year. If terminated by the company, the notice period will not exceed six months. Severance will not be paid. Pension benefits are defined contribution.

RESEARCH AND DEVELOPMENT

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

BJÖRN BORG'S SUSTAINABILITY WORK AND RESULTS IN 2020

In 2015, sustainability was integrated for the first time in our business plan. Since then, we have worked actively to be better and today the entire organization has specific sustainability targets tailored to each specialty. After several years of hard work, primarily with integrating new sustainable materials and production processes for our clothing and reducing emissions from our transports, the 2023 plan gives all departments and individuals even clearer sustainability targets with frequent follow-ups during the year.

Our carbon footprint was reduced by 42 percent in 2019 versus comparable data from 2013. In 2020, our Scope 1 and 2 emissions in the GHG Protocol were reduced by 16 percent, and 2021 will be a baseline for setting targets to reduce emissions by an additional 30 percent by 2030. 2021 will also be the first year that we measure the entire GHG Protocol's Scope 3 after joining the Swedish Textile Initiative for Climate Action (STICA) in 2020. Our STICA membership commits us to the targets in the UN Climate Action in Fashion Initiative.

2020 presented many challenges with a streamlined organization and tighter budgets. In spite of this, we made major progress in our sustainability work during the year. In addition to climate work and designing our first entirely sustainable clothing collection, where a minimum of 70 percent of the fibers in every garment is sustainably sourced, we began the journey by introducing sustainable materials in our

bag line after the bag operations were integrated in the Group on January 1, 2020. We have also gotten established in our new, automated and environmentally friendly warehouse and moved to green headquarters. 95 percent of the cardboard in our packaging is now FSC certified, and we are especially pleased that our annual survey of employee engagement shows 83 percent motivation among our employees.

More information on Björn Borg's sustainability work can be found in the sustainability report required according to the Annual Accounts Act and in a separate climate report, which can be downloaded from <https://corporate.bjornborg.com/en/section/sustainability/>

RISKS, UNCERTAINTIES AND RISK MANAGEMENT

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

Financial risks

Through its operations, Björn Borg is exposed to currency, interest rate, credit and counterparty risks as well as liquidity and refinancing risks. The Board has decided how the Group will manage these risks; see Note 3. Furthermore, as the company has noted, the coronavirus outbreak has greatly changed the market and is negatively affecting the Björn Borg Group. The extent of the impact is difficult to assess, but the outbreak has had, and will continue to have, a material financial effect on the Björn Borg Group's business. The company is currently seeing a major financial impact on its own stores with fewer visitors and a large decrease in sales. In particular, the company is seeing that overall trends and/or regulatory decisions in the countries where it operates that are leading to, or may lead to, reduced demand in the retail market, potential disruptions to the distribution chain, unfavorable currency impacts, payment difficulties by our customers and closed stores with reduced sales as a result. Such effects were already evident in 2020, when the company for example closed all of its own stores in the Netherlands and Belgium as well as some stores in Finland. These effects impacted the provision for the company's expected credit losses. The company deems it as likely that the negative financial effects will continue in 2021. The company's liquidity remains good despite that the adverse effects mentioned above, because of which the company in the first half of 2020 periodically utilized part of the SEK 90 million overdraft facility it has with Danske Bank. As an added precautionary measure, the company applied for, and was granted, an additional short-term loan from Danske Bank of SEK 40 million between April and September 2020. Additional measures that the company has implemented to mitigate the financial effects of the coronavirus include short-term layoffs, renegotiated lease payments for the Group's own stores, an application to defer tax payments and overall reductions in operating expenses.

Market risks

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

Legal risks

Björn Borg sells consumer products. There is a risk that the products in question could be associated with safety risks or

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

Expansion of operations

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

Network

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

Fashion trends

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

Cyclicality

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

Protection for the Björn Borg trademark

The Björn Borg trademark is crucial to the company's position and success. Copyright infringements and distribution of pirated copies damage the Björn Borg brand, the reputational capital of Björn Borg products and Björn Borg's profitability. In

addition to the risks associated with pirating, the opportunity to expand to new markets could be affected if, for example, a third party in another country has registered a trademark similar to Björn Borg. The company works continuously with trademark protection. There are no guarantees, however, that the measures taken to protect the Björn Borg trademark are sufficient.

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

Reputational damage

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

OUTLOOK FOR 2021

As a policy, the company does not issue earnings forecasts. However, the coronavirus outbreak has greatly changed the market and is adversely affecting the Björn Borg Group. The extent of the impact is difficult to assess, but the outbreak has had, and will continue to have, a material financial effect on the Björn Borg Group's business. The company is currently seeing a major financial impact on its own stores with fewer visitors and a large decrease in sales. In particular, the company is seeing overall trends and/or regulatory decisions in the countries where it operates that are leading to, or may lead to, reduced demand in the retail market, potential disruptions to the distribution chain, unfavorable currency impacts, payment difficulties by our customers and closed stores with reduced sales as a result. Such effects were already evident in 2020, when the company for example closed all of its own stores in the Netherlands and Belgium as well as some stores in Finland. These effects impacted the provision for the company's expected credit losses. The company deems it as likely that the negative financial effects will continue in 2021.

PARENT COMPANY

Björn Borg AB (publ) is primarily engaged in intra-Group activities. As of December 31, 2020, the company also owns 100 percent of the shares in Björn Borg Brands AB, Björn Borg Footwear AB, Björn Borg Inc., Björn Borg Services AB, Björn Borg UK, Baseline, Björn Borg Finland Oy and Björn Borg Danmark Aps. In addition, the company owns 75 percent of the shares in Björn Borg (China) Ltd.

The Parent Company's net sales for the year amounted to SEK 102.1 million (102.5).

Profit before tax amounted to SEK -5.6 million (29.8) for the period. Cash & cash equivalents amounted to SEK 55.5 million (0) as of December 31, 2020.

PROPOSED DISTRIBUTION OF PROFIT

The following unappropriated earnings are at disposal of the Annual General Meeting:

Retained earnings, SEK	139,337,030
Profit for the year, SEK	-15,225,340
	124,111,690
The Board proposes that:	
Shareholders receive a distribution of SEK 1.50 per share, totaling SEK	37,722,576
Carried forward, SEK	86,389,114
	124,111,690

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

SEK thousands	Note	2020	2019
Net sales		705,211	756,853
Other operating revenue		28,796	22,202
Operating revenue	4, 5	734,007	779,055
Goods for resale		-335,228	-350,735
Other external expenses		-158,585	-151,768
Staff costs		-129,528	-150,467
Depreciation/amortization of tangible/intangible non-current assets		-40,846	-57,227
Other operating expenses		-36,127	-17,492
Operating profit	4, 6, 7, 8, 10, 12, 19, 20	33,694	51,365
Interest income and similar credits	12, 14	434	5,521
Interest expenses and similar charges	12, 14	-16,549	-8,193
Profit after financial items		17,579	48,693
Profit before tax		17,579	48,693
Tax on profit for the year	16	1,254	-9,745
Profit for the year		18,833	38,948
Profit for the year attributable to:			
Parent Company's shareholders		18,833	38,948
Non-controlling interests	30	-	-
Earnings per share before dilution, SEK	17	0.75	1.55
Earnings per share after dilution, SEK	17	0.75	1.55

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Note	2020	2019
Profit for the year		18,833	38,948
Components that may be reclassified to profit or loss			
Translation difference for the year		7,296	-5,472
Total other comprehensive income for the year¹		7,296	-5,472
Total comprehensive income for the year		26,129	33,476
Total comprehensive income for the year attributable to			
Parent Company's shareholders		26,129	33,475
Non-controlling interests	30	-	-28

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Note	Dec 31, 2020	Dec 31, 2019
ASSETS			
Non-current assets			
Intangible assets	18		
Goodwill		34,306	35,098
Trademarks		187,532	187,532
Other intangible assets		10,255	9,908
		232,093	232,538
Tangible non-current assets	19		
Property, plant and equipment		16,580	18,127
Right-of-use assets	11	57,481	131,458
		74,061	149,585
Deferred tax assets	16	15,761	14,958
		15,761	14,958
Total non-current assets		321,915	397,081
Current assets			
Inventory			
Trading book	21	122,833	127,828
Advance payments		524	596
		123,357	128,424
Current receivables			
Accounts receivable	22	83,627	124,805
Other current receivables		10,449	4,031
Prepaid expenses and accrued income	23	9,435	15,871
		103,511	144,706
Cash & cash equivalents			
Cash and bank balances	7, 24	70,235	29,002
		70,235	29,002
Total current assets		297,103	302,131
TOTAL ASSETS		619,018	699,213

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Note	Dec 31, 2020	Dec 31, 2019
EQUITY AND LIABILITIES			
Equity			
Share capital		7,859	7,859
Other paid-in capital		182,145	182,145
Reserves		-6,272	-12,973
Retained earnings		112,576	93,743
Equity attributable to Parent Company's shareholders		296,308	270,774
Non-controlling interests	30	-5,295	-5,890
Total equity		291,013	264,884
Non-current liabilities			
Deferred tax liabilities	16	39,289	40,370
Non-current liabilities to credit institutions	27	99,000	150,000
Non-current lease liability	11	35,701	96,137
		173,991	286,507
Current liabilities			
Accounts payable		77,245	55,862
Current lease liability	11	21,383	37,123
Current tax liabilities		12	4,377
Current liability to credit institution		-	7,242
Other current liabilities	24, 27	21,500	18,277
Accrued expenses and prepaid income	28	33,872	24,941
		154,013	147,822
Total liabilities		328,004	434,329
TOTAL EQUITY AND LIABILITIES		619,018	699,213

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousands	Note	Share capital	Share premium reserve	Translation reserve	Retained earnings	Non-controlling interests	Total equity
Opening balance, January 1, 2019		7,859	182,145	-7,529	105,092	-5,862	281,705
Total comprehensive income for the year		–	–	-5,444	38,948	-28	33,476
Transactions with shareholders							
Distribution for 2018 through share redemption	25	-3,929	–	–	-46,368	–	-50,297
Bonus issue		3,929	–	–	-3,929	–	--
Total transactions with shareholders		0	–	–	-50,297	–	-50,297
Closing balance, December 31, 2019		7,859	182,145	-12,973	93,743	-5,890	264,884
Opening balance, January 1, 2020		7,859	182,145	-12,973	93,743	-5,890	264,884
Total comprehensive income for the year		–	–	6,701	18,833	595	26,129
Transactions with shareholders							
Distribution for 2019 through share redemption	25	–	–	–	–	–	–
Total transactions with shareholders		0	0	0	0	0	0
Closing balance, December 31, 2020		7,859	182,145	-6,272	112,576	-5,295	291,013

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK thousands	Note	2020	2019
OPERATING ACTIVITIES			
Profit after tax		18,833	38,948
Income tax expensed through profit or loss		-1,254	9,745
Financial expenses and income recognized through profit or loss		16,115	2,672
Depreciation/amortization of tangible/intangible non-current assets		40,846	57,227
Other non-cash items		-5	-4,941
Interest received		434	23
Interest paid		-8,359	-1,236
Taxes paid		-13,252	-10,723
Cash flow from operating activities before changes in working capital		53,358	91,715
Changes in working capital			
Change in inventory		5,067	11,140
Change in accounts receivable		41,178	-5,682
Change in other receivables		-14,948	7,542
Change in accounts payable		21,384	-18,216
Change in other current liabilities		36,541	26,013
Change in working capital		89,222	20,797
Cash flow from operating activities		142,580	112,512
INVESTING ACTIVITIES			
Investments in intangible assets	18	-3,474	-3,845
Investments in tangible non-current assets	19	-5,490	-8,732
Cash flow from investing activities		-8,964	-12,577
FINANCING ACTIVITIES			
Loan proceeds		40,000	-
Amortization of loans		-91,000	-
Amortization of debt, former owner		-3,890	-
Amortization of debt, convertible		-	-18,153
Amortization of lease liability		-28,183	-47,218
Overdraft facility		-7,242	7,242
Distribution		-	-50,297
Cash flow from financing activities	32	-90,315	-108,426
CASH FLOW FOR THE YEAR		43,301	-8,491
Cash & cash equivalents at beginning of the year		29,002	36,388
Translation difference in cash & cash equivalents		-2,069	1,105
Cash & cash equivalents at year-end		70,235	29,002
Increase/decrease in cash & cash equivalents		41,233	-7,386

PARENT COMPANY'S FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

SEK thousands	Note	2020	2019
Net sales		102,144	102,502
Other operating revenue		1,059	2,499
Operating revenue	5	103,203	105,001
Goods for resale		-4	-2
Other external expenses		-43,690	-64,303
Staff costs		-35,932	-40,258
Depreciation/amortization of tangible/intangible non-current assets		-2,247	-2,096
Other operating expenses		-1,963	-1,305
Operating profit (loss)	4, 6, 7, 8, 10, 11, 18, 19	19,367	-2,963
Result from shares in subsidiaries	13	-7,831	37,725
Group contributions received		-9,610	15,761
Interest income and similar credits	14	1,827	3,610
Interest expenses and similar charges	14	-18,953	-8,610
Profit (loss) after financial items		-15,200	45,523
Appropriations	15	-	-429
Profit (loss) before tax		-15,200	45,094
Tax on profit (loss) for the year	16	-26	-2,073
Profit (loss) for the year		-15,226	43,021

