



# BJÖRN BORG

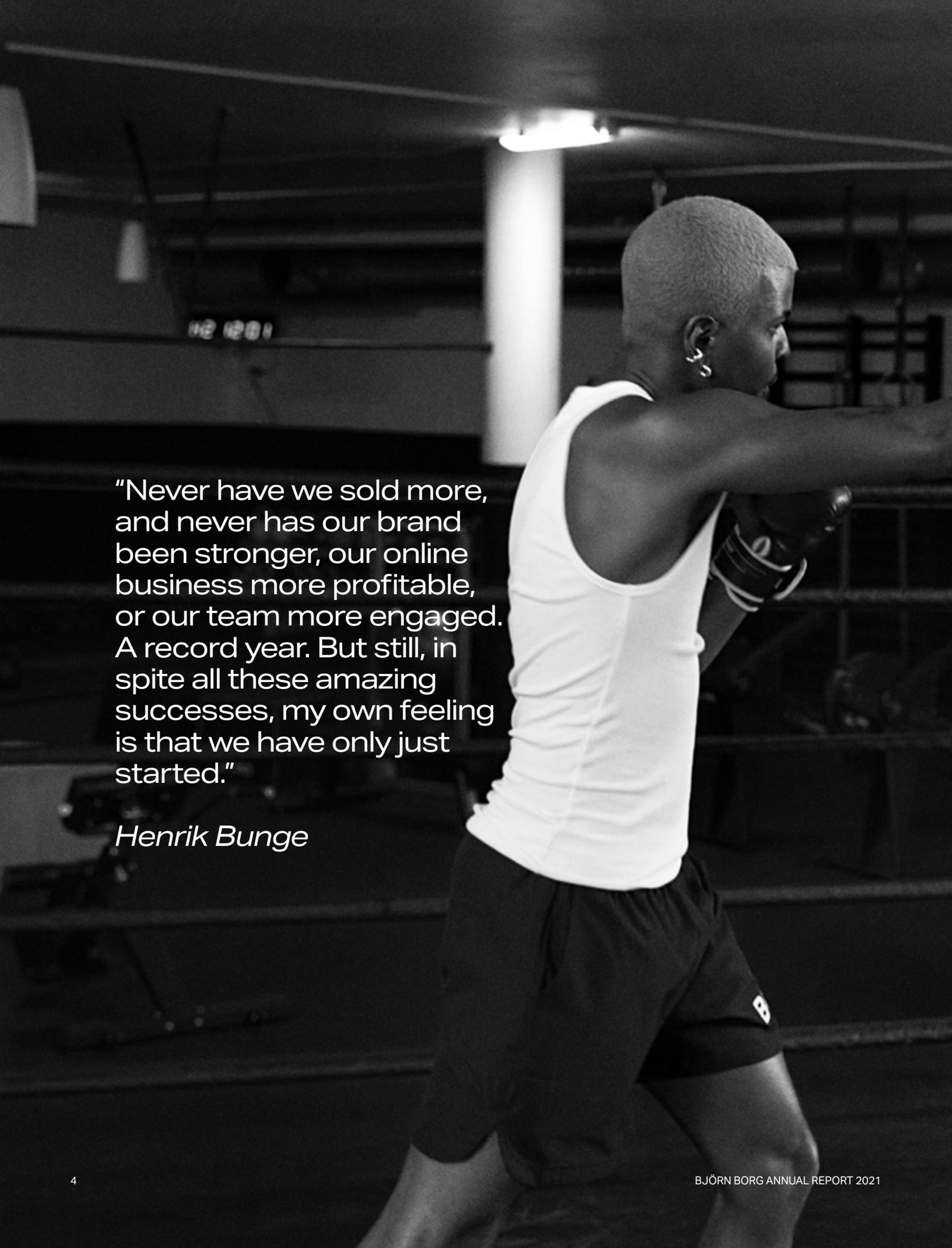
Annual Report 2021

ELEIKO



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"Never have we sold more, and never has our brand been stronger, our online business more profitable, or our team more engaged. A record year. But still, in spite all these amazing successes, my own feeling is that we have only just started."

*Henrik Bunge*



THROW

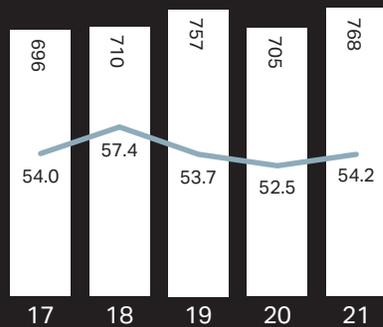
BJÖRN BORG

BORG

# Björn Borg in brief

■ Net sales, SEK million  
— Gross profit margin (%)

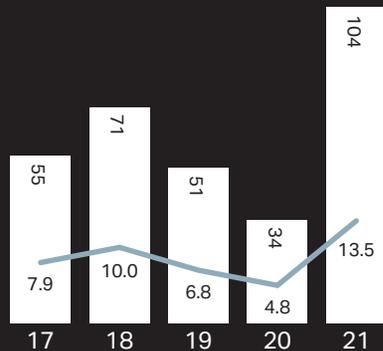
The gross profit margin was 54.2 percent



## 54.2

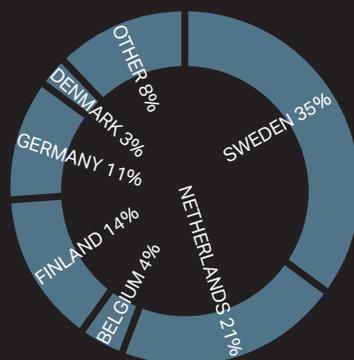
■ Operating profit, SEK million  
— Operating margin (%)

The operating margin was 13.5 percent

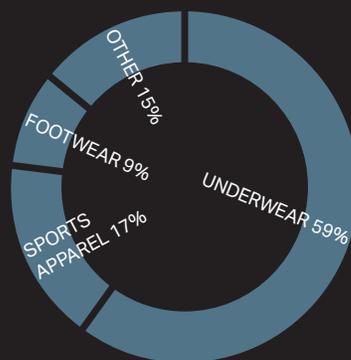


## 13.5

Brand sales by country



Brand sales by product area



## The Björn Borg Group

The Björn Borg Group owns and develops the Björn Borg brand. The focus of the business is on underwear and sports apparel as well as footwear, bags, eyewear, and home products (textiles) through our licensees. Björn Borg products are sold in some twenty markets, of which Sweden and the Netherlands are the largest.

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

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

## The year in figures

- The Group's net sales amounted to SEK 768.2 M (705.2), an increase of 8.9 percent.
- Net sales for own e-commerce and e-tailers amounted to SEK 294.6 M (231.5), an increase of 27.2 percent.
- The gross profit margin was 54.2 percent (52.5).
- The operating profit amounted to 104.1 SEK million (33.7).
- Profit after tax amounted to 86.0 MSEK (18.8).
- Earnings per share before and after dilution amounted to 3.42 SEK (0.75).
- The Board of Directors has decided to propose to the Annual General Meeting a distribution of 2.50 SEK (1.50) per share, corresponding in total to 62.9 SEK million (37.7).

## The Björn Borg brand

The Björn Borg brand is characterized by creative products with the brand's typically sporty identity – products which make customers feel both active and attractive. A passion for sports fashion and the courage to challenge the industry shines through our marketing communications and product development.

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

## Markets

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

## Stores

One new outlet-store opened in Sweden during the year, while seven stores were closed: two in Sweden, four in the Netherlands and one in Finland. At year-end, there were 26 (32) Björn Borg stores, 23 (29) of which are Group-owned.

# CEO's comments

A record year! 2021 began in the same way that 2020 ended – with restrictions as a result of the pandemic which seemed never to want to be defeated. Thanks to our tireless fighting spirit, we nevertheless strengthened our business month by month, quarter by quarter, breaking both sales and profit records.

## PEOPLE MAKE A DIFFERENCE

We put another year behind us, this one full of restrictions. We tackled them by becoming even better at prioritizing and focusing on what was business critical. With clear goals, recurring follow-ups, and dedicated time for reflection, we constantly strived to become the best version of ourselves.

An important part of our ambition to become the universe's best workplace is our mandatory sports session. Video conferencing is good in many ways, but there are things that are so much more fun if you do them together. Training is one such activity.

It makes me extremely proud that we, in our internal anonymous surveys, continue to make progress. Never before have all the employees at Björn Borg been more committed and motivated.

## OUR BRAND IS OUR MOST IMPORTANT ASSET

Together with our team, our brand is our absolute greatest asset. As we close 2021, I can state that our brand has never been stronger - another of our many victories in 2021. Our message to train to feel better, together with our high focus on various digital platforms has turned out extremely well. During the year, we increased our awareness as a sports brand by 50 percent, while at the same time strengthening our position as the market leader in underwear for men, both in terms of awareness and the customer's willingness to choose us first. But perhaps our greatest victory was that 22% of all consumers in our markets chose us as one of their three favorites among sports brands.

## SALES

We increased net sales in 2021 to SEK 768.2 million, which was an increase of 8.9 percent compared with the previous year. Our focus online worked very well, and we saw continued strong growth for both our

own e-commerce and e-tailers, which together increased by 27.2 percent to SEK 294.6 million, of which our own e-commerce grew by 16 percent. We saw a planned drop in our own stores, in line with our strategy of reduced focus and exposure in retail in favor of focusing on online channels. Despite a loss of sales, we significantly increased profitability for the stores we continued to operate. Furthermore, our Germany investment worked very well and we grew by 75% compared with the previous year. We also had strong growth in the entire Swedish market, and we saw a good recovery in the Netherlands.

## PROFITABILITY

The gross profit margin for 2021 increased to 54.2 percent (52.5). The increase in the gross profit margin is explained by currency effects, reduced discounts, and an increased share of own e-commerce. At the same time, operating costs decreased by SEK 24.7 million compared with 2020. We had virtually no customer losses and reduced our rental costs, which is explained both by fewer stores and lower rent for our head office in Stockholm. Higher revenues, higher gross profit margins and lower costs meant that our operating profit increased sharply to SEK 104.1 million (33.7). The operating margin ended up at 13.5 percent (4.8).

## A SUSTAINABLE BUSINESS MODEL AND GROWTH

Running a sustainable business is one of our three biggest focus areas, together with our investments in sportswear and online. During the year, we laid out a clear action plan for how to achieve our commitment of a fifty percent reduction (in absolute numbers) of carbon dioxide emissions by 2030. Our work covers the entire value chain and therefore all employees now have a functional sustainability goal in their plan for 2022. Our immediate goal is to offer 100% sustainably sourced clothing (now a minimum of 70% of the



fibers in all clothing), and 50% bags by 2023. All our packaging is now made of cardboard from sustainably cultivated forests, our new office and new warehouse are both buildings with various environmental certificates and extensive sustainability work, and no freight is planned by air. Our licensees for shoes and glasses are also with us on the trip.

#### **AMBITION**

Now, as I write my CEO comments on the financial year 2021, the restrictions in several of our markets have finally been lifted. Clearly, the global pandemic had a very strong impact on both our business and our employees. At the same time, I am convinced that nothing will be exactly as it was before. The role of the workplace will never be the same, the way we travel and conduct meetings will not return to how it was. But what has not changed is that people make a difference and that dreams create commitment, and that desire and goals create motivation. That it is not

the location of the office but the culture that is created that makes a difference.

With the financial year 2021 now behind us, I can state that we are closing the year stronger than ever. We have never had more sales and never has our brand been stronger. Our online business has never more profitable, or our team more committed. A record year. And still, despite all these incredible successes, my own feeling is that we have only just begun.

In conclusion, and as my last remarks in the 2021 "CEO's comments", I want to thank everyone. Thank you all! Nothing would have happened without a team that never gives up and that always does its utmost. Together we have strong convictions. Namely, to inspire ourselves and everyone else to train to feel better. It works. And now a new record year begins!

*Here we go!*  
Henrik Bunge  
Head Coach

# Vision, business concept, goals and strategy

We are working towards a shared goal through a framework where we answer five questions:

*Where are we going? Where are we?*

*What do we do? How do we do things?*

*Why do we do this?*

We also make sure that to honor our values. These were not produced by consultants, but by us, through our convictions and drive. Our reward comes from inspiring people to be their best, since we know that anyone can become anything they want.

The first question is:

## Where are we going?

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

The second question is:

## Where are we?

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

The third question is:

## What to do?

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

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

The fourth question describes our values:

## How do we do things?

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

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

- *Empowering*

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

- *Winning attitude*

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

- *Bold*

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

- *Magnetic*

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

The fifth question describes what inspires and motivates us:

## Why do we do this?

(our mission)

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

## Financial objectives

Björn Borg's long-term financial goals for the business, which were last updated in 2019 for a 5-year period to 2023, 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 first half of the 1990s in the Swedish fashion market. Since then, operations have grown strongly, and their development has included the establishment of new product areas and geographical markets.

A stated goal in the Björn Borg business plan is to become a leading player within sports fashion, and so the focus is increasingly on the design and production of sport apparel. The brand has built up a distinctive identity and a strong position in its established markets in its dominating product area underwear, while its newer markets are in a development phase.

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

The brand platform mirrors the brand's sporty identity and a desire to inspire others to reach their full potential through training, an idea on which the whole brand is built and by which it is driven. The belief that we do not live to train, but rather train to live is a strong one.

Björn Borg aims to provide the best possible service to its distributors and licensees, who commit themselves to a specific level of investment in their respective markets. The aim is to provide them with the prerequisites to create sales and brand awareness whilst ensuring consistent development of the brand.

Support to the distributors and licensees includes branding guidelines and marketing support. This includes campaigns, working with influencers, PR, media buying and point-of-sales displays – packaged for each market's needs, development phase and budget.

## Marketing communications

Björn Borg wants its brand to inspire people to become the best versions of themselves, where training is a central part of achieving their goal. The long-term communication concept 'Train to Live' has been developed to communicate this clearly to the end-customer. The concept is built on the strong desire to inspire people to train to live, instead of the

opposite. Also, that training is the key to become the best version of yourself. For Björn Borg this does not mean being the fastest athlete but, quite simply, having the energy for all the other fantastic things in life. The focus is on continuing this shift and strengthening the brand's position as a sports fashion brand. 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 instore displays. Social media have continued to grow in importance in the interaction between Björn Borg and its customers. 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](http://bjornborg.com), Björn Borg products are sold practically around the world. The website is also a key channel for international branding and for communicating with the target groups.

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

## Activities and focus 2021

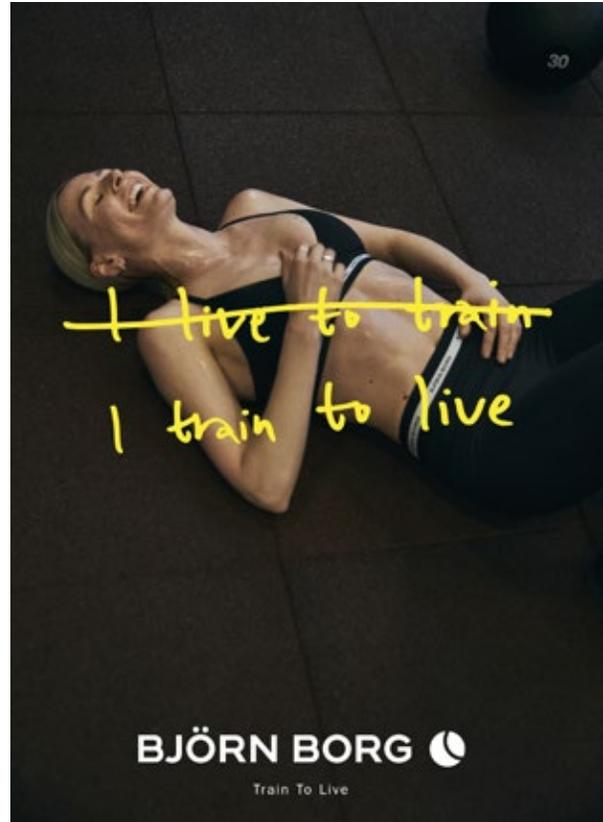
During the year, Björn Borg continued to position itself in sports apparel through a large number of activities, campaigns and events. The brand has clearly communicated its thoughts and ideas on training through its concept 'Train to Live' - that we train to live and not the opposite, and that training is the key to becoming the best version of yourself. Due to the year's pandemic, the majority of activities have taken place digitally. The brand has also placed great weight on being constantly present where the end-customers are and has actively left behind campaigns which were major but short-lived. Instead, the brand is now seen everywhere, all year round. The benefits of training have been highlighted in all activities.

## INFLUENCERS

In 2021, Björn Borg made its largest investment to date in building a strong community, which together with the brand has described what they stand for. Hundreds of influencer collaborations were activated during the year, in all the company's markets. The purpose has been to be constantly present where end-customers spend a large part of their time, namely on social media. In those channels, influencers have actively talked about Björn Borg as a brand, about "Train to Live", about how and why they themselves train, while at the same time putting a lot of focus on communicating about sportswear. Together with strong individuals with a large reach, good commitment, and with values similar to the brand's own, the rollouts have had a high impact. We see from the strong results that the brand has reached more individuals than ever before, and that brand awareness as a sports fashion brand has never been higher. More end-customers prefer Björn Borg than ever before. In addition, the activities have also driven direct conversions to the web shop, which has made it possible to measure the ROI of each market investment more accurately. In the analyzes of these, the company has constantly developed more cost-effective and conversion-driven impacts.

## LIVE SPORTS HOUR

During the constant changes and restrictions of last year, Björn Borg has rethought instead of cancelling. The compulsory sports hours on Friday's at 11 o'clock were streamed live on Instagram when employees were not able to work in the office and train together. In this way, the strong internal Group culture was communicated to the end-customers, since Friday's sports hour is a strong symbolic statement and clear evidence of the brand's mission – that by training we can all become better versions of ourselves.



*Train To Live*



*Live Sports Hour*

# Product development

## Brand and products

Björn Borg is a sports fashion brand offering sports apparel (training and leisure), underwear (fashion and sport), bags, swimwear, socks and lounge wear. Björn Borg also offers footwear and eyewear made 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 are set out in a design platform based on timeless Scandinavian aesthetics. In recent years, expressions on both product and communication have been redirected to clarify the company's identity. A modern, Scandinavian, and unique expression, in which the company's values were allowed to play a more central role, was established. The new creative direction has since characterized the collections in a very positive way. Furthermore, Björn Borg's internal design and product department, as well as external licensees, are governed by high sustainability goals and quality requirements.

## Important events in 2021

The global pandemic and external factors such as skyrocketing commodity prices, transport delays and capacity constraints have strongly affected operations in 2021. With a clear focus, smaller but highly skilled in-house teams with strong passion, these have been parried in a strong way with good results.

During the year, four collections were released, with sportswear still in focus. One highlight is the *Seamless collection*, which has become one of the best-selling products in its own channels since its introduction in the spring of 2021. Another is that clothes for racket sports are now available all year round. The brand's relevance in the current padel trend is great. With growing e-commerce, a number of faster drops were also made in our own channels.

During the year, collection adjustments were made within *Him Underwear* with a positive effect on the pre-order book. The pace of development of the brand's driving Underwear concept was increased in order to maintain the leading position in *Underwear him* in the established markets.

A first test generation of training equipment sold out to be refilled in 2022.

As a result of the pandemic, but also the company's sustainability work, more suppliers in Europe have opened up for future growing cooperation.

Building a strong brand has been a central ambition for many years. In this respect, all categories play an important role and the collaboration with the Varberg-based *Bag team* and the *Footwear* license was intensified during the year.

In November, Björn Borg, as a member of STICA, officially committed to reaching the goal of reducing the company's carbon dioxide emissions by 50% by 2030 (Base year 2020). During the year, the company's sustainability group worked hard on the governing documents that will direct the sustainability work in the future. The goal is for 90% of the company's employees at HQ and sales offices to have function-driven goals for sustainability in 2022. In the autumn of 2021, the first 100% sustainably sourced collection was delivered by *Sports Apparel* and *Underwear*.

## Focus going forward

In 2022, a lot of focus will be placed on growing *Sports Apparel* through a broadening and deepening of the range and fine-tuning of the price structure. Much focus will also be put on the growing e-commerce and optimizing the product range for it. Regarding sustainability, the focus will be on reducing energy-related emissions in production, converting materials into better alternatives and setting strategies to eliminate air freight in the long term.



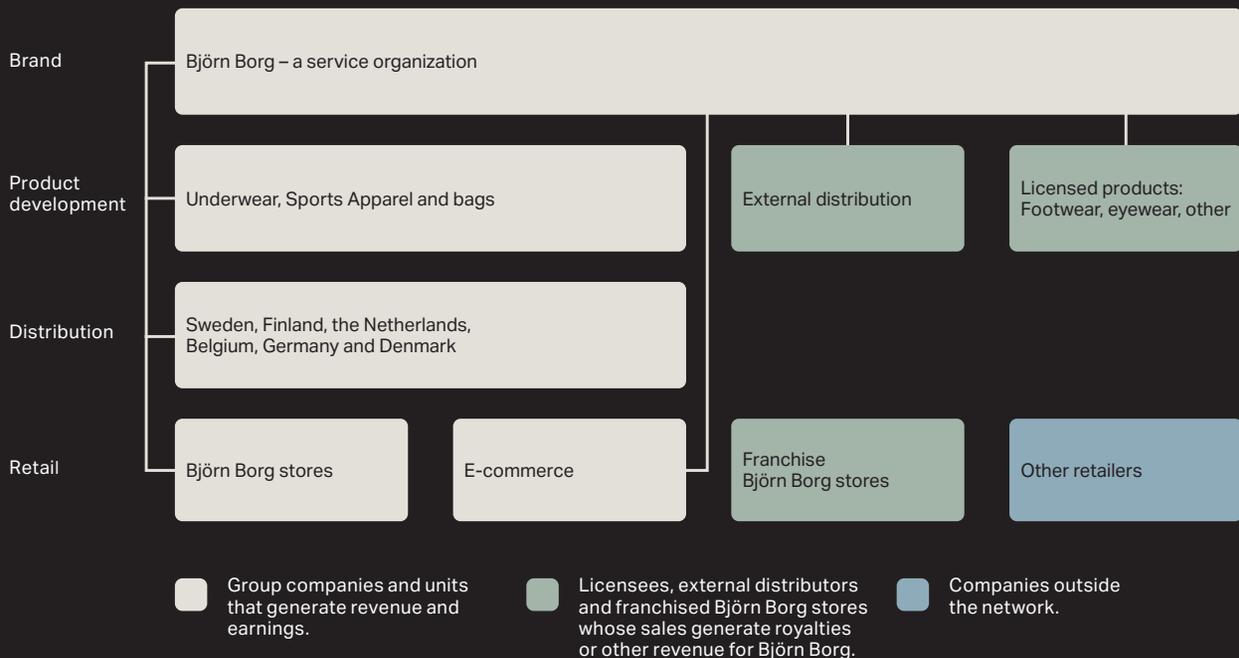
# Operations

## The 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, who 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 is able with a relatively small organization and with limited financial investments and risks, to be involved in key links of the value chain and develop the brand internationally. The part of the business model which 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 sales in its own stores. 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 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 the design and product development is 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.

Higher 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 guidelines on working conditions and the environment. For more information on Björn Borg's work on sustainability, see page 30 and [www.bjornborg.com](http://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, and also through the company's own distribution primarily in Sweden, Finland, the Netherlands, Belgium, Germany and Denmark.

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 markets 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 on how to 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, the Netherlands, Belgium, Germany, and Finland with its own sales organizations in these markets. Distribution of footwear in Sweden and Finland 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 tough competition, is to establish and maintain their positions 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 extensive network of retailers represents an important interface with consumers. In all, around 4,000 retailers sell Björn Borg underwear and sports apparel, including 1,280 in Sweden, 420 in Denmark, 580 in the Netherlands, 720 in Norway, 190 in Belgium, 120 in England and 640 in Finland. In smaller markets, around 890 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 about 6,750 retailers.

Apparel and sporting goods chains and department stores have gradually grown in importance for 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 stores with high footfall.

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-sales 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 decor.

### BJÖRN BORG STORES

Besides being a key component for sales and profitability, Björn Borg stores are important for the brand’s exposure and marketing, and a valuable channel for direct contact with the end-customer.

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. In 2021, the growing trend towards the sporting apparel range continued, even though underwear still accounted for the majority of sales.

Sales from Björn Borg’s own e-commerce increased in 2021, and it still sees good growth opportunities going forward. E-commerce will remain a priority sales channel. Sales from so-called e-tailers, that is to say ‘online retailers’, continue to increase, both from Björn Borg’s own e-commerce and where distribution is handled by external partners. Total sales from Björn Borg’s own e-commerce and e-tailers amounted to SEK 295 million (232). Björn Borg will maintain a strong focus on e-tailers and virtual marketplaces going forward.

