

# BJÖRN BORG

## BJÖRN BORG AB INTERIM REPORT JANUARY-MARCH 2018

### ONLINE SALES GROW

#### JANUARY 1 - MARCH 31, 2018

- The Group's net sales fell 8.9 percent to SEK 169.2 million (185.7). Excluding currency effects sales fell 10.6 percent.
- The gross profit margin was 57.1 percent (48.9).
- Operating profit amounted to SEK 15.1 million (6.7).
- Profit after tax amounted to SEK 14.9 million (5.0).
- Earnings per share before and after dilution amounted to SEK 0.60 (0.18).

#### QUOTE FROM THE CEO

"The quarter's biggest victory is that we ranked number 4 in our last consumer survey in Sweden among sports apparel brands, where the first three companies had a global turnover of nearly SEK 600 billion in 2017. Our journey has just begun," commented CEO Henrik Bunge.

SEK millions	January- March 2018	January- March 2017	April 2017- March 2018	Full-year 2017
Net sales	169.2	185.7	680.0	696.5
Gross profit margin, %	57.1	48.9	56.2	54.0
Operating profit	15.1	6.7	63.7	55.4
Operating margin, %	8.9	3.6	9.4	7.9
Profit after tax	14.9	5.0	47.2	37.4
Earnings per share before dilution, SEK	0.60	0.18	1.89	1.48
Earnings per share after dilution, SEK	0.60	0.18	1.89	1.48
Brand sales*	412	437	1,517	1,542

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



## CEO'S COMMENT

The retail sector has started 2018 facing continued structural changes with lower visitors in stores, which of course is very challenging for our customers and others with a large retail network. For our part, with a strong brand, this changing world also means big opportunities. Our increased focus on e-commerce, both our own and others', proved very successful in the quarter with our own e-commerce growing 50 percent compared with the same period in 2017. We also continued to invest in our brand – with the Dear Rival campaign, which further strengthened our position in sports fashion.

Net sales in the quarter were SEK 169.2 million, a decrease of 8.9 percent compared with the previous year. Part of the decline is because we decided to discontinue distributing our footwear in Denmark ourselves and part is due to lower sales in Finland. Sales in our own stores were also down, with lower traffic and the closure of one store being the main reasons. This was partly offset by very good growth online via our own e-commerce and our e-commerce customers. The footwear product group in particular saw good growth online with sales rising 70 percent in the quarter.

Our gross profit margin continues to trend higher and was significantly better than the previous year at 51.7 percent (48.9). Adjusted for currency effects, mainly a weaker USD, the margin would be 53.3 percent. Our costs are rising, but this is due almost exclusively to smaller changes in classifications of costs between cost of goods

and operating expense. Adjusted for this, operating expenses rose SEK 0.6 million. Lower income but a higher gross profit margin meant an increase in our operating profit to SEK 15.1 million (6.7).

During the quarter I continued to work closely with our team in Benelux and I am very pleased with the growth we saw at the wholesale level, 2 percent. In addition, I am still focusing much of my time on e-tailers, our own e-commerce and marketplaces. We are keeping a close eye on the structural changes that are happening and I am convinced that marketplaces have enormous potential. During the quarter we continue our vertical integration through the acquisition of the 25 percent minority share in Björn Borg Finland Oy.

Lastly, I would like to sum up the quarter by reiterating that in our consumer surveys we are holding on to our position as the brand of choice for men's underwear while further strengthening our appeal as a sport apparel brand for men. The quarter's biggest victory is that we ranked number 4 in our last consumer survey in Sweden among sports apparel brands, where the first three companies had a global turnover of nearly SEK 600 billion in 2017. Our journey has just begun.

Let's go!

Head coach  
Henrik Bunge



## OPERATIONS

### BRAND SALES

Brand sales is a calculated value of total sales at the consumer level excluding VAT. Brand sales declined in the first quarter of 2018. The decrease was in the underwear, sports apparel and footwear product areas, while other licensed products grew. In total, brand sales fell 6 percent to SEK 412 million (437). Adjusted for currency effects, brand sales were down 8 percent in the quarter.