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Note	2020	2019
Profit (loss) for the year		-15,226	43,021
Other comprehensive income		-	-
Total comprehensive income for the year		-15,226	43,021

PARENT COMPANY BALANCE SHEET

SEK thousands	Note	Dec 31, 2020	Dec 31, 2019
ASSETS			
Non-current assets			
Intangible assets	18		
Retained expenditures		4,741	6,449
		4,741	6,449
Tangible non-current assets	19		
Property, plant and equipment		1,764	1,010
		1,764	1,010
Financial non-current assets			
Deferred tax assets		8	11
Shares in Group companies	20	306,185	344,106
		306,193	344,117
Total non-current assets		312,698	351,576
Current assets			
Current receivables			
Accounts receivable	22	39	23
Receivables from Group companies		831,000	771,067
Other current receivables		1,929	235
Prepaid expenses and accrued income	23	3,515	8,499
		836,483	779,824
Cash & cash equivalents			
Cash and bank balances	24	55,450	0
		55,450	0
Total current assets		891,933	779,824
TOTAL ASSETS		1,204,631	1,131,400

PARENT COMPANY BALANCE SHEET

SEK thousands	Note	Dec 31, 2020	Dec 31, 2019
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		7,859	7,859
Share premium reserve		46,817	46,817
		54,676	54,676
Unrestricted equity			
Retained earnings		139,337	96,315
Profit (loss) for the year		-15,226	43,021
		124,111	139,336
Total equity		178,787	194,012
Untaxed reserves	26	1,038	1,038
Equity			
Deferred tax liability	16	–	–
Non-current liabilities			
Non-current liabilities to credit institutions	27	99,000	150,000
		99,000	150,000
Current liabilities			
Accounts payable		5,104	5,514
Current liability to credit institution		–	7,242
Due to Group companies		913,229	755,248
Other current liabilities		1,391	14,558
Accrued expenses and prepaid income	28	6,082	3,788
Total current liabilities		925,806	786,350
Total liabilities		1,024,806	936,350
TOTAL EQUITY AND LIABILITIES		1,204,631	1,131,400

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK thousands	Note	Share capital	Statutory reserve	Retained earnings	Total equity
Opening balance, January 1, 2019		7,859	46,817	146,613	201,288
Distribution for 2018 through share redemption	25	-3,929	-	-46,368	-50,297
Bonus issue		3,929	-	-3,929	-
Total comprehensive income for the period		-	-	43,021	43,021
Closing balance, December 31, 2019		7,859	46,817	139,337	194,012
Opening balance, January 1, 2020		7,859	46,817	139,337	194,012
Distribution for 2019 through share redemption	25	-	-	-	-
Total comprehensive income for the period		-	-	-15,226	-15,226
Closing balance, December 31, 2020		7,859	46,817	124,111	178,786

PARENT COMPANY STATEMENT OF CASH FLOWS

SEK thousands	Note	2020	2019
OPERATING ACTIVITIES			
Profit (loss) after tax		-15,226	43,021
Income tax expensed through profit or loss		26	2,073
Financial expenses and income recognized through profit or loss	14	17,126	5,000
Depreciation/amortization of tangible/intangible non-current assets	18, 19	2,247	2,096
Impairment of shares/receivable in subsidiary		45,554	-
Appropriations	15	-	429
Group contributions received, unpaid		-	-15,761
Group contributions issued, unpaid		9,610	-
Dividend received, unpaid	13	-37,723	-37,725
Interest received		943	249
Interest paid		-3,752	-3,340
Taxes paid		-11,051	-6,473
Cash flow from operating activities before changes in working capital		7,754	-10,431
CHANGES IN WORKING CAPITAL			
Change in accounts receivable		-16	47
Change in other receivables		-36,673	-38,693
Change in accounts payable		-410	-3,056
Change in other current liabilities		155,412	114,526
Change in working capital		118,313	72,824
Cash flow from operating activities		126,067	62,393
INVESTING ACTIVITIES			
Investments in tangible non-current assets	19	-1,247	-962
Investments in intangible non-current assets	18	-46	-2,501
Cash flow from investing activities		-1,293	-3,462
FINANCING ACTIVITIES			
Loan proceeds		40,000	-
Amortization		-91,000	-
Amortization of debt, former owner		-3,890	-
Amortization of debt, convertible		-	-18,153
Overdraft facility		-7,242	7,242
Distribution	25	-	-50,297
Cash flow from financing activities	32	-62,132	-61,208
CASH FLOW FOR THE YEAR		62,642	-2,277
Cash & cash equivalents at beginning of the year		-	2,143
Translation differences		-7,192	-134
Cash & cash equivalents at year-end		55,450	0
Increase/decrease in cash & cash equivalents		55,450	-2,143

SUPPLEMENTARY DISCLOSURES

NOTE 1 ACCOUNTING PRINCIPLES

GENERAL

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

The Parent Company operates as a limited liability company with its registered address in Solna. The headquarters address is Frösundavägs allé 1, SE-169 70 Solna, Sweden. The Parent Company's share is listed on Nasdaq OMX in Stockholm. A list of the largest individual shareholders as of December 31, 2020 is provided on page 91 of this annual report. The annual report was approved by the Board of Directors and the CEO on April 16, 2021 and adopted by the Annual General Meeting of the Parent Company on May 18, 2021.

ACCOUNTING AND VALUATION PRINCIPLES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the EU as of December 31, 2020. The Group also applies the Swedish Financial Reporting Board's recommendation RFR 1 and 2 Supplementary Accounting Regulations for Groups, which specifies the disclosures that are required in addition to IFRS according to the provisions of the Annual Accounts Act. The Parent Company's functional currency is the Swedish krona (SEK), which is also the Group's reporting currency. All amounts are in SEK thousands unless indicated otherwise. The consolidated financial statements have been prepared in accordance with the cost method, other than financial assets including derivatives, which are measured at fair value through profit or loss. The Group's critical accounting principles are described below.

REVISED ACCOUNTING PRINCIPLES 2020

New and revised standards as well as new interpretations that apply as of January 1, 2020 have not had a material impact on the Group's financial reports. Revisions to RFR 2 applicable as of January 1, 2020 have not had a material impact on the Parent Company's financial reports. During the period, the Group recognized subsidies received from the government tied to COVID-19. Government support is recognized in the income statement when it is reasonably certain that the terms associated with the support will be met and that the support will be received.

AMENDMENT TO IFRS 16 – COVID-19-RELATED RENT CONCESSIONS

The amendment refers to rent concessions directly related to COVID-19 and is an optional exemption from the rules on modifying leases in IFRS 16. This exemption applies only to the lessee; the lessor's accounting is not affected. The EU adopted this amendment on October 12, 2020. The conditions that must be met for the amendment to apply are that the lease payments are essentially unchanged or lower than before the change, the reduction relates to lease payments due on or before June 30, 2021 and there is no substantive change to other terms and conditions of the lease. The concession rule is optional to apply. If the lessee chooses to apply the rule, a rent reduction that meets the criteria is accounted for as a negative variable lease payment in the same period in which the concession occurs. The lease liability is adjusted correspondingly, i.e., the negative variable payment attributable to the COVID-19-related rent concession. The Group has received COVID-19-related rent concessions for 3 months for rented premises in Sweden, Finland, Belgium and the Netherlands. The concession has been recognized as a negative variable payment in profit or loss and reduced the lease liability by SEK 1,363 thousand.

Other changes in IFRS standards or statements from IFRIC that are applied for the financial year 2020 have not affected the Group's financial reports.

NEW ACCOUNTING PRINCIPLES AS OF 2021

Amendments to the interest rate benchmark reform

Phase 2 of the amendments to IFRS 9, IFRS 7, etc. applies to the interest rate benchmark reform as of 1 January 2021. Briefly, the changes make it possible for companies to reflect the effects of the transition from benchmark rates such as "STIBOR" to other benchmark rates without giving rise to accounting effects that would not provide useful information to users of financial statements. The Group is affected by the interest rate benchmark reform primarily in the exposure to "IBOR" in its external as well as internal funding. The exposure to IBOR is limited to maximum external funding of SEK 150 million (where SEK 99 million was utilized as of December 31, 2020). Internal funding amounted to SEK 66 million as of December 31, 2020, but the company is monitoring the changes and their impact.

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

CONSOLIDATED FINANCIAL STATEMENTS

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

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

The purchase price also includes the fair value on the acquisition date of the assets and liabilities that are the result of an agreement on contingent consideration. Changes in the fair value of contingent consideration that arise when additional information is received after the acquisition date on facts and conditions that existed on the acquisition date qualify as adjustments during the measurement period and are applied retroactively, with a corresponding adjustment to goodwill. All other changes in the fair value of contingent consideration classified as an asset or liability are recognized in accordance with the applicable standard.

Contingent consideration classified as equity is not remeasured and any subsequent settlement is recognized in equity. Contingent liabilities assumed in an acquisition are recognized if they are existing commitments that stem from events which have occurred and whose fair value can be reliably estimated. In an acquisition where the sum of the purchase price, any non-controlling interests and the fair value on the acquisition date of the previous shareholding exceeds the fair value on the acquisition date of identifiable acquired net assets, the difference is recognized as goodwill in the statement of financial position. If the difference is negative, it is recognized as a gain on an acquisition at a low price directly in profit after a revaluation of the difference.

The accounting principles used by subsidiaries are adjusted where necessary to ensure consistency with the principles applied by other Group entities. All intercompany transactions and balances are eliminated in the

preparation of the consolidated financial statements. Unrealized losses are also eliminated unless the transaction provides evidence of impairment.

NON-CONTROLLING INTERESTS

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

TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

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

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

REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

1. *Revenue in the Distributor segment*
The Group-owned product companies for the product areas underwear and sports apparel generate revenue for Björn Borg from product sales to distributors. The revenue is recognized upon delivery in accordance with the sales terms, which is the point of time when controls transfers to the buyer. The distributors have no right to returns or significant volume discounts. Payment terms are normally 10 days.
2. *Revenue in the Consumer Direct segment*
Group-owned Björn Borg stores and the web shop generate revenue for Björn Borg from sales to consumers. Retail purchases are usually made by credit or debit card. Revenue is recognized when the stores report their sales, which coincides with the point of time when control is transferred to the consumer. Provisions for returns are based on the Group's collective experience with returns and historical data.
3. *Revenue in the Wholesale segment*
The Group-owned distribution companies for the product areas underwear and footwear generate revenue for Björn Borg from product sales to retailers. Revenue is recognized upon delivery to the retailer, which coincides with the point of time when control is transferred to the

retailer. Björn Borg applies various discount structures such as key account discount and volume discount. General payment terms are 30 days, but also 60 and 90 days exist in specific cases. Björn Borg does not apply open purchase and the possibility of returns is not available.

4. *Revenue in the Licensing segment*

Royalty revenue is generated through the sale of Björn Borg products by distributors (Group-owned and independent) and the product companies to retailers, and is calculated as a percentage of these sales. Royalties are recognized at the same time as the distributor's sale at the wholesale level.

INTEREST INCOME AND DIVIDEND REVENUE

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

LEASING

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

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

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

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

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

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

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

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

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

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

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

EMPLOYEE BENEFITS

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

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

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

TAXES

The Group's total tax expense consists of current tax and deferred tax. Current tax is the tax paid or received for the current year and any adjustments to current tax in prior years. Deferred tax is calculated on the difference between the tax bases of the company's assets and liabilities and their carrying amounts. Deferred tax is recognized using the balance sheet approach. Deferred tax liabilities are normally recognized for all

taxable temporary differences, while deferred tax assets are recognized to the extent it is probable that the amounts can be offset against future taxable surpluses.

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

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

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

INTANGIBLE ASSETS

Goodwill

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

Tenancy rights

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

Trademarks

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

Website development

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

TANGIBLE NON-CURRENT ASSETS

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

IMPAIRMENT

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

INVENTORY

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

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

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

FINANCIAL ASSETS AND LIABILITIES

Recognition in and derecognition from the statement of financial position

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

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

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

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

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

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

Impairment (IFRS 9 Financial Instruments)

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

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

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

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

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

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

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

Cash & cash equivalents

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

Financial liabilities

Accounts payable and loan liabilities are categorized as "Financial liabilities," which means that they are recognized at amortized cost. The anticipated maturity of accounts payable is short, due to which the liability is carried at the nominal amount without discounting. Liabilities to credit institutions, funding, overdraft facilities and other liabilities (loans) are initially recognized at fair value, net after transaction costs. Loans are subsequently carried at amortized cost. Amortized cost is calculated with the help of the effective interest rate method, which means that any premiums and discounts as well as directly related transaction costs are accrued over the life of the agreement with the help of the estimated effective interest rate. The effective rate is the interest rate that produces the instrument's cost through a present value calculation of future cash flows. Non-current liabilities have an expected maturity of more than one year, while current liabilities have a maturity of less than one year.