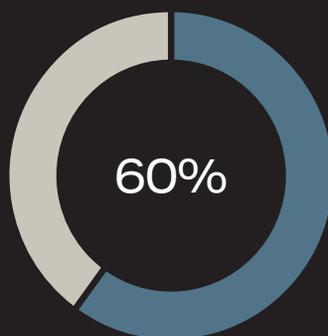
### BJÖRN BORG STORES, AS OF DEC. 31, 2021

	Group-owned	Franchises
Sweden	6	–
Netherlands	6	–
Belgium	3	–
Finland	8	–
Norway	–	3
Total	23	3

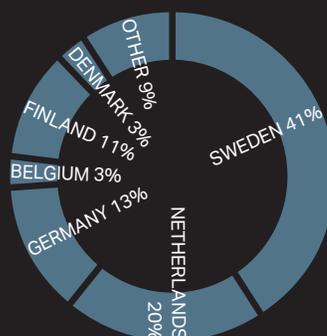
# Product areas

## Underwear

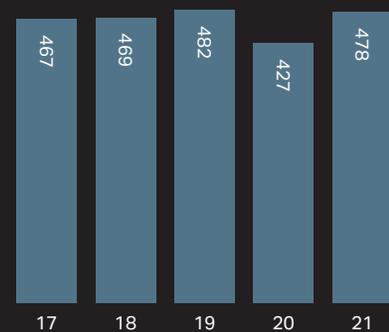
UNDERWEAR,  
SHARE OF TOTAL  
BRAND SALES 2021



UNDERWEAR,  
BRAND SALES BY  
COUNTRY 2021



UNDERWEAR,  
SALES 2017-2021,  
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.

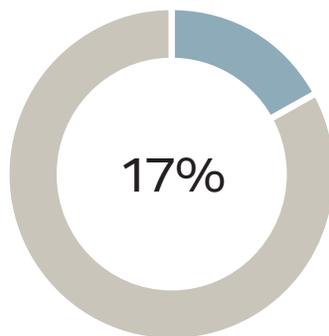
Björn Borg underwear is sold by independent retailers, apparel and sporting goods chains, department stores, Björn Borg stores, and our own and external e-commerce. Product development for underwear is managed within the Björn Borg Group.

Underwear sales increased in 2021 to SEK 478 million (427) and the product area accounted for 60 percent (58) of total sales. Among the larger markets, all markets grew with the exception of Finland, with Germany showing strong growth. Smaller market sales were up on the previous year, with a total increase of around 25 percent.

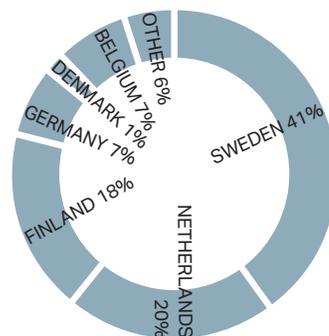


# Sports apparel

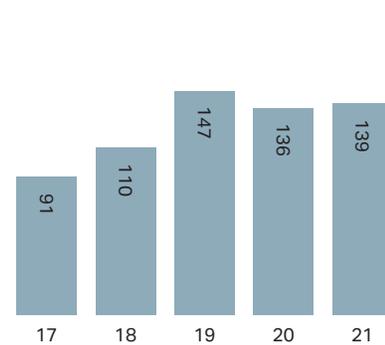
**SPORTS APPAREL,  
SHARE OF TOTAL  
BRAND SALES 2021**



**SPORTS APPAREL,  
BRAND SALES  
BY COUNTRY 2021**



**SPORTS APPAREL,  
SALES 2017-2021,  
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*.

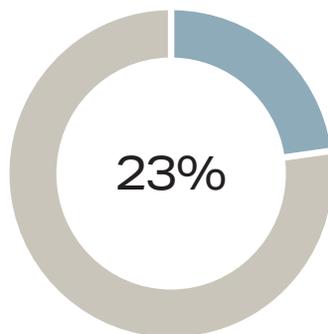
Today Björn Borg's sports apparel is sold in a total of 14 markets. Retailers include sports apparel and sporting goods chains, department stores, Björn Borg stores and e-commerce.

Sales of sports apparel increased in 2021 to SEK 139 million (136) and the product area accounted for 17 percent (13) of total sales. All the larger markets grew except Finland, with Germany growing strongly. However, the smaller markets showed reductions compared to the previous year, with a total fall of 7 percent.

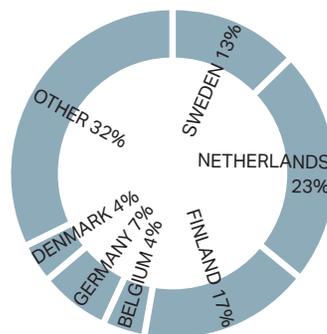


## Other products

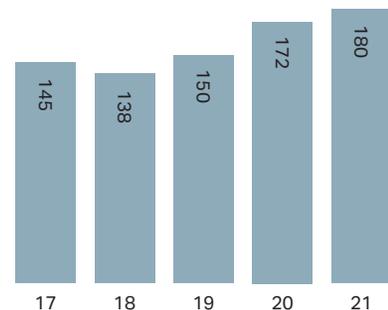
**OTHER PRODUCTS,  
SHARE OF TOTAL  
BRAND SALES 2021**



**OTHER PRODUCTS,  
SALES BY  
COUNTRY 2021**



**OTHER PRODUCTS,  
SALES 2017-2021  
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](http://www.bjornborg.com). In recent years, the licensee has expanded the business internationally in several markets. In 2021, Björn Borg footwear was sold in around twenty European markets, of which Sweden, the Netherlands, Finland and Belgium were 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 duffel 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 frames are part of the trend segment and 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 2021

Total brand sales of other products amounted to SEK 180 million (172), an increase of 5 percent compared to 2020. As a whole, other products accounted for 23 percent of total brand sales.

The product areas bags in particular showed strong growth in 2021 when the area became an integrated part of operations after having earlier been licensed out to a third party, and made up 4 percent of the Group's total sales in 2021. Footwear sales decreased with 20 percent compared to the previous year and accounted for 9 percent of total sales. Other product areas – mainly socks, swimwear and eyewear – together accounted for 10 percent of total sales.



# Geographical markets

## Larger markets

Björn Borg is currently represented in around 20 markets, the largest of which are Sweden, the Netherlands, Finland, Germany, Norway, Belgium 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 on the 1990s. The first Björn Borg store was opened in Stockholm in 1994. Today Sweden accounts for 35 percent of total brand sales. Björn Borg products are sold by about 1,280 retailers around the country, through Björn Borg's six 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 increased by 2 percent in 2021 compared to the previous year.

### THE NETHERLANDS

As of January 2017, Björn Borg AB owns the former external Benelux distributor. The acquisition was an important step to accelerate the vertical integration of Björn Borg 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 2021 with 21 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 580 retailers and six Björn Borg stores. Every product area is sold in the Dutch market, where brand sales increased 5 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 14 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 eight Björn Borg stores in Finland, four of which are factory outlets. Brand sales in Finland decreased by 12 percent during the year.

### GERMANY

Björn Borg was launched in Germany in spring 2016 and has grown quickly. Today Germany is Björn Borg's fourth largest market with 11 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 640 external retailers as there are currently no Björn Borg stores in the country. Brand sales in the German market increased by 70 percent compared to 2020.

### NORWAY

The brand was launched in the Norwegian market in the early 1990s. Norway today accounts for 4 percent of total brand sales. Products are sold through about 720 retailers around the country and in three Björn Borg stores. All product groups are represented in Norway. Brand sales in the Norwegian market increased by 24 percent compared to the previous year.

### BELGIUM

Björn Borg was launched in Belgium in the second half of the 1990s. Today Belgium is Björn Borg's sixth largest market with 4 percent of total brand sales. Underwear dominates the Belgian market, although all product areas are sold. Björn Borg's products are sold through around 190 retailers and three Björn Borg stores. Brand sales in the Belgian market rose by 21 percent compared to 2020.

### DENMARK

Björn Borg was launched in Denmark in 1992 and today it accounts for 3 percent of total brand sales. Since 2021, Danish operations are an integrated part of the Björn Borg Group. In Denmark, Björn Borg products are sold exclusively through around 420 external retailers. There are currently no Björn Borg stores in the country. Every product area is represented in Denmark, and in 2021 brand sales were up on 2020 by 115 percent.

## Smaller markets

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

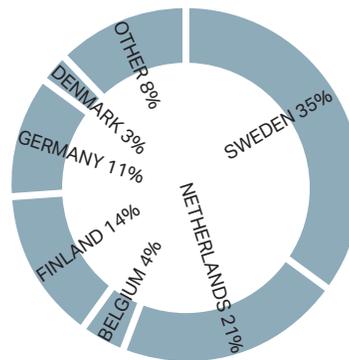
### ENGLAND

Björn Borg was established in England in 2006 through a launch at the Selfridges department store in London. In 2011, Björn Borg started its own operations together with a local partner after collaboration with 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, while 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. Since 2021, the English operations are no longer an integrated part of the Björn Borg Group but are run by an external distributor. Brand sales in England decreased by 71 percent in 2021 and accounted for 1 percent of total brand sales.

### OTHER SMALLER MARKETS

Brand sales increased in many other smaller markets, and total sales increased by 64 percent. Björn Borg has chosen to focus its efforts more of those markets it considers to be its key markets, i.e., Northern Europe.

BRAND SALES BY COUNTRY 2021



# Björn Borg's sustainability work

2021 will go down in history as our most profitable year since the company was founded. And never before have we had a higher turnover. But with more business comes greater responsibility. It is time to roll up our sleeves and take our sustainability work to a higher level.

Bringing products to the world has a negative impact on our earth. That is a fact. And we are not going to stop consuming. So, quite simply, we need to find new solutions. Running a sustainable business is now one of our three most important business areas. The other two will secure our financial performance; namely, our focus on on-line presence and an increased market share for sports apparel.

The pandemic has taught us a lot. We are constantly reinventing ourselves, finding new solutions for a new world. If you follow us, you will have already noticed it. In 2021, our most prominent highlight in sustainability work was that the management team approved the current 2030 plan.

The overall climate goal in our plan is to reduce our carbon dioxide emissions by 50% in absolute numbers, 2020-2030. Our entire value chain is involved in this journey and all employees have a functional 'green' goal starting in 2022.

In 2021, we reported the carbon footprint of our production for the first time (for the reporting year 2020). In this way, we have had the opportunity to make a comprehensive climate report according to the GHG protocol. With the results for 2021 in our hands, we have scientifically based insights on our entire climate footprint. The analysis of this data forms the basis for the update of our 2030 plan.

In 2021, our first collection also landed in stores with only 'more sustainable' products. These products are either made from a minimum of 70% sustainable material or support the work of the organization Better Cottons for more sustainable cotton cultivation in the world.

Here are some of the cornerstones we are working on:

- 100% sustainable products in sportswear and underwear
- 50% sustainably-sourced bags
- 100% sustainable and easily recycled materials used in packaging
- 100% sustainable import and export materials in the value chain (cartons and polyp bags)
- Full transparency and deeper insight into tier 2
- A plan to achieve 0% air freight

## OUR COMMITMENT

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

- Reduce our waste and dependence on scarce resources
- Act responsibly
- Maintain sustainable production and sustainable design
- Ensure that our suppliers follow our guidelines for environmental impact and social responsibility
- Include sustainability criteria throughout the product's journey towards the consumer
- Maintain transparency
- Always encourage ethics and sustainability for consumers and other stakeholders
- Always strive to be better, never stop finding new solutions.

More information about 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 success of the company. As an employer, Björn Borg wants to offer a stimulating work environment where management and staff together build a culture characterized by high ambition and drive, and a strong passion for sport and fashion.

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

Björn Borg's employees are generally highly skilled with extensive business experience from large Swedish and international apparel companies and retailers, as well as possessing 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 role for Björn Borg's business not only with its extensive international operations and large 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 och Magnetic*. These five values distinguish the way we work and all communication, both internal and external.

The company's mission is that *We inspire people to be more through our belief that sports can make our minds, souls and bodies become something more than what they are today and that anyone can become anything*. This 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.

## THE ORGANIZATION DURING THE YEAR

During the year, Björn Borg has maintained its very strong commitment despite continued challenges resulting from the restrictions during the Corona pandemic. The redundancies and furloughs that were implemented in 2020 as part of reducing the negative financial effects as a result of the pandemic have turned out well, thanks in large part to the high employee involvement that has been a strength throughout the year. The company has continued its competence surveys with the aim of ensuring clear areas of responsibility in the new organization and identifying additional areas to strengthen in the future. This is so that the organization will meet both today's and tomorrow's requirements. It is long term work that also aims to create a competence-oriented work environment that is stimulating for employees. Each employee has individual development goals that apply to both functional competence and personal well-being. Employees are offered various forms of competence development for both their professional competence and their personal development, where leadership, self-leadership and health are priority areas.

## PERFORMANCE MANAGEMENT

In a growing company in a changing world, the demands on a well-structured organization and a clear division of labor increase. The company has clear job descriptions with measurable goals for each employee and works in a structured way to ensure efficient work in a work environment where employees feel good and perform well. The company has developed a business plan (Northern Star) with clear objectives for the coming years and it has been adjusted during the year to ensure relevance in the changing times in which the industry finds itself. Employees at all levels in the organization have been involved in that work and the anchoring work has been led from the top management at all levels. The overall objectives have then, with the same high degree of involvement, been broken down for each department and individual so that everyone who works within the company has clear goals and activities that lead to the common business goals. The goals are followed up in individual reconciliation sessions with each individual each month to maximize focus, development and results.

In addition to strategic goals for the company's growth, the goals also include areas for improvement for the work environment, the internal company culture and each individual's development both professionally and personally (*"Get better goal"*). Each individual also has personal goals for their own health (*"Get stronger goal"*) which are adjusted in individual tests twice a year in collaboration with a professional personal trainer. Mental health is also mapped with a focus on stress and balance in life, and based on that mapping, goals and action plans are set annually both at the Group level and for each individual. Each employee also has personal goals for sustainability (*"Get greener goals"*), to contribute to Björn Borg's sustainability work with a focus on reducing the climate footprint.

The compensation systems that the company applies are based on a regular salary and a variable remuneration for certain key employees, where variable remuneration is based on performance against a combination of the company's financial objectives and the individual's prioritized goals.

## THE ORGANIZATION IN FIGURES

The average number of employees in the Group in 2021 was 162, compared with 192 in 2020.

The average age of the employees was 32 years and of the employees, 65 percent were women and 35 percent men. Physiologically, employees were on average 27 years old in 2020 (in 2021, no measurement was made due to the pandemic), i.e., five years younger than their physical age. This according to a completed fitness activity where all employees underwent tests of their own health (fitness, strength, mobility and experienced well-being) with a professional personal trainer and had goals set for their own improvement.

Employee involvement in the organization is very high (86 percent) and increased during the year in line with set goals. Confidence in management is very high (92 percent) according to the company's ambitions, with a large focus on the immediate leadership that affects the employee's development and performance. All departments have been involved in setting their own goals, based on their current situations, for how results will be improved in the coming years.

# Björn Borg in numbers





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# Five-year summary

## FIVE-YEAR SUMMARY

SEK thousands	2021	2020	2019	2018 <sup>2</sup>	2017
<b>Income statement in summary</b>					
Operating revenue	796,095	734,007	779,055	716,781	704,255
Operating profit	104,088	33,694	51,365	71,003	55,367
Profit after financial items	106,870	17,579	48,693	74,028	51,398
Profit for the year	86,030	18,833	38,947	59,886	37,372
<b>Balance sheet in summary</b>					
Intangible assets	233,133	232,094	232,538	232,234	228,353
Tangible non-current assets	15,405	16,580	18,127	15,390	15,392
Other long-term receivables	13,952	15,761	14,958	23,228	22,530
Deferred tax assets	54,950	57,481	131,458	–	–
Inventory	151,991	123,357	128,424	139,564	109,770
Current receivables	114,494	103,510	144,706	144,112	111,534
Short-term investments	–	–	–	–	500
Cash & cash equivalents	96,743	70,235	29,002	36,388	52,620
<b>Total assets</b>	<b>680,668</b>	<b>619,018</b>	<b>699,213</b>	<b>590,916</b>	<b>540,699</b>
Equity	334,217	291,013	264,884	281,705	277,398
Non-current liabilities	1,932	–	–	3,824	22,925
Deferred tax liabilities	39,596	39,289	40,370	42,892	42,949
Non-current lease liability	33,777	35,701	96,137	–	–
Current liabilities	271,146	253,015	297,822	262,495	197,427
<b>Total equity and liabilities</b>	<b>680,668</b>	<b>619,018</b>	<b>699,213</b>	<b>590,916</b>	<b>540,699</b>
<b>Key ratios<sup>1</sup></b>					
Gros profit margin, %	54.2	52.5	53.7	57.4	54.0
Operating margin, %	13.5	4.8	6.8	10.0	7.9
Profit margin, %	13.9	2.5	6.4	10.4	7.4
Return on capital employed, %	24.4	4.8	12.0	18.4	13.2
Return on average equity, %	27.5	6.8	14.3	21.5	13.1
Profit attributable to Parent Company's shareholders	86,030	18,833	38,947	59,886	37,099
Equity/assets ratio, %	53.4	51.8	46.9	47.7	51.3
Equity per share, SEK	13.29	11.57	10.53	11.20	11.03
Investments in intangible non-current assets	4,828	3,474	3,895	7,264	4,921
Investments in tangible non-current assets	5,680	5,490	8,732	6,486	7,868
Depreciation/amortization for the year	–35,503	–40,846	–57,227	–8,877	–9,906
Average number of employees	162	192	212	213	212
<b>Data per share</b>					
Earnings per share, SEK	3.42	0.75	1.55	2.39	1.48
Earnings per share, SEK (after dilution), SEK	3.42	0.75	1.55	2.39	1.48
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

<sup>1</sup> For descriptions of alternative key ratios, see page 93.

<sup>2</sup> 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

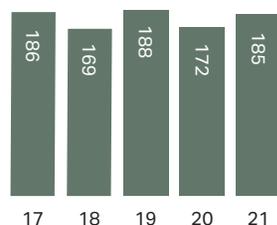
## QUARTERLY DATA FOR THE GROUP

SEK thousands	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Net sales	180,576	240,141	162,836	184,651	160,364	224,909	147,966	171,973
Gross profit margin, %	53.1	54.4	56.3	53.3	56.6	50.4	49.1	54.1
Operating profit	10,021	52,357	19,276	22,434	6,455	33,403	-13,410	7,247
Operating margin, %	5.5	21.8	11.8	12.1	4.0	14.9	-9.1	4.2
Profit (loss) after financial returns	12,030	50,938	18,014	25,888	-5,744	32,952	-22,846	13,217
Profit margin, %	6.7	21.2	11.1	14.0	-3.6	14.7	-15.4	7.7
Earnings per share, SEK	0.44	1.59	0.54	0.85	0.05	1.02	-0.75	0.42
Earnings per share, after dilution, SEK	0.44	1.59	0.54	0.85	0.05	1.02	-0.75	0.42
Number of Björn Borg stores at end of period	26	27	28	31	32	33	33	33
Of which Group-owned Björn Borg stores	23	24	25	28	29	30	30	30

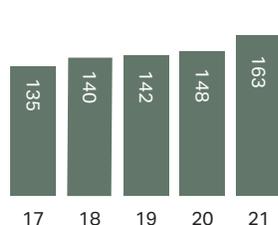
## SEASONAL VARIATIONS

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

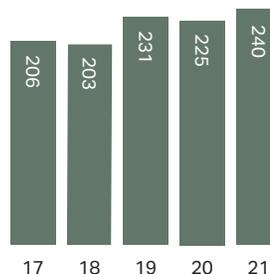
**NET SALES**  
2017-2021, Q1, SEK MILLION



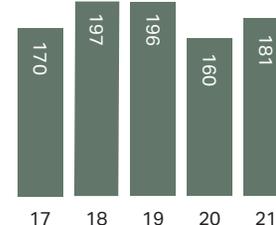
**NET SALES**  
2017-2021, Q2, SEK MILLION



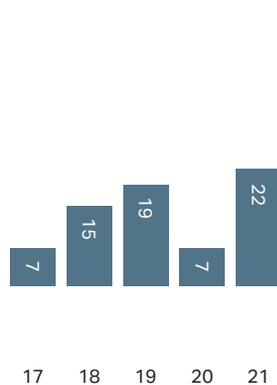
**NET SALES**  
2017-2021, Q3, SEK MILLION



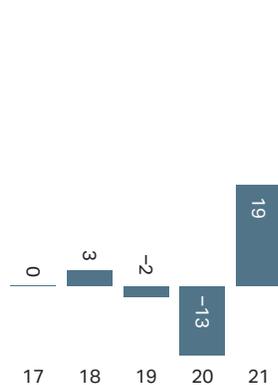
**NET SALES**  
2017-2021, Q4, SEK MILLION



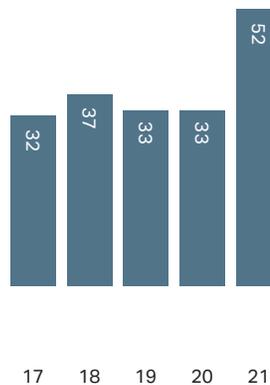
**OPERATING PROFIT**  
2017-2021, Q1, SEK MILLION



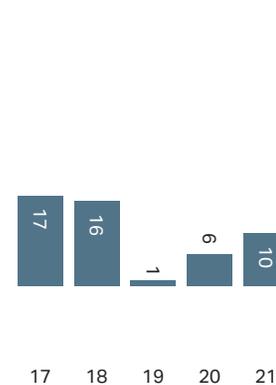
**OPERATING PROFIT**  
2017-2021, Q2, SEK MILLION



**OPERATING PROFIT**  
2017-2021, Q3, SEK MILLION



**OPERATING PROFIT**  
2017-2021, 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 2021.

## OPERATIONS

The Björn Borg Group owns and develops the Björn Borg brand. The focus of the business is underwear, sports apparel and bags, and via licensees also footwear and eyewear. Björn Borg products are sold in about twenty markets, the largest of which 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 include brand development and service to the network of licensees and distributors, as well as product development in the core areas of underwear, sports apparel and bags. The Group is also responsible for the distribution of underwear, sports apparel and bags in Sweden, Finland, Denmark, the Netherlands, Belgium and Germany, as well as for footwear in Sweden, Finland and the Baltic countries.

## BJÖRN BORG SHARE AND OWNERSHIP

Björn Borg AB is listed on Nasdaq Stockholm. The total number of shares in Björn Borg amounts to 25,148,384. There is only one class of shares. The share capital amounts to SEK 7,858,870 and the quotient value per share is SEK 0.3125. Each share entitles the holder to one vote at the Annual General Meeting and there are no restrictions on how many votes each shareholder can cast at the Annual General Meeting. Björn Borg had 9,063 shareholders at year-end. The largest shareholder as of December 31, 2021, was Martin Bjäringer. Martin Bjäringer holds, directly and indirectly, 9.9 percent of the shares in Björn Borg.

There are no restrictions on the right to transfer the Björn Borg share according to current laws or in 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, which consists of a three-year loan agreement of SEK 150 million with Danske Bank, contains a so-called "change of control" clause. The clause states that if anyone acquires an ownership interest in the company of 50 percent or more, the bank has the option of terminating the agreement.

Board members and any deputy board members are appointed at the Annual General Meeting (AGM) for the period until the next Annual General Meeting. Björn Borg's Articles of Association contain only the customary provisions on board elections and have no rules on special majority requirements for the appointment and dismissal of board members.

## ANNUAL GENERAL MEETING

The 2021 Annual General Meeting was held on 18 May 2021 and was conducted in accordance with Sections 20 and 22 of the Act (2020:198) on temporary exemptions to facilitate the implementation of general and association meetings, meaning that shareholders may exercise their voting rights at the meeting only by voting in advance, so-called postal voting. The Annual General Meeting, resolved to re-elect Alessandra Cama, Anette Klintfält, Fredrik Lövestedt, Mats H Nilsson, and Heiner Olbrich as directors, as well as the new election of Jens Høgsted as a regular Board member. The total number of members is thus six. The AGM resolved that Heiner Olbrich be re-elected as Chairman of the Board. The AGM also resolved, among other things, on a limited authorization for the Board to make a decision on a new share issue and a decision on amendments to the Articles of Association in accordance with Appendix 7 to the minutes of the AGM. The minutes from the Annual General Meeting are available on Björn Borg's website. The Board has not used the authorization in 2021.