### PRODUCT AREAS FIRST QUARTER 2018

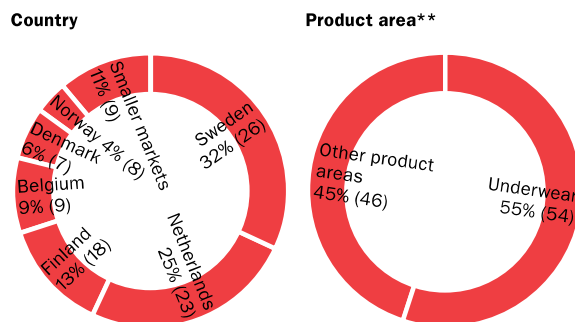
Brand sales in the underwear product area were 5 percent lower in the first quarter, while sports apparel decreased 14 percent (63). Underwear accounted for 55 percent (54) of brand sales.

Brand sales of footwear fell 7 percent compared with the first quarter of 2017, while other licensed products rose 12 percent with eyewear accounting for much of the increase. The bags and homewear product groups also increased year-over-year. In total, brand sales of licensed products fell 4 percent in the first quarter.

### MARKETS FIRST QUARTER 2018

Among large markets, Sweden and the Netherlands reported growth with a very positive trend in Sweden. Other markets declined year-over-year with Finland seeing the biggest decrease. The reason in Finland's case is that the first quarter of 2017 was very strong due to a number of new customers in the wholesale segment.

### BRAND SALES\* OF BJÖRN BORG PRODUCTS JANUARY-MARCH 2018. TOTAL SEK 412 MILLION (437)



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

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

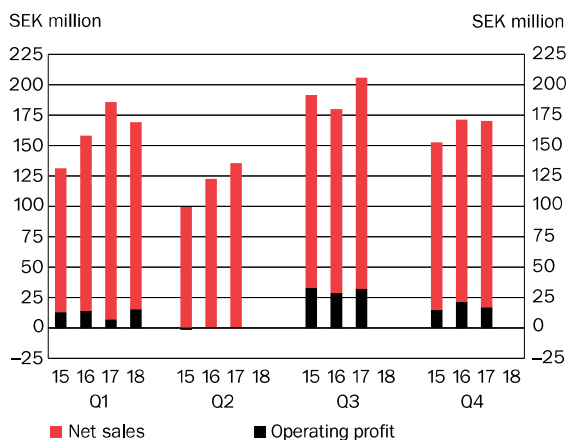
### BJÖRN BORG STORES

Two Björn Borg stores were closed in first quarter, one in Sweden and one in Norway, and none were opened. As of March 31, 2018 there were a total of 39 (39) Björn Borg stores, of which 34 (33) are Group-owned.

## THE GROUP'S DEVELOPMENT

Net sales decreased in the first quarter largely due to lower sales by the Finnish wholesale business, while operating profit rose year-over-year thanks to a better gross profit margin.

### QUARTERLY NET SALES AND OPERATING PROFIT, 2015-2018



### SALES

#### First quarter, January-March 2018

The Group's net sales amounted to SEK 169.2 million (185.7) in the first quarter, a decrease of 8.9 percent. Currencies positively affected quarterly sales. Adjusted for currency effects, sales were down 10.6 percent. As of January 1, 2018 footwear distribution in Denmark is managed by an external party, which has negatively affected net sales. Adjusted accordingly, net sales decreased 5.8 percent in the quarter.