Amortized cost and effective interest rate

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

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

Estimation of fair value of financial instruments

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

Set-off of financial assets and liabilities

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

SHARE CAPITAL

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

PROVISIONS

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

Restructuring

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

STATEMENT OF CASH FLOWS

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

PARENT COMPANY'S ACCOUNTING PRINCIPLES

The annual report of the Parent Company has been prepared according to the *Annual Accounts Act*, the Swedish Financial Reporting Board's recommendation RFR 2 *Accounting in Legal Entities* and statements from the Swedish Financial Reporting Board. RFR 2 means that the Parent Company, in the annual report for the legal entity, must apply all EU-approved IFRS and pronouncements as far as possible within the framework of the *Annual Accounts Act* and the *Pension Obligations Vesting Act*, taking into account the connection between reporting and taxation. The recommendation specifies the exemptions from and additions to IFRS. Differences between the accounting principles of the Group and the Parent Company are indicated below.

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

Intangible assets

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

Taxes

The amounts allocated to untaxed reserves constitute taxable temporary differences. Because of the relationship between recognition and taxation, the deferred tax liability attributable to untaxed reserves is not recognized separately by the legal entity. Swedish practice requires changes in untaxed reserves to be recognized through profit or loss in individual companies under the heading "Appropriations." The accumulated value of provisions is reported in the balance sheet under the heading "Untaxed reserves," of which 21.4 percent is considered a deferred tax liability and 78.6 percent restricted equity.

Shares in subsidiaries

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

Group contributions

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

Leased assets

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

Financial guarantees

The Parent Company applies the exemption in RFR 2 and recognizes financial guarantees, e.g., guarantee commitments, according to the rules for provisions.

NOTE 2 CRITICAL ESTIMATES AND ASSUMPTIONS

CRITICAL ESTIMATES AND ASSUMPTIONS FOR ACCOUNTING PURPOSES

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

Taxes

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities and their value for tax purposes. There are primarily two types of assumptions and estimates that affect reported deferred tax, i.e., those used to determine the carrying amount of various assets and liabilities and those used to determine future taxable gains in cases where future utilization of deferred tax assets is dependent on this. The carrying amount as of December 31, 2020 was SEK 15,761 thousand (14,958). The portion of the tax assets which refers to tax loss carryforwards in the balance sheet is the value that is dependent on future profits in the companies and markets with the historical losses. The valuation of this asset is based on management's assessment of the ability of these units to generate profits and, consequently, utilize the deductions. There are other tax loss carryforwards as well which are not recorded in the accounts but whose value could increase if these units perform better than expected or decrease if they underperform. For more information, see Note 16.

Impairment testing of goodwill and trademarks

Impairment testing of the Group's goodwill and the carrying amount for trademarks requires estimates and assumptions regarding margins, growth, discount rates, etc. For a more detailed description of impairment testing, see Note 18. The carrying amount for trademarks and goodwill as of December 31, 2020 amounted to SEK 221,838 thousand (222,630).

Recognition of trademarks

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

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

Inventory

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

Accounts receivable

Accounts receivable are assets with fixed payments under agreements. The receivables are tied to the Group's deliveries of goods and services and are dependent on their quality, and are measured at amortized cost. The receivables are recognized at gross value reduced by a reserve for expected credit losses. The reserve is calculated with the help of a matrix based on historical losses with adjustments for current and forward-looking factors. Estimates and assumptions are made individually for accounts receivable but also collectively when projecting how past experience could affect future developments. Actual outcomes of future sales prices and costs to implement the sale may deviate from assessments and estimates that have been made.

Right-of-use assets

For estimates of right-of-use assets, see Note 11. When the Group signs a lease, a determination is made whether it is reasonably certain that the extension option will be exercised. In its determination, the Group weighs all relevant facts and circumstances that create an economic incentive, e.g., contractual terms for extension periods compared with market-rate rents, significant leasehold improvements that have been (or are expected to be) made, expenses that arise when the lease is terminated such as negotiating and relocation expenses, and the importance of the underlying asset to the business. A reassessment is made when an important event has occurred beyond the Group's control. At the latest, however, the lease is extended on the date of automatic extension (if neither party has terminated the lease).

NOTE 3 FINANCIAL RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT AND FINANCIAL DERIVATIVES

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

CURRENCY RISK

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

Transaction exposure

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

Commercial transaction exposure refers to exposure attributable to purchases and sales in foreign currency. The Group's largest currency exposure is against USD and EUR, where USD affects the cost of goods, while EUR primarily affects sales and overhead. The Group's transaction risk arises because Björn Borg mainly sells in SEK and EUR and buys primarily in USD and EUR. Sales in EUR amount to 42 percent (44). About 2 percent (3) of the Group's sales is in USD, which eliminates a portion of the transaction risk. Björn Borg did not use any derivatives to manage this currency risk in 2020. Realized and unrealized exchange rate differences affected operating profit negatively by SEK -8,433 thousand (1,628) during the year.

Financial transaction exposure refers to the exposure attributable to loans and investments in foreign currency. Björn Borg has previously invested in corporate bonds in foreign currency. Since the bond loan has been fully repaid and the bond portfolio fully divested, the remaining financial transaction exposure consists of cash & cash equivalents in foreign currency.

Translation exposure

Fluctuations in foreign exchange rates affect the Group when the net assets of foreign subsidiaries are translated to SEK. Translation differences are recognized in other comprehensive income and accumulated in equity. Björn Borg is primarily exposed to changes in EUR, USD, GBP and CNY. Björn Borg has chosen not to hedge the translation exposure. The exposure as of December 31, 2020 amounted to EUR -810 thousand (-1,030), USD -1,190 thousand (-1,190), GBP -4,270 thousand (-4,290) and CNY -5,130 (-5,130).

SENSITIVITY ANALYSIS

Commercial transaction exposure

In 2020, the Björn Borg Group was affected by fluctuations in both euro and dollar.

The table below describes the impact of the two currencies on the Björn Borg Group's revenue, operating profit and equity based on the current business model. The effect of a change in the USD has only a marginal effect on sales, but a strong impact on operating profit and equity since the cost of goods sold is affected by the US dollar's fluctuation as about 53 percent (46) of purchases is in USD. The net effect of a change in EUR has a significant impact on sales since nearly half of the Group's sales is in EUR and a strong impact on operating profit and equity mainly thanks to higher sales. Several other factors also affect the transaction exposure going forward, including each operating segment's share of total sales, distribution and marketing costs, and what the exchange rate is at the point when the products are shipped.

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

ESTIMATED CURRENCY EFFECT

2020	%	Estimated effect on revenue, %	Estimated effect on operating profit, %	Estimated effect on equity, %
Stronger USD vs. SEK	10	0.3	-45.7	-4.6
Weaker USD vs. SEK	-10	-0.3	45.7	4.6
Stronger EUR vs. SEK	10	4.7	21.9	5.5
Weaker EUR vs. SEK	-10	-4.7	-21.9	-5.5

ESTIMATED CURRENCY EFFECT

2019	%	Estimated effect on revenue, %	Estimated effect on operating profit, %	Estimated effect on equity, %
Stronger USD vs. SEK	10	0.3	-26.9	-4.1
Weaker USD vs. SEK	-10	-0.3	26.9	4.1
Stronger EUR vs. SEK	10	4.9	15.4	5.7
Weaker EUR vs. SEK	-10	-4.9	-15.4	-5.7

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

Financial transaction exposure

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

ESTIMATED CURRENCY EFFECT

2020	%	Estimated effect on profit, SEK thousands	Estimated effect on equity, SEK thousands
EUR	+/-10	+/-4,484	+/-3,524
USD	+/-10	+/-7,400	+/-5,816
GBP	+/-10	+/-49	+/-38
NOK	+/-10	+/-4	+/-3

ESTIMATED CURRENCY EFFECT

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

Translation exposure

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

ESTIMATED CURRENCY EFFECT

2020	%	Estimated effect on equity, SEK thousands
EUR	+/-10	+/-1,000
USD	+/-10	+/-1,000
GBP	+/-10	+/-5,000
CNY	+/-10	+/-1,000

ESTIMATED CURRENCY EFFECT

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

PRICE RISK

Price risk refers to the risk that the fair value of or future cash flows from a financial instrument vary due to changes in market prices (other than those that derive from interest rate or currency risk). The Björn Borg Group has no investments in financial instruments, because of which there is no price risk in the Group.

INTEREST RATE RISK

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

As of December 31, 2020, interest-bearing assets in the form of bank balances amounted to SEK 70,235 thousand (29,002). Interest-bearing assets related to bank balances primarily carry variable interest rates, because of which changes in market interest rates lead to higher or lower future interest income.

A change in market interest rates of one percentage point would impact the Group's net interest income and expenses for outstanding assets by about SEK +/-640 thousand (150) on the closing day, based on average interest-bearing assets in 2020. The effect on equity would have been about SEK +/-500 thousand (120).

Moreover, there is an interest rate risk associated with the SEK 150 million credit facility and SEK 90 million overdraft facility which Björn Borg obtained from Danske Bank. The interest rate is variable and corresponds to the 3-month STIBOR plus a margin. As of December 31, 2020, Björn Borg had utilized SEK 99 million of the credit facility, while the overdraft facility was not utilized on the same date. An increase in the 3-month STIBOR of 1 percentage point would, all else being equal, increase Björn Borg's interest expenses by SEK 990 thousand per year (1,572). A decrease of 1 percentage point would result in a corresponding decrease given that STIBOR is not negative. Equity would be affected correspondingly by about SEK +/-778 thousand (1,226).

CREDIT AND COUNTERPARTY RISKS

The Group's credit and counterparty risks consist of exposures to commercial and financial counterparties. Credit or counterparty risk refers to the risk of a loss if the counterparty does not meet its obligations. According to the decision of the Board of Directors, this risk will be limited by accepting only counterparties with high credit ratings and by setting limits. Björn Borg's commercial credit risk mainly consists of accounts receivable, which are distributed among a large number of counterparties. Credit risk vis-à-vis financial counterparties is limited to financial institutions with high credit ratings.

The following table shows the Björn Borg Group's credit risks as of December 31, 2020.

THE BJÖRN BORG GROUP'S OUTSTANDING CREDIT RISK AS OF DEC. 31, 2020

	Group		Parent Company	
SEK thousands	2020	2019	2020	2019
Accounts receivable, external	83,627	124,805	39	23
Accounts receivable, internal	–	–	13,400	13,677
Cash and bank balances	70,235	29,002	55,450	–
	153,862	153,807	68,889	13,700

LIQUIDITY AND REFINANCING RISKS

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

Björn Borg has a three-year revolving credit of SEK 150 million with Danske Bank. In addition to the revolving credit, Björn Borg has an overdraft facility of SEK 90 million with Danske Bank, which was not utilized as of December 31, 2020. As a commitment for the overdraft facility and the three-year revolving credit, the company has pledged to ensure that the ratio between the Group's net debt and 12-month rolling operating profit before depreciation and amortization as of the last day of each quarter does not exceed 3.00. Further, the Group shall at any given time maintain an equity/assets ratio of at least 35 percent.

Maturity analysis of the Björn Borg Group's outstanding receivables and liabilities as of Dec. 31, 2020 (contractual and undiscounted cash flows):

MATURITY ANALYSIS OF THE BJÖRN BORG GROUP'S OUTSTANDING ASSETS AND LIABILITIES AS OF DEC. 31, 2020

Dec 31, 2020	Up to 3 mos.	3-12 mos.	1-5 yrs.	Over 5 yrs.
Accounts receivable, external	83,627	–	–	–
Other receivables	10,449	–	–	–
Cash and bank balances	70,235	–	–	–
Other liabilities	–	–55,384	–	–
Accounts payable	–77,245	–	–	–
Non-current liabilities to credit institutions	–	–	–99,000	–
Total	87,065	–55,384	–99,000	–

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

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

CAPITAL

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

As a commitment for the overdraft facility and the three-year revolving credit, the company has pledged to ensure that the ratio between the Group's net debt and 12-month rolling operating profit before depreciation and amortization as of the last day of each quarter does not exceed 3.00. Further, the Group shall at any given time maintain an equity/assets ratio of at least 35 percent. As of December 31, 2020, the ratio was 0.70 (2.15) and the equity/assets ratio was 51.8 percent (46.9).