## THE WORK OF THE BOARD

In 2021, the Board of Directors held five meetings, four of which were in connection with the quarterly financial reports and one meeting per capsulam. Further information about the Board's work and the members' attendance at this Board meetings held during the year can be found in the corporate governance report on page 96. Please note that the corporate governance report is not part of the administration report but a separate report.

## FINANCIAL GOALS

Björn Borg's long-term financial goals for the business, which were most recently set in 2019 for a five-year period until 2023, are:

- Annual sales growth of at least 5 percent.
- Annual operating margin of at least 10 percent.
- Annual dividend of at least 50 percent of net profit after tax.
- The equity/assets ratio should not less than 35 percent

The company adheres to the above goals despite the Coronavirus's negative financial impact on operations.

## Comments on the financial targets:

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

## DIVIDEND

The Board of Directors proposed to the Annual General Meeting that a distribution for 2021 of SEK 2.50 (1.50) per share be paid, corresponding to 73 percent of profit after tax. The distribution is proposed to take place through an automatic redemption procedure, where each share is divided into an ordinary and a redemption share. The redemption share will then be automatically redeemed for SEK 2.50 per share. Payment for the redemption share, subject to approval by the Annual General Meeting, is expected to be completed around June 27, 2022.

The Board's proposal corresponds to a transfer to shareholders of SEK 62.9 million (37.7).

## EVENTS DURING 2021

### The organization

The company has stated that the outbreak of the Corona virus has meant that the external situation has changed significantly and has had a negative effect on the Björn Borg Group. The extent of this impact is difficult to assess, but the outbreak has had, and will continue to have, a significant negative financial impact on the Björn Borg Group's operations. We currently see a large negative financial impact in our own stores with a reduced number of visitors and a large decrease in sales. The company notes in particular that the general development and / or government decisions in the countries where the company conducts operations has led to, or may lead to, reduced demand in the retail market, potential disruptions in the distribution chain, unfavorable currency developments, payment difficulties with our customers and closed stores with reduced sales as a result. Such effects have already occurred, starting in the spring of 2020, where during parts of 2020 we had stores which were closed in the Netherlands, Belgium, Finland and England. During the first quarter of the year, we saw the same situation in the Netherlands and Belgium as well as in Finland, after which they reopened during the second quarter of the year. The stores in Sweden have been open. Despite the strained situation, the Björn Borg Group has a very good financial position with satisfactory liquidity. Measures taken by the company to mitigate the negative financial effects from the outbreak of Coronavirus included the renegotiation of rental payments for its own stores and general tightening of operational costs.

## Markets

The agreement with the company's external distributor in the Danish market was terminated during the year and the company has instead integrated its operations into Björn Borg's existing operations. The integration was an important step in accelerating the vertical integration of Björn Borg's operations and was in line with the strategy of getting closer to consumers and retailers in Björn Borg's main markets.

The company, on the other hand, chose to hand over the English market to an external distributor during the year.

## Björn Borg stores

During the year, one new outlet store was opened in Sweden, while seven stores were closed: two in Sweden, four in the Netherlands and one in Finland. At year-end, there were 26 (32 Björn Borg stores, of which 23 (29) were Group-owned.

## GROUP DEVELOPMENT

### Net sales

The Group's net sales for the full year 2021 amounted to SEK 768.2 million (705.2), an increase of 8.9 percent. Adjusted for currency effects which had a negative effect, sales increased by 11.5 percent.

The positive sales development compared with the previous year is largely explained by strong growth online, both in terms of own e-commerce and e-tailers in the wholesale business, which together accounted for 38 percent of net sales during the year 2021.

In the wholesale business, it was primarily the German market, which largely consists of e-tailers, which showed strong growth, increasing by 75 percent compared with the full year last year. The two largest markets, Sweden and the Netherlands, increased in wholesale operations by 11 and 4 per cent respectively, while footwear operations showed a decrease of 20 per cent.

Total retail company sales decreased by 9 percent compared with the previous year, when operations in the Netherlands and Finland were largely closed during the beginning of 2021 due to the pandemic. Sales for comparable stores increased by 4 percent. E-commerce grew during the year by 16 percent, where above all the traffic and conversion on the website was better than last year.

Revenues from external distributors increased by 37 percent compared with the previous year, mainly due to the fact that operations in the UK in 2021 were run by an external distributor, which was not the case in the previous year. The increase is also explained by growth in the Norwegian market.

External royalty income decreased slightly.

## Profit

The gross profit margin for the full year 2021 increased to 54.2 percent (52.5). Adjusted for currency effects, the gross profit margin would have been 52.9 percent. The increase in the gross profit margin is mainly explained by a generally greater focus on profitability in the wholesale operations and that own e-commerce, which has a higher profitability, took a larger share of the total.

Other operating income amounted to SEK 27.9 M (28.8) and mainly refers to unrealized gains on accounts receivable in foreign currency.

Operating expenses decreased by SEK 24.7 million compared with the previous year, primarily through reduced customer losses, logistics costs and travel expenses. Rental costs also decreased when the head office moved to smaller, cheaper premises and with rent reductions linked to COVID-19 of SEK 3.9 million.

Increased sales with a higher gross profit margin, as well as reduced operating expenses compared with the previous year, meant that operating profit increased to SEK 104.1 million (33.7). The operating margin was 13.5 percent (4.8).

Net financial items amounted to SEK 2.8 million (-16.1). The improvement in net financial items compared with the previous year is mainly attributable to the revaluation of financial assets and liabilities in foreign currency.

Profit for the year after tax increased to SEK 86.0 million (18.8).

## Investments and cash flow

Cash flow from operating activities in the Group during the full year 2021 amounted to SEK 113.9 M (142.6). The deterioration compared with the previous year came primarily from higher sums of capital tied up in inventories.

The cash flow from investment activities was negative at SEK -10.5 million (-9.0). The major investments were made in updating the e-commerce platform, a new outlet store in Sweden and the Danish office.

Cash flow from financial activities amounted to SEK -80.1 million (-90.3), distribution to shareholders had a negative effect on cash flow of 37.7 (0), but lower repayments of loans in turn had a positive effect on cash.

The Group's cash flow for the year was positive 23.3 (43.3) and cash and cash equivalents at the end of the period were SEK 96.7 million (70.2).

## Financial position and liquidity

The Björn Borg Group's cash and cash equivalents at the end of the period amounted to SEK 96.7 million (70.2), plus unutilized banking

## MULTI-YEAR OVERVIEW <sup>1</sup>

	2021	2020	2019	2018	2017
Net sales, SEK million	768.2	705.2	756.9	709.6	696.5
Operating profit, SEK million	104.1	33.7	51.4	71.0	55.4
Operating margin, %	13.5	4.8	6.8	10.0	7.9
Profit before tax, SEK million	106.9	17.6	48.7	74.0	51.4
Profit for the year, SEK million	86.0	18.8	38.9	59.9	37.4
Earnings per share before dilution, SEK	3.42	0.75	1.55	2.39	1.48
Earnings per share after dilution, SEK	3.42	0.75	1.55	2.39	1.48
Equity/asset ratio, %	53.4	51.8	46.9	47.7	51.3
Equity per share, SEK	13.29	11.57	10.53	11.20	11.03

<sup>1</sup> For descriptions of alternative key figures, see page 93.

facilities of SEK 160.0 million (141.0). At the end of the year, the company had net cash, excluding leasing liabilities, of SEK 16.7 million, to be compared with an interest-bearing net debt, excluding leasing liabilities, at the end of the previous year which amounted to SEK 28.8 million. The company has strong liquidity and the reason for the change to net cash at the end of the year was mainly due to increased earnings and reduced long-term debt. Total interest-bearing liabilities amounted to SEK 134.0 million (156.1), where total leasing debt amounted to SEK 54.0 million (57.1), of which SEK 33.8 million constituted the long-term part and SEK 20.2 million the short-term part.

The agreement for the new head office came into force on 1 January 2021 and the lease liability and the rights of use amounted to SEK 20.6 million.

The Björn Borg Group has SEK 240 million in banking facilities, of which SEK 80 million was utilized on December 31, 2021. The fair value of financial instruments essentially corresponds to book value.

#### **Commitments and contingent liabilities**

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

As of December 31, 2021, the ratio was positive by +0.15 when the company had net cash (0.70) and the equity / assets ratio was 53.4 percent (51.8).

No significant changes have taken place with regard to pledged assets and contingent liabilities compared with 31 December 2020.

#### **Transactions with related parties**

In addition to the usual remuneration (salary, bonuses and other benefits) to the CEO, senior executives and the Board of Directors, as well as intra-Group sales, no transactions with related parties were carried out during the period.

#### **SEGMENTS (FOR MORE INFORMATION, SEE NOTE 4)**

##### **Wholesale business**

*The segment consists of revenues and expenses associated with the Björn Borg Group's wholesale operations. The Group conducts wholesale operations in Sweden, Germany, Finland, the Netherlands, Belgium and Denmark for clothing, bags and underwear, as well as footwear in Sweden and Finland.*

The segment's external operating income amounted to SEK 502.3 million (464.4), which was an increase of 8 percent. One explanation for the increase was that the company saw increased demand through e-tailers, which primarily sell online, especially in the German market. The Finnish market and footwear operations, on the other hand, showed a decrease due to the negative impact of the Corona virus. Sales to e-tailers showed a total increase of 33 percent for the full year and amounted to SEK 197.5 million (148.2). All markets, with the exception of e-tailers in the footwear business, showed growth, with Germany, the Netherlands and Sweden showing strong growth.

Operating profit amounted to SEK 68.5 million (16.9), an increase of SEK 51.6 million compared with the previous year. The improvement in earnings was primarily due to higher sales in combination with better gross profit margins, as well as reduced operating costs.

##### **Consumer direct**

*The segment consists of revenues and costs associated with the Björn Borg Group's sales directly to consumers. The Björn Borg Group owns and operates a total of 23 stores and factory outlet stores in Sweden, Finland, the Netherlands and Belgium, with sales of underwear, sports apparel, complementary products and other*

*licensed products. In addition, Björn Borg runs e-commerce via [www.bjornborg.com](http://www.bjornborg.com).*

The consumer direct segment increased its external operating income for the full year 2021 to SEK 212.7 million (211.0), an increase of 1 percent. The increase was mainly due to strong growth in own e-commerce, which grew by 19 percent during the period, while sales in own stores decreased. In total for the company, the retail operations' sales for own stores decreased by 11 percent compared with the full year last year, when operations in the Netherlands and Finland were largely closed during the beginning of the year due to the pandemic. Sales for comparable stores increased by 4 percent. However, the own stores in Sweden increased compared to the previous year and grew by a total of 10 percent, while comparable stores increased by 11 percent. The stores in the Benelux countries were closed for a large part of the period and, compared to the full year last year, had a decrease in sales of 4 percent in total, with an increase of 13 percent for comparable stores. The Finnish stores were also negatively affected by the Corona virus, with closed stores as a result, reducing sales by a total of 31 percent compared with the previous year. Comparable stores lost 12 percent.

Operating profit for the full year 2021 amounted to SEK 13.8 million (-2.7). The increase in operating profit, from loss to profit, is mainly explained by increased gross profit margins and reduced operating costs compared with the previous year, and that own e-commerce, which showed very strong profitability, grew and took a larger share of the total.

##### **Distributors**

*The distributor segment mainly consists of revenues and costs associated with sales to external distributors of product groups that developed by the company.*

The segment's external operating income increased in 2021 to SEK 71.4 million (44.7), up 60 percent compared with the previous year. Sales to the two major distributor markets Norway and the United Kingdom increased on the previous year, primarily driven by the United Kingdom, which from January 2021 had a new distributor.

Operating profit increased to SEK 13.6 M (7.0) due to higher external sales in the segment.

##### **Licensing**

*The license segment mainly consists of royalty revenues from licensees and expenses for the Group associated with the licensing operations.*

The segment's external operating income decreased during 2021 to SEK 9.7 million (14.0). The reduction was a result of lower brand sales of licensed products, where footwear in particular account for the reduction, and the category bags which become an integral part of the wholesale business.

Operating profit decreased to SEK 8.2 million (12.5) for the full year 2021. The deteriorating operating profit was a result of the lower external sales in the segment.

##### **Intra-group sales**

Intra-group sales for the full year 2021 amounted to SEK 548.9 million (481.3).

##### **EMPLOYEES**

The competence, creativity and drive of Björn Borg employees are important factors behind the positive development for the brand and the Group and are essential for continued success. Retaining staff and attracting new professional employees to the organization is thus considered a priority task for management. The company's current compensation system is based on basic salary and an individual bonus system for certain key employees where bonuses are paid according to performance against individual goals.

The average number of employees in the Group for the twelve-month period ending 31 December 2021 was 162 (192), of which 65 percent (65) were women.

#### **GUIDELINES FOR REMUNERATION TO THE CEO AND OTHER SENIOR EXECUTIVES**

At the Annual General Meeting on May 18, 2021, it was resolved that remuneration to the CEO and the other persons in the company management would comprise a fixed salary, variable remuneration, pension and other benefits. In addition, and independently of the guidelines, the Annual General Meeting may decide to pay share and share price-related remuneration. The total remuneration must be market-based and competitive and be in relation to responsibilities and authority. The variable remuneration will be based on performance in relation to defined and measurable goals, designed to promote the company's business strategy and long-term value creation, and be maximized at 50 percent of the fixed salary during the measurement period, which is normally one year. In the event of termination of the employment contract by the company, the notice period shall not exceed six months. Severance pay will not be paid. Pension benefits are defined contribution.

#### **ACTIVITIES IN RESEARCH AND DEVELOPMENT**

Björn Borg does not conduct any research activities; however, development and design takes place in the product areas of underwear, sports apparel and bags.

#### **BJÖRN BORG'S SUSTAINABILITY WORK AND RESULTS DURING 2021**

At Björn Borg, we strive for a sustainable future. We focus our sustainability work on three areas: responsible production, reducing the climate footprint and pursuing sustainable consumption. Setting high goals is in our DNA, and perhaps thanks to those high goals, 2021 was a successful year for us. Not only from a financial perspective, but also in terms of sustainability.

2021 is the year when we officially undertook to reduce our carbon dioxide emissions by 50 percent, in absolute terms, by 2030. It was also the year when our management team, for the first time, incorporated our sustainability work as one of the company's three main focus areas. Furthermore, 2021 was the year when, again for the first time, we were able to include the entire scope 3 in our climate reporting. This means that we now have scientifically based insights into our entire climate footprint. The results serve as a basis for future goals and measures in the area.

In 2021, our sustainability team was expanded and now includes leaders in the key areas of sourcing, product, logistics and communication. The company management has signed the action plan that is now in place for the work towards the 2030 goals and the board is involved in the process. We see it as a natural part of everything our business encompasses - from design, production and transport to Human Resources, sales and finance. It is physical, functional and controlling.

Our first fully sustainably sourced clothing collection reached the market in 2021. The collection was the result of high goals, determination and passionate work. To achieve our goals of a 100 percent sustainable product offering, we have set an intermediate goal of reaching 75 percent sustainable sourced bags by 2025 and 30 percent sustainable sourced footwear.

We have strict guidelines that all new fabrics purchased must be sustainably sourced. The same goes for packaging and store materials. Our ambition is to provide the consumer with better, more durable products starting with our belief in classic, timeless design. Björn Borg's products should go beyond trends and become wardrobe favorites for a long time to come. Through reduced, and better, consumption / production, we will achieve the greatest progress.

But we must not forget our employees. Our team is everything. Without all the fantastic people who work at Björn Borg, we will of course get nowhere, and something that makes us extra happy is that our annual survey on employee engagement, despite another year of pandemic and a lot of working from home, shows 86 percent motivation among our employees.

Read more about Björn Borg's sustainability work in our sustainability report which is available at: <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 earnings 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 handle these risks, see Note 3. Furthermore, as the company has noted, the outbreak of the Corona virus has meant that the market situation has changed significantly and has had a negative effect on the Björn Borg Group. The extent of this impact is difficult to assess, but the outbreak has had, and will continue to have, a significant negative financial impact on the Björn Borg Group's operations. We currently see a large negative financial impact in our own stores with a reduced number of visitors and a large decrease in sales. The company notes in particular that the general development and / or government decisions in the countries where the company conducts operations have led to, or may lead to, reduced demand in the retail market, potential disruptions in the distribution chain, unfavorable currency development, payment difficulties with our customers and closed stores with reduced sales as a result. Such effects have already occurred, starting in the spring of 2020 and during parts of 2020 where we had closed stores in the Netherlands, Belgium, Finland and England. During the first quarter of the year, we saw the same situation in the Netherlands and Belgium as well as in Finland, after which the stores reopened during the second quarter of the year. The stores in Sweden have remained open. Despite the strained situation, the Björn Borg Group has a very good financial position with satisfactory liquidity. Measures implemented by the company to mitigate the negative financial effects from the outbreak of the Coronavirus include the renegotiation of lease payments for its own stores and general tightening of operational costs.

##### **Market risks**

Björn Borg is active in the highly competitive fashion industry. The company's vision is to consolidate the Björn Borg brand as a globally established sports fashion brand. The company's competitors, national and international brands, usually focus on the same markets. They often have significant financial and human resources. However, Björn Borg has so far managed to hold its own in competition with other market players, but there are no guarantees that the company will continue to be able to assert itself well against current and future competitors.

##### **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 some countries, such as the United States, this type of product liability can lead to significant claims for damages from those affected which could adversely impact the company's earnings and reputation. Even though preventive measures are taken, Björn Borg runs the risk that the marketing and sales of its products could infringe the intellectual property rights of a third party's intellectual property rights, and it could be accused, for instance, of the unauthorized use of someone else's trademark or copyrighted material. This

type of claim could entail a liability for compensation that negatively affects the result and could harm the company's reputation.

#### Expansion of the business

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

#### The network

The company's position and future expansion are, among other things, dependent on external entrepreneurs who serve as product companies, distributors and franchisees in the network. Despite the fact that Björn Borg, on the whole, has well-functioning and extensive contractual relations, directly or indirectly, with the external parties that are part of the network, these agreements can be terminated and there are no guarantees that corresponding agreements can be signed. The termination of a collaboration with one or more entrepreneurs in the network could adversely affect the company's growth and results. Björn Borg's distribution model, with external distributors – both its own and licensees – further creates risks that these external parties do not make the investments or implement 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 regarding design, quality and price level. Positioning in relation to different competitors' products is critical. In general, there is a positive relationship between fashion level and business risk, where a higher degree of fashion means a shorter product life cycle and a higher business risk. Rapid changes in fashion trends can mean declines in sales for certain collections.

#### Economic impact

The company's sales are affected overall, like all retail sales, by changes in the general economic situation. A more favorable economy will have a positive impact on household finances and thereby on their consumption patterns. A deterioration in the economy has the opposite effect, something that has been particularly evident in recent years with unstable market demand, with effects on the Group's underwear and sports apparel sales. The company's profitability is also affected by changing raw material prices on the world market and by increased production, payroll and transport costs in the countries where the company buys its products.

#### Protection for the Björn Borg brand

The Björn Borg brand is crucial to the company's position and success. Copyright infringements and the distribution of copied products, so-called piracy, damage the Björn Borg brand, the reputational capital of Björn Borg products and Björn Borg's profitability. In addition to risks associated with piracy, the possibility of expanding into new markets can be limited if, for example, a third party in a country has registered a trademark reminiscent of Björn Borg. The company works continuously with trademark protection. However, there are no guarantees that the measures taken to protect the Björn Borg brand are sufficient.

The Björn Borg brand is further connected with the person Björn Borg. The position of the brand is therefore to some extent dependent on the person Björn Borg being associated with the core values that are included in the brand's platform.

#### Reputational damage

The company's reputation with the customer base is built on a consistent experience of the company's products in the markets where the products are visible. 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 the company's positioning in the market or the values that the brand represents, Björn Borg's reputation could be damaged. Examples of reputational damage can be negative publicity about working conditions in factories that manufacture products, prohibited chemicals, safety concerns in products or accusations of sexist or gender stereotypical advertising. In the long term, reputational damage will harm the company's growth and earnings.

#### OUTLOOK 2022

The company's policy is not to provide earnings forecasts. However, the outbreak of the Corona virus has meant that the market situation has changed significantly and has had adverse effects on the Björn Borg Group. The extent of this impact is difficult to assess, but the outbreak has had, and will continue to have, a significant negative financial impact on the Björn Borg Group's operations. In particular, we are currently 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 in the distribution chain, unfavorable currency development, payment difficulties by our customers and closed stores with reduced sales as a result. Although such effects have already occurred, the company estimates that the negative economic effects will subside in 2022.

#### PARENT COMPANY

Björn Borg AB (publ) is primarily engaged in intra-group operations. As of December 31, 2021, the company owns 100 percent of the shares in Björn Borg Brands AB, Björn Borg Footwear AB, Björn Borg Inc, Björn Borg Services AB, Björn Borg UK, Baseline, Björn Borg Finland Oy and Björn Borg Denmark ApS. Furthermore, the company owns 75 percent of the shares in Björn Borg (China) Ltd.

The Parent Company's net sales for the full year 2021 amounted to SEK 99.9 million (102.1). Profit from participations in subsidiaries was negatively affected by SEK 34.2 million regarding write-downs of shares and receivables in subsidiaries.

Profit before tax amounted to SEK 29.4 million (-15.2) for the full year 2021. Cash and cash equivalents at the end of the period amounted to SEK 75.4 million (55.5).