The negative sales trend year-over-year is largely due to lower net sales of underwear and apparel by the Finnish wholesale business. In 2017 the first quarter was very strong in Finland thanks to the addition of a number of large customers, which accounted for the growth. Sell-through by these customers did not keep pace with selling-in in 2017, which led to lower sales in the first quarter of 2018. The wholesale footwear business stopped distribution in Denmark as of January 1, 2018. Distribution is now managed instead by an external partner, which reduced net sales by about SEK 6 million, while the Swedish, Finnish and Baltic businesses performed well, raising sales by 14 percent. The

Swedish wholesale business had a good quarter and grew year-over-year. Growth was driven by higher sales mainly to sporting goods retailers. For the Swedish retail company, traffic declined from the previous year, and sales were down as well. For comparable stores, sales fell 3 percent in the quarter and 14 percent in total. E-commerce grew 50 percent in the quarter, mainly thanks to better conversion of website traffic than the previous year. Sales in Benelux fell 13 percent compared with 2017, but thanks to a stronger euro the business area reported growth in SEK. Retail sales saw the biggest year-over-year decline, while the wholesale business grew about 2 percent. Comparable stores were down 17 percent, and in total sales declined 11 percent. The product company's external sales decreased year-over-year driven by the Danish and Norwegian markets. External royalties rose slightly.

### PROFIT

#### First quarter, January-March 2018

The gross profit margin for the first quarter increased to 57.1 percent (48.9). A weaker USD coupled with a strong EUR positively affected margins. Adjusted for currency effects, the gross profit margin would have been 53.3 percent. Aside from currencies, the margin was positively affected by about SEK 2.2 million by changes in accounting principles, as a result of which more costs are recorded under marketing expenses and less under costs of goods sold. Adjusted for both currency effects and the changes in accounting principles, the gross profit margin was 52.0 percent.

Other operating revenue amounted to SEK 4.4 million (-1.0) and mainly related to unrealized gains on accounts receivable in foreign currency and positively affected profit.

Operating expenses rose SEK 2.8 million compared with the previous year with the changes in accounting principles accounting for SEK 2.2 million. Adjusted for the accounting principles, operating expenses rose SEK 0.6 million or 0.7 percent.

The combination of lower revenue, the improved gross profit margin and operating expenses in line with the previous year led to an increase in operating profit to SEK 15.1 million (6.7). The operating margin was 8.9 percent (3.6).

Net financial items amounted to SEK 4.0 million (0.0). The bond portfolio and bond loan that previously affected the financial net have now been divested and did not affect the financial net in the quarter, SEK 0.0 million (1.0). The remaining year-over-year improvement mainly related to the revaluation of financial assets and liabilities in foreign currency. Profit before tax rose to SEK 19.1 million (6.8).

Segment	Revenue source	Operating revenue, SEK thousands, January-March		Operating profit, SEK thousands, January-March		Operating margin, %, January-March	
		2018	2017	2018	2017	2018	2017
Licensing	Royalties	20,587	13,486	4,030	3,676	20	27
Distributors	Products	133,344	113,461	1,788	3,133	1	3
Wholesale	Products	124,463	146,266	15,989	8,914	13	6
Consumer Direct	Products	38,993	38,641	-6,722	-8,982	-17	-23
Less internal sales		-143,805	-127,184	-	-	-	-
<b>Total</b>		<b>173,582</b>	<b>184,670</b>	<b>15,085</b>	<b>6,741</b>	<b>9</b>	<b>4</b>

### Development by segment

Björn Borg has changed its segment reporting as of the first quarter of 2018. The reason is that the company has become much more integrated after the Benelux acquisition, which made the previous reporting method less meaningful. The new segments correspond to the company's primary revenue sources: Licensing, Distributors, Wholesale and Consumer Direct which is aligned with the Groups internal reporting. Comparable figures shown for 2017 have been restated and are comparable with the new segmentation.

### Licensing

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

The segment's operating revenue amounted to SEK 20.6 million (13.5) in the first quarter of 2018. External operating revenue rose to SEK 4.6 million (4.2) as a result of higher brand sales of licensed products with eyewear and footwear accounting for most of the growth. Royalty percentages vary by product category, so there is not always a direct correlation between royalties and brand sales.