NOTE 4 SEGMENT REPORTING

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

WHOLESALE

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

CONSUMER DIRECT

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

DISTRIBUTORS

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

LICENSING

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

Note 4, continued

2020							
SEK thousands	Wholesale	Consumer Direct	Distributors	Licensing	Total	Eliminations	Group
Revenue							
External sales	464,394	210,986	44,667	13,960	734,007	–	734,007
Internal sales	2,244	89	410,210	68,785	481,328	–481,328	–
Total revenue	466,638	211,075	454,877	82,745	1,215,335	–481,328	734,007
Operating profit	16,904	–2,686	6,955	12,521	33,694	–	33,694
Interest income and similar credits							434
Interest expenses and similar charges							–16,549
Profit before tax							17,579
Non-current assets	414,677	142,971	38,179	11,477	607,304	–285,390	321,914
Inventory	89,431	45,129	–	–	134,560	–11,203	123,357
Other current assets	2,379,942	575,535	209,806	40,550	3,205,833	–3,032,086	173,747
Total assets	2,884,050	763,635	247,985	52,027	3,947,697	–3,328,679	619,018
Other liabilities	2,896,146	799,629	212,999	37,554	3,946,328	–3,618,323	328,005
Total liabilities	2,896,146	799,629	212,999	37,554	3,946,328	–3,618,323	328,005
Investments in tangible and intangible non-current assets	3,770	5,252	307	29	9,358	–394	8,964
Depreciation/amortization	–28,920	–9,834	–548	–162	–39,464	–1,382	–40,846

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

Note 4, continued

RECONCILIATION BETWEEN OPERATING PROFIT AND PROFIT FOR TAX PURPOSES

The difference between operating profit for segments for which information is disclosed, SEK 33,694 thousand (51,365), and profit before tax, SEK 17,579 thousand (48,693), is net financial items, SEK –16,115 thousand (–2,672).

INTERNAL PRICING

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

ELIMINATIONS

The column for eliminations refers strictly to internal transactions.

GEOGRAPHICAL AREAS

SEK thousands	Sweden		Netherlands		Finland		Other		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net sales	268,325	271,512	164,058	209,853	118,880	109,692	153,948	165,795	705,212	756,853
Assets	229,533	245,468	140,340	189,724	101,693	99,170	131,691	149,893	603,257	684,255
Investments	3,504	3,205	3,594	2,775	1,559	5,055	307	1,542	8,964	12,577

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

NOTE 5 REVENUE DISTRIBUTION

NET SALES AND OTHER OPERATING REVENUE

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Wholesale	464,394	516,238	–	–
Consumer Direct	210,986	197,066	–	–
Distributors	44,667	50,284	–	–
Licensing	13,960	15,468	–	–
Other operating revenue	–	–	103,203	105,001
Total revenue	734,007	779,055	103,203	105,001

The Group's other operating revenue mainly consists of currency revaluations of monetary items (assets and liabilities) with the exception of cash & cash equivalents or loans as well as invoiced expenses.

The Parent Company includes other operating revenue of SEK 1,059 thousand (2,499), largely consisting of invoiced expenses.

Outstanding accounts receivable amounted to SEK 83,627 thousand (124,805) on the closing day; see also Note 22.

The Group has contract liabilities in the form of prepaid goods as well as settlements with licensees and franchisees with a total closing balance of SEK 2,287 thousand (714).

These items are included in the item accrued expenses and prepaid income; see Note 28. Of the opening cumulative amount, SEK 714 thousand (714) was recognized in the period. The Group has no contract assets.

NOTE 6 OTHER EXTERNAL EXPENSES

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Premises	10,016	5,590	9,303	12,981
Selling expenses	55,444	48,709	2,866	4,742
Marketing expenses	41,850	53,080	17,339	27,654
Administrative expenses	45,195	33,473	12,986	16,470
Other	6,080	10,926	1,196	2,456
	158,585	151,779	43,690	64,303

NOTE 7 CASH AND CASH EQUIVALENTS

SEK thousands	Group	
	Dec 31, 2020	Dec 31, 2019
Cash and bank balances	70,235	29,002
	70,235	29,002

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

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

WAGES, SALARIES, OTHER COMPENSATION AND SOCIAL SECURITY CONTRIBUTIONS

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Wages, salaries and other compensation	93,018	104,588	23,385	24,272
Social security contributions	22,601	27,124	8,126	9,206
Pension costs	10,506	9,609	3,362	3,437
Total	126,125	141,321	34,872	36,914

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

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Board of Directors, CEO and other senior executives	15,783	15,187	12,625	12,826
Other employees	77,235	89,401	10,760	11,446
Total	93,018	104,588	23,385	24,272

AVERAGE NUMBER OF EMPLOYEES ¹

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Women	124	141	21	21
Men	68	72	9	9
Total	192	213	30	30

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

GENDER DISTRIBUTION AMONG DIRECTORS AND SENIOR EXECUTIVES

Group	2020		2019	
	Men	Women	Men	Women
Board of Directors	3	2	4	3
Other senior executives	6	4	6	4
Total	9	6	10	7

COMPENSATION AND OTHER BENEFITS TO DIRECTORS

SEK thousands	2020		2019	
	Board fees	Other compensation	Board fees	Other compensation
<i>Chairman of the Board</i>				
Heiner Olbrich	357	70	420	82
<i>Other Directors:</i>				
Mats H Nilsson	153	82	180	96
Alessandra Cama	153	–	180	–
Fredrik Löfstedt	153	19	180	–
Anette Klintfält	153	–	180	–
Christel Kinning	90	28	180	55
Göran Carlsson	90	–	180	–
Total	1,149	198	1,500	233

COMPENSATION AND OTHER BENEFITS TO SENIOR EXECUTIVES 2020

SEK thousands	Base salary	Variable compensation	Pension	Other compensation	Total
CEO	3,853	–	944	34	4,830
Other senior executives	9,984	599	2,048	237	12,869
Total	13,836	599	2,992	271	17,700

COMPENSATION AND OTHER BENEFITS TO SENIOR EXECUTIVES 2019

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

BENEFITS TO BOARD, CEO AND OTHER SENIOR EXECUTIVES**Compensation to the Board of Directors**

In accordance with the resolution of the Annual General Meeting, the Chairman of the Board and other Directors received total fees of SEK 1,347 thousand (1,733) in 2020. The Chairman received SEK 420 thousand (410), while other Directors received SEK 180 thousand (175) each. In addition to their fees, the Chairman and other Directors were reimbursed for travel and accommodations in connection with Board meetings. The members of the Compensation Committee received total fees of SEK 43 thousand (43) in 2020 and the members of the Audit Committee received a total of SEK 190 thousand (190), including the reduction resulting after the Board members declared that they were willing to refrain from 30 percent of the compensation proposed by the Nomination Committee due to COVID-19. All compensation is pursuant to the Board compensation resolved by the AGM.

Compensation to the CEO

Björn Borg's CEO received salary and other remuneration of SEK 3,853 thousand (3,882), in addition to variable compensation of SEK 0 thousand (330). The CEO, according to his contract, is entitled to a base salary as well as variable compensation if certain predefined targets are met. In addition, the CEO is entitled to certain other benefits such as a company car and certain insurance. The CEO is also entitled to a monthly pension provision corresponding to 25 percent of his base salary. The variable compensation has been calculated based on the Group's sales and operating profit in relation to the Board-approved budget.

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

Compensation to other senior executives

Senior executives refer to the Group Management. Aside from the CEO, Group Management consisted of eight other executives in 2020. The average number of other senior executives during the year excluding the Deputy CEO was nine. Base salaries paid to senior executives amounted to SEK 9,984 thousand (8,568) in 2020, in addition to which they receive variable compensation if the Group's sales and results exceed the Board's established budget. Variable compensation for 2020 amounted to SEK 599 thousand (674). Certain senior executives also have access to a company car. Björn Borg pays pension premiums to a defined contribution pension plan. Retirement benefit costs for 2020 amounted to SEK 2,048 thousand (1,803). If terminated by the company, senior executives are entitled to a term of notice of 3-6 months. Senior executives' holdings of shares and options in Björn Borg are described below.

SHAREHOLDINGS OF BOARD OF DIRECTORS, CEO AND OTHER SENIOR EXECUTIVES AS OF DEC. 31, 2020

SEK thousands	No. of shares
Fredrik Lövestedt	1,050,040
Mats H Nilsson	1,638,440
Anette Klintfält	0
Heiner Olbrich	40,000
Alessandra Cama	20,000
CEO	110,000
Other senior executives	41,008
Total number of shares	2,899,488

PENSIONS

The Group has only defined contribution pension plans. A defined contribution plan is a plan where the Group pays fixed premiums to a separate legal entity. After it has paid the premium, Björn Borg has no further obligation to the Group's employees. The fees are recognized as staff costs in the period to which the fees relate and in 2020 amounted to SEK 10.5 million (9.6).

INCENTIVE PLAN 2022

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

NOTE 9 RELATED PARTY TRANSACTIONS

Other than customary compensation (salary, bonuses and other benefits) to the CEO, senior executives and the Board of Directors, as well as intra-Group sales, transactions occurred with related parties during the period 2020 but not of a material nature.

PARENT COMPANY'S TRANSACTIONS WITH SUBSIDIARIES

SEK thousands	Group	
	2020	2019
Sales to subsidiaries	102,290	102,941
Purchase from subsidiaries	2,226	6,499

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

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

NOTE 10 AUDITORS' FEES

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Deloitte				
Statutory audit	4,428	1,409	715	700
Other attestation services	714	391	552	364
Tax advisory services	155	95	155	95
	5,296	1,895	1,422	1,159
Other accounting firms				
Statutory audit	84	93	–	–
	84	93	–	–
Total	5,381	1,978	1,422	1,159

NOTE 11 LEASING

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

MATURITY ANALYSIS LEASE LIABILITY:

SEK thousands	Group
2021	23,071
2022	16,734
2023	8,018
2024	5,406
2025	5,072
later than 2026	2,508
Total payments	60,809

The Group has signed leases that have not yet taken effect. The lease payment for the entire term amounts to SEK 20,600 thousand.

RECOGNIZED LIABILITY ACCORDING TO THE BALANCE SHEET

SEK thousands	Group	
	Dec 31, 2020	Dec 31, 2019
Short-term portion	21,383	37,123
Long-term portion	35,701	96,137
Total	57,084	133,260

RIGHT-OF-USE ASSETS

SEK thousands	Group							
	Premises		Vehicles		Property, plant and equipment		Total	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
<i>Acquisition cost</i>								
Opening balance	125,321	141,828	5,672	7,546	465	615	131,458	149,989
Additional right-of-use assets	3,105	25,480	1,708	1,342	3	175	4,816	26,997
Renegotiated/terminated contracts	-45,850	-1,271	-467	-279	-	-	-46,317	-1,550
Depreciation	-27,823	-43,958	-2,620	-2,978	-258	-282	-30,701	-47,218
Translation differences	-1,675	3,242	-94	41	-6	-43	-1,775	3,240
<i>Carrying amount</i>								
Closing balance	53,078	125,321	4,199	5,672	204	465	57,481	131,458

AMOUNT RECOGNIZED IN PROFIT OR LOSS

SEK thousands	Group
Depreciation right-of-use assets	30,701
Interest expenses for lease liabilities	2,518
Expenses related to short-term leases	151
Expenses related to leases of low-value assets	608
Expenses related to variable lease payments not included in measurements of lease liabilities	5,293

The total cash flow for lease payments amounted to SEK 39,271 thousand.

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

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

SEK thousands	Group	
	2020	2019
Fixed payments	8,951	7,439
Variable lease payments	2,546	2,590
Total payments	11,497	10,030

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

An increase in sales of 10 percent in the stores whose rents are based wholly or in part on sales would increase lease expenses by SEK 182 thousand.

Lease terms and conditions differ by country. Retail leases average a minimum of three years, while office leases average five years. The term for store leases is short but with an option to extend, which gives the Group flexibility, and the strategy is to sign short-term leases. Leases are generally designed so that if neither party terminates the contract by a specific time

before its expiration, usually 3-9 months, the lease is extended for an additional term. For store leases the extension is generally 1 year.

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

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

SEK thousands	Group 2019
- within 1 year	18,934
- Between 1-3 years	30,728
Total cash flow	49,662

DISCLOSURE FOR THE PARENT COMPANY

SEK thousands	Parent Company	
	2020	2019
Rental and lease expenses during the year amount to	8,770	12,103
Future rental and lease expenses amount to		
- within 1 year	2,952	9,187
- later than 1 year but within 5 years	20,370	157
- over 5 years	-	-
Total	32,093	21,447

NOTE 12 NET PROFIT (LOSS) FOR EACH CATEGORY OF FINANCIAL INSTRUMENT

SEK thousands	Group	
	2020	2019
Assets at amortized cost	17,483	24,129
Financial liabilities at amortized cost (financial expenses)	-35,988	-16,951
Total	-18,505	7,178

Of the assets recognized at amortized cost, -8,433 is recognized in operating profit and -10,072 in net financial items.