#### PROPOSED DISTRIBUTION OF PROFIT

The following unappropriated earnings are available to the Annual General Meeting:

Retained earnings, SEK	86,389,114
Profit for the year, SEK	14,964,210
	<b>101,353,324</b>
The Board proposes that:	
Shareholders receive a distribution of SEK 2.5 per share	62,870,960
Carried forward, SEK	38,482,364
	<b>101,353,324</b>



# Consolidated financial statements

## Consolidated income statement

SEK thousands	Note	2021	2020
Net sales		768,203	705,211
Others operating revenue		27,892	28,796
<b>Operating revenue</b>	4, 5	<b>796,095</b>	<b>734,007</b>
Goods for resale		-351,663	-335,228
Other external expenses		-158,310	-158,585
Staff costs		-125,501	-129,528
Depreciation/amortization of intangible/tangible non-current assets		-35,503	-40,846
Others operating expenses		-21,030	-36,127
<b>Operating profit</b>	4, 6, 7, 8, 10, 12, 19, 20	<b>104,088</b>	<b>33,694</b>
Interest income and similar credits	12, 14	7,787	434
Interest expenses and similar charges	12, 14	-5,005	-16,549
<b>Profit after financial items</b>		<b>106,870</b>	<b>17,579</b>
<b>Profit before tax</b>		<b>106,870</b>	<b>17,579</b>
<b>Tax on profit for the year</b>	16	<b>-20,840</b>	<b>1,254</b>
<b>Profit for the year</b>		<b>86,030</b>	<b>18,834</b>
<b>Profit for the year attributable to:</b>			
Parent Company shareholders		86,030	18,833
Non-controlling interests	30	-	-
Earnings per share before dilution, SEK	17	3.42	0.75
Earnings per share after dilution, SEK	17	3.42	0.75

## Consolidated statement of comprehensive income

SEK thousands	Note	2021	2020
<b>Profit for the year</b>		<b>86,030</b>	<b>18,833</b>
<b>Items that may be reclassified to profit or loss</b>			
Translation difference for the year		-5,103	7,296
<b>Total other comprehensive income for the year <sup>1</sup></b>		<b>-5,103</b>	<b>7,296</b>
<b>Total comprehensive income for the year</b>		<b>80,927</b>	<b>26,129</b>
<b>Total comprehensive income for the year attributable to Parent Company shareholders</b>		<b>80,927</b>	<b>26,129</b>

<sup>1</sup> The Group has no items that will not be reclassified to the income statement

# Consolidated statement of financial position

SEK thousands	Note	31 Dec 2021	31 Dec 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i><b>Intangible assets</b></i>			
	18		
Goodwill		34,685	34,306
Trademarks		187,532	187,532
Others intangible assets		10,917	10,256
		<b>233,134</b>	<b>232,093</b>
<i><b>Tangible non-current assets</b></i>			
	19		
Property, plant and equipment		15,405	16,580
Right-of-use assets	11	54,950	57,481
		<b>70,355</b>	<b>74,061</b>
Deferred tax assets	16	13,952	15,761
		<b>13,952</b>	<b>15,761</b>
<b>Total non-current assets</b>		<b>317,441</b>	<b>321,915</b>
<b>Current assets</b>			
<i><b>Inventory</b></i>			
	21		
Trading book		151,991	122,833
Advance payments		–	524
		<b>151,991</b>	<b>123,357</b>
<i><b>Current receivables</b></i>			
	22		
Accounts receivable		91,969	83,627
Other current receivables		9,161	10,449
Prepaid expenses, and accrued income	23	13,363	9,435
		<b>114,493</b>	<b>103,511</b>
<i><b>Cash &amp; cash equivalents</b></i>			
	7, 24		
Cash and bank balances		96,743	70,235
		<b>96,743</b>	<b>70,235</b>
<b>Total current assets</b>		<b>363,227</b>	<b>297,103</b>
<b>TOTAL ASSETS</b>		<b>680,668</b>	<b>619,018</b>

# Consolidated statement of financial position

SEK thousands	Note	31 Dec 2021	31 Dec 2020
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		7,859	7,859
Other paid-in capital		182,145	182,145
Reserves		-10,803	-6,272
Retained earnings		160,883	112,576
<b>Equity attributable to Parent Company shareholders</b>		<b>340,084</b>	<b>296,308</b>
Non-control interests	30	-5,867	-5,295
<b>Total equity</b>		<b>334,217</b>	<b>291,013</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	16	39,596	39,289
Non-current liabilities to credit institutions	27	80 000	99 000
Long-term leasing debt	11	33,777	35,701
Non-current lease liabilities	8	1,932	-
		<b>155,305</b>	<b>173,991</b>
<b>Current liabilities</b>			
Accounts payable		97,036	77,245
Current lease liabilities	11	20,242	21,383
Current tax liabilities		12,040	12
Others current liabilities	24, 27	19,567	21,500
Accrued expenses and prepaid income	28	42,261	33,872
		<b>191,146</b>	<b>154,013</b>
<b>Total liabilities</b>		<b>346,451</b>	<b>328,004</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>680,668</b>	<b>619,018</b>

## Consolidated statement of changes in equity

SEK thousands	Note	Share capital	Share premium reserve	Translation reserve	Retained earnings	Non-controlling interests	Total equity
<b>Opening balance, January 1, 2020</b>		<b>7,859</b>	<b>182,145</b>	<b>-12,973</b>	<b>93,743</b>	<b>-5,890</b>	<b>264,884</b>
Total comprehensive income for the year		-	-	6,701	18,833	595	26,129
<b>Transactions with shareholders</b>							
Distribution for 2019 through share redemption	25	-	-	-	-	-	-
<b>Transactions with shareholders</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Closing balance, December 31, 2020</b>		<b>7,859</b>	<b>182,145</b>	<b>-6,272</b>	<b>112,576</b>	<b>-5,295</b>	<b>291,013</b>
<b>Opening balance, January 1, 2021</b>		<b>7,859</b>	<b>182,145</b>	<b>-6,272</b>	<b>112,576</b>	<b>-5,295</b>	<b>291,013</b>
Total comprehensive income for the year		-	-	-4,531	86,030	-572	80,927
<b>Transactions with shareholders</b>							
Distribution for 2020 through share redemption	25	-3,929	-	-	-33,794	-	-37,723
Bonus issue		3,929	-	-	-3,929	-	-
<b>Total transactions with shareholders</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>-37,723</b>	<b>0</b>	<b>-37,723</b>
<b>Closing balance, December 31, 2021</b>		<b>7,859</b>	<b>182,145</b>	<b>-10,803</b>	<b>160,883</b>	<b>-5,867</b>	<b>334,217</b>

# Consolidated statement of cash flows

SEK thousands	Note	2021	2020
<b>OPERATING ACTIVITIES</b>			
Profit after tax		86,030	18,833
Income tax expensed through profit and loss		20,840	-1,254
Financial expenses and income recognized through profit or loss		-2,782	16,115
Depreciation/amortization of tangible/intangible non-current assets		35,500	40,846
Others non-cash items	8	1,931	-5
Interest received		2,353	434
Interest paid		-4,252	-8,359
Taxes paid		-2,802	-13,252
<b>Cash flow from operating activities before change in working capital</b>		<b>136,818</b>	<b>53,358</b>
<b>Changes in working capital</b>			
Change in inventory		-28,635	5,067
Change in accounts receivable		-8,343	41,178
Change in other receivables		-2,712	-14,948
Change in accounts payable		19,790	21,384
Change in other current liabilities		-2,991	36,541
<b>Change in working capital</b>		<b>-22,891</b>	<b>89,222</b>
<b>Cash flow from operating activities</b>		<b>113,927</b>	<b>142,580</b>
<b>INVESTMENT ACTIVITIES</b>			
Investments in intangible assets	18	-4,828	-3,474
Investments in tangible non-current assets	19	-5,680	-5,490
<b>Cash flow from investment activities</b>		<b>-10,508</b>	<b>-8,964</b>
<b>FINANCING ACTIVITIES</b>			
Loan proceeds		-	40,000
Amortization of loans		-19,000	-91,000
Amortization of debt, former owner		-	-3,890
Amortization of lease liability		-23,400	-28,183
Overdraft facility		-	-7,242
Distribution		-37,723	-
<b>Cash flow from financing activities</b>	<b>32</b>	<b>-80,123</b>	<b>-90,315</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>23,296</b>	<b>43,301</b>
Cash and cash equivalents at the beginning of the year		70,235	29,002
Translation difference in cash & cash equivalents		3,212	-2,069
<b>Cash and cash equivalents at year-end</b>		<b>96,743</b>	<b>70,235</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>26,508</b>	<b>41,233</b>

# Parent company's financial statements

## Parent company income statement

SEK thousands	Note	2021	2020
Net sales		99,940	102,144
Other operating revenue		1,990	1,059
<b>Operating revenue</b>	<b>5</b>	<b>101,930</b>	<b>103,203</b>
Goods for resale		-51	-4
Other external expenses		-54,272	-43,690
Staff costs		-40,691	-35,932
Depreciation/amortization of intangible/tangible non-current assets		-2,326	-2,247
Other operating expenses		-668	-1,963
<b>Operating profit</b>	<b>4, 6, 7, 8, 10, 11, 18, 19</b>	<b>3,922</b>	<b>19,367</b>
Result from shares in subsidiaries	13	-34,194	-7,831
Group contributions received		48,988	-9,610
Interest income and similar credits	14	18,884	1,827
Interest expenses and similar charges	14	-7,966	-18,953
<b>Profit after financial items</b>		<b>29,634</b>	<b>-15,200</b>
Appropriations	15	-218	-
<b>Profit before tax</b>		<b>29,416</b>	<b>-15,200</b>
<b>Tax on profit for the year</b>	<b>16</b>	<b>-14,451</b>	<b>-26</b>
<b>Profit for the year</b>		<b>14,965</b>	<b>-15,226</b>

## Parent company statement of comprehensive income

SEK thousands	Note	2021	2020
<b>Profit for the year</b>		<b>14,965</b>	<b>-15,226</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>14,965</b>	<b>-15,226</b>

## Parent company balance sheet

SEK thousands	Note	31 Dec 2021	31 Dec 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>			
Retained expenditure	18	3,669	4,741
		<b>3,669</b>	<b>4,741</b>
<i>Tangible non-current assets</i>			
Property, plant and equipment	19	2,112	1,764
		<b>2,112</b>	<b>1,764</b>
<i>Financial non-current assets</i>			
Deferred tax assets		4	8
Shares in Group companies	20	277,676	306,185
		<b>277,680</b>	<b>306,193</b>
<b>Total non-current assets</b>		<b>283,461</b>	<b>312,698</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Accounts receivable	22	13	39
Receivables from Group companies		980,598	831,000
Others current receivables		8	1,929
Prepaid expenses and accrued income	23	3,843	3,515
		<b>984,462</b>	<b>836,483</b>
<b>Cash &amp; cash equivalents</b>			
Cash and bank balances	24	75,392	55,450
		<b>75,392</b>	<b>55,450</b>
<b>Total current assets</b>		<b>1,059,854</b>	<b>891,933</b>
<b>TOTAL ASSETS</b>		<b>1,343 315</b>	<b>1,204,631</b>

## Parent company balance sheet

SEK thousands	Note	31 Dec 2021	31 Dec 2020
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital		7,859	7,859
Share premium reserve		46,817	46,817
		<b>54,676</b>	<b>54,676</b>
<i>Unrestricted equity</i>			
Retained earnings		86,390	139,336
Profit for the year		14,963	-15,225
		<b>101,353</b>	<b>124,111</b>
<b>Total equity</b>		<b>156,029</b>	<b>178,787</b>
<b>Deferred tax liability</b>	26	<b>1,256</b>	<b>1,038</b>
<b>Non-current liabilities</b>			
Non-current liabilities to credit institutions	27	80,000	99,000
Other non-current liabilities	8	1,932	-
		<b>81,932</b>	<b>99,000</b>
<b>Current liabilities</b>			
Accounts payable		9,251	5,104
Liabilities to Group companies		1,070,468	913,229
Other current liabilities		13,764	1,391
Accrued expenses and prepaid income	28	10,615	6,082
<b>Total current liabilities</b>		<b>1,104,098</b>	<b>925,806</b>
<b>Total liabilities</b>		<b>1,186,030</b>	<b>1,025,844</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,343,315</b>	<b>1,204,631</b>

## Parent company statement of changes in equity

SEK thousands	Note	Share capital	Statutory reserve	Retained earnings	Total equity
<b>Opening balance, January 1, 2020</b>		<b>7,859</b>	<b>46,817</b>	<b>139,337</b>	<b>194,013</b>
Distribution of 2019 through share redemption	25	-	-	-	-
Total comprehensive income for the period		-	-	-15,226	-15,226
<b>Closing balance, December 31, 2020</b>		<b>7,859</b>	<b>46,817</b>	<b>124,111</b>	<b>178,787</b>
<b>Opening balance, January 1, 2021</b>		<b>7,859</b>	<b>46,817</b>	<b>124,111</b>	<b>178,787</b>
Distribution for 2020 through share redemption	25	-3,929	-	-33,794	-37,723
Bonus issue		3,929	-	-3,929	-
Total comprehensive income for the period		-	-	14,965	14,965
<b>Closing balance, December 31, 2021</b>		<b>7,859</b>	<b>46,817</b>	<b>101,353</b>	<b>156,029</b>

# Parent company statement of cash flows

SEK thousands	Note	2021	2020
<b>OPERATING ACTIVITIES</b>			
Profit after tax		14,965	-15,226
Income tax expensed through profit or loss		14,451	26
Financial expenses and income reported through profit or loss	14	-10,918	17,126
Depreciation/amortization of tangible/intangible non-current assets	18, 19	2,326	2,247
Impairment of shares/receivables in subsidiaries		34,194	45,554
Long-term incentive plan (LTIP)	8	1,932	-
Year-end appropriations	15	218	-
Group contributions issued, unpaid		-48,988	9,610
Dividend received, unpaid	13	-	-37,723
Interest received		922	943
Interest paid		-2,708	-3,752
Taxes paid		-605	-11,051
<b>Cash flow from operating activities before changes in working capital</b>		<b>5,789</b>	<b>7,754</b>
<b>CHANGES IN WORKING CAPITAL</b>			
Change in accounts receivable		26	-16
Change of other receivables		-107,049	-36,673
Change in accounts payable		4,147	-410
Change in other current liabilities		160,304	155,412
<b>Change in working capital</b>		<b>57,428</b>	<b>118,313</b>
<b>Cash flow from operating activities</b>		<b>63,217</b>	<b>126,067</b>
<b>INVESTMENT ACTIVITIES</b>			
Investments in tangible non-current assets	19	-1,314	-1,247
Investment in intangible non-current assets	18	-288	-46
<b>Cash flow from investment activities</b>		<b>-1,602</b>	<b>-1,293</b>
<b>FINANCING ACTIVITIES</b>			
Loan proceeds		-	40,000
Amortization		-19,000	-91,000
Amortization of debt, former owner		-	-3,890
Overdraft facility		-	-7,242
Distribution	25	-37,723	-
<b>Cash flow from financing activities</b>	<b>32</b>	<b>-56,723</b>	<b>-62,132</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>4,892</b>	<b>62,642</b>
Cash and cash equivalents at the beginning of the year		55,450	-
Translation differences		15,050	-7,192
<b>Cash and cash equivalents at year-end</b>		<b>75,392</b>	<b>55,450</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>19,942</b>	<b>55,450</b>

# Supplementary disclosures

## NOTE 1 ACCOUNTING PRINCIPLES

### GENERAL

Björn Borg owns the Björn Borg trademark and currently has operations in the product areas of underwear, sports apparel and football as well as bags, eyewear and fragrances. Björn Borg products are sold in about twenty markets, of which Sweden and the Netherlands are the largest. Operations are conducted through a network of product and distribution companies that are either part of the Group or are 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 limited liability company and is headquartered in Stockholm. The head office's address is Frösundaviks allé 1, 169 70 Solna. The Parent Company's share is listed on Nasdaq OMX in Stockholm. Page 91 of this annual report shows a list of the largest individual shareholders as of December 31, 2021. The annual report was approved by the Board of Directors and the CEO on April 16, 2022, and adopted at the Annual General Meeting of the Parent Company on May 19, 2022.

### ACCOUNTING AND VALUATION PRINCIPLES

The consolidated financial statements have been prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS) as of December 31, 2021. Furthermore, the Group also applies the Swedish Financial Reporting Board's recommendation RFR 1 and 2 *Supplementary Accounting Rules 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 Swedish kronor, which is also the Group's reporting currency. All amounts are stated in thousands of kronor unless otherwise stated. The consolidated financial statements have been prepared in accordance with the cost method, except for financial assets including derivative instruments, which are valued at fair value through profit or loss. The Group's critical accounting principles are described below.

### REVISED ACCOUNTING PRINCIPLES 2021

New and amended standards as well as new interpretations that apply as of 1 January 2021 have not had any significant impact on the Group's financial reports. Changes in RFR 2 that apply from 1 January 2021 have not had any significant impact on the parent company's financial reports.

### Changes to the reference interest rate reform

Phase 2 of the amendments to IFRS 9, IFRS 7, etc. applies to the benchmark interest rate reform from 1 January 2021. In short, the amendments make it possible for companies to reflect the effects of the transition from benchmark interest rates such as "STIBOR" to other benchmark interest rates without giving rise to accounting effects that would not provide useful information for users of financial reports. The Group is affected by the benchmark interest rate reform mainly in the exposure to "IBOR" in its external as well as internal borrowing. The exposure for IBOR is limited to a maximum external borrowing of SEK 150 million (where SEK 80 million was utilized as of December 31, 2021). Internal borrowing amounted to SEK 59 million as of December 31, 2021 (66), but the company monitors the changes and their impact.

Other changes in IFRS standards or statements from IFRIC that are applied for the financial year 2021 have not affected the Group's financial reports.

### NEW ACCOUNTING PRINCIPLES FROM 2022

#### Changes the reference interest rate reform

New and revised standards as well as new interpretations that apply from 1 January 2022 are not expected to have any significant impact on

the Group's financial statements when they are applied for the first time. Changes in RFR 2 that apply from 1 January 2022 are expected to have a significant impact on the Parent Company's financial reports.

### CONSOLIDATED ACCOUNTS

The consolidated financial statements comprise the Parent Company and all companies over which the parent company has a controlling influence. Controlling influence refers to when Björn Borg has influence over a company, is exposed to, or is entitled to, variable returns from the holding in the company and has the opportunity to exert influence 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 effect of potential voting rights that are currently possible to exercise or convert are taken into account when assessing whether the Group can exercise a controlling influence over another entity. Subsidiaries are included in the consolidated financial statements from the time when the controlling influence is achieved and up to the time when the controlling influence ceases. The Group's composition is shown in Note 19.

Business acquisitions are reported according to the acquisition method. The purchase price of an acquisition is measured at fair value at the time of acquisition, which is calculated as the sum of the fair values at the time of acquisition for assets received, incurred or assumed liabilities and equity interests issued in exchange for control over the acquired business. Transaction costs that arise in connection with an acquisition are reported as an expense through profit and loss in the period to which the cost relates.

The purchase price also includes the fair value at the time on the acquisition date of the assets or liabilities that are the result of an agreement on contingent consideration. Changes in the fair value of contingent consideration that arise due to additional information received after the acquisition date about facts and conditions that existed at the time of acquisition, qualify as adjustments during the valuation period and are adjusted retroactively, with a corresponding adjustment of goodwill. All other changes in the fair value of contingent consideration that are classified as an asset or liability are reported in accordance with the applicable standard. Contingent consideration that is classified as equity is not revalued and subsequent settlement is reported within equity.

Contingent liabilities that have been taken over in an acquisition are reported if they are existing liabilities that arise from events that have occurred and whose fair value can be reliably calculated. In an acquisition where the sum of the purchase price, any non-controlling interest and fair value at the time of acquisition of the previous shareholding exceeds the fair value at the time of acquisition of identifiable acquired net assets, the difference is reported as goodwill in the statement of financial position. If the difference is negative, this is reported as a gain on an acquisition at a low price directly in the result after a revaluation of the difference.

If necessary, the subsidiaries' accounts are adjusted so that they follow the same principles as are applied by other Group companies. All internal transactions between the Group companies and Group balances are eliminated when preparing the consolidated accounts. Unrealized losses are also eliminated unless the transaction constitutes proof that there is a need for impairment.

### NON-CONTROLLING INTERESTS

In the case of acquisitions of less than 100 percent of shares in a company but when a controlling influence is achieved, non-controlling interests are determined either as a proportional share of the fair value of identifiable net assets excluding goodwill or at fair value. Non-controlling interests are reported as a separate item in the Group's equity. Any losses attributable to non-controlling interests are reported even if this means that the share becomes negative. Subsequent acquisitions up to 100 percent and divestments of ownership interests in a subsidiary, which does not lead to a loss of controlling influence, are reported as a transaction with the equity owners.

#### TRANSLATION OF TRANSACTIONS IN FOREIGN CURRENCY

Transactions in foreign currency are translated into Swedish kronor based on the exchange rate on the transaction date. Monetary items (assets and liabilities) in foreign currency are translated into Swedish kronor based on the exchange rate on the balance sheet date. Exchange rate gains and losses that arise from such conversions are reported in the income statement under Net sales and/or Cost of goods sold, except for cash or loans that are reported as financial income or expenses. Items included in the financial statements for the various units in the Group are valued in the currency used in the economic environment in which each unit in the Group conducts operations (functional currency). Income statement and balance sheet items for all Group companies that have a functional currency other than the reporting currency (SEK) are translated into 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 exchange rate is a reasonable approximation of the accumulated effect of the exchange rates that apply on the transaction date, otherwise revenue and expenses are translated at the exchange rate on the transaction date), and
- all exchange rate differences that arise are reported in other comprehensive income and accumulated in the translation reserve in equity.

#### REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group mainly reports revenues from sales of Björn Borg products. Revenue is reported based on the contract with the customer and is measured as the consideration the company expects to be entitled to in exchange for the transfer of promised services, excluding amounts received on behalf of third parties. Revenue is reported when the control of goods has been transferred to the customer.

Björn Borg's revenue consists of 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 products sales to distributors. Revenue is reported upon delivery in accordance with the terms of sale, which is the time when control passes to the buyer. Distributors have no right of return or any significant volume discounts. Payment terms are normally 10 days.
2. *Revenues in the Consumer Direct segment*  
Group-own Björn Borg stores and the web shop generate revenue for Björn Borg from their sales to consumers. Retail sales are usually made by credit card. Revenue is reported at the end of the business day in the store, which coincides with the time when control passes to the consumer. Provisions for returns are made based on the Group's combined experience of returns and historical data.
3. *Revenues in the Wholesale segment*  
The Group-owned distribution companies for the product areas underwear and footwear generate revenue for Björn Borg from their product sales to retailers. Revenue is reported upon delivery to the retailer, which coincides with the time when control passes to the retailer. Björn Borg applies various discount structures such as large customer discounts and volume discounts. General payment terms are 30 days, but 60 and 90 days are also available in specific cases. Björn Borg does not apply open purchase and there is no possibility of returns.
4. *Revenue in the Licensing segment*  
Royalty revenue is generated from the distributors, both Group-owned and independent, and product companies' wholesale sales of Björn Borg products to retailers and is calculated as a share of those sales. Royalty revenue is reported in connection with the distributor's sale at the wholesale level.

#### INTEREST INCOME AND DIVIDEND REVENUE

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

#### STATE AID

During the period, the Group reported contributions from the state linked to Covid-19. State aid is reported in the income statement as a cost reduction when there is reasonable assurance that the conditions associated with the grant will be met and that the grant will be received.

#### LEASING

The Group determines whether a contract is, or contains, a leasing agreement when the agreement is entered into. The Group reports a right-of-use asset with an associated leasing debt for all leasing agreements where the Group is a lessee, except for short-term leasing agreements (contracts classified as leasing with a leasing period of 12 months or less) and low-value leasing agreements (such as, computers and office equipment). For these leasing agreements, the Group reports the leasing payments as an expense on a straight-line basis over the leasing term, unless another systematic method is more representative of when the financial benefits from the leased assets are consumed by the Group.

The lease liability is initially valued at the present value of the lease payments that have not paid at the commencement date, discounted using the implied interest rate of the lease agreement, if this interest rate can be easily determined. If this interest rate cannot be easily determined, the Group's incremental borrowing rate is used instead. The incremental borrowing rate is the estimated interest rate that the Group would have to pay for debt financing during a corresponding period, and with corresponding collateral, for the right to use an asset in a similar financial environment. When determining the incremental borrowing rate, Björn Borg takes into account the risk profile of the countries where the leases were signed and the term of the leasing agreements.

Leasing fees that are included in the valuation of the lease liability include:

- Fixed payments (including substance fixed payments), after deducting any economic benefits.
- Variable leasing fees that are linked to an index or a price, initially valued using an index or price that applied at the start date,
- Amounts expected to be paid out under 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 leasing period reflects that the Group will exercise an option to terminate the leasing agreement.

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. The assessment takes into account all relevant facts and circumstances that create financial incentives, such as the terms of the agreement for extension periods compared to market interest rates, significant leasehold improvements that have been made (or are expected to be made) in leased premises, costs that arise when the lease is terminated, such as negotiation costs and relocation costs, and the importance of the underlying asset in the business.

The lease liability is presented as a separate item in the Group's statement of financial position. After the commencement date, the lease liability is valued by increasing the carrying value to reflect the interest rate on the lease liability (using the effective interest method), and by decreasing the carrying amount to reflect paid lease payments. The Group remeasures the lease liability (and makes a corresponding adjustment to the right-of-use) if either:

- the leasing period has changed or if the assessment of an option to purchase the underlying asset changes, in which case the leasing

liability must be revalued by discounting the remeasured lease payments by a revised discount rate, or

- the lease payments change due to changes in an index or price or in the amounts expected to be paid out according to a residual value guarantee. In these cases the leasing liability is remeasured by discounting the revised leasing payments by the initial discount rate (provided the leasing payment changes are not due to a revised variable interest rate, in which case the revised discount rate is used instead).

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

Rental discounts that are directly related to Covid-19 and constitute a voluntary exemption from the rules on modification of leasing agreements in IFRS 16. The conditions for the change to be used are that the lease payments are essentially unchanged or lower than before the change, the discounts refer to lease payments with a due date no later than 30 June 2022, and that no substantial changes will be made to the other terms of the leasing agreement. The relief rule is voluntary to apply. If the lessee chooses to apply the relief rule, a rental reduction that meets the criteria must be reported in the same period to which the discount refers and reported as a negative variable leasing payment. An adjustment of the leasing debt shall be made with the corresponding amount, i.e. the negative variable fee attributable to the covid-19 related rental discount. The Group received Covid-19 related rental reductions for rental premises in Sweden, Finland, Belgium and the Netherlands during 2021. The discount has been booked as a negative variable fee in the consolidated income statement and reduced the leasing debt by SEK 3,880 thousand (1,363).

Rights-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. If the lease agreement transfers ownership of the underlying asset to the Group or if the acquisition value of the right-of-use reflects that the Group will exercise an option to purchase, the attributable right-of-use shall be amortized during the useful life of the underlying asset. Depreciation begins at the commencement date of the leasing agreement. The rights-of-use are reported as a separate item in the Group's statement on financial position. The Group applies IAS 36 to determine whether there is a need for impairment of the right-of-use and reports any identified impairment, which is described in the principle for "Tangible non-current assets".

Variable leasing payments that are not linked to an index or a price shall not be included in the valuation of the leasing liability or the right-of-use asset. These associated payments are reported as an expense in the period in which the event or circumstance that gives rise to these payments arises and are included in "Other external costs" in the consolidated income statement.

As a practical solution, IFRS 16 allows non-leasing components to be distinguished from leasing components, and instead presents each leasing component and all associated non-leasing components as a single leasing component. The Group has chosen to apply this practical solution.

#### EMPLOYEE BENEFITS

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

Termination benefits are payable when an employee is dismissed before the normal retirement date or when an employee accepts redundancy. The Group reports 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 reports a liability and expense for bonuses when there is a legal or informal obligation due to previous practice of paying bonuses to employees.