Operating profit increased to SEK 4.0 million (3.7) for the quarter. The improvement is a result of the higher external sales in the segment.

### Distributors

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

The segment's operating revenue amounted to SEK 133.3 million (113.5) in the first quarter. External operating revenue decreased to SEK 6.0 million (11.2) or by 47 percent from the previous year. Lower sales to two major distributor markets, Norway and Denmark, are the reason for the decrease.

Operating profit fell to SEK 1.8 million (3.1) due to the lower external sales in the segment.

### Wholesale

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

The segment's operating revenue decreased to SEK 124.5 million (146.3) in the first quarter of 2018. External operating revenue amounted to SEK 124.0 million (132.8), down 7 percent. One reason for the decrease is that the Group no longer has a wholesale footwear business in Denmark, which meant a decline of about SEK 6 million compared with the previous year. This contributes to the Licensing segment. Adjusted for Danish footwear distribution, external sales were down about 2 percent. Sales to e-tailers, which primarily sell online, are growing in all markets. Growth in the e-tail segment was 19 percent in the quarter and amounted to SEK 20.1 million (16.9). The Swedish wholesale business was up year-over-year in apparel, underwear and footwear. Benelux grew slightly, while other markets were down. The decline was significant in Finland, where the first quarter of 2017 was very strong thanks to a number of large new customers. Sell-through by these customers did not keep pace with selling-in in 2017, which led to lower sales in the first quarter of 2018.

Operating profit amounted to SEK 16.0 million (8.9). The improvement is mainly due to higher gross profit margins. The previous year had lower gross profit margins because gross profit was pushed back in connection with the Benelux acquisition. Currencies also had a positive effect on margins with a stronger EUR and a weaker USD than the previous year. Other operating expenses were in line with the previous year.

### Consumer Direct

*The segment consists of revenue and expenses associated with the Björn Borg Group's direct sales to consumers. The Björn Borg Group owns and operates a total of 34 stores and factory outlets in Sweden, Finland, the Netherlands, Belgium and England with sales of underwear, sports apparel, adjacent products and other licensed products. In addition, Björn Borg sells online through [www.bjornborg.com](http://www.bjornborg.com).*

Operating revenue in the Consumer Direct segment rose in the first quarter of 2018 to SEK 39.0 million (38.6). External operating revenue rose to SEK 39.0 million (36.5), up 7 percent. The increase is due to strong online sales, which grew 50 percent compared with the previous year. Group-owned stores in Sweden fell 14 percent year-over-year, while comparable stores were down 3 percent. The Benelux stores performed weakly and sales were down 13 percent in total and 17 percent for comparable stores. The Finnish stores were in line with the previous year, while comparable stores were down 6 percent. The store in England was down year-over year. In total, sales for comparable stores decreased 11 percent.

The operating loss for the first quarter of 2018 was SEK 6.7 million, against a year-earlier loss of SEK 9.0 million. The improvement was due to higher gross profit margins than the previous year. The previous year had lower margins because gross profit was pushed back in connection with the Benelux acquisition. External operating expenses increased year-over-year mainly due to higher distribution and marketing expenses in e-commerce.

### Intra-Group sales

Intra-Group sales for the first quarter of 2018 amounted to SEK 143.8 million (127.2).

### SEASONAL VARIATIONS

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

### INVESTMENTS AND CASH FLOW

The Group's cash flow from operating activities amounted to SEK 18.2 million (8.2) in the first quarter of 2018. The year-over-year improvement primarily comes from a better operating profit, while working capital had only a marginal impact on cash flow.

Cash flow from investing activities was negative at SEK -6.0 million (-0.6). The main investments was made in one existing stores, the e-commerce platform and the SEK 3 million acquisition of the minority share of 25 percent in Björn Borg Finland Oy. Total investments in tangible and intangible non-current assets amounted to SEK 3.1 million (1.0) for the period.

Financing activities generated a negative cash flow of SEK -25.0 million (-3.3), which related to SEK 25 million in amortization of the revolving credit from Danske Bank.