NOTE 13 RESULT FROM SHARES IN SUBSIDIARIES

SEK thousands	Parent Company	
	2020	2019
Anticipated dividend	37,723	37,725
Impairment of shares and receivables in subsidiary	-45,554	-
	-7,831	37,725

Impairment of shares in Björn Borg Services AB amounted to SEK 40,476 thousand. The remaining right-of-use asset is SEK 221,612 thousand.

NOTE 14 NET FINANCIAL ITEMS

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Change in exchange rates	-	5,498	-	1,775
Interest income ¹	434	22	1,827	1,835
Total financial income	434	5,521	1,827	3,610
Change in exchange rates	-10,072	-	-10,158	-
Interest expenses ¹	-3,959	-4,389	-8,795	-8,610
Interest expense leasing	-2,518	-3,804	-	-
Total financial expenses	-16,549	-8,193	-18,953	-8,610
Net financial items	-16,115	-2,672	-17,126	-5,000

¹ The item relates in its entirety to financial assets and liabilities which are not measured at fair value, with the exception of interest income of SEK 0 million (0) related to assets measured at fair value.

NOTE 15 APPROPRIATIONS

SEK thousands	Parent Company	
	2020	2019
Appropriations		
Change in accelerated depreciation/amortization	-	-429
	-	-429

NOTE 16 TAXES

TAX ON PROFIT FOR THE YEAR

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Current tax on profit for the year	-1,047	-3,948	-22	-2,069
Deferred tax asset/expense	2,301	-5,797	-4	-4
Total recognized tax expense	1,254	-9,745	-26	-2,073

TAX RATE RECONCILIATION

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Recognized profit before tax	17,579	48,693	-15,200	45,094
Tax according to current tax rate in Sweden, 21.4%	-3,762	-10,420	3,253	-9,650
<i>Tax effect of:</i>				
Non-deductible expenses	-1,532	-360	-212	-195
Non-deductible impairment	-	-	-9,749	-
Deductible impairment	7,877	-	-	-
Tax-exempt income	-315	162	8,073	8,073
Effect of tax rates in other countries	-36	-962	-	-
Interest offsetting	-	-	-1,363	-
Utilized tax loss carry-forwards where undeferred tax is taken into account	548	-324	-	-
Effect of change in tax rates	-137	2,634	-	-
Tax related to previous years	-1,390	-475	-26	-301
Recognized tax expense	1,254	-9,745	-26	-2,073

DEFERRED TAXES

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
<i>Deferred tax assets recognized in the balance sheet</i>				
Property, plant and equipment	217	99	8	11
Right-of-use assets	294	403	-	-
Internal gain on inventory	2,577	2,910	-	-
License	-	1,033	-	-
Tax loss carryforwards	12,673	10,513	-	-
Total deferred tax assets	15,761	14,958	8	11
<i>Deferred tax liabilities recognized in the balance sheet</i>				
Trademarks	39,065	39,065	-	-
Other	2	60	-	-
Untaxed reserves	222	1,245	-	-
Total deferred tax liabilities	39,289	40,370	-	-

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

TAX LOSS CARRYFORWARDS AND UNRECOGNIZED DEFERRED TAX ASSETS

The Group has recognized deferred tax assets related to tax loss carryforwards totaling SEK 12,673 thousand (10,513). The taxable value of these tax loss carryforwards is SEK 54,823 thousand (42,370), no part of which has a maturity date. The taxable value of tax loss carryforwards for which deferred tax assets have not been recognized in the balance sheet amounts to SEK 134,828 thousand (146,666) as of December 31, 2020 and is attributable to the operations in the US, the Netherlands, Belgium, Finland and the UK. No deferred tax assets have been recognized for these tax loss carryforwards because these units have historically recognized tax losses and because of uncertainty whether and when in the future these operations will generate sufficient taxable surpluses. This corresponds to total unrecognized deferred tax assets in the range of SEK 21,596 thousand (23,478). The majority of these deficits do not expire.

NOTE 17 EARNINGS PER SHARE

SEK thousands	Earnings per share		Earnings per share after dilution	
	2020	2019	2020	2019
Earnings				
Earnings attributable to Parent Company's shareholders	18,833	38,947	18,833	38,947
Net profit used to determine earnings per share after dilution	18,833	38,947	18,833	38,947
Weighted average number of common shares for calculation of earnings per share after dilution	25,148,384	25,148,384	25,148,384	25,148,384
Earnings per share	0.75	1.55	0.75	1.55

SEK thousands	2020	2019
Earnings per share, SEK	0.75	1.55
Earnings per share, SEK (after dilution)	0.75	1.55
Number of shares	25,148,384	25,148,384
Number of shares, weighted average	25,148,384	25,148,384
Number of shares, weighted average (after dilution)	25,148,384	25,148,384

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

NOTE 18 INTANGIBLE ASSETS

GROUP

SEK thousands	Note	Dec 31, 2020	Dec 31, 2019
Goodwill			
<i>Accumulated cost</i>			
Opening balance		35,098	34,746
Translation differences for the year		-792	352
Carrying amount at year-end		34,306	35,098
Trademarks			
<i>Accumulated cost</i>			
Opening balance		187,532	187,532
Carrying amount at year-end		187,532	187,532
Licenses			
<i>Accumulated cost</i>			
Opening balance		1,534	1,510
Translation differences for the year		-58	24
Closing balance		1,476	1,534
<i>Accumulated amortization</i>			
Opening balance		-1,534	-1,510
Translation differences for the year		58	-24
Closing balance		-1,476	-1,534
Carrying amount at year-end		-	-
Tenancy rights			
<i>Accumulated cost</i>			
Opening balance		500	1,725
Disposals and discontinued operations		-	-1,225
Closing balance		500	500
<i>Accumulated amortization</i>			
Opening balance		-500	-1,725
Disposals and discontinued operations		-	1,225
Closing balance		-500	-500
Carrying amount at year-end		-	-

SEK thousands	Note	Dec 31, 2020	Dec 31, 2019
Capitalized expenditure for software			
<i>Accumulated cost</i>			
Opening balance		26,737	22,735
Investments		3,474	3,845
Translation differences for the year		-297	157
Closing balance		29,915	26,737
<i>Accumulated amortization</i>			
Opening balance		-16,829	-12,779
Amortization for the year		-3,627	-3,845
Translation differences for the year		795	-206
Closing balance		-19,660	-16,829
Carrying amount at year-end		10,255	9,908

PARENT COMPANY

SEK thousands		Dec 31, 2020	Dec 31, 2019
Capitalized expenditure for software			
<i>Accumulated cost</i>			
Opening balance		10,926	8,425
Investments		47	2,501
Closing balance		10,973	10,926
<i>Accumulated amortization</i>			
Opening balance		-4,478	-2,815
Amortization for the year		-1,754	-1,663
Closing balance		-6,232	-4,477
Carrying amount at year-end		4,741	6,449

IMPAIRMENT TESTING OF GOODWILL AND TRADEMARKS

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

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

SEK thousands	Dec 31, 2020	Dec 31, 2019
Goodwill		
Björn Borg Brands AB	9,330	9,330
Björn Borg Clothing AB	657	657
Björn Borg Footwear AB	3,956	3,956
Björn Borg Finland OY	5,598	5,807
Baseline	14,765	15,348
	34,306	35,098
Trademarks		
Björn Borg Brands AB	187,532	187,532
	187,532	187,532

Each year, the Group tests goodwill and trademarks for impairment in accordance with the accounting principle described in Note 1. The future cash flows used to calculate each unit's value in use are based in the first year on the legal budget adopted by the Board for 2021 for each unit. Cash flows are subsequently based on annual growth projections for revenue and costs over a five-year period. Management bases the growth projections in the forecast period on previous outcomes and discussions with subsidiaries, distributors and licensees on their future expectations. Impairment tests conducted as of December 31, 2020 applied approximately an 9 percent (8) discount rate after tax and assumed annual growth of 1 percent (1) for the period beyond the forecast horizon. This growth rate is a cautious assumption as of December 31, 2020 based on current economic conditions in the markets mainly in Europe where Björn Borg has operations. The forecast period stretches from 2021 to 2025, i.e., a five-year period.

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

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

Note 18, continued

2020	Trade- marks	Brands	Clothing	Footwear	Finland	Baseline
Forecast period, years	5	5	5	5	5	5
WACC after tax, %	9	9	9	9	9	9
WACC before tax, %	11	11	11	11	11	11
Growth in free cash flow, %	2	2	2	1	-1	1

2019	Trade- marks	Brands	Clothing	Footwear	Finland	Baseline
Forecast period, years	5	5	5	5	5	5
WACC after tax, %	8	8	8	8	8	8
WACC before tax, %	10	10	10	10	10	10
Growth in free cash flow, %	2	2	3	3	3	3

NOTE 19 TANGIBLE NON-CURRENT ASSETS

SEK thousands	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
<i>Accumulated cost</i>				
Opening balance	63,790	57,823	12,365	11,403
Investments	5,490	8,732	1,247	962
Sales and disposals	-19,400	-4,298	-10,075	-
Translation differences for the year	-5,590	1,533	-	-
Closing balance	44,290	63,790	3,536	12,365
<i>Accumulated depreciation</i>				
Opening balance	-45,663	-42,433	-11,355	-10,922
Sales and disposals	19,400	3,869	10,075	-
Depreciation for the year	-6,519	-6,167	-493	-433
Translation differences for the year	5,072	-932	-	-
Closing balance	-27,710	-45,663	-1,772	-11,355
Carrying amount at year-end	16,580	18,127	1,764	1,010

NOTE 20 FINANCIAL NON-CURRENT ASSETS

SHARES IN SUBSIDIARIES

SEK thousands	Parent Company	
	Dec 31, 2020	Dec 31, 2019
Opening cost	344,106	344,106
Acquisition of subsidiary	55	–
Impairment	–40,475	–
Shareholders' contributions paid	2,500	–
Closing accumulated cost	306,186	344,106

SHARES IN SUBSIDIARIES AND THE GROUP'S COMPOSITION

SEK thousands	Reg.no.	Registered address	No. of shares	Share of equity %	Book value
Björn Borg Brands AB	556537-3551	Stockholm	84,806	100	58,216
Björn Borg Clothing AB	556414-0373	Stockholm	1,000	100	
Björn Borg Sweden AB	556374-5776	Stockholm	3,000	100	
Björn Borg Retail AB	556577-4410	Stockholm	1,000	100	
Björn Borg Denmark ApS	41928905	Copenhagen	40	100	55
Björn Borg Footwear AB	556280-5746	Varberg	6,999	100	16,781
Björn Borg Inc		Delaware	3,000	100	
Björn Borg UK Limited	7392965	Wales	400,000	100	841
Baseline BV	34268432	Tilburg	90,000	100	0
Björn Borg Netherlands B.V	34215227	Tilburg	90,000	100	
Dutch Brand Management BV	34215236	Tilburg	50,000	100	
Dutch Brand Management Retail BV	17169366	Tilburg	500,000	100	
Belgian Brand Management BVBA	884801039	Antwerp	1,500	100	
Belgian Brand Management Retail BVBA	810366902	Antwerp	186	100	
Björn Borg Services AB	556537-3551	Stockholm	5,000	100	221,612
Björn Borg Finland OY	2126188-3	Helsinki	100	100	8,681
Björn Borg Limited (China) Limited CR	1671008	Hong Kong	7,500	75	
Björn Borg (Shanghai) Trading Co. Ltd	310000400680797	Shanghai	n/a	100	
					306,186

NOTE 21 INVENTORY

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

INVENTORY

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Finished goods and goods for resale	122,833	127,828	–	–
Advances to suppliers	524	596	–	–
	123,357	128,424	–	–

Impairment losses for obsolescence of finished goods of SEK 7,965 thousand (6,718) are included in the closing inventory balance. Total expenses for obsolescence amounted to SEK 1,247 thousand (1,318) during the year.

Expensed inventory during the period amounted to SEK 406,996 thousand (417,617).

NOTE 22 ACCOUNTS RECEIVABLE

The credit quality of financial assets that have not yet fallen due for payment is determined primarily by evaluating the counterparty's payment history. In cases where external credit ratings are available, such information is obtained to support the credit evaluation.

ACCOUNTS RECEIVABLE

SEK thousands	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Accounts receivable, gross	95,153	127,319	39	23
Reserve for expected credit losses	–11,526	–2,514	–	–
Total accounts receivable, net after reserve for impaired receivables	83,627	124,805	39	23

The reserve for expected credit losses as of December 31, 2020 amount to SEK 11,526 thousand (2,514) for the Group and SEK 0 thousand (0) for the Parent Company.

The ages of these receivables and the reserve are distributed as follows:

OVERDUE RECEIVABLES

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Not overdue	78,831	87,101	32	23
1-30 days	127	18,747	7	–
31-60 days	49	11,678	–	–
61-90 days	32	3,603	–	–
>90 days	4,589	3,676	–	–
Total	83,627	124,805	39	23

As of December 31, 2020, the Group had SEK 3,989 thousand (37,528) in overdue receivables that were not considered impaired. These overdue receivables relate to a number of customers that have not previously had payment problems.