#### TAXES

The Group's total tax expense consists of current tax and deferred tax. Current tax is tax to be paid or received for the current year and any adjustments to current tax previous years. Deferred tax is calculated on the difference between the reported and tax values of the company's assets and liabilities. Deferred tax is reported according to the balance sheet method. Deferred tax liabilities are reported in principle for all taxable temporary differences, while deferred tax assets are reported to the extent that 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 is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to be utilized in full or in part against the deferred tax asset.

Deferred tax is calculated according to the tax rates that are expected to apply for the period when the asset is recovered, or the liability is settled. Deferred tax is reported as income or expense through profit or loss, unless it relates to transactions or events that are reported directly against other comprehensive income or equity. In that case, the deferred tax is also reported directly against other comprehensive income or equity.

Tax assets are set off against tax liabilities when they relate to income tax levied by the same tax authority and when the Group intends to settle the tax with a single net amount.

#### INTANGIBLE ASSETS

##### Goodwill

Goodwill arises in the acquisition of subsidiaries and refers to the amount by which the sum of the transferred purchase price 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. In order to test impairment, goodwill is divided among cash-generating units that are expected to benefit from synergies from the acquisition. Each unit or group of units to which goodwill has been allocated corresponds to the lowest level in the Group at which goodwill is monitored in internal control, which is not greater than one operating segment. Goodwill has an indeterminate period of use and is reported 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 and five years, which corresponds to the lease term.

##### Trademarks

Trademarks are tested annually to identify any impairment loss and are reported at acquisition value 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 a strong position in its markets. The brand is characterized by quality products with a creative, innovative design and is based on the sporty heritage associated with the name Björn Borg. Through consistent, long-term branding, Björn Borg has strengthened its role in the international fashion market. The brand is considered to have a very strong market position and is considered to have an indefinite period of use.

##### Website development

Costs for maintenance of software and websites are expensed as they arise. Development costs that are directly attributable to the development and testing of identifiable software, including websites controlled by the Group, are reported as intangible assets when the following

criteria are met: it is technically possible to complete the website, there are conditions to use the website for commercial purposes, it can be shown that it will generate future financial benefits and that the expenses that are attributable to the development of the website can be calculated reliably. Directly attributable expenses primarily relate to outside consultants hired to build the website as well as expenses for employees. The development costs for the website are reported as an intangible asset and amortized over its estimated useful life, which is 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 reported as assets in the balance sheet if it is probable that future economic benefits will accrue to the company and their cost can be calculated reliably. Tangible non-current assets, consisting primarily of property, plant and equipment and computers, are reported at acquisition value less accumulated depreciation and impairment losses. Depreciation of tangible non-current assets is reported in a way that the asset's value is amortized on a straight-line basis over its estimated useful life. Annual depreciation for equipment and computers is 20–33 percent.

#### **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 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. The value in use consists of the present value of all receipts and disbursements expected to arise from continuing use of the assets plus the present net 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 reported in through profit and loss. Previous impairment losses may not be reversed to such an extent that the carrying amount, after the reversal, exceeds what would have been reported 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 acquisition value according to the first-in-first-out method and fair value (net sales value).

The net sales 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**

*Accounting for and removal from the statement of financial position*

A financial asset or financial liability is reported in the statement of financial position when the company becomes a party to the instrument's contractual terms. A receivable is reported 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 reported in the statement of financial position when the invoice has been issued. Liabilities are reported 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 reported in the statement of financial position 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 it. 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 reported on the trade day. The trade day is the day when the company undertakes to buying or selling the asset.

Financial assets are classified on the basis of the business model in which the asset is managed and its cash flow characteristics. Björn Borg applies two different business models. Cash and cash equivalents, accounts receivable and other current receivables are included in the "hold to collect" business model, which means that the purpose of the financial assets is to collect cash flows in accordance with the contract. Financial assets included in this business model are reported at amortized cost. However, the expected maturity of accounts receivables is short, which is why reporting takes place at a 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 reported at fair value through profit and loss.

Cash and cash equivalents include cash, bank deposits and other short-term investments maturing within three months. Cash and bank deposits are reported at their nominal amounts and short-term investments at their fair value with any changes in value reported through profit or loss.

Financial liabilities are reported at fair value through profit or loss if it is a contingent purchase 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 and loss. Other financial liabilities are valued at amortized cost.

Accounts payable are valued at amortized cost. The expected maturity of accounts payable is short, which is why the liability is reported at the nominal amount without discounting. Interest-bearing bank loans, overdraft facilities and other loans are reported 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 reported over the life of the loans. Contingent consideration is classified and measured at fair value through profit or loss.

#### *Impairment losses (IFRS 9 Financial Instruments)*

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

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 report expected lifetime 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 reporting, a reserve is reported based on lifetime credit losses for the asset.

The Group's exposure to credit risk is mainly attributable to accounts receivable. The simplified approach is used to calculate the credit losses on the Group's accounts receivable. Calculation of expected credit

losses is made on the basis of an individual assessment of each customer's solvency, expected future risk and the value of any collateral received. The expected credit losses for accounts receivable are calculated using a provision matrix based on previous events, current conditions and forecasts of future economic conditions and the time value of the money if applicable.

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

Cash and cash equivalents are covered by the general model for write-downs. The exception 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 by signs of financial difficulties such as missed payments. Regardless, an asset is in default if the payment is more than 90 days late. The Group writes off a receivable when the assessment is that there are no reasonable additional opportunities for cash flows.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash and bank deposits. Cash and bank deposits are reported at their nominal amount.

#### **Financial liabilities**

Accounts payable and loan liabilities are categorized as "Financial liabilities", which means that they are reported at amortized cost. The expected maturity of accounts payable is short, due to which the liability is reported at the nominal amount without discounting. Liabilities to credit institutions, borrowing, overdraft facilities and other liabilities (loans) are initially reported at fair value net of transaction costs. Thereafter, loans are reported at amortized cost. Amortized cost is calculated using the effective interest rate method, which means that any premiums or discounts and directly related transaction costs are accrued over the life of the contract using the calculated effective interest rate. The effective interest rate is the interest rate that gives 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 to which the financial asset is valued at the first reporting date less the principal amount, plus the accumulated amortization with the effective interest method of any difference between the principal amount and the outstanding principal amount, adjusted for any write-downs. The reported gross value of a financial asset is the accrued acquisition value of a financial asset before adjustments for a possible loss reserve.

Financial liabilities are reported at amortized cost using the effective interest method or at fair value via the income statement. The effective interest rate is the interest rate that, when discounting all future expected cash flows over the expected maturity, results in the initially reported value of the financial asset or financial liability.

#### **Set-off of financial assets and liabilities**

Financial assets and liabilities are set off and reported with a net amount in the balance sheet when there is a legal right to set off and when there is an intention to settle the items with a net amount or to simultaneously realize the asset and settle the liability.

#### **SHARE CAPITAL**

Ordinary shares are classified as share capital. Transaction costs in connection with a new share issue are reported as a deduction item, net after tax, from the issue proceeds.

#### **PROVISIONS**

Provisions for legal claims or other claims from external counterparties are reported when the Group has a legal or informal obligation as a result of a previously occurring event and it is probable that an outflow of resources is required to settle the commitment and a reliable estimate of the amount can be made.

#### **Restructuring**

A provision for restructuring is made when the Group has drawn up a detailed restructuring plan and created a well-founded expectation among those affected that the Group will carry out the restructuring. The restructuring reserve only includes direct expenses that arise from the restructuring, i.e., only expenses that are conditional on the restructuring and are not related to the Group's ongoing operations.

#### **STATEMENT OF CASH FLOWS**

The statement of cash flows has been prepared according to an indirect method. Reported cash flows only include transactions that result in receipts and disbursements.

#### **PARENT COMPANY ACCOUNTING PRINCIPLES**

The annual report for the parent company has been prepared in accordance with the *Annual Accounts Act*, the Swedish Financial Reporting Board's recommendation RFR 2 *Accounting for 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 IFRSs and statements approved by the EU as far as this is possible within the framework of the *Annual Accounts Act* and the *Social Security Act* and with regard to the connection between accounting and taxation. The recommendation states which exceptions and additions are to be made from IFRS. The differences between the Group's and the Parent Company's accounting principles are set out below.

Due to the connection between accounting and taxation, the rules in IFRS 16 do not need to be applied in legal entity, but instead leasing agreements may be reported in accordance with rules in RFR 2. The parent company applies the exemption from application of IFRS 16, which means that the parent company's leasing agreements are reported in essence does not involve any change compared to previous principles. Other news and changes in RFR 2 with application from 1 January 2021 have not had any significant impact on the parent company's earnings and financial position. The amendments to RFR 2 *Accounting for Legal Entities* that enter into force on 1 January 2022 or later are not expected to have any significant impact on the Parent Company's earnings and financial position.

#### **Intangible assets**

If development expenses are capitalized, a limit is placed on the possibility of distributing equity by allocating an equal amount to what has been capitalized to a special restricted fund for development costs. However, this only applies to new capitalized costs, i.e., those capitalized after 1 January 2016.

#### **Taxes**

The amounts allocated to untaxed reserves constitute taxable temporary differences. Due to the connection between accounting and taxation, the deferred tax liability attributable to the untaxed reserves is not reported separately by the legal entity. Changes in untaxed reserves are reported in accordance with Swedish practice in the profit and loss in individual companies under the heading "Appropriations". The accumulated value of the provisions is reported in the balance sheet, under the heading "Untaxed reserves", of which 20.6 per cent can be regarded as deferred tax liabilities and 79.4 per cent as restricted equity.

#### **Shares in subsidiaries**

Shares in subsidiaries are reported according to the cost method. Acquisition-related costs for acquiring shares in subsidiaries are included as part of the cost of shares in subsidiaries.

#### **Group contribution**

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

#### **Leased assets**

Lease payments are reported as an expense on a straight-line basis over the leasing period, unless another systematic approach better reflects the user's financial benefit over time.

#### **Financial guarantees**

The Parent Company applies the exemption set out in RFR 2 and reports financial guarantees, e.g., guarantee commitments, in accordance with the rules for provisions.

## **NOTE 2 IMPORTANT ESTIMATES AND ASSUMPTIONS**

### **IMPORTANT ESTIMATES AND ASSUMPTIONS FOR ACCOUNTING PURPOSES**

Estimates and assessments are evaluated on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are considered reasonable under prevailing conditions. As part of the work of preparing the annual report, estimates and assumptions are made about the future. The estimates for accounting purposes that result from these will, by definition, not always correspond to the actual result.

#### **Taxes**

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities and their value for tax purposes. There are mainly two types of assumptions and estimates that affect the reported deferred tax. These are assumptions and assessments to determine the carrying amount of various assets and liabilities and for future taxable profits, in cases where a future utilization of deferred tax assets is dependent on this. As of December 31, 2021, reported deferred tax assets amounted to SEK 13,952 thousand (15,761). The part of the tax receivable that relates to loss carryforwards in the balance sheet is the value dependent on future profits in the companies and markets where the historical losses exist. The valuation of this asset is based on management's assessment of these units' ability to show profit and thus be able to use the deductions. Furthermore, there are additional loss carryforwards that are not included in the accounts, but in the event of a better-than-expected development, the value of these loss carryforwards may be higher as well as lower in the event of a worse future outcome. For further information, see Note 16.

#### **Impairment testing for goodwill and brand**

Impairment testing of both the Group's goodwill and the carrying amount for trademarks requires estimates and assumptions regarding margins, growth, discount rate, etc. For a more detailed description of the impairment tests, see Note 18. The carrying amounts for trademarks and goodwill as of December 31, 2021 amounted to SEK 222,217 thousand (222,838).

#### *Trademark reporting*

In 2006, Björn Borg acquired the Björn Borg brand. The purchase price amounted in part to a cash purchase price at the time of acquisition of SEK 124,000 thousand and an additional purchase price that expired annually up to and including 2016, i.e., 2017 was the first year in which no additional purchase price was paid. The additional purchase price was divided into a fixed and a variable part. The fixed part corresponding to SEK 7,800 thousand per year has, in view of the fact that it can be determined in a reliable manner been reported as part of the acquisition value, while the variable part has been reported as an operating expense annually. The variable part was based on a percentage of wholesale sales during the period 2006-2016 and could therefore not be determined reliably at the time of acquisition. In accordance with IAS 38, the future payment of the additional purchase consideration has been discounted to present value, which is why the total acquisition value for the brand amounted to SEK 187,532 thousand.

Continuity in brand building means that the brand today has a clear profile and a strong position in its markets. The brand is characterized by quality products with a creative and innovative design and is based on the sporty heritage that the name Björn Borg stands for. Through consistent and long-term brand work, the brand has strengthened its role in the international fashion market. The brand is considered to have a very strong market position. Based on the above, the brand is therefore considered to have an indeterminate useful life.

#### **Inventory**

Inventories have been valued at the lower of cost and fair value (net sales price). The 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 an ongoing basis. The fair value of future sales prices and selling costs may deviate from the assessments and estimates made.

#### **Accounts receivable**

Accounts receivable are assets with payments that can be determined in amounts. The receivables are linked to the Group's deliveries of goods and services and depending on the quality of these. Valuation is made at accrued acquisition value. The receivables are reported at the amount by which they are expected to be received, after deductions for doubtful receivables. The value of doubtful receivables is assessed individually by the management together with the business. The indicators used in assessing the value of doubtful receivables are age analysis, payment history, the counterparty's financial strength and the dialogue with the counterparty. The actual outcome of future sales prices and costs for carrying out the sale may deviate from the assumptions and estimates 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 as well as liquidity and refinancing risks. The Board has decided how the Group will handle these risks.

### CURRENCY RISK

Currency risk refers to the risk that the fair value of or future cash flows from a financial instrument varies due to changes in foreign exchange rates. Exposure to currency risk arises when transactions take place in different currencies (transaction exposure). Exchange rate fluctuations also affect the Group by translating foreign subsidiaries into SEK when they are consolidated (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 the USD and the EUR, where the USD affects the cost of goods, while the EUR primarily affects sales and overheads. The Group's transaction risk consists of Björn Borg mainly selling in SEK and EUR, while purchases are primarily made in USD, but also in EUR. Approximately 4 percent (2) of the Group's sales are in USD, which eliminates part of the transaction risk. Björn Borg did not use any derivative instruments to manage this currency risk during 2021. During the year, realized and unrealized exchange rate differences had a positive effect on operating profit of SEK 2,923 thousand (-8,433).

*Financial transaction exposure* refers to exposure attributable to loans and investments in foreign currency. Björn Borg has previously invested in corporate bonds in foreign currency. When the bond loan is fully repaid and the bond portfolio is completely sold, this means that the remaining financial transaction exposure is cash and cash equivalents in foreign currency.

### Translation exposure

Exchange rate fluctuations affect the Group when translating foreign subsidiaries' net assets to SEK. The translation differences are reported in other comprehensive income and accumulated in equity. Björn Borg is mainly exposed to changes in EUR, USD, GBP and CNY. Björn Borg has chosen not to hedge the translation exposure. As of December 31, 2021, the exposure amounted to EUR -150 (-810), -1,190 (-1,190) USD, 100 (-4,270) GBP, -5,130 (-5,130) CNY and 250 (0) DKK.

### SENSITIVITY ANALYSIS

#### Commercial transaction exposure

In 2021, the Björn Borg Group was affected by both a stronger euro and a stronger dollar in 2021 compared with 2020.

The matrix below describes the impact of two currencies on the Björn Borg Group's sales, operating profit and equity based on the current business model. Exposure to the USD has decreased compared with the previous year when the Björn Borg Group buys a larger share in euros in 2021 compared with 2020. However, the effect of a change in the USD still has a marginal effect on sales but a strong effect on operating profit and equity as product costs are affected by the fluctuation of the US dollar as about 76 percent (53) of purchases are made in dollars. The net effect of a change in EUR has a significant impact on sales as just under half of the Group's sales are sold in EUR and a strong impact on operating profit and equity is mainly due to higher sales. Several other factors also affect the transaction exposure going forward, including the development of each business's share of total sales, cost of

distribution and marketing and what the exchange rate is at the time of deliveries of products.

Björn Borg has not used currency derivatives to hedge the exchange rate exposure when selling and purchasing in foreign currencies. Below is a sensitivity analysis for commercial transaction exposure in the event of a change in the currencies that affect the Group's sales and purchases of goods the most:

### ESTIMATED CURRENCY IMPACT

2021	%	Estimated effect on sales,%	Estimated effect on operating profit,%	Estimated effect on equity,%
Stronger USD vs SEK	10	0.7	-20.5	-6.4
Weaker USD vs. SEK	-10	-0.7	20.5	6.4
Stronger EUR vs SEK	10	4.5	18.3	8.3
Weaker EUR vs. SEK	-10	-4.5	-18.3	-8.3

### ESTIMATED CURRENCY IMPACT

2020	%	Estimated effect on sales,%	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

The estimated effect on sales and thus the result is stated before tax. Estimated effect on equity is stated after tax.

### Financial transaction exposure

Below is a sensitivity analysis for financial transaction exposure in the event of a change in the currencies that are significant for the Group.

### ESTIMATED CURRENCY IMPACT

2021	%	Estimated effect on earnings, TSEK	Estimated effect on equity, TSEK
EUR	+/-10	+/-1,179	+/-936
USD	+/-10	+/-4,575	+/-3,632
DKK	+/-10	+/-153	+/-122
GBP	+/-10	+/-3	+/-2
NOK	+/-10	+/-5	+/-4

### ESTIMATED CURRENCY IMPACT

2020	%	Estimated effect on earnings, TSEK	Estimated effect on equity, TSEK
EUR	+/-10	+/-4,484	+/-3,524
USD	+/-10	+/-7,400	+/-5,816
DKK	+/-10	+/-13	+/-10
GBP	+/-10	+/-49	+/-38
NOK	+/-10	+/-4	+/-3

### Translation exposure

Below is a sensitivity analysis for translation exposure in the event of a change in the currencies that are significant to the Group.

#### ESTIMATED CURRENCY IMPACT

2021	%	Estimated effect on equity, TSEK
EUR	+/-10	+/-200
USD	+/-10	+/-1,000
GBP	+/-10	+/-100
CNY	+/-10	+/-1,000

#### ESTIMATED CURRENCY IMPACT

2020	%	Estimated effect on equity, TSEK
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 varies due to changes in market prices (other than those arising 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 affect fair value or cash flows from a financial instrument. Björn Borg's interest rate risk mainly relates to bank funds and from borrowing in the form of bank loans and overdraft facilities.

As of December 31, 2021, interest-bearing assets in the form of bank funds amounted to SEK 96,743 thousand (70,235). Interest-bearing assets relating to bank funds run mainly at a variable interest rate and changes in the market interest rate therefore lead to future higher or lower interest income.

In the event of changes in market interest rates of one percentage point, the Group's net interest income for outstanding assets as of the balance sheet date would be affected by approximately +/- SEK 470 thousand (640), based on average interest-bearing assets in 2021. The effect on equity would amount to approximately +/- SEK 370 (500) thousand.

Furthermore, there is an interest rate risk linked to the credit facility of SEK 150 million and an overdraft facility of SEK 90 million that Björn Borg has taken out with Danske Bank. The interest rate is variable and corresponds to STIBOR 3 months plus a margin. As of December 31, 2021, Björn Borg had used SEK 80 million of its credit facilities. An increase of STIBOR 3 months by 1 percentage point would, all other things being equal, increase Björn Borg's interest expenses by SEK 800 thousand per year (990). A reduction of 1 percentage point would give a corresponding reduction given that STIBOR is not negative. Equity would be affected to a corresponding extent by approximately +/- SEK 635 thousand (778).

### CREDIT AND COUNTERPARTY RISKS

The Group's credit and counterparty risks consist of exposures to commercial and financial counterparties. Credit and counterparty risk refers to the risk of loss if the counterparty does not fulfill its obligations. According to the Board's decision, this risk shall be limited by accepting only counterparties with good creditworthiness and by established limits. Björn Borg's commercial credit risk mainly consists of accounts receivable which are distributed over a large number of counterparties. Credit risk to financial counterparties is limited to financial institutions with a high credit rating. The table below shows the Björn Borg Group's credit risks as of December 31, 2021.

#### BJÖRN BORG GROUP'S OUTSTANDING CREDIT RISK AS OF 31 DEC 2021

SEK thousands	Group		Parent Company	
	2021	2020	2021	2020
Accounts receivable, external	91,969	83,627	13	39
Accounts receivable, internal	-	-	15,829	13,400
Other current receivables	9,161	10,449	8	1,929
Cash and bank balances	96,743	70,235	75,392	55,450
	<b>188,712</b>	<b>153,863</b>	<b>91,234</b>	<b>68,889</b>

### LIQUIDITY AND REFINANCING RISKS

Liquidity and refinancing risk refers to the risk that the cost will be higher and the financing options limited when loans are to be sold, and that payment obligations cannot be fulfilled as a result of insufficient liquidity or difficulties in 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 undertaken to ensure that the ratio of the Group's net debt and 12-month rolling operating profit before depreciation on the last day of each quarter ends does not exceed 3.00. Furthermore, the Group must at all times maintain an equity/assets ratio of at least 35 percent.

Maturity analysis of the Björn Borg Group's outstanding receivables and liabilities as of 31 December 2021 (contractual and undiscounted cash flows):

#### MATURITY ANALYSIS OF BJÖRN BORG GROUP'S OUTSTANDING ASSETS AND LIABILITIES AS OF 2021-12-31

2021-12-31	Up to 3 months	3-12 months	1-5 years	Over 5 years
Accounts receivable, external	91,969	-	-	-
Other receivables	9,161	-	-	-
Cash and bank balances	96,743	-	-	-
Other liabilities	-43,334	-30,533	-1,932	-
Accounts payable	-97,036	-	-	-
Non-current liabilities to credit institutions	-	-	-80,000	-
<b>Total</b>	<b>57,503</b>	<b>-30,533</b>	<b>-81,932</b>	<b>-</b>

**MATURITY ANALYSIS OF BJÖRN BORG GROUP'S OUTSTANDING ASSETS AND LIABILITIES AS OF 31 DECEMBER 2020**

2020-12-31	Up to 3 months	3-12 months	1-5 years	Over 5 years
Accounts receivable, external	83,627	-	-	-
Other receivables	10,449	-	-	-
Cash and bank balances	70,235	-	-	-
Other liabilities	-34,416	-20,968	-	-
Accounts payable	-77,245	-	-	-
Non-current liabilities to credit institutions	-	-	-99,000	-
<b>Total</b>	<b>52,649</b>	<b>-20,968</b>	<b>-99,000</b>	<b>-</b>

For maturity analysis of lease liabilities, see Note 11.

**CAPITAL**

Capital refers to shareholders' equity and loan capital. The Group's goal in managing capital is to ensure the Group's survival and freedom of action and to ensure that the owners receive a return on their invested funds. The distribution between equity and loan capital must be such that a good balance is obtained between risk and return. If necessary, the capital structure is adapted to changing economic conditions and other external factors. In order to maintain and adjust the capital structure, the Group may distribute funds, increase equity through the issue of new shares or capital injections or reduce or increase liabilities. The Group's liabilities and equity are stated in the Group's report on financial position, and in the report Change in the Group's equity, the various components included in reserves are stated. 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 undertaken to ensure that the ratio of the Group's net debt and 12 months' rolling operating profit before depreciation on the last day of each quarter does not exceed 3.00. Furthermore, the Group must at all times maintain an equity/assets ratio of at least 35 percent. As of December 31, 2021, the ratio was positive by +0.15 when the company had net cash (0.70) and the equity/assets ratio was 53.4 percent (51.8).

**NOTE 4 SEGMENT REPORTING**

The President is the Group's highest executive decision-maker. Reported operating segments are those that are reported internally to the highest executive decision-maker and that are used as a basis for allocating resources and evaluating the results in the Group. Follow-up and assessment of the operating segments' results is based primarily on operating profit. Segment reporting is prepared in accordance with the same accounting principles as the consolidated accounts and is stated in Note 1, except that external sales are presented including other operating income.

**WHOLESALE BUSINESS**

The segment consists of revenues and expenses associated with the Björn Borg Group's wholesale operations. The Group conducts wholesale operations in Sweden, Finland, the Netherlands, Belgium, Germany and England for clothing and underwear, as well as for shoes in Sweden, Finland and the Baltics.

**CONSUMER DIRECT**

The segment consists of revenues and costs associated with the Björn Borg Group's sales directly to consumers via its own concept and outlet stores and via e-commerce.

**DISTRIBUTOR**

The distributor segment mainly consists of revenues and costs associated with sales to external distributors of product groups that are in-house developed by the company.