## FINANCIAL POSITION AND LIQUIDITY

The Björn Borg Group's cash & cash equivalents and investments amounted to SEK 41.8 million (79.4) at the end of the period with interest-bearing liabilities of SEK 100.0 million (135.5).

The company's bond loan issued in April 2012 expired and was repaid in the second quarter of 2017. The bond loan has been replaced by a three-year, SEK 150 million revolving credit from Danske Bank.

The bond portfolio that the company previously managed due to the surplus liquidity which arose from the issuance of the bond loan has essentially been divested. As of March 31 the book value of the bonds was SEK 0.5 million (27.2), which represents the fair value on the same date.

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

## COMMITMENTS AND CONTINGENT LIABILITIES

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

As of March 31, 2018 the ratio was 1.04 (1.14) and the equity/assets ratio was 55.7 percent (53.1).

No changes were otherwise made with regard to pledged assets and contingent liabilities compared with December 31, 2017.

## PERSONNEL

The average number of employees in the Group was 215 (199) for the twelve-month period ending March 31, 2018, of whom 68 percent (69) are women. The increase, twelve-month period, mainly relates to the acquisition of Benelux. Less vacancies and one more own store also increase the number of employees compared to last year.

## RELATED PARTY TRANSACTIONS

There were no material transactions with related parties during the period.

## SIGNIFICANT RISKS AND UNCERTAINTIES

In its operations the Björn Borg Group is exposed to risks and uncertainties. Information on the Group's risks and uncertainties can be found on pages 60-61 and in note 3 in the annual report 2017.

## PARENT COMPANY

Björn Borg AB (publ) is primarily engaged in intra-Group activities. During the first quarter the company have acquired the minority share of 25 percent in Björn Borg Finland Oy. The acquisition price for the minority share is 300 TEUR. As of March 31, 2018 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 and Björn Borg Finland Oy. In addition, the company owns 75 percent of the shares in Björn Borg (China) Ltd.

The Parent Company's net sales for the first quarter amounted to SEK 26.9 million (23.9).

Profit before tax amounted to SEK 2.7 million (0.4) for the first quarter. Cash & cash equivalents and investments amounted to SEK 1.6 million (15.6) as of March 31, 2018.

## EVENTS AFTER THE REPORTING PERIOD

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

## NUMBER OF SHARES

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

## FINANCIAL OBJECTIVES

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

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

## Comments to the financial objectives:

The sales target for 2019 corresponds to average annual organic growth of 19 percent from the full-year 2017. The sales increase, along with the increase in the operating margin, is expected to come from new product groups in sports fashion as well as expanded geographical distribution within all the product groups.

## ANNUAL GENERAL MEETING

The Annual General Meeting for the financial year 2017 will be held at 5:30 pm (CET) on May 17, 2018 in Stockholm. The Board of Directors has resolved to recommend to the 2018 AGM a distribution of SEK 2.00 (2.00) per share for the financial year 2017, corresponding to 136 percent (106) of net profit. As proposed, the distribution would be paid through an automatic redemption, where every share is divided into one common share and one redemption share. The redemption shares will then automatically be redeemed for SEK 2.00 per share. Payment for the redemption shares, contingent on the approval of the AGM, is expected to be made around June 21, 2018.

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

## ACCOUNTING PRINCIPLES

This condensed interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable provisions of the Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with chapter 9 of the Annual Accounts Act on interim reporting and RFR 2 Accounting in Legal Entities. The accounting principles applied in the interim report conform to the accounting principles applied in the preparation of the consolidated accounts and annual report for 2017 with the exception of IFRS 15 and IFRS 9 that is applied from January 1st 2018. The accounting principles are described on page 56 in the annual report 2017

## New and amended accounting principles

*IFRS 15 Revenue from Contracts with Customers*  
IFRS 15 Revenue from Contracts with Customers introduces a new model for revenue recognition (five-step model) based on when control of a good or a service is conveyed to the customer. IFRS 15 replaces all previous standards, statements and interpretations that concern revenue recognition. Björn Borg has applied IFRS 15 as of January 1, 2018. The transition to IFRS 15 has not had a material impact on revenue recognition or the financial reporting compared with previously applied principles.