Changes in the reserve for expected credit losses are recognized as an operating expense. of December 31, 2020 amount to SEK 11,526 thousand (2,514). The period's changes were as follows:

EXPECTED CREDIT LOSSES – RECONCILIATION

SEK thousands	Group		Parent Company	
	2020	2019	2020	2019
Provisions at beginning of the year	–2,514	–1,400	–	–
Reversed provisions for the period	1,695	739	–	–
Provisions for the period	–11,526	–2,514	–	–
Established losses	819	661	–	–
	–11,526	–2,514	–	–

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

NOTE 23 PREPAID EXPENSES AND ACCRUED INCOME

SEK thousands	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Accrued interest income	33	413	–	413
Prepaid interest	188	338	188	338
Prepaid rents	739	6,011	775	2,609
Prepaid insurance	493	370	440	321
Prepaid leasing	130	31	–	–
Prepaid marketing expenses	2,089	5,865	655	3,431
HR-related items	2,848	888	283	642
Other	2,915	1,955	1,174	745
	9,435	15,871	3,516	8,499

NOTE 24 FINANCIAL ASSETS AND LIABILITIES

GROUP 2020

SEK thousands	Measured at amortized cost	Non-financial assets and liabilities	Total assets
Accounts receivable, external	83,627	–	83,627
Cash and bank balances	70,235	–	70,235
Total financial assets	153,862	–	153,862
Non-current liabilities to credit institutions	99,000	–	99,000
Accounts payable	77,245	–	77,245
Total financial liabilities	176,245	–	176,245

GROUP 2019

SEK thousands	Measured at amortized cost	Non-financial assets and liabilities	Total assets
Accounts receivable, external	124,805	–	124,805
Cash and bank balances	29,002	–	29,002
Total financial assets	153,807	–	153,807
Non-current liabilities to credit institutions	150,000	–	150,000
Current liabilities to credit institutions	7,242	–	7,242
Accounts payable	55,862	–	55,862
Total financial liabilities	213,104	–	213,104

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

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

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

NOTE 25 DIVIDEND PER SHARE

The Annual General Meeting on June 30, 2020 resolved that no dividend or distribution be paid for the financial year 2019.

The Board of Directors has proposed to the Annual General Meeting a distribution of SEK 1.50 per share for the financial year 2020. 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 21, 2021. The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 37.7 million (0.0).

NOTE 26 UNTAXED RESERVES

SEK thousands	Parent Company	
	Dec 31, 2020	Dec 31, 2019
Untaxed reserves		
Accumulated accelerated depreciation/amortization	1,038	1,038
	1,038	1,038

NOTE 27 LIABILITIES

NON-CURRENT AND CURRENT INTEREST-BEARING LIABILITIES

SEK thousands	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Non-current liabilities credit institutions	99,000	150,000	99,000	150,000
Current liability credit institutions	–	7,242	–	7,242
Total interest-bearing liabilities	99,000	157,242	99,000	157,242

OTHER NON-CURRENT LIABILITIES

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

As of December 31, 2020, SEK 99 million (150) of the revolving credit limit of SEK 150 million had been utilized, as well as SEK 0 million (7.2) of the overdraft facility.

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, 2020, the ratio was 0.70 (2.15) and the equity/assets ratio was 51.8 percent (46.9). No changes were otherwise made with regard to pledged assets and contingent liabilities compared with December 31, 2019.

NOTE 28 ACCRUED EXPENSES, DEFERRED INCOME AND PROVISIONS

SEK thousands	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Licensing expenses	513	–	–	–
HR-related items	15,683	14,383	4,321	4,618
Freight and customs	4,303	4,752	–	–
Audit expenses	1,953	496	486	–
Marketing expenses	1,125	1,376	704	334
Rent expenses	1,427	100	–	–
Deferred income	6,394	3,292	–	–
Other	2,474	542	571	–1,164
	33,872	24,941	6,082	3,788

NOTE 29 PLEDGED ASSETS AND CONTINGENT LIABILITIES

PLEDGED ASSETS

SEK thousands	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Shares in subsidiaries	203,638	203,656	58,216	58,216
	203,638	203,656	58,216	58,216

CONTINGENT LIABILITIES

SEK thousands	Group		Parent Company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Rental guarantee and other guarantees	12,018	7,976	–	–
	12,018	7,976	–	–

See also Note 20.

NOTE 30 NON-CONTROLLING INTERESTS

INFORMATION ON NON-CONTROLLING INTERESTS

SEK thousands	Dec 31, 2020	Dec 31, 2019
Opening balance	-5,890	-5,862
Share of profit for the year	0	0
Share of total comprehensive income for the year	595	-28
Closing balance	-5,295	-5,890

The Björn Borg Group has a subsidiary in which, as of December 31, 2020, there are significant non-controlling interests, Björn Borg China Ltd. The company has been dormant since 2014.

SUBSIDIARIES

SEK thousands	Result distributed to non-controlling interests		Cumulative holdings of non-controlling interests	
	2020	2019	2020	2019
Other non-controlling interests	595	-28	-5,295	-5,890
Total	595	-28	-5,295	-5,890

NOTE 31 BENELUX ACQUISITION

On December 8, 2016 Björn Borg signed an agreement to acquire all the shares in Baseline BV, the Parent Company of the distributor of underwear and sportswear in the Netherlands and Belgium. The Baseline Group consists of six legal entities with wholesale and retail operations through twelve Björn Borg concept stores and outlets.

The acquisition closed on January 2, 2017. Björn Borg paid about SEK 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 receivable) unrelated to the Björn Borg brand, which on December 31, 2016 was higher than preliminarily estimated and was therefore deducted from the acquisition price. A portion of the acquisition price was paid on the closing day and the remainder falls due in the three subsequent financial years. The final portion of the acquisition price was settled at the beginning of 2020 and consequently the entire acquisition price is paid of December 31, 2020. The acquisition is financed with own funds. There are no earn-out payments.

NOTE 32 CASH FLOW

GROUP

SEK thousands	Dec 31, 2019	New accounting principles	Cash flow	Non-cash items			Dec 31, 2020
				Reclassification from long to short	Transition differences	Other change ¹	
Long-term loans	150,000	–	–51,000	–	–	–	99,000
Other current liabilities ²	11,126	–	–11,132	–	6	–	–
Lease liability	133,260	–	–28,183	–	–	–47,993	57,084
Total loans from financial activities	294,386	–	–90,315	–	6	–47,993	156,084

¹ “Other change” in the lease liability mainly refers to newly signed leases and extended leases. The amount also includes a decrease in the liability due to the decision not to exercise the extension option on the headquarters and exchange rate differences (SEK –3,971 thousand).

² The opening balance for current liabilities in 2020 amounted to SEK 25,519 thousand, of which the liability attributable to the earlier acquisition of Baseline amounted to SEK 3,884 thousand. The liability has matured, which has affected cash flow by SEK –3,884 thousand. In addition, the overdraft facility has been repaid, which has had a negative effect on cash flow of SEK –7,242 thousand.

PARENT COMPANY

SEK thousands	Dec 31, 2019	Cash flow	Non-cash items			Dec 31, 2020
			Reclassification from long to short	Capitalized interest	Transition differences	
Long-term loans	150,000	–51,000	–	–	–	99,000
Short-term loans form part of other current liabilities	11,126	–11,132	–	–	6	–
Total loans from financial activities	161,126	–62,132	–	–	6	99,000

GROUP

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

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

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

PARENT COMPANY

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

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

NOTE 33 EVENTS AFTER THE BALANCE SHEET DATE

The company has stated that the coronavirus outbreak has greatly changed the market and is negatively affecting the Björn Borg Group. The extent of this impact is difficult to assess, but the outbreak has had, and will continue to have, a material financial effect on the Björn Borg Group's business. The company notes, for example, that we are still in lockdown in the Netherlands, Germany and England and therefore have continued to see a major negative financial impact on our own stores in the Netherlands after the closing day, but also on retailers in other markets.

NOTE 34 PROPOSED DISTRIBUTION OF PROFIT

The following unappropriated earnings are at disposal of the Annual General Meeting:

Retained earnings, SEK	139,337,030
Profit for the year, SEK	–15,225,340
	124,111,690
The Board proposes that:	
Shareholders receive a distribution of SEK 1.50 per share, totaling SEK	37,722,576
Carried forward, SEK	86,389,114
	124,111,690



SIGNATURES OF THE BOARD OF DIRECTORS

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

Stockholm, April 16, 2021

Heiner Olbrich
Chairman

Alessandra Cama
Board member

Anette Klintfält
Board member

Fredrik Lövestedt
Board member

Mats H Nilsson
Board member

Henrik Bunge
CEO

Our audit report was submitted on April 16, 2021
Deloitte AB

Didrik Roos
Authorized Public Accountant

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



AUDIT REPORT

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

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual and consolidated accounts of Björn Borg AB (publ) for the financial year January 1, 2020 – December 31, 2020. The annual accounts and consolidated accounts of the company are included on pages 40-85 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Act and present fairly, in all material respects, the financial position of Parent Company as of December 31, 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of December 31, 2020 and their financial performance and cash flow for the year then ended in accordance with international Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with the professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014), Article 5.1, have been provided to the audited company or, where applicable, its Parent Company or its controlled companies within the EU.

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

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts of the

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

Valuation of inventory

The Group recognized inventory of SEK 123 million on December 31, 2020. Inventory is recognized at the lower of cost according to the first-in-first-out method and net selling price. Net selling price consists of net realizable value and corresponds to the estimated sales price less estimated selling expenses.

We have identified this as an area of particular importance partly because the Group's inventory is a material item and because the Group's operations are highly affected by the changing trends and fashions, which can affect the ability of the Group to sell its collections. The obsolescence reserve is based on individual assessments from management's standpoint. For further information, refer to the section Risks, uncertainties and risk management in the Board of Directors' report and the Group's accounting principles in Note 1.

Our audit procedures included but were not limited to:

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

Revenue recognition

The Group's net sales amounted to SEK 705 million as of December 31, 2020. Net sales consist of four revenue streams, which are described in the company's accounting principles in Note 1. Revenue from sales of goods is recognized upon delivery of a product to the customer, when the financial risks and benefits of ownership are transferred to the buyer, when it is likely that the economic benefits will accrue to the Group and when the revenue can be measured reliably. Royalties are recognized in the period to which the underlying revenue refers, i.e., in accordance with the current agreement's economic substance.

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

Our audit procedures included but were not limited to:

- Evaluation of the company's accounting principles for revenue
- Created an understanding of the company's routines and internal controls associated with revenue recognition, which also include the IT system used
- Examination of security controls in the cash management and accounting system with the involvement of IT auditors
- Examination of a selection of transactions to ensure that they have been reported correctly according to agreements and in the correct periods

- Examination of margin analyses and follow-up of budget variances
- Examination that appropriate accounting principles are applied and that the required disclosures are provided in the annual report.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-39, 89-95 and 101-104. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a

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

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

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

accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the audit report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts, we have audited the administration of the Board of Directors and the Managing Director of Björn Borg AB (publ) for the financial year January 1, 2020 – December 31, 2020 and the proposed appropriations of the company's profit or loss.

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

Basis for opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes, among other things, continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs

otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and, among other matters, take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

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

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

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion whether the Board of Directors' proposed appropriations of the company's profit or loss, we have reviewed whether the proposal is in accordance with the Companies Act and where applicable the Board of Directors' reasoned statement and a selection of supporting evidence.

Deloitte AB was appointed auditors of Björn Borg AB by the general meeting of the shareholders on the June 30, 2020 and has been the company's auditor since May 20, 2005.

Stockholm, April 16, 2021
Deloitte AB

Didrik Roos
Authorized Public Accountant



THE SHARE

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

AKTIEKAPITAL

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

TRADING

The last price paid on December 31, 2020 was SEK 19.78, giving Björn Borg a market capitalization of about SEK 497 million. A total of 17,790,230 shares were traded in 2020 at a value of approximately SEK 284 million. The average daily turnover was 70,596 shares. The share price decreased during the year by SEK 5.47, or by 21.7 percent from the previous year. The share reached a high of SEK 26.35 and fell to a low of SEK 10.02.

INCENTIVE PLAN 2022

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

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

DIVIDEND POLICY

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

DIVIDEND PROPOSAL

The Board of Directors has proposed to the Annual General Meeting a distribution for 2020 of SEK 1.50 per share, corresponding to 200 percent 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 21, 2021.

The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 37.7 million (0.0). Against the backdrop of the uncertainty caused by the coronavirus, the Board of Directors proposed to the Annual General Meeting 2019 that no dividend or distribution be paid for the financial year 2019.