**LICENSE**

The license segment mainly consists of royalty income from licensees and costs for the Group associated with the license operations

Note 4, continued

<b>2021</b> SEK thousands	Wholesale	Consumer direct	Distributor	License	Total	Eliminations	Group
<b>Income</b>							
External sales	502,273	212,712	71,439	9,671	796,095	–	796,095
Internal sales	1,607	300	465,596	81,404	548,907	–548,907	–
<b>Total income</b>	<b>503,879</b>	<b>213,011</b>	<b>537,035</b>	<b>91,076</b>	<b>1,345,002</b>	<b>–548,907</b>	<b>796,095</b>
<b>Operating profit</b>	<b>68,523</b>	<b>13,814</b>	<b>13,571</b>	<b>8,180</b>	<b>104,088</b>	<b>–</b>	<b>104,088</b>
Interest income and similar income items							7,787
Interest expenses and similar income items							–5,005
<b>Profit before tax</b>							<b>106,870</b>
Fixed assets	391,922	136,433	49,881	8,919	587,155	–269,714	317,441
Inventory	115,204	47,392	–	–	162,596	–10,605	151,991
Other current assets	3,147,117	923,058	297,279	35,311	4,402,765	–4,191,529	211,236
<b>Total assets</b>	<b>3,654,243</b>	<b>1,106,883</b>	<b>347,160</b>	<b>44,230</b>	<b>5,152,516</b>	<b>–4,471,848</b>	<b>680,668</b>
Other debts	3,204,063	981,389	310,702	33,581	4,529,735	–4,183,282	346,453
<b>Total debts</b>	<b>3,204,063</b>	<b>981,389</b>	<b>310,702</b>	<b>33,581</b>	<b>4,529,735</b>	<b>–4,183,282</b>	<b>346,453</b>
Investments in tangible and intangible fixed assets	7,205	3,205	150	27	10,587	–79	10,508
Depreciation	–24,745	–10,146	–556	–87	–35,534	32	–35,502

<b>2020</b> SEK thousands	Wholesale	Consumer direct	Distributor	License	Total	Eliminations	Group
<b>Income</b>							
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	–
<b>Total income</b>	<b>466,638</b>	<b>211,075</b>	<b>454,877</b>	<b>82,745</b>	<b>1,215,335</b>	<b>–481,328</b>	<b>734,007</b>
<b>Operating profit</b>	<b>16,904</b>	<b>–2,686</b>	<b>6,955</b>	<b>12,521</b>	<b>33,694</b>	<b>–</b>	<b>33,694</b>
Interest income and similar income items							434
Interest expenses and similar income items							–16,549
<b>Profit before tax</b>							<b>17,579</b>
Fixed 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
<b>Total assets</b>	<b>2,884,050</b>	<b>763,635</b>	<b>247,985</b>	<b>52,027</b>	<b>3,947,697</b>	<b>–3,328,679</b>	<b>619,018</b>
Other debts	2,896,146	799,629	212,999	37,554	3,946,328	–3,618,323	328,005
<b>Total debts</b>	<b>2,896,146</b>	<b>799,629</b>	<b>212,999</b>	<b>37,554</b>	<b>3,946,328</b>	<b>–3,618,323</b>	<b>328,005</b>
Investments in tangible and intangible fixed assets	3,770	5,252	307	29	9,358	–394	8,964
Depreciation	–28,920	–9,834	–548	–162	–39,464	–1,382	–40,846

Note 4, continued

#### RECONCILIATION BETWEEN OPERATING PROFIT AND PROFIT BEFORE TAX

The difference between operating profit for segments for which information is to be provided is SEK 104,088 thousand (33,694) and profit before tax SEK 106,870 thousand (17,579) are net financial items, SEK 2,782 thousand (-16,115).

#### INTERNAL PRICING

Sales between segments take place on market terms. The income from external parties that is reported to management is valued in the same way as in the income statement.

#### ELIMINATIONS

The elimination column refers only to internal balances.

#### GEOGRAPHICAL AREAS

SEK thousands	Sweden		Holland		Finland		Germany		Others		Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net sales	275,664	268,325	172,519	164,058	104,010	118,880	80,916	43,795	135,094	110,153	768,203	705,211
Assets	195,484	229,533	149,728	140,340	90,269	101,693	70,227	37,463	161,008	94,228	666,716	603,257
Investments	3,504	3,504	3,594	3,594	1,559	1,559	-	-	1,851	307	10,508	8,964

The Group presents its revenues for the four largest markets: Sweden, the Netherlands, Finland and Germany. Assets in each segment are exclusive of financial instruments and deferred tax assets.

#### NOTE 5 DISTRIBUTION OF REVENUE

##### NET SALES AND OTHER OPERATING INCOME

SEK thousands	Group		Parent Company	
	2021	2020	2021	2020
Wholesale	502,273	464,394	-	-
Consumer direct	212,712	210,986	-	-
Distributor	71,439	44,667	-	-
License	9,671	13,960	-	-
Others	-	-	101,930	103,203
<b>Total revenue</b>	<b>796,095</b>	<b>734,007</b>	<b>101,930</b>	<b>103,203</b>

The Group's other operating income mainly consists of currency revaluations on monetary items (assets and liabilities) in addition to cash and loans and re-invoiced costs.

The Parent Company includes other operating income of SEK 1,990 thousand (1,059) consisting essentially of re-invoiced costs.

Outstanding accounts receivable amounted to SEK 91,969 thousand (83,627) on the balance sheet date, see also Note 22.

The Group's has contractual liabilities in the form of prepaid goods as well as settlement against license and franchisees with a closing balance of a total of SEK 1,291 thousand (2,287).

These are included in the item accrued expenses and prepaid income, note 28. Of the incurred debt amount, SEK 2,287 thousand (714) was recognized as income during the period. The Group lacks contract assets.

#### NOTE 6 OTHER EXTERNAL EXPENSES

SEK thousands	Group		Parent Company	
	2021	2020	2021	2020
Local costs	5,327	10,016	5,216	9,303
Sales costs	52,219	55,444	3,377	2,866
Marketing costs	60,187	41,850	33,472	17,339
Administrative costs	36,139	45,195	11,631	12,986
Other	4,439	6,080	576	1,196
	<b>158,310</b>	<b>158,585</b>	<b>54,272</b>	<b>43,690</b>

## NOTE 7 CASH AND CASH EQUIVALENTS

SEK thousands	Group	
	31 Dec 2021	31 Dec 2020
Cash and bank balances	96,743	70,235
<b>Total</b>	<b>96,743</b>	<b>70,235</b>

The company has cash and cash equivalents in Swedish banks with a rating of at least A. The credit provision is calculated according to the general model with the assumption of low credit risk. Given the short maturity and stable counterparties, the expected future credit losses as of the balance sheet date are insignificant, which is why no reserve for future credit losses has been reported.

## NOTE 8 INFORMATION ABOUT STAFF AND REMUNERATION TO THE BOARD OF DIRECTORS, CEO AND OTHER SENIOR EXECUTIVES

### SALARIES, OTHER BENEFITS AND SOCIAL COSTS

SEK thousands	Group		Parent Company	
	2021	2020	2021	2020
Salaries and benefits	91,626	93,018	26,114	23,385
Social expenses	23,466	22,601	8,955	8,126
Pension costs	9,380	10,506	3,227	3,362
<b>Total</b>	<b>124,472</b>	<b>126,125</b>	<b>38,295</b>	<b>34,872</b>

### SALARIES, OTHER REMUNERATION DISTRIBUTED BETWEEN SENIOR EXECUTIVES AND OTHER EMPLOYEES

SEK thousands	Group		Parent Company	
	2021	2020	2021	2020
Board, CEO and other senior executives	19,858	15,783	15,739	12,625
Other employees	71,768	77,235	10,377	10,760
<b>In total</b>	<b>91,626</b>	<b>93,018</b>	<b>26,114</b>	<b>23,385</b>

### THE AVERAGE NUMBER OF EMPLOYEES <sup>1</sup>

SEK thousands	Group		Parent Company	
	2021	2020	2021	2020
Women	106	124	18	21
Men	56	68	7	9
<b>Total</b>	<b>162</b>	<b>192</b>	<b>25</b>	<b>30</b>

<sup>1</sup> An annual working time of 1,800 hours has been used to calculate the average number of employees.

## DISTRIBUTION BETWEEN WOMEN AND MEN AMONG SENIOR EXECUTIVES

Group SEK thousands	2021		2020	
	Men	Women	Men	Women
Board	4	2	3	2
Other senior executives	6	2	6	4
<b>Total</b>	<b>10</b>	<b>4</b>	<b>9</b>	<b>6</b>

## REMUNERATION AND OTHER BENEFITS TO BOARD MEMBERS

SEK thousands	2021		2020	
	Board fees	Others compensation	Board fees	Others compensation
<i>Chairman of the Board;</i> Heiner Olbrich	420	82	357	70
<i>Other members of the Board;</i> Mats H Nilsson	180	96	153	82
Alessandra Cama	180	–	153	–
Fredrik Lövestedt	180	55	153	19
Anette Klintfält	180	–	153	–
Jens Høgsted	90	–	–	–
Christel Kinning	–	–	90	28
Göran Carlsson	–	–	90	–
<b>Total</b>	<b>1,230</b>	<b>233</b>	<b>1,149</b>	<b>198</b>

## SALARIES, OTHER BENEFITS AND OTHER BENEFITS 2021

SEK thousands	Basic salary	Variable compensation	Pension	Other compensation	Total
CEO	4,080	1,889	977	172	<b>7,118</b>
Other senior executives	9,535	2,892	1,967	161	<b>14,556</b>
<b>Total</b>	<b>13,614</b>	<b>4,781</b>	<b>2,945</b>	<b>333</b>	<b>21,674</b>

## SALARIES, OTHER BENEFITS AND OTHER BENEFITS 2020

SEK thousands	Basic salary	Variable compensation	Pension	Other compensation	Total
CEO	3,853	–	945	34	<b>4,831</b>
Other senior executives	9,984	599	2,048	237	<b>12,869</b>
<b>Total</b>	<b>13,836</b>	<b>599</b>	<b>2,992</b>	<b>271</b>	<b>17,700</b>

## BENEFITS TO THE BOARD OF DIRECTORS, CEO AND OTHER SENIOR EXECUTIVES

### Remuneration to the board

According to the AGM resolution, the remuneration to the Chairman and members of the Board for 2021 amounts to a total of SEK 1,463 thousand (1,347). The Chairman of the Board receives a fee of SEK 420 thousand (357), while other members receive a remuneration of SEK 180 thousand (153) each. In addition to board fees, the Chairman and members of the Board have received remuneration for travel and subsistence in connection with Board meetings. A fee for a total of SEK 43 thousand (36) for 2021 has been expensed to the Remuneration Committee and a fee amounting to a total of SEK 190 thousand (162) has been expensed to the Audit Committee. All remuneration is in accordance with the remuneration to the Board decided by the Annual General Meeting.

### Remuneration to the CEO

Björn Borg's CEO has received salary and other remuneration amounting to SEK 4,080 thousand (3,853), in addition to which the CEO receives a variable remuneration of SEK 1,889 thousand (0). According to the agreement, the CEO is entitled to both a fixed salary and a variable remuneration, provided that certain predefined goals are achieved. In addition, the CEO is entitled to certain other benefits, e.g., company car and some insurance. The CEO is also entitled to a monthly pension provision corresponding to 25 percent of the fixed salary. The variable remuneration has been calculated on the basis of the Group's achieved sales and operating profit in relation to the budget approved by the Board.

Proposed terms and conditions for the remuneration package for the CEO are prepared by the Remuneration Committee, which consists of Heiner Olbrich, Mats H Nilsson and Fredrik Löfstedt, and are decided on by the Board. A notice period of 12 months applies between the company and the CEO in the event of termination by the company. In the event of termination by the CEO, a notice period of 6 months applies. The President's share and option holdings are described below.

### Remuneration of other senior executives

Senior executives refer to Group management. In 2021, Group management, excluding the President, consisted of eight other senior executives. In 2021, the average number of other senior executives, excluding the Deputy CEO, was seven. The basic salary for senior executives for 2021 amounted to SEK 9,535 thousand (9,984). In addition, senior executives receive variable remuneration based on the Group's sales and earnings in excess of the budget approved by the Board. The variable remuneration can amount to a maximum of 25 percent of fixed salary. The variable remuneration in 2021 amounted to SEK 2,892 thousand (599). In addition to this, some senior executives have access to a company car. Björn Borg pays pension premiums according to a defined contribution pension plan. Pension costs in 2021 amounted to SEK 1,967 thousand (2,048). If senior executives are dismissed by the company, they are entitled to a 3-6 month notice period. Senior executives' share and option holdings in Björn Borg are described below.

## THE SHAREHOLDINGS OF THE BOARD OF DIRECTORS, THE CEO AND OTHER SENIOR EXECUTIVES AS OF 31 DEC 2021

	Number of shares
Fredrik Löfstedt	1,050,040
Mats H Nilsson	1,638,440
Anette Klintfält	0
Heiner Olbrich	60,000
Alessandra Cama	20,000
Jens Høgsted	0
CEO	110,000
Other senior executives	39,608
<b>Summa antal aktier</b>	<b>2,918,088</b>

## PENSIONS

The Group only has defined contribution pension plans. A defined contribution pension plan is a pension plan where the Group pays fixed premiums to a separate legal entity. After Björn Borg paid the premium, no obligations remain for Björn Borg towards the Group's employees. The fees are reported as personnel costs in the period to which the fee paid relates and amounted to SEK 9.4 M (10.5) in 2021.

## INCENTIVE PROGRAM, LTIP 2022

The 2019 Annual General Meeting decided on the introduction of a new long-term incentive program, LTIP 2022, which can be described as a variable cash remuneration based on the share price for the Björn Borg share. Eligible to participate in the incentive program, which runs between the years 2019 and 2022, are employees of the company management. LTIP 2022 means that participants may be entitled to a cash payment from Björn Borg, depending on the share price development of the Björn Borg share and based on each participant's fixed annual salary for 2019. The lowest level for payment is 25 percent of each participant's annual salary 2019, which recipient is entitled to if the price of the Björn Borg share has reached the threshold value of SEK 35 during a period of one hundred (100) days during any of the years 2020, 2021 and 2022, without a requirement that these days are continuous. The highest level for payment under the incentive program is 160 percent of the participant's annual salary in 2019, which presupposes that the price of the Björn Borg share has reached the threshold value of SEK 70 during a period such as the one described above. Assuming that the number of management members participating in LTIP 2022 is nine, the maximum payment during LTIP 2022 may amount to SEK 28,520,000, including social costs. As of December 31, 2021, a cost of SEK 1,932 thousand (0) has been booked.

## NOTE 9 TRANSACTIONS WITH RELATED PARTIES

In addition to the usual remuneration (salary, fees and other benefits) to the CEO, senior executives and the Board, as well as internal sales between Group companies, transactions with related parties occurred during the period 2021 but not of a material nature.

### PARENT COMPANY'S TRANSACTIONS WITH SUBSIDIARIES

SEK thousands	Group	
	2021	2020
Sales to subsidiaries	100,237	102,290
Purchases from subsidiaries	2,652	2,226

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 consist primarily of marketing products.

## NOTE 10 AUDITORS' FEES

SEK thousands	Group		Parent Company	
	2021	2020	2021	2020
<i>BDO</i>				
Audit assignment	1,252	–	880	–
<i>Deloitte</i>				
Audit assignment	83	4,428	46	715
Audit assignments in addition to auditing activities	919	714	211	552
Tax advice	205	155	205	155
	<b>2,459</b>	<b>5,297</b>	<b>1,164</b>	<b>1,422</b>
<i>Other auditing companies</i>				
Audit assignment	14	84	–	–
	<b>14</b>	<b>84</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>2,473</b>	<b>5,381</b>	<b>1,164</b>	<b>1,422</b>

## NOTE 11 LEASING

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

### MATURITY ANALYSIS LEASE LIABILITY:

SEK thousands	Group
2022	20,242
2023	13,031
2024	9,513
2025	5,953
2026	4,813
later than 2027	467
<b>Total payments</b>	<b>54,019</b>

The Group has entered into leasing agreements that have not yet taken effect. The leasing payment for the entire leasing period amounts to SEK 0 thousand (20,600).

### REPORTED LIABILITY ACCORDING TO THE BALANCE SHEET

SEK thousands	Group	
	2021-12-31	2020-12-31
Short-term portion	20,242	21,383
Long-term portion	33,777	35,701
<b>Total</b>	<b>54,019</b>	<b>57,084</b>

### RIGHT-OF-USE ASSETS

SEK thousands	Group							
	Premises		Vehicle		Equipment		Total	
	2021-12-31	2020-12-31	2021-12-31	2020-12-31	2021-12-31	2020-12-31	2021-12-31	2020-12-31
<i>Acquisition cost</i>								
Incoming values	53,078	125,321	4,199	5,672	204	465	57,481	131,458
Additional usufruct rights	22,416	3,105	2,387	1,708	417	3	25,220	4,816
Renegotiated/concluded agreements	–3,994	–45,850	–292	–467	–	–	–4,286	–46,317
Depreciation	–21,762	–27,823	–2,255	–2,620	–230	–258	–24,247	–30,701
Translation differences	737	–1,675	44	–94	1	–6	782	–1,775
<i>Carrying amount</i>								
<b>Closing balance</b>	<b>50,475</b>	<b>53,078</b>	<b>4,083</b>	<b>4,199</b>	<b>392</b>	<b>204</b>	<b>54,950</b>	<b>57,481</b>

#### AMOUNTS REPORTED IN PROFIT OR LOSS

SEK thousands	Group
Depreciation right-of-use assets	24,247
Interest expenses for lease liabilities	1,879
Expenses relating to short-term leases	244
Expenses relating to leases of low-value asset	91
Expenses relating to variable lease payments not included in the valuation of lease liabilities	3,602

The total cash flow for lease payments amounted to SEK 30,064 thousand.

Some leases for stores only have variable rents that are affected by sales, so-called sales-based rent, while some leases for stores run with a fixed minimum rent but with a supplement for sales rent. Variable leasing fees are not included in the leasing debt, which means that for agreements that only run in full or in part with sales rent, the sales rent is not included in the leasing debt but is expensed in the period in question.

Half of the Group's store agreements contain a variable leasing fee that is linked to sales in leased stores. Variable leasing fees are used to link the leasing fee to the stores' cash flow and reduce the fixed cost. The division of the leasing fee for these stores looks as follows and refers to the distribution of paid fixed fees and variable fees, respectively:

SEK thousands	Group	
	2021	2020
Fixed payments	11,815	8,951
Variable lease payments	2,354	2,546
<b>Total payments</b>	<b>14,168</b>	<b>11,497</b>

The leasing agreements also generally mean that property tax is paid, which also constitutes a variable fee. However, amounts for property tax are not included in the table above.

An increase in sales of 10 percent in the stores that have full or partial sales-based rent would increase leasing costs by SEK 918 thousand (182).

For premises, the maturities and conditions differ depending on the country in which the premises are located. Retail premises run (minimum period) for an average of 3 years, while office premises run for an average of 5 years. For retail premises, the term is short, but with the option to extend, which gives the Group flexibility and the strategy is to strive for short leases. The terms of the agreement are generally designed so that if neither party terminates the agreement for a certain period before they expire, usually 3-9 months before, the agreement is extended for another period. For retail premises, the extension period is usually 1 year.

When the Group enters into a lease agreement, an assessment is made as to whether it is reasonably certain that the option to extend will be exercised. The assessment takes into account all relevant facts and circumstances that create financial incentives such as the terms of the agreement for extension periods compared to market rents, significant investments made (or expected to be made) in leased premises, costs that arise when the lease is terminated, such as negotiation costs and relocation costs and the importance of the underlying asset in the business. Reconsideration takes place when an important event has occurred that is within the Group's control. However, the lease agreement is extended as at the latest at the time of automatic extension (unless either party has terminated the agreement).

The table below shows the Group's exposure to future cash flows from leasing agreements whose extension option is not included in the reported leasing liability on the balance sheet date as it is not reasonably certain that the extension will take place. The future cash flow is based on the leasing agreement being extended for a period (1-3) years.

SEK thousands	Group 2021
Within 1 year	19,154
Between 1-3 years	15,689
Between 3-5 years	4,409
<b>Total cash flow</b>	<b>39,253</b>

#### INFORMATION PARENT COMPANY

SEK thousands	Parent Company	
	2021	2020
Rental and leasing costs during the year amounted to	4,999	8,770
Agreed rental and leasing costs amount to		
– within 1 year	5,310	2,952
– later than one year but within 5 years	19,906	20,370
– over 5 years	–	–
<b>Amount</b>	<b>30,215</b>	<b>32,093</b>

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

SEK thousands	Group	
	2021	2020
Assets at amortized cost	31,536	17,483
Financial liabilities valued at amortized cost (financial expenses)	-21,065	-35,988
<b>Total</b>	<b>10,470</b>	<b>-18,505</b>

Of the assets reported at amortized cost, 2,923 have been reported in operating profit and 7,547 in net financial items.

## NOTE 13 RESULT FROM SHARES IN SUBSIDIARIES

SEK thousands	Parent Company	
	2021	2020
Anticipated dividend	-	37,723
Impairment of shares and receivables in subsidiary	-34,194	-45,554
	<b>-34,194</b>	<b>-7,831</b>

Impairment of shares in Björn Borg Services AB amounted to SEK 27,667 thousand, the remaining right-of-use asset being SEK 193,945 thousand and write-down of shares SEK 841 thousand. The remaining carrying amount is SEK 0 thousand and receivables of SEK 5,686 in Björn Borg Ltd.

## NOTE 14 NET FINANCIAL ITEMS

SEK thousands	Group		Parent Company	
	2021	2020	2021	2020
Change in exchange rates	7,547	-	17,203	-
Interest income <sup>1</sup>	240	434	1,681	1,827
<b>Total financial income</b>	<b>7,787</b>	<b>434</b>	<b>18,884</b>	<b>1,827</b>
Change in exchange rates	-	-10,072	-	-10,158
Interest expenses <sup>1</sup>	-3,125	-3,959	-7,966	-8,795
Interest expense leasing	-1,879	-2,518	-	-
<b>Total financial expenses</b>	<b>-5,005</b>	<b>-16,549</b>	<b>-7,966</b>	<b>-18,953</b>
<b>Net financial items</b>	<b>2,782</b>	<b>-16,115</b>	<b>10,918</b>	<b>-17,126</b>

<sup>1</sup> The item in its entirety refers to financial assets and liabilities that are not valued at fair value, except for interest income corresponding to SEK 0 thousand (0) which refers to assets valued at fair value.

## NOTE 15 APPROPRIATIONS

SEK thousands	Parent Company	
	2021	2020
Appropriations		
Change in accelerated depreciation/amortization	-218	-
	<b>-218</b>	<b>-</b>

## NOTE 16 TAXES

### TAX ON PROFIT FOR THE YEAR

SEK thousands	Group		Parent Company	
	2021	2020	2021	2020
Current tax on the profit for the year	-18,644	-1,047	-14,447	-22
Deferred tax asset/expense	-2,196	2,301	-4	-4
<b>Total reported tax expense</b>	<b>-20,840</b>	<b>1,254</b>	<b>-14,451</b>	<b>-26</b>

### TAX RATE RECONCILIATION

SEK thousands	Group		Parent Company	
	2021	2020	2021	2020
Reported profit before tax	106,870	17,579	29,415	-15,200
Tax according to the current tax rate in Sweden, 20.6% (21.4%)	-22,015	-3,762	-6,060	3,253
<i>Tax effect of:</i>				
Non-deductible expenses	-967	-1,532	-207	-212
Non-deductible impairment	-	-	-7,044	-9,749
Deductible impairment	-	7,877	-	-
Tax-exempt income	722	-315	0	8,073
Effect of tax rates in other countries	1,017	-36	-	-
Interest offsetting	-	-	-1,137	-1,363
Utilized tax loss carryforwards where undeferred tax is taken into account	-799	548	-	-
Not taken into account deferred tax on loss carryforwards	2,113	-	-	-
Effect of change in tax rates	-	-137	-	-
Tax attributable to previous years	-911	-1,390	-4	-26
<b>Reported tax expense</b>	<b>-20,840</b>	<b>1,254</b>	<b>-14,451</b>	<b>-26</b>

## DEFERRED TAXES

SEK thousands	Group		Parent Company	
	2021	2020	2021	2020
<i>Deferred tax assets reported in the balance sheet</i>				
Property, plant & equipment	186	217	4	8
Rights-of-use assets	346	294	-	-
Internal gain on inventory	2,378	2,577	-	-
Doubtful accounts receivable	1,112	-	-	-
Tax loss carryforwards	9,930	12,673	-	-
<b>Total deferred tax asset</b>	<b>13,952</b>	<b>15,761</b>	<b>4</b>	<b>8</b>
<i>Deferred tax liabilities reported in the balance sheet</i>				
Trademarks	39,065	39,065	-	-
Other	51	2	-	-
Untaxed reserves	480	222	-	-
<b>Total deferred tax liability</b>	<b>39,596</b>	<b>39,289</b>	<b>-</b>	<b>-</b>

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

### TAX LOSS CARRYFORWARDS AND UNREPORTED DEFERRED TAX ASSETS

The Group has reported a deferred tax asset related to tax loss carryforwards totaling SEK 9,930 thousand (12,673). The tax value of these loss carryforwards amounts to SEK 40,021 thousand (54,823), of which no part has a due date. The tax value of loss carryforwards for which deferred tax assets have not been reported in the balance sheet as of 31 December 2021 amounts to SEK 140,084 thousand (134,828) and are attributable to the operations in the USA, the Netherlands, Belgium and the UK. No deferred tax assets have been reported for these loss carryforwards due to the fact that these units have historically reported tax losses and uncertainty as to whether and when in the future these operations will generate sufficient taxable surpluses. This corresponds to an unreported deferred tax asset totaling in the order of SEK 22,042 thousand (21,596). The majority of these deficits have no due date.