SHAREHOLDERS

As of December 31, 2020 Björn Borg had 8,456 shareholders (8,173), according to Euroclear, after shareholder grouping by the company. Björn Borg's ten largest shareholders owned shares corresponding to 50.1 percent (50.4) of the votes and capital in the company.

CHANGES IN SHARE CAPITAL

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

LARGEST SHAREHOLDERS

	No. of shares	Votes/capital, %
Martin Bjäringer	2,500,000	9.9
Fourth Swedish National Pension Fund	1,697,261	6.7
Mats Nilsson	1,638,440	6.5
Avanza Pension	1,282,184	5.1
Lazard Frères Banque	1,110,000	4.4
Nordnet Pension	1,092,735	4.3
Fredrik Lövestedt	1,050,040	4.2
Vilhelm Schottenius	1,023,520	4.1
Sten A Olssons Pensionsstiftelse	750,227	3.0
Carl Rosvall	465 000	1.8
Total, largest shareholders	12,609,407	50.1
Total, other	12,538,977	49.9
Total number of shares	25,148,384	100.0

According to share register on December 31, 2020, shareholders grouped by the company.

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

SHAREHOLDER ANALYSIS

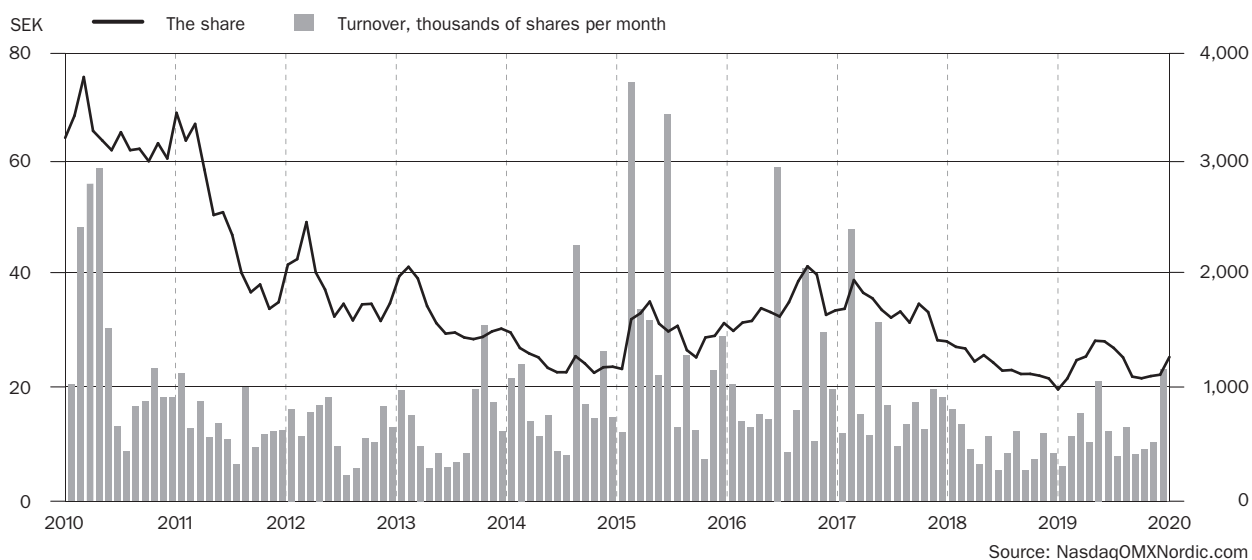
Size of holding	No. of shareholders	No. of shares	Capital and votes, %
1 – 500	5,766	812,835	3.2
501 – 1,000	1,074	886,423	3.5
1,001 – 5,000	1,247	2,969,551	11.8
5,001 – 10,000	186	1,413,478	5.6
10,001 – 15,000	66	839,940	3.3
15,001 – 20,000	32	582,388	2.3
20,001 –	85	17,643,769	70.2
Total	8,456	25,148,384	100.0

Source: Euroclear Sweden AB on December 31, 2020, shareholders grouped by the company.

DATA PER SHARE

	2020	2019	2018	2017	2016
Earnings per share before dilution, SEK	0.75	1.55	2.39	1.48	1.88
Earnings per share after full dilution, SEK	0.75	1.55	2.39	1.48	1.88
Number of shares outstanding on closing day	25,148,384	25,148,384	25,148,384	25,148,384	25,148,384
Average number of shares outstanding	25,148,384	25,148,384	25,148,384	25,148,384	25,148,384
Average number of shares outstanding after dilution	25,148,384	25,148,384	25,148,384	25,148,384	25,148,384

SHARE PRICE PERFORMANCE



DEFINITIONS

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

BRAND SALES

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

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

CAPITAL EMPLOYED

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

Purpose: Capital employed measures capital use and efficiency.

COMPARABLE STORE SALES

Sales for own stores that were also open in the previous period.

Purpose: To obtain comparable sales between periods for own stores.

EARNINGS PER SHARE (DEFINED ACCORDING TO IFRS)

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

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

EARNINGS PER SHARE AFTER DILUTION (DEFINED ACCORDING TO IFRS)

Earnings per share adjusted for any dilution effect.

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

EQUITY/ASSETS RATIO

Equity as a percentage of total assets adjusted for lease liabilities.

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

GROSS PROFIT MARGIN

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

Purpose: Gross margin is used to measure operating profitability.

GROSS PROFIT MARGIN BEFORE ACQUISITIONS

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

Purpose: Gross margin before acquisitions is used to measure operating profitability adjusted for acquisition effects.

GROSS PROFIT MARGIN EXCL. CURRENCY EFFECTS

Gross profit margin calculated using year-earlier exchange rates.

Purpose: To obtain a currency neutral gross profit margin.

GROUP NET SALES EXCL. CURRENCY EFFECTS

Net sales calculated using year-earlier exchange rates.

Purpose: To obtain comparable and currency neutral net sales.

NET DEBT

Interest-bearing liabilities excluding lease liabilities less investments and cash & cash equivalents.

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

NET DEBT TO EBITDA RATIO

Interest-bearing liabilities excluding lease liabilities less investments and cash & cash equivalents divided by operating profit before depreciation/amortization.

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

NET FINANCIAL ITEMS

Financial income less financial expenses.

Purpose: Describes the company's financial activities.

OPERATING MARGIN

Operating profit as a percentage of net sales.

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

OPERATING PROFIT

Profit before tax plus net financial items.

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

PROFIT MARGIN

Profit before tax as a percentage of net sales.

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

RETURN ON CAPITAL EMPLOYED

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

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

RETURN ON EQUITY

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

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

BOARD OF DIRECTORS AND AUDITORS



Heiner Olbrich

Chairman of the Board since 2017
Director 2015-2017

Born: 1965

MBA from University of Hamburg, PhD in Economics, University of St. Gallen, Switzerland

Other current assignments: Director of Eckes Granini AG, Warsteiner Brauerei Haus Cramer KG, ABS Protection GmbH
Previous assignments: Chief Marketing and Sales Officer at Miele, Senior Vice President Global Sales at Adidas
Shares in Björn Borg: 40,000

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



Alessandra Cama

Director since 2018

Born: 1967

L.U.I.S.S. (Libera Università degli Studi Sociali), Rome. LICEO SCIENTIFICO

"Leonardo da Vinci", Reggio Calabria

Other current assignments: CEO of Zertus and ZRT Fr. Meyers Sohn Holding
Previous assignments: Managing Director Marketing & Sales at Warsteiner Brauerei, member of the Managing Board at GfK, partner at Roland Berger Strategy Consultants
Shareholding in the company: 20,000

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



Anette Klintfält

Director since 2019

Born: 1963

Architecture at KTH Royal Institute of Technology

Other current assignments: Anette Klintfält Design AB with a focus on the fashion industry with customers such as Gina Trika and Matter of Time
Previous assignments: Design work for GANT, Zalando, Klättermusen, Ahlens, H&M New Business, BRIO, SAS. Responsible for design at Polarn o Pyret, Creative Manager for Dockers Levi's, Esprit de Corp, H&M Rocky. Director of NK Nära Kroppen
Shares in Björn Borg: 0

Independent of major shareholders but not the company and management.



Fredrik Lövestedt

Director since 2017

Chairman 2005-2017

Director since 2005

Born: 1956

Education: MSc Eng, KTH Royal Institute of Technology; MBA, INSEAD

Other current assignments: Founder AlertSec Inc., CEO and major owner of Durator AB
Previous assignments: Deputy CEO of Protect Data AB (1996-2001). Has run his own company since 1984
Shares in Björn Borg: 1,050,040

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



Mats H Nilsson

Director since 1998

Born: 1955

Education: BSc Econ, Stockholm School of Economics

Other current assignments: Director of Credelity Capital AB

Previous assignments: Former Executive Director of Swiss Bank Corporation, London, and Director of SG Warburg & Co Ltd, London
Shares in Björn Borg: 1,638,440

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



Auditors

Deloitte AB.

Didrik Roos, Authorized Public Accountant

Shareholdings as of December 31, 2020.

LEDANDE BEFATTNINGSHAVARE



Henrik Bunge

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



Daniel Grohman

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



Jens Nyström

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



Mija Nideborn

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



Lena Nordin

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



Emma Lidfeldt

Marketing Director
Born 1989
Recruited 2020
BA Strategic communication, Lund University.
Strategic communication & PR, Berghs School of Communication.
Previous assignments: PR, Indiska; Social Media Manager, Global PR Manager, Brand Communications Manager, Björn Borg.
Shares in Björn Borg: 567



Joacim Sjödin

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



Andreas Gran

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



Robin Salazar

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



Lisa Udd

Management Assistant
Born 1961
Recruited 2014
Distribution/Office & Language at Stockholm University
Previous assignments: Peak Performance, Entreprenörföretagen, Plåtslageriernas Riksförbund, Accuray Scandinavia, FRA, Nam-Nam
Shares in Björn Borg: 1,400

Shareholdings as of December 31, 2020.

CORPORATE GOVERNANCE REPORT 2020

The Björn Borg share is listed on Nasdaq Stockholm.

CORPORATE GOVERNANCE AT BJÖRN BORG

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

The principles of corporate governance that Björn Borg applies, in addition to the rules pursuant to law or other legislation, follow the Swedish Code of Corporate Governance ("the Code"). The Board of Directors is responsible for monitoring the application of the Code. If a company that is bound by the Code does not comply with the Code in any respect, the company must report this noncompliance, describe the solution it has adopted instead and state the reasons for doing so. During the year, Björn Borg derogated from point 1.4 of the Code as the minutes of the Annual General Meeting 2020 were adjusted by a Director. The reason for the noncompliance was the very limited number of participants in the Annual General Meeting 2020 due to COVID-19 and that the shareholders were offered the opportunity to vote by mail at the AGM. Björn Borg also derogated during the year from point 2.4 of the Code as the Directors of the company have constituted a majority of the members of the Nomination Committee for the AGM 2021. The reason for the noncompliance is that this composition was considered motivated against the backdrop of the ownership structure and that large, engaged owners are represented on the Board of Directors.

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

ANNUAL GENERAL MEETING

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

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

Annual General Meeting 2021

The 2021 AGM will be held on May 18, 2021 and due to the ongoing pandemic the Board of Directors has decided that this year's meeting will be held without the physical presence of shareholders, proxies or external parties and that the exercise of voting rights may only take place via post before the meeting. The notice convening the meeting with additional information will be released no later than four weeks in advance and

issued in accordance with the Articles of Association and the rules that apply according to the Companies Act and the Act (2020:198) on temporary exceptions to facilitate the holding of general meetings as well as the Code.

Annual General Meeting 2020

The Annual General Meeting 2020, which was held on June 30, 2020 in Stockholm, resolved to re-elect Alessandra Cama, Anette Klintfält, Fredrik Lövestedt, Mats H Nilsson and Heiner Olbrich as Directors. Göran Carlson and Christel Kinning declined re-election and stepped down from the Board of Directors. The AGM also resolved among other things to grant the Board of Directors limited authorization to decide to issue new shares. The minutes of the AGM are available on Björn Borg's website.

NOMINATION COMMITTEE

According to the resolution of the 2020 AGM, Björn Borg's Nomination Committee shall be appointed by having the Chairman of the Board contact the four largest shareholders by votes as of August 31, 2020 and ask them to appoint one person each to participate in the Nomination Committee. If any of these shareholders chooses to waive their entitlement to appoint a member, the entitlement passes to the shareholder who, after these shareholders, has the largest shareholding. The Nomination Committee, whose composition was published on the Group's website in October 2020, consists of the following members for the 2021 AGM:

- Heiner Olbrich, Chairman of the Board
- Veronica Sandman, appointed by Martin Bjäringer
- Mats H Nilsson, shareholder
- Fredrik Lövestedt, shareholder
- Thomas Ehlin, appointed by the Fourth Swedish National Pension Fund

Thomas Ehlin stepped down from the Nomination Committee on March 18, 2021, however, due to shareholder changes.

Veronica Sandman was named Chairman of the Nomination Committee. According to the resolution of Björn Borg's 2020 AGM, the Nomination Committee's mandate is to propose to the 2021 AGM the number of Directors to be elected by the meeting, their remuneration, any compensation for committee work, the composition of the Board, the Chairman of the Board, a resolution on the Nomination Committee, the Chairman of the AGM and the election of the auditors and their remuneration. The Nomination Committee has held five meetings at which minutes were taken since the 2020 AGM, in addition to other contacts. No compensation was paid to the members of the committee.

Rule 4.1 of the Swedish Code of Corporate Governance is applied as a diversity policy for the Board of Directors. Leading up to 2020 AGM the Nomination Committee focused on analyzing and discussing potential Board candidates from the standpoint of Björn Borg Group's operations, stage of development and circumstances in general. The Nomination Committee discussed the Board's size and composition in terms of experience and competence in all the areas relevant to Björn Borg's operations. The Nomination Committee paid special attention to the need for gender parity on the Board.

BOARD OF DIRECTORS

In accordance with the Articles of Association, Björn Borg's Board of Directors consists of a minimum of four and a maximum of eight members. Directors are elected annually at the AGM for a one-year term up until the following AGM. The 2020 AGM reelected Alessandra Cama, Anette Klintfält, Fredrik Lövestedt, Mats H Nilsson and Heiner Olbrich as Directors, and elected as a new Director. Heiner Olbrich was reelected Chairman of the Board.

The Board fulfills the requirements of the Code in that a majority of the Directors are independent in relation to the company and the management, and that at least two of them are independent in relation to the company's major shareholders. Prior to 2020 AGM the Nomination Committee concluded that all of the nominated Directors were independent of the company and its management as well as of major shareholders with the exception of Anette Klintfält, who was not considered independent of the company and its management as she had been hired by the company as a consultant in 2017 and 2018.

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

The Board is assisted by an attorney, who serves as external secretary. For more information on the Directors, see page 94 of the annual report.

The Board's rules of procedure

Pursuant to the Companies Act, Björn Borg's Board is responsible for the company's organization and the management of its affairs as well as for appointing the CEO. The Board lays down the company's goals and strategy, adopts critical policy documents and continuously monitors compliance thereto. The Board also has ultimate responsibility for its various committees. The Board's rules of procedure, which were adopted most recently at the Board meeting on August 17, 2020, define the principles for Board work, the delegation between the Board and the CEO, and the financial reporting.

Board work

In 2020, the Board held seven scheduled meetings, four of which were in connection with the quarterly financial reports and four by circulation. Directors' attendance at the year's Board meetings is shown in the table below.

Compensation Committee

The Board has established a Compensation Committee consisting of Chairman Heiner Olbrich and Mats H Nilsson to prepare proposals on remuneration and other terms of employment for senior executives. The Committee held one meeting at which minutes were kept leading up to the 2021 AGM, in addition to informal meetings and other contacts. During the year, the Compensation Committee, which is only a drafting committee (i) prepared the Board's resolutions on remuneration principles, remuneration and other employment terms for company management, (ii) monitored and evaluated current and expiring remuneration schemes for management, and (iii) monitored and evaluated the application of the remuneration guidelines for senior executives as resolved by the AGM as well as current remuneration structures and remuneration levels in the company.

Audit Committee

Björn Borg's Board of Directors has established an Audit Committee consisting of Chairman Heiner Olbrich, Mats H Nilsson and Fredrik Lövestedt. The Audit Committee supports the Board in its efforts to quality assure Björn Borg's financial reports and is tasked with, among other things, ensuring that accurate, qualitative financial reports are prepared and communicated. The Audit Committee is also tasked with issuing a recommendation to the Nomination Committee on the auditors' election. The committee convened a total of five times in 2020, all in connection with the quarterly reports. All of the Committee's members attended these meetings, except for the August meeting, which Fredrik Lövestedt did not attend. In 2020, the CEO attended the meetings as a co-opted member. The Audit Committee is a drafting committee.

DIRECTORS' ATTENDANCE IN 2020

	Feb 20	March 20*	April 8*	April 10*	May 14	Aug 17	Nov 19
Alessandra Cama	1	1	1	1	1	1	1
Göran Carlson**	1	1	1	1	1	–	–
Christel Kinning**	1	1	1	1	1	1	–
Anette Klintfält	1	1	1	1	1	1	1
Fredrik Lövestedt	1	1	1	1	1	1	1
Mats H Nilsson	1	1	1	1	1	1	1
Heiner Olbrich	1	1	1	1	1	1	1
No. of attendees	7 (of 7)	7 (of 7)	7 (of 7)	7 (of 7)	7 (of 7)	5 (of 5)	5 (of 5)

* Meeting held by circulation with all members participating in the decisions.

** Director stepped down from the Board of Directors at the 2020 AGM.

CHIEF EXECUTIVE OFFICER

The Board has established an instruction for the CEO's work and role, which in its current wording was adopted on August 17, 2020. The CEO is responsible for day-to-day management of the Group's operations according to the Board's guidelines and other established policies and guidelines, and reports to the Board.

Henrik Bunge (b. 1973) has been CEO since August 4, 2014. He does not own shares in any company with which Björn Borg has significant business interests. For more information on the CEO, see page 95 of the annual report.

THE COMPANY'S AUDITORS

The outside auditors review Björn Borg's annual accounts, accounting records and the administration of the Board of Directors and the CEO. After every financial year the auditors submit an audit report to the AGM. The 2020 AGM elected the registered public accounting firm Deloitte AB as auditor of the company until the conclusion of the next AGM. Authorized Public Accountant Didrik Roos is chief auditor. The next auditors' election will be held at the 2021 AGM.

Further information on the auditors can be found on page 94 in the annual report. Information on the auditors' fee can be found in Note 10.

REMUNERATION TO DIRECTORS AND SENIOR EXECUTIVES

Remuneration to the Chairman and other members of the Board of Directors is resolved by the AGM. According to the Nomination Committee's proposal to the 2020 AGM, the Chairman of the Board would have received fees of SEK 420,000 and the other Directors would have received SEK 180,000. For committee work, the proposed compensation would have been SEK 16,000 to the members of the Compensation Committee and SEK 27,000 to its Chairman, as well as SEK 55,000 to the members of the Audit Committee and SEK 80,000 to its Chairman. Due to COVID-19, however, the Board members relinquished 30 percent of the Nomination Committee's proposed compensation. The 2020 AGM therefore resolved to approve the fees in accordance with the Nomination Committee's proposal less 30%, which was also paid during the year.

According to the remuneration guidelines for senior executives approved by the 2020 AGM, the remuneration for the CEO and other members of management can comprise a base salary, variable compensation and other benefits, including a pension. In addition, the Annual General Meeting can, independent of the guidelines, resolve to pay share- and share price-based remuneration. Any variable compensation is based on performance relative to predefined, measurable metrics designed to promote the company's business strategy and long-term value creation, and is maximized to 50% of fixed salary during the measurement period, which is normally one year.

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

FINANCIAL REPORTING

The quality of the financial reporting is assured through the Board of Directors' policies and instructions on delegation of

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

BOARD REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

According to the Companies Act and the Code, the Board is responsible for internal control. The following report on internal control over financial reporting for 2020 has been prepared in accordance with these regulations and constitutes part of the corporate governance report. Björn Borg's Board has evaluated the need for a separate audit function (internal audit) and come to the conclusion that such a function is not motivated at present in view of the staffing in the company's finance department in relation to the nature, scope and complexity of the business.

ORGANIZATION OF INTERNAL CONTROL OVER FINANCIAL REPORTING **Control environment and corporate governance**

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

Risk assessment

Management works continuously and actively with risk analysis, risk assessment and risk management to ensure that the risks the company faces are managed appropriately within the frameworks that have been established. The risk assessment takes into consideration, among other things, the company's administrative routines with respect to operating, financial and legal risks. Balance sheet and income statement items are continuously reviewed as well if there is a risk of

material errors. Assessed risks in major balance sheet and income statement items are graded and monitored. The risk analysis has identified a number of critical processes, with the greatest focus on procurement and revenue processes, where the valuation of inventory and accounts receivable is a key element of the balance sheet analysis. The Audit Committee plays an important role in risk assessment, since it reports its observations and priorities to Björn Borg's Board.

Communication and control activities

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

Monitoring

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

BJÖRN BORG SHARE AND OWNERSHIP ANALYSIS

The shares in Björn Borg AB are listed on the Small Cap list on Nasdaq Stockholm. The total number of shares in Björn Borg is 25,148,384. There is only one class of share. The share capital amounts to SEK 7,858,870 and the quota value per share is SEK 0.3125. Each share carries one vote at the company's AGM, and there are no limitations on how many votes each shareholder may cast at the AGM. Björn Borg had 8,456 shareholders (8,173) at year-end. The largest shareholder as of December 31, 2020 was Martin Bjäringer, through companies and directly, with 9.9 percent of the shares and votes. There are no limitations on the right to transfer the Björn Borg share due to legal provisions or Björn Borg's Articles of Association. Nor is Björn Borg aware of any agreements between shareholders that could infringe upon the right to transfer Björn Borg shares.

TEN LARGEST SHAREHOLDERS DEC. 31, 2020

	No. of shares	%
Martin Bjäringer	2,500,000	9.9
Fourth Swedish National Pension Fund	1,697,261	6.7
Mats Nilsson	1,638,440	6.5
Avanza Pension	1,282,184	5.1
Lazard Frères Banque	1,110,000	4.4
Nordnet Pension	1,092,735	4.3
Fredrik Lövestedt	1,050,040	4.2
Vilhelm Schottenius	1,023,520	4.1
Sten A Olssons Pensionsstiftelse	750,227	3.0
Carl Rosvall	465,000	1.8
Total, largest shareholders	12,609,407	50.1
Total, other	12,538,977	49.9
Total number of shares	25,148,384	100.0

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

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

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

ENGAGEMENT AND RESPONSIBILITY

The Board of Directors is responsible for the corporate governance statement for the financial year January 1, 2020 – December 31, 2020 on pages 96-99 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

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

OPINIONS

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

Stockholm, April 16, 2021
Deloitte AB

Didrik Roos
Authorized Public Accountant

OTHER INFORMATION

ANNUAL GENERAL MEETING

The shareholders of Björn Borg AB (publ) are hereby invited to the Annual General Meeting, to be held on Tuesday, May 18, 2021. Due to the ongoing pandemic, the Board of Directors has resolved that the Annual General Meeting is to be held without the physical presence of shareholders, proxies or external parties and that the exercise of voting rights may only take place via post before the meeting.

Information about the general meeting's resolutions will be published on May 18, 2021 as soon as the outcome of the postal voting has been finalized.

To be entitled to participate in the Annual General Meeting, shareholders must be entered in the shareholders' register maintained by Euroclear Sweden AB by Friday, May 7, 2021 ("the record date") and must notify the company of their intention to attend by submitting their postal vote according to the instructions described below and in the notice, so that the company (through Computershare AB) has received the postal vote no later than Monday, May 17, 2021.

Shareholders who have nominee-registered shares through a bank or another nominee, for example, shares in a custody account, must – aside from giving notice by submitting their postal vote – request that the shares be temporarily re-registered in their own name so that the shareholder is entered in the share register maintained by Euroclear Sweden AB as per the record date of May 7, 2021. Such registration may be temporary (so-called voting right registration) and may be requested from the nominee in accordance with the nominee's procedures at a time in advance as determined by the nominee. Voting right registration requested by shareholders in such a time that registration has been completed by the nominee by May 11, 2021 at the latest will be taken into account in the preparation of the share register as per the record date.

A special form is to be used for postal voting. The postal voting form, which also applies as notice of attendance to the Annual General Meeting, is available on the company's website. Completed and signed postal voting forms may be sent by mail to Computershare AB, "Björn Borg Annual General Meeting," Box 5267, SE-102 46 Stockholm, Sweden, or by e-mail to info@computershare.se. Completed forms must be received by the company through Computershare AB not later than Monday, May 17, 2021. Shareholders who are natural persons can also cast their postal vote electronically by verifying their identity using BankID on Björn Borg's website, <https://corporate.bjornborg.com/en/arsstamma-2021/>.

Additional information on the Annual General Meeting can be found in the notice and further instructions and conditions on postal voting are provided in the postal voting form; see <https://corporate.bjornborg.com/en/arsstamma-2021/>.

2021 CALENDAR

The Annual General Meeting 2021 will be held on May 18, 2021.

The interim report for January-March 2021 will be released at 5.30 pm (CET) on May 18, 2021.

The interim report for January-June 2021 will be released on August 19, 2021.

The interim report for January-September 2021 will be released on November 18, 2021.

The year-end report 2021 will be released on February 24, 2022.

FINANCIAL REPORTS

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

SHAREHOLDER CONTACT

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IMAGES IN THE ANNUAL REPORT

The images used in the annual report were obtained from Björn Borg's spring/summer, high summer and fall/winter 2021 collections.







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