## NOTE 17 EARNINGS PER SHARE

SEK thousands	Earnings per share		Earnings per share after dilution	
	2021	2020	2021	2020
<b>Earnings</b>				
Earnings attributable to the Parent Company's shareholders	86,030	18,833	86,030	18,833
<b>Net profit used to determine results</b>	<b>86,030</b>	<b>18,833</b>	<b>86,030</b>	<b>18,833</b>
<b>Weighted average number of ordinary shares for calculation of earnings per share after dilution</b>	<b>25,148,384</b>	<b>25,148,384</b>	<b>25,148,384</b>	<b>25,148,384</b>
<b>Earnings per share</b>	<b>3.42</b>	<b>0.75</b>	<b>3.42</b>	<b>0.75</b>

SEK thousands	2021	2020
Earnings per share, SEK	3.42	0.75
Earnings per share, SEK (after dilution)	3.42	0.75
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 are calculated by dividing the earnings attributable to the Parent Company's shareholders by a weighted average number of outstanding common shares during the period, excluding repurchased shares. For earnings per share after dilution, the weighted average number of outstanding common shares has been adjusted for the dilution effect of all potential common shares. The Group has potential common shares with a dilution effect related to convertible debt instruments and options.

## NOTE 18 INTANGIBLE ASSETS

### THE GROUP

SEK thousands	Note	31 dec 2021	31 dec 2020
<b>Goodwill</b>			
<i>Accumulated acquisition values</i>			
Opening balance		34,306	35,098
Translation differences for the year		379	-792
<b>Carrying amount at year-end</b>		<b>34,685</b>	<b>34,306</b>
<b>Trademark</b>			
<i>Accumulated acquisition values</i>			
Opening balance		187,532	187,532
<b>Carrying amount at year-end</b>		<b>187,532</b>	<b>187,532</b>
<b>Licenses</b>			
<i>Accumulated acquisition values</i>			
Opening balance		1,476	1,534
Investments		3,256	-
Translation differences for the year		28	-58
<b>Closing balance</b>		<b>4,760</b>	<b>1,476</b>
<i>Accumulated amortization</i>			
Opening balance		-1,476	-1,534
This year's depreciations		-934	-
Translation differences for the year		-35	58
<b>Closing balance</b>		<b>-2,445</b>	<b>-1,476</b>
<b>Carrying amount at year-end</b>		<b>2,315</b>	<b>-</b>
<b>Tenancies</b>			
<i>Accumulated acquisition values</i>			
Opening balance		500	500
<b>Closing balance</b>		<b>500</b>	<b>500</b>
<i>Accumulated cost</i>			
Opening balance		-500	-500
<b>Closing balance</b>		<b>-500</b>	<b>-500</b>
<b>Carrying amount at year-end</b>		<b>-</b>	<b>-</b>

Note 18, continued

SEK thousands	Note	31 dec 2021	31 dec 2020
<b>Capitalized expenses for software</b>			
<i>Accumulated cost</i>			
Opening balance		29,914	26,737
Investments		1,599	3,474
Divestments and closure of operations		-11,191	-
Translation differences for the year		190	-297
<b>Closing balance</b>		<b>20,513</b>	<b>29,914</b>
<i>Accumulated amortization</i>			
Opening balance		-19,660	-16,829
Divestments and closure of operations		11,191	-
Amortization for the year		-3,251	-3,627
Translation differences for the year		-190	795
<b>Closing balance</b>		<b>-11,910</b>	<b>-19,660</b>
<b>Carrying amount at year-end</b>		<b>8,603</b>	<b>10,254</b>

#### PARENT COMPANY

SEK thousands		31 dec 2021	31 dec 2020
<b>Capitalized expenses for software</b>			
<i>Accumulated cost</i>			
Opening balance		10,973	10,926
Investments		288	47
<b>Closing balance</b>		<b>11,261</b>	<b>10,973</b>
<i>Accumulated amortization</i>			
Opening balance		-6,232	-4,478
Amortization for the year his year's		-1,360	-1,754
<b>Closing balance</b>		<b>-7,592</b>	<b>-6,232</b>
<b>Carrying amount at year-end</b>		<b>3,669</b>	<b>4,741</b>

#### IMPAIRMENT TESTING THE GOODWILL AND TRADEMARKS

Goodwill exists for five cash-generating units, Björn Borg Brands AB, Björn Borg Clothing AB, Björn Borg Footwear AB, Björn Borg Finland OY and Baseline.

In addition, there are also intangible non-current assets in the form of trademarks where the cash-generating unit is Björn Borg Brands AB. Distribution is reported below.

SEK thousands	31 dec 2021	31 dec 2020
<b>Goodwill</b>		
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	5,698	5,598
Baseline	15,044	14,765
	<b>34,685</b>	<b>34,306</b>
<b>Trademark</b>		
Björn Borg Brands AB	187,532	187,532
	<b>187,532</b>	<b>187,532</b>

Each year, the Group examines whether there is any need for impairment of goodwill and trademarks in accordance with the accounting principle described in Note 1. The future cash flows used in calculating the unit value of each unit are based for the first year on the legal budget for 2022 adopted for each unit. Thereafter, cash flows are based on assumptions about annual sales and cost growth in a five-year forecast period. Management bases assumptions in the forecast period on future growth on previous outcomes as well as in-depth discussions with the subsidiaries, distributors and licensees regarding future expectations. Impairment testing was performed as of December 31, 2021, applying approximately 8 percent (9) discount rate after tax and an assumption of sustainable annual growth of 1 percent (1) for the period beyond the forecast horizon. This growth is a cautious assumption as of 31 December 2021 based on the current economic situation in the markets, primarily in Europe, where Björn Borg operates. The forecast period extends from 2022 to 2026, i.e., over a five-year period.

There is no need for impairment in the Group as the discounted present value of future cash flows exceeds the carrying amount of the net assets for both the brand and goodwill items in the table above. Assumptions about the discount rate and assumed growth in free cash flow in the forecast period are presented in the table below.

If the assumed growth beyond the forecast period when calculating the value in use for both goodwill and brand had been -1 per cent instead of the assumed +1 per cent, there would still be no need for impairment. An increase in the discount rate by 2 percentage points would also not entail any need for impairment of either brand or goodwill. The same also applies within the forecast period.

Note 18, continued

2021	Trade- mark	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 (%)	9	9	9	9	9	9
Growth in free cash flow%	2	2	2	1	1	2

2020	Trade- mark	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

## NOTE 19 TANGIBLE NON-CURRENT ASSETS

TSEK	Group		Parent Company	
	Dec. 31 2021	Dec. 31 2020	Dec. 31 2021	Dec. 31 2020
<i>Accumulated cost</i>				
Opening balance	44,290	63,790	3,536	12,365
Investments	5,680	5,490	1,314	1,247
Sales and disposals	-813	-19,400	-813	-10,075
Translation differences for the year	1,841	-5,590	-	-
<b>Closing balance</b>	<b>50,999</b>	<b>44,290</b>	<b>4,037</b>	<b>3,536</b>
<i>Accumulated depreciation</i>				
Opening balance	-27,710	-45,663	-1,772	-11,355
Sales and disposals	813	19,400	813	10,075
Depreciation for the year	-7,071	-6,519	-966	-493
Translation differences for the year	-1,625	5,072	-	-
<b>Closing balance</b>	<b>-35,594</b>	<b>-27,710</b>	<b>-1,925</b>	<b>-1,772</b>
<b>Carrying amount at year-end</b>	<b>15,405</b>	<b>16,580</b>	<b>2,112</b>	<b>1,764</b>

## NOTE 20 FINANCIAL NON-CURRENT ASSETS

### SHARES IN SUBSIDIARIES

SEK thousands	Parent Company	
	Dec. 31 2021	Dec. 31 2020
Opening cost	306,186	344,106
Acquisition of subsidiary	-	55
Impairment	-28,510	-40,475
Shareholders' contributions paid	-	2,500
<b>Closing accumulated cost</b>	<b>277,676</b>	<b>306,186</b>

Impairment of shares in Björn Borg Services AB amounted to SEK 27,667 thousands, the remaining right-of-use asset being SEK 193,945 thousands and write-down of shares SEK 841 thousands in Björn Borg Ltd.

**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	58,215
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	
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	193,945
Björn Borg Finland OY	2126188-3	Helsinki	100	100	8,680
Björn Borg Limited (China) Limited CR	1671008	Hong Kong	7,500	75	
Björn Borg (Shanghai) Trading Co. Ltd	310000400680797	Shanghai	n/a	100	

**277,676****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	
	2021	2020	2021	2020
Finished goods and goods for resale	151,991	122,833	-	-
Förskott till leverantörer	-	524	-	-
	<b>151,991</b>	<b>123,357</b>	-	-

Impairment losses for obsolescence of finished goods of SEK 6,421 thousand (7,965) are included in the closing inventory balance. Total expenses for obsolescence amounted to SEK -1,544 thousand (1,247) during the year.

Expensed inventory during the period amounted to SEK 375,455 thousand (406,996).

## 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 2021	Dec. 31 2020	Dec. 31 2021	Dec. 31 2020
Accounts receivable, gross	100,785	95,153	13	39
Reserve for expected credit losses	-8,816	-11,526	-	-
<b>Total accounts receivable, net after reserve for impaired receivables</b>	<b>91,969</b>	<b>83,627</b>	<b>13</b>	<b>39</b>

The reserve for expected credit losses as of December 31, 2021 amount to SEK 8,816 thousand (11,526) 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	
	2021	2020	2021	2020
Not overdue	74,788	78,831	13	32
1-30 days	14,937	127	-	7
31-90 days	-	49	-	-
91-180 days	826	32	-	-
>180 days	1,418	4,589	-	-
<b>Total</b>	<b>91,969</b>	<b>83,627</b>	<b>13</b>	<b>39</b>

As of December 31, 2021, the Group had SEK 16,563 thousand (3,989) 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 expenses. The period's changes were as follows:

### EXPECTED CREDIT LOSSES – RECONCILIATION

SEK thousands	Group		Parent Company	
	2021	2020	2021	2020
Provisions at beginning of the year	-11,526	-2,514	-	-
Reversed provisions for the period	5,177	1,695	-	-
Provisions for the period	-8,816	-11,526	-	-
Established losses	6,348	819	-	-
	<b>-8,816</b>	<b>-11,526</b>	<b>-</b>	<b>-</b>

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 2021	Dec. 31 2020	Dec. 31 2021	Dec. 31 2020
Accrued interest income	-	33	-	-
Prepaid interest	222	188	188	188
Prepaid rents	81	739	1,610	775
Prepaid insurance	404	493	263	440
Prepaid leasing	127	130	73	-
Prepaid marketing expenses	777	2,089	220	655
HR-related items	8,047	2,848	259	283
Other	3,705	2,915	1,230	1,174
	<b>13,363</b>	<b>9,435</b>	<b>3,843</b>	<b>3,516</b>

## NOTE 24 24 FINANCIAL ASSETS AND LIABILITIES

### GROUP 2021

SEK thousands	Measured at amortized cost	Non-financial assets and liabilities	Total assets
Accounts receivable, external	91,969	–	91,969
Cash and bank balances	96,743	–	96,743
<b>Total financial assets</b>	<b>188,712</b>	<b>–</b>	<b>188,712</b>
Lease liability	54,019	–	54,019
Non-current liabilities to credit institutions	80,000	–	80,000
Accounts payable	97,036	–	97,036
<b>Total financial liabilities</b>	<b>231,055</b>	<b>–</b>	<b>231,055</b>

### 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
<b>Total financial assets</b>	<b>153,862</b>	<b>–</b>	<b>153,862</b>
Lease liability	57,085	–	57,085
Non-current liabilities to credit institutions	99,000	–	99,000
Accounts payable	77,245	–	77,245
<b>Total financial liabilities</b>	<b>233,330</b>	<b>–</b>	<b>233,330</b>

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

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

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

## NOTE 25 DIVIDEND PER SHARE

The Annual General Meeting on May 18, 2021 resolved a distribution of SEK 37,722,576 be paid for the financial year 2020 corresponding with a dividend of SEK 1.5 per share.

The Board of Directors has proposed to the Annual General Meeting a distribution of SEK 2.50 per share for the financial year 2021. As proposed, the distribution would be paid through an automatic redemption, where every share is divided into a common share and a redemption share. The redemption share will then automatically be redeemed for SEK 2.50 per share. Payment for the redemption share, contingent on the approval of the AGM, is expected to be made around June 27, 2022. The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 62,871 thousand (37,723).

## NOTE 26 UNTAXED RESERVES

SEK thousands	Parent Company	
	Dec. 31 2021	Dec. 31 2020
Untaxed reserves		
Accumulated accelerated depreciation/amortization	1,256	1,038
	<b>1,256</b>	<b>1,038</b>

## NOTE 27 LIABILITIES

### NON-CURRENT AND CURRENT INTEREST-BEARING LIABILITIES

SEK thousands	Group		Parent Company	
	Dec. 31 2021	Dec. 31 2020	Dec. 31 2021	Dec. 31 2020
Non-current liabilities credit institutions	80,000	99,000	80,000	99,000
<b>Total interest-bearing liabilities</b>	<b>80,000</b>	<b>99,000</b>	<b>80,000</b>	<b>99,000</b>

### 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, 2021, SEK 80 million (99) of the revolving credit limit of SEK 150 million had been utilized, as well as SEK 0 million (0) 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, 2021, the ratio was +0.15 (2.15) when the net cash (0.70) and the equity/assets ratio was 53.4 percent (46.9). No changes were otherwise made with regard to pledged assets and contingent liabilities compared with December 31, 2020.

## NOTE 28 ACCRUED EXPENSES, DEFERRED INCOME AND PROVISIONS

SEK thousands	Group		Parent Company	
	Dec. 31 2021	Dec. 31 2020	Dec. 31 2021	Dec. 31 2020
Licensing expenses	–	513	–	–
HR-related items	19,267	15,683	7,220	4,321
Freight and customs	2,926	4,303	–	–
Audit expenses	1,501	1,953	480	486
Marketing expenses	1,762	1,125	1,048	704
Rent expenses	6,278	1,427	868	–
Stock reserve	3,208	–	–	–
Deferred income	4,049	6,394	–	–
Other	3,272	2,474	999	571
	<b>42,261</b>	<b>33,872</b>	<b>10,615</b>	<b>6,082</b>

## NOTE 29 PLEDGED ASSETS AND CONTINGENT LIABILITIES

### PLEDGED ASSETS

SEK thousands	Group		Parent Company	
	Dec. 31 2021	Dec. 31 2020	Dec. 31 2021	Dec. 31 2020
Pledged bank funds	723	710	–	–
Shares in subsidiaries	203,638	203,638	58,215	58,215
	<b>204,361</b>	<b>204,348</b>	<b>58,215</b>	<b>58,215</b>

### CONTINGENT LIABILITIES

SEK thousands	Group		Parent Company	
	Dec. 31 2021	Dec. 31 2020	Dec. 31 2021	Dec. 31 2020
Rental guarantee and other guarantees	2,893	2,939	139	–
	<b>2,893</b>	<b>2,939</b>	<b>139</b>	<b>–</b>

See also Note 20.

## NOTE 30 NON-CONTROLLING INTERESTS

### INFORMATION ON NON-CONTROLLING INTERESTS

SEK thousands	Dec. 31 2021	Dec. 31 2020
Opening balance	-5,295	-5,890
Share of total comprehensive income for the year	-572	595
<b>Closing balance</b>	<b>-5,867</b>	<b>-5,295</b>

The Björn Borg Group has a subsidiary in which, as of December 31, 2021, 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	
	2021	2020	2021	2020
Other non-controlling interests	-572	595	-5,295	-5,295
<b>Total</b>	<b>-572</b>	<b>595</b>	<b>-5,295</b>	<b>-5,295</b>

## NOTE 31 CASH FLOW

### GROUP

SEK thousands	31-12-20	Cash flow	Non-cash items		31-12-21
			Capitalized interest	Other change <sup>1</sup>	
Long-term loans	99,000	-19,000	-	-	80,000
Other current liabilities <sup>2</sup>	-	-	-	-	-
Lease liability	57,084	-23,400	-	20,335	54,019
<b>Total loans from financial activities</b>	<b>156,084</b>	<b>-42,400</b>	<b>-</b>	<b>20,335</b>	<b>134,019</b>

<sup>1</sup> "Other change" in the lease liability mainly refers to newly signed leases and extended leases and rental discounts. The amount also includes a decrease in the liability due to the decision not to exercise the extension option on some stores and exchange rate differences (SEK 298 thousand).

### GROUP

SEK thousands	31-12-19	Cash flow	Non-cash items		31-12-20
			Capitalized interest	Other change <sup>1</sup>	
Long-term loans	150,000	-51,000	-	-	99,000
Other current liabilities <sup>2</sup>	11,126	-11,132	6	-	-
Lease liability	133,260	-28,183	-	-47,993	57,084
<b>Total loans from financial activities</b>	<b>294,386</b>	<b>-90,315</b>	<b>6</b>	<b>-47,993</b>	<b>156,084</b>

<sup>1</sup> "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).

<sup>2</sup> 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.

Note 31, continued

**PARENT COMPANY**

SEK thousands	31-12-20	Cash flow	Non-cash items		31-12-21
			Capitalized interest	Transition differences	
Long-term loans	99,000	-19,000	-	-	80,000
Short-term loans form part of other current liabilities	-	-	-	-	-
<b>Total loans from financial activities</b>	<b>99,000</b>	<b>-19,000</b>	<b>-</b>	<b>-</b>	<b>80,000</b>

**PARENT COMPANY**

SEK thousands	31-12-19	Cash flow	Non-cash items		31-12-20
			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	-	-
<b>Total loans from financial activities</b>	<b>161,126</b>	<b>-62,132</b>	<b>6</b>	<b>-</b>	<b>99,000</b>

## NOTE 32 EVENTS AFTER THE BALANCE SHEET DATE

The outbreak of the Corona virus has meant that the external situation has changed significantly and has had a negative effect on the Björn Borg Group. The extent of this impact is difficult to assess, but the outbreak has had, and will continue to have, a negative financial impact on the Björn Borg Group's operations. However, we currently see a reduced negative financial impact, even though some of our own stores were closed even at the beginning of 2022. The pandemic eases in the markets in which the Björn Borg Group operates and the company sees a reduced negative financial impact compared with previous years. With effect from January 2022, the company will reduce the number of legal units in the Netherlands and Belgium. This will not affect the Björn Borg Group's operational operations, but is only another step in streamlining the operations' internal processes. At the end of February 2022, what has been called the most politically threatening event in Europe since World War II began. Russia has launched a large-scale offensive and thus started a war against Ukraine. Consequences of the war have been large refugee flows, as well as severe sanctions against Russia in response from the outside world. In addition to this, it is currently difficult to determine how the war will affect the Björn Borg Group's operations financially. The fact that the company does not do business in either Russia or Ukraine should minimize any risks of business impact.

The company has restructured the Baseline Group, which as of December 31, 2021, consisted of six legal units and was 100 percent owned by Björn Borg AB. As of January 1, 2022, two Belgian legal entities were broken out of the Baseline Group, which are also 100 percent owned by Björn Borg AB. The acquisition was completed on the acquisition date, the first of January 2022. Björn Borg AB paid SEK 2.2 million for all shares. The purchase price will be paid during the second quarter of 2022. There are no additional purchase prices.

## NOTE 33 PROPOSED DISTRIBUTION OF PROFIT

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

Retained earnings, SEK	86,389,114
Profit for the year, SEK	14,964,210
	<hr/>
	101,353,324
The Board proposes that:	
Shareholders receive a distribution of SEK 2.50 per share, totaling SEK	62,870,960
Carried forward, SEK	38,482,364
	<hr/>
	101,353,324



# 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 21, 2022

Heiner Olbrich  
Chairman

Alessandra Cama  
Board member

Anette Klintfält  
Board member

Fredrik Lövestedt  
Board member

Mats H Nilsson  
Board member

Jens Høgsted  
Board member

Henrik Bunge  
CEO

Our audit report was submitted on April 21, 2022  
BDO Mälardalen AB

Johan Pharmanson  
Authorized Public Accountant

Carl-Johan Kjellman  
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.



# Auditor's report

To the general meeting of the shareholders of Björn Borg AB (publ), corporate identity number 556215-4459

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### Opinions

We have audited the annual accounts and consolidated accounts of Björn Borg AB (publ) for the financial year 2021. The annual accounts and consolidated accounts of the company are included on pages 40-84 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2021 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 31 December 2021 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 adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of Directors 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 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/EU) 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.

### Other matters

The audit of the report for the financial year 2020 has been performed by another auditor, who has issued an auditor's report dated April 16th 2021, with unqualified opinions in the Report of annual accounts and consolidated accounts.

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, 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 152 million on December 31, 2021. 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 and Note 21 Inventory.

### How our audit addressed the Key audit matter

*Our audit procedures included but were not limited to:*

Initially we evaluated the group's routines and internal controls for managing inventory. We examined 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. In addition, we verified the inventory's existence by the participating in a selection of physical inventory counts of various warehouses and verified the inventory pricing by sample tests of the prices. In addition, we participated in a selection of physical inventory counts of various warehouses and verified the inventory pricing by sample tests of the prices.

### Revenue recognition

The Group's net sales amounted to SEK 768 million as of December 31, 2021. 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.

### How our audit addressed the Key audit matter

*Our audit procedures included but were not limited to:*

Initially we evaluated the company's accounting principles for revenue and created an understanding of the company's routines and internal controls associated with revenue recognition, which also include the IT system used. We examined the security controls in the accounting system with the involvement of IT auditors. We examined a selection of transactions to ensure that they have been reported correctly and in the correct periods. Further we performed analytical review and followed-up variances and examined 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 3-39. 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 materially 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 preparation of the annual accounts and 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 intends to liquidate the company, to cease operations, or has 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 auditor's 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 ISAs, we exercise professional judgment and maintain professional scepticism 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 auditor's 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 auditor's 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 auditor's report unless law or regulation precludes disclosure about the matter.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS THE AUDITOR'S AUDIT OF THE ADMINISTRATION OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR AND THE PROPOSED APPROPRIATIONS OF THE COMPANY'S PROFIT OR LOSS**

### **Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Björn Borg AB (publ) for the financial year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit 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 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 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 or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### **Auditor's responsibility**

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

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

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to 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 scepticism 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 on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

### **THE AUDITOR'S EXAMINATION OF THE ESEF REPORT**

#### **Opinion**

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for Björn Borg AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements. In our opinion, the Esef report #[checksum] has been prepared in a format that, in all material respects, enables uniform electronic reporting.

#### **Basis for Opinions**

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Björn Borg AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 require us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e., if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

BDO Mälardalen AB was appointed auditor of Björn Borg AB (publ) by the general meeting of the shareholders on 18 May 2021 and has been the company's auditor since 2021.

Stockholm, date as per electronic signature  
BDO Mälardalen AB

Johan Pharmanson  
Authorized Public Accountant

Carl-Johan Kjellman  
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.

## SHARE CAPITAL

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

## TRADING

The last price paid on December 31, 2021, was SEK 50.30, giving Björn Borg a market capitalization of about SEK 1,265 million. A total of 16,297 shares were traded in 2021 at a value of approximately SEK 507 million. The average daily turnover was 64,417 shares. The share price decreased during the year by SEK 30.52, or by 154.3 percent from the previous year. The share reached a high of SEK 51.50 and fell to a low of SEK 18.04.

## INCENTIVE PLAN 2022

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

On the assumption that nine management team members participate in LTIP 2022, the maximum payout under LTIP 2022 will be SEK 25,123,000, 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 2021 of SEK 2.50 per share, corresponding to 73 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 2.50 per share. Payment for the redemption share, contingent on the approval of the AGM, is expected to be made around June 27, 2022.

The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 62.9 million (37.7). For the financial year 2020, a distribution of SEK 1.50 per share, corresponding to 200 percent of net income.

## SHAREHOLDERS

As of December 31, 2021, Björn Borg had 9,063 shareholders (8,456), according to Euroclear, after shareholder grouping by the company. Björn Borg's ten largest shareholders owned shares corresponding to 50.2 percent (50.1) 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	2,225,000	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
Mats Nilsson	1,638,440	6.5
Schottenius family	1,406,400	5.6
Lazard Frères Banque	1,315,000	5.2
Nordnet Pension	1,251,629	5.0
Avanza Pension	1,218,378	4.8
Fredrik Löfstedt	1,050,040	4.2
Per Josefsson	1,000,000	4.0
Sten A Olssons Pension Foundation	725,102	2.9
ABN AMRO	510,898	2.0
<b>Total, largest owners</b>	<b>12,615,887</b>	<b>50.2</b>
<b>Total, others</b>	<b>12,532,497</b>	<b>49.8</b>
<b>Total number of shares</b>	<b>25,148,384</b>	<b>100.0</b>

According to share register on December 30, 2021, 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

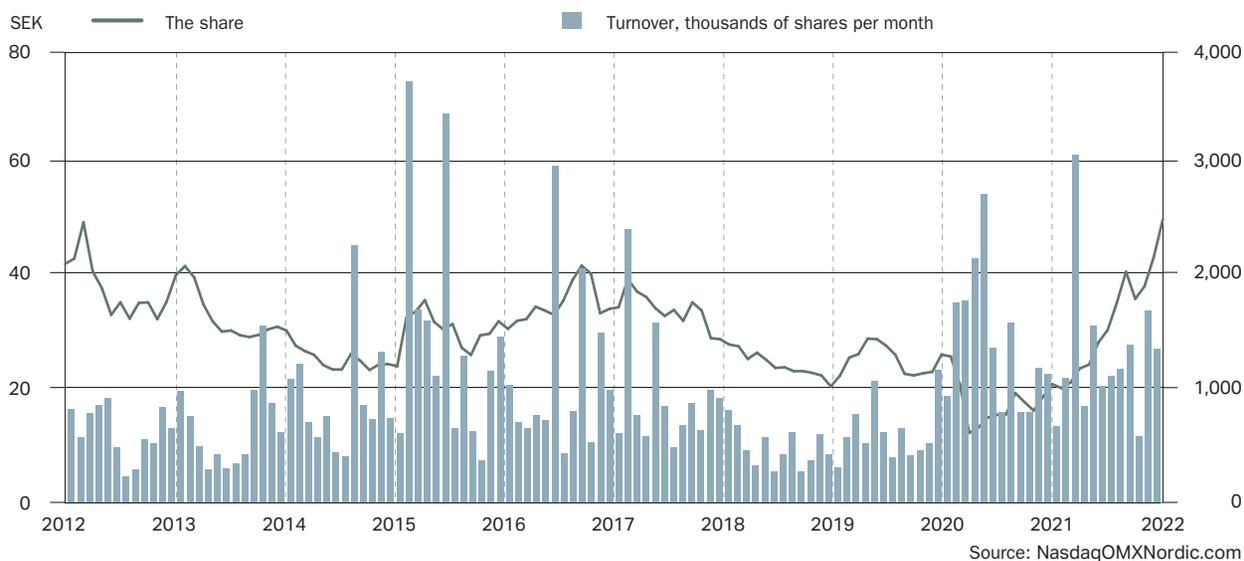
Size of holding	No. of shareholders	No. of shares	Capital and votes, %
1 – 500	6,765	826,453	3.3
501 – 1,000	982	797,106	3.2
1,001 – 5,000	1,015	2,373,229	9.4
5,001 – 10,000	154	1,162,837	4.6
10,001 – 15,000	36	451,841	1.8
15,001 – 20,000	26	461,200	1.8
20,001 –	85	19,075,718	75.9
<b>Total</b>	<b>9,063</b>	<b>25,148,384</b>	<b>100.0</b>

Source: Euroclear Sweden AB on December 30, 2021, shareholders grouped by the company.

## DATA PER SHARE

	2021	2020	2019	2018	2017
Earnings per share before dilution, SEK	3.42	0.75	1.55	2.39	1.48
Earnings per share after full dilution, SEK	3.42	0.75	1.55	2.39	1.48
Number of outstanding shares 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 full 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/>

## **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. Average capital employed is calculated by adding equity at January 1 to equity at December 31 and dividing by two.

**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 on January 1 to equity on 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. Board member between 2015-2017. *Born:* 1965. BSc Econ from the University of Montpellier, MBA, "Diploma Kaufmann" from the University of Hamburg, and PhD in economics, St. Gallen, Switzerland. *Other assignments:* Board member of Eckes Granini AG, Warsteiner Brauerei Haus Cramer KG, ABS Protection GmbH. *Previous assignments:* Chief Marketing and Sales Officer, Miele, Senior VP President Global Sales, Adidas. *Shares in Björn Borg:* 60,000.

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



## Fredrik Löfstedt

Director. Director since 2017. Chairman 2005-2017. Director 2004-2005. *Born:* 1956. MSc Eng, KTH Royal Institute of Technology; MBA, INSEAD. *Other 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 from the company and management as well as from major shareholders.



## Alessandra Cama

Director. Director since 2018. *Born:* 1967. L.U.I.S.S. (Libera Università degli Studi Sociali), Rome. LICEO SCIENTIFICO "Leonardo da Vinci", Reggio Calabria. *Other assignments:* CEO, Zertus and ZRT Fr. Meyers Sohn Holding. *Previous assignments:* Managing Director Marketing & Sales, Warsteiner Brauerei, member of the Managing Board GfK, partner at Roland Berger Strategy Consultants. *Shares in Björn Borg:* 20,000.

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



## Mats H Nilsson

Director. Director since 1998. *Born:* 1955. Civilekonom från Handelshögskolan i Stockholm. *Previous assignments:* Former Executive Director of Swiss Bank Corporation, London, and Director of SG Warburg & Co Ltd, London. Formerly also a board member of Credelity Capital AB. *Shares in Björn Borg:* 1,638,440.

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



## Jens Høgsted

Director. Director since 2021. *Born:* 1972. Master of Science, Technical University of Denmark. *Other assignments:* CEO Karmameju and board member in Imerco Group and DAY ET. *Previous assignments:* CEO Sportmaster and Sport Nordic Group (Holding), cofounder and partner Quartz, partner and consultant Valtech and consultant Coopers & Lybrand. Previously board member of Svendsen Sport, Pack Tech, Ball Group, Unisport, Change Lingerie and Bestseller Retail Europe. *Shares in Björn Borg:* 0.

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



## Anette Klintfält

Director. Director since 2019. *Born:* 1963. Architecture at KTH Royal Institute of Technology. *Other assignments:* Anette Klintfält Design AB, with a focus on the fashion industry with customers such as Gina Tricot, och Matter of Time. *Previous assignments:* Design work for GANT, Zalando, Klättermusen, Åhlens, H&M New Business, BRIO, SAS. Responsible for design at Polarn O. Pyret, Creative Manager for Dockers Levi's, Designer Esprit de Corp, H&M Rocky. Director of NK Nära Kroppen. *Shares in Björn Borg:* 0.

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

## Revisorer

BDO Mälardalen AB. Johan Pharmanson, Authorised Public Accountant, chief auditor.

Carl-Johan Kjellman, Authorised Public Accountant.

Holdings as of December 31, 2021.

# Senior management



## Henrik Bunge

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



## Daniel Grohman

Global Operations Director.  
 Born: 1975.  
 Recruited: 2015.  
 MBA  
*Previous assignments:* Business Development Director Björn Borg, CFO Björn Borg, CFO & Buying Director at Eeva 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 Haglöfs, Nordic Finance Director Sanofi Pasteur MSD, Nordic Finance Director SC Johnson.  
*Shares in Björn Borg:* 5,000.



## Mija Nideborn

Product & Sustainability 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.



## 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 Adidas Group, 2006-2012; European Sales Director Peak Performance, 2012-2015.  
*Shares in Björn Borg:* 30,000.



## Andreas Gran

Creative Director.  
 Born: 1978.  
 Recruited: 2019.  
*Previous assignments:* Freelance stylist, Fashion Buyer H&M, Designer and Product Manager GANT, Head of Accessories Tiger of Sweden, Head of Design Menswear Tiger of Sweden, Head of Design 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 at Societ46, Agency Director at Britny.  
*Shares in Björn Borg:* 0.

Holdings as of December 31, 2021.

# Corporate governance report 2021

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 2.4 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 2022. 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 2022

The 2022 AGM will be held on May 19, 2022 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 (2022:121) on temporary exceptions to facilitate the holding of general meetings as well as the Code.

### Annual General Meeting 2021

The 2021 Annual General Meeting was held on 18 May 2021 and was conducted in accordance with Sections 20 and 22 of the Act (2020:198) on temporary exemptions to facilitate the conduct of general and association meetings, meaning that shareholders may exercise their voting rights at the meeting only by voting in advance, so-called

postal voting. At the Annual General Meeting, a decision was made on the re-election of the board members Alessandra Cama, Anette Klintfält, Fredrik Lövestedt, Mats H Nilsson, and Heiner Olbrich and the re-election of Jens Høgsted as a regular board member. At the AGM, a decision was also made, among other things, on a limited authorization for the Board to make a decision on a new share issue with a maximum total of SEK 390,625 (divided into a maximum of 1,250,000 new shares). The authorization also included the right to decide on a new share issue with a decision on non-cash contributions or that a share shall be subscribed for with a right of set-off or otherwise with conditions in accordance with Chapter 13, Section 7, Chapter 14, Section 9 or Chapter 15, Section 9 of the Companies Act. During the Annual General Meeting, a decision was also made to amend the Articles of Association in accordance with Appendix 7 to the 2021 Annual General Meeting Minutes. The minutes from the Annual General Meeting are available on Björn Borg's website.

## NOMINATION COMMITTEE

According to the resolution of the 2021 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 2021 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 2021, consists of the following members for the 2022 AGM:

- Heiner Olbrich, Chairman of the Board
- Marika Svårdströmer, appointed by Martin Bjäringer
- Per Josefsson, shareholder
- Mats H Nilsson, shareholder
- Fredrik Lövestedt, shareholder

Marika Svårdström was named Chairman of the Nomination Committee. According to the resolution of Björn Borg's 2021 AGM, the Nomination Committee's mandate is to propose to the 2022 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 three meetings at which minutes were taken since the 2021 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 2021 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.

## THE BOARD OF DIRECTORS

In accordance with the Articles of Association, Björn Borg's Board of Directors shall consist of a minimum of four and a maximum of eight members. Directors are elected annually at the AGM for the one-year term until the following AGM. At the 2021 AGM, Alessandra Cama, Anette Klintfält, Fredrik Lövestedt, Mats H Nilsson and Heiner Olbrich were re-elected as Directors, and Jens Høgsted was re-elected as a regular Board member. Heiner Olbrich was re-elected Chairman of the Board.

The Board meets the requirements in the Code in that a majority of the members must be independent in relation to the company and the management, and that at least two of these members are independent in relation to the company's major shareholders. Prior to the 2021 AGM, the Nomination Committee concluded that all of the nominated Directors were independent of both the company and company management as well as of major shareholders with the exception of Anette Klintfält, who was not considered independent in relation to 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, took place within the company during the fourth quarter and its conclusions were presented in full to the Nomination Committee.

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

#### The Board's rules of procedure

Pursuant to the Swedish Companies Act, Björn Borg's Board is responsible for the company's organization and the management of its affairs as well as appointing the CEO. The Board lays down the company's goals and strategy, adopts critical policy documents and continuously monitors compliance with these. The Board is also has the ultimate responsibility for ensuring that the company's organization is structured in such a way that the company has satisfactory control over the company's accounting, asset management and overall financial position. The Board also has the ultimate responsibility for its various committees. The Board's rules of procedure, which were last adopted at the Board meeting on 19 August 2021, establish the principles for the Board's work, the division of work within the Board, the delegation between the Board and the CEO, and the financial reporting. The Chairman of the Board is responsible for ensuring that the Board's work is conducted in an efficient manner, to chair the meetings and maintain ongoing contact with the CEO.

#### The work of the Board

In 2021, the Board held five meetings, four of which were in connection with the quarterly financial reporting and one meeting per capsulam. Directors' attendance at this year's Board meetings is shown in the table below.

#### Compensation Committee

The Board has established a Compensation Committee consisting of the Chairman Heiner Olbrich and Mats H Nilsson, and from 17 August 2021 also Fredrik Löfstedt, to prepare proposals concerning remuneration and other terms of employment for the senior executives. Until the 2022 Annual General Meeting, the Remuneration The committee held one meeting at which minutes were taken leading up to the 2022 AGM, as well as informal meetings and other contacts. During the year, the committee, which is only a drafting committee, (i) prepared the Board's resolutions on remuneration principles, remuneration and other terms of employment for company management, (ii) monitored and evaluated current and expiring remuneration schemes for management, and (iii) monitored and evaluated the application of the guidelines for remuneration to senior executives as resolved by the AGM as well as current remuneration structures and remuneration levels in the company.

#### Audit Committee

The Board has established an Audit Committee consisting of Chairman Heiner Olbrich, Mats H Nilsson and Fredrik Löfstedt. The Audit Committee supports the Board in its work to ensure the quality of Björn Borg's financial reporting and is tasked, among other things, with 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 election of auditors. In 2021, the committee held a total of four meetings, all in connection with the quarterly reports. All of the Committee's members attended these meetings. In 2021, the CEO attended the meetings as a co-opted member. The Audit Committee is a drafting committee.

#### THE CHIEF EXECUTIVE OFFICER

The Board has established instructions for the CEO's work and role, which in its current wording were adopted on 19 August 2021. The CEO is responsible for the day-to-day management of the Group's operations in accordance with 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 any shares in companies with which Björn Borg has significant business interests. For more information about the CEO, see page 95 in the annual report.

#### ATTENDANCE OF DIRECTORS IN 2021

	Feb 25	Apr 12 *	May 18	Aug 19	Nov 18
Alessandra Cama	1	1	1	1	1
Jens Høgstved**	–	–	1	1	1
Anette Klintfeldt	1	1	1	1	1
Fredrik Löfstedt	1	1	1	1	1
Mats H Nilsson	1	1	1	1	1
Heiner Olbrich	1	1	1	1	1
<b>Number of participants</b>	<b>5 (of 5)</b>	<b>5 (of 5)</b>	<b>6 (of 6)</b>	<b>6 (of 6)</b>	<b>6 (of 6)</b>

\* The meeting was held per capsulam, with all members participating in the decisions.

\*\* The person in question joined the Board at the 2021 AGM.

## THE COMPANY'S AUDITORS

The external auditors review Björn Borg's annual report and accounts as well as the administration of the Board and the CEO. After each financial year, the auditors submit an audit report to the AGM. At the 2021 AGM, the registered auditing company BDO Mälardalen AB was appointed auditor of the company for the period until the conclusion of the next AGM. The auditor Johan Pharmanson was appointed as the principal auditor. The election of an auditor shall take place at the 2022 AGM.

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

## REMUNERATION TO THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

Remuneration is paid to the Chairman and members of the Board in accordance with the decision of the Annual General Meeting. The AGM resolved in accordance with the Nomination Committee's proposal that fees for the coming term of office shall be paid with (i) SEK 420,000 to the Chairman of the Board and SEK 180,000 to the other 3 members, (ii) SEK 16,000 to members of the Compensation Committee and SEK 27,000 to its chairman and (iii) SEK 55,000 to members of the Audit Committee and SEK 80,000 to its chairman.

According to a resolution at the 2021 Annual General Meeting on guidelines for remuneration to senior executives, remuneration to the CEO and the other members of the company's management may consist of a fixed salary, variable remuneration, pension and other benefits. In addition, and independently of the guidelines, the Annual General Meeting may decide on share and share price-related remuneration. Any variable remuneration is based on the outcome in relation to defined and measurable goals designed with the aim of promoting the company's business strategy and long-term value creation, and is maximized at 50% of the fixed salary during the measurement period, which is normally one year.

Fixed salary and variable remuneration as well as benefits for the CEO and management of Björn Borg appear from 8 in the annual report.

## FINANCIAL REPORTING

The quality of the financial reporting is ensured through policies and instructions established by the Board for division of responsibilities and governance, such as the instructions for the CEO regarding, among other things, the financial reporting. The Board receives the latest financial reports prior to each Board meeting, and at each Board meeting the financial situation of the Parent Company and the Group is discussed. The Board also deals with interim reports and the annual report. At least once a year, the company's auditors report on whether the company has ensured that accounting, management and financial control function satisfactorily. After a formal report, the company management's representatives leave the board meeting so that the board members can have a dialogue with the auditors without the participation of executives in the company.

## THE BOARD OF DIRECTORS' REPORT ON INTERNAL CONTROL TO THE PART IT RELEASES FINANCIAL REPORTING

The Board is responsible, in accordance with the Swedish Companies Act and the Code, for internal control. The following report on internal control regarding financial reporting 2021 has been prepared in accordance with these regulations and forms part of the corporate governance report. Björn Borg's Board of Directors has evaluated the need for a special review function (internal audit) and has concluded that no such function is currently justified taking into account the staffing of the company's finance function in relation to the nature, scope and complexity of the business.

## ORGANIZATION OF INTERNAL CONTROL REGARDING FINANCIAL REPORTING

### Control environment and corporate governance

The control environment forms the basis for internal control regarding financial reporting. The Board's rules of procedure and instructions for the CEO and the Board's committees ensure a clear division of roles and responsibilities aimed at efficient management of the company's risks. The Board has established a number of basic guidelines and frameworks that are important for internal control. Examples of these are the Board's rules of procedure, financial policy, code of conduct and communication policy, which have been reviewed during the year. The Board's audit committee's specific task is to monitor and ensure the quality of financial reporting. The Audit Committee follows up the internal control in connection with meetings prior to the quarterly reporting. The company's management reports regularly to the board based on established routines, as does the audit committee. Management is responsible for ensuring that established routines and systems for internal control are followed to ensure correct management of significant risks in day-to-day operations. This includes, among other things, routines and guidelines for various executives in order for them to understand the importance of their respective roles in maintaining good internal control.

### Risk assessment

The company management works continuously and actively with risk analysis, risk assessment and risk management to ensure that the risks faced by the company are managed in an appropriate manner within the established framework. The risk assessment takes into account, for example, the company's administrative routines regarding operational, financial and legal risks. Balance sheet and income statement items where the risk of significant errors could arise are also reviewed continuously. Assessment of risks in various major balance sheet and income items is graded and followed up. The risk analysis has identified a number of critical processes, the greatest focus being on the purchasing and revenue processes, where valuation of inventories and accounts receivable has a high focus in the analysis of the balance sheet. The Audit Committee plays an important role in the risk assessment as it reports its observations and focus areas to Björn Borg's Board

### Communication and control activities

The Board receives financial reports before each Board meeting. The Parent Company and the Group's financial situation are treated as a separate item at each Board meeting. The Audit Committee plays an important role in the follow-up process as it reports its observations and focus areas to the Board. Manuals, guidelines and policy documents that are important for financial reporting are updated and informed on an ongoing basis to all interested parties via internal meetings or e-mails. To ensure that the external information provision is correct, Björn Borg has a communication policy established by the Board. The information reporting and financial reporting for all Swedish subsidiaries is handled by Björn Borg's finance department. The foreign subsidiaries are managed locally. The company's auditors perform audits of the financial reporting in the group and thus audit processes, systems, routines and year-end work performed by Björn Borg's finance department.

#### Follow-up

The board of Björn Borg is ultimately responsible for internal control. The task of the audit committee appointed by the Board is to, among other things, ensure the quality of the company's financial reporting, to obtain information on the direction of the audit and to review the effectiveness of the internal control systems for financial reporting. The Audit Committee has the internal control structure as a recurring item at its meetings.

#### BJÖRN BORG SHARE AND OWNERSHIP

The shares in Björn Borg AB are listed on Nasdaq Stockholm, the small cap list. The total number of shares in Björn Borg amounts to 25,148,384. There is only one class of shares. The share capital amounts to SEK 7,858,870 and the quotient value per share is SEK 0.3125. A share entitles the holder to one vote at the Annual General Meeting and there are no restrictions on how many votes each shareholder can cast at the Annual General Meeting. The number of shareholders in Björn Borg at the end of the year was 9,063 (8,456). The largest shareholder as of December 31, 2021 was Martin Bjäringer, through companies and directly, with 9.9 percent of the shares and votes. There are no restrictions on the right to transfer the Björn Borg share due to a provision in law or in Björn Borg's Articles of Association. Björn Borg is also not aware of any agreements between shareholders that may entail restrictions on the right to transfer Björn Borg shares.

#### TEN LARGEST OWNERS AS OF 31 DEC. 2021

	No. of shares	%
Martin Bjäringer	2,500,000	9.9
Mats Nilsson	1,638,440	6.5
Schottenius family	1,406,400	5.6
Lazard Frères Banque	1,315,000	5.2
Nordnet Pension	1,251,629	5.0
Avanza Pension	1,218,378	4.8
Fredrik Löfstedt	1,050,040	4.2
Per Josefsson	1,000,000	4.0
Sten A Olssons Pension Foundation	725,102	2.9
ABN AMRO	510,898	2.0
<b>Total, largest owners</b>	<b>12,615,887</b>	<b>50.2</b>
<b>Sum, others</b>	<b>12,532,497</b>	<b>49.8</b>
<b>Total number of shares</b>	<b>25,148,384</b>	<b>100.0</b>

# Auditor's report on the corporate governance statement

To the Annual General Meeting of Björn Borg AB (publ.)  
Corporate identity number 556658-0683

## **ASSIGNMENT AND DISTRIBUTION OF RESPONSIBILITY**

The Board of Directors is responsible for the corporate governance report for the financial year 2021-01-01–2021-12-31 on pages 96-99 and for ensuring that it is prepared in accordance with the Annual Accounts Act.

## **THE SCOPE OF THE AUDIT**

Our examination has been conducted in accordance with FAR's statement RevU 16 The auditor's examination of the corporate 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 this examination provides us with a sufficient basis for our statements.

## **STATEMENT**

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 Section 6, second paragraph, points 2–6 of the Annual Accounts Act and Chapter 7 Section 31, second paragraph, of the same Act are consistent with the annual accounts and the consolidated accounts and is in accordance with the Annual Accounts Act.

Stockholm, date as per electronic signature  
BDO Mälardalen AB

Johan Pharmansson  
Authorized Public Accountant

Carl-Johan Kjellman  
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 Thursday, May 19, 2022. 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 19, 2022 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 Wednesday, May 11, 2022 ("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, 2022.

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 11, 2022. 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 Friday May 12, 2022, 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](mailto:info@computershare.se). Completed forms must be received by the company through Computershare AB not later than Wednesday, May 18, 2022. 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 19, 2022.

The interim report for January-March 2022 will be released at 5.30 pm (CET) on May 19, 2022.

The interim report for January-June 2022 will be released on August 19, 2022.

The interim report for January-September 2021 will be released on November 18, 2022.

The year-end report 2022 will be released on February 24, 2023.

## FINANCIAL REPORTS

Financial reports can be downloaded from the company's website [www.bjornborg.com](http://www.bjornborg.com) or ordered by telephone +46 8 506 33 700 or by e-mail [info@bjornborg.com](mailto:info@bjornborg.com).

## SHAREHOLDER CONTACT

Henrik Bunge, CEO  
E-mail: [henrik.bunge@bjornborg.com](mailto:henrik.bunge@bjornborg.com)  
Tel: +46 8 506 33 700

Jens Nyström, CFO  
E-mail: [jens.nystrom@bjornborg.com](mailto:jens.nystrom@bjornborg.com)  
Tel: +46 8 506 33 700

## IMAGES IN THE ANNUAL REPORT

The images used in the annual report were obtained from Björn Borg's spring/summer, high summer and fall/winter 2022 collections.

Concept, design and production: Wirtén Design Group.





BORG TRAINING CLUB



1956

MONTE CARLO  
MONACO

STOCKHOLM  
SWEDEN

**BJÖRN BORG** 

**BJÖRN BORG AB**

Frösundaviks allé 1, SE-169 70 Solna, Sweden

Tel +46 8 506 33 700

[www.bjornborg.com](http://www.bjornborg.com)