#### *IFRS 9 Financial instruments*

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and contains new rules on the classification and impairment of financial assets as well as hedge reporting. Björn Borg has applied IFRS 9 as of January 1, 2018 and comparative information has not been restated.

Financial assets are classified according to IFRS 9 based on the business model that the asset is managed in and its cash flow characteristics. Björn Borg applies two different business models. For cash & cash equivalents, accounts receivable and other current receivables such as loans and accounts receivable under IAS 39 the company's business model is "hold to collect," which means that the purpose of the financial assets is to collect on contractual cash flows. Financial assets included in this business model are recognized at amortized cost. For short-term investments held for trading under IAS 39 the company's business model is "other," which means that the holding is held for trading purposes. Financial assets included in this business model are recognized at fair value through profit or loss. The new classification of financial assets does not entail any material differences from previously applied principles with respect to the recognition and measurement of financial assets.

The new impairment model for financial assets is based on expected losses instead of incurred losses. The Group will apply the simplified model for accounts receivable, i.e., the provision will correspond to the full lifetime expected loss. Björn Borg's application of the model shows that the effect of the transition does not have a material impact on the recognized values due to the short term and risk characteristics of the receivables. The simplified model cannot be applied to cash & cash equivalents, but the effect is not expected to be material since they mature in less than one year and the counterparties are stable Nordic banks with high ratings. Financial assets recognized at fair value through profit or loss as well as equity instruments are not governed by the impairment rules.

#### **AUDIT REPORT**

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

#### **OUTLOOK 2018**

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

## CONSOLIDATED INCOME STATEMENT CONDENSED

SEK thousands	Note	January- March 2018	January- March 2017	April 2017- March 2018	Full-year 2017
Net sales	1	169,204	185 657	680 029	696 482
Other operating revenue		4,378	-987	13 138	7 773
<b>Operating revenue</b>		<b>173,582</b>	<b>184,670</b>	<b>693,167</b>	<b>704,255</b>
Goods for resale		-72,656	-94,838	-298,029	-320,211
Other external expenses	2	-47,856	-45,948	-175,876	-173,967
Staff costs		-35,092	-33,380	-140,475	-138,763
Depreciation/amortization of tangible/intangible non-current assets		-2,081	-2,264	-9,723	-9,906
Other operating expenses		-812	-1,499	-5,354	-6,041
<b>Operating profit</b>		<b>15,085</b>	<b>6,741</b>	<b>63,710</b>	<b>55,367</b>
Net financial items		4,014	24	21	-3,969
<b>Profit before tax</b>		<b>19,099</b>	<b>6,765</b>	<b>63,731</b>	<b>51,398</b>
Tax		-4,240	-1,745	-16,521	-14,026
<b>Profit for the period</b>		<b>14,859</b>	<b>5,020</b>	<b>47,210</b>	<b>37,372</b>
<b>Profit for the period attributable to</b>					
Parent Company's shareholders		15,048	4,507	47,640	37,099
Non-controlling interests		-189	514	-430	273
Earnings per share before dilution, SEK		0.60	0.18	1.89	1.48
Earnings per share after dilution, SEK		0.60	0.18	1.89	1.48
Number of shares		25,148,384	25,148,384	25,148,384	25,148,384

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME CONDENSED

SEK thousands	Note	January- March 2018	January- March 2017	April 2017- March 2018	Full-year 2017
<b>Net profit for the period</b>		<b>14,859</b>	<b>5,020</b>	<b>47,210</b>	<b>37,372</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Components that may be reclassified to profit or loss</b>					
Translation difference for the period		2,024	966	2,278	1,220
<b>Total other comprehensive income for the period</b>		<b>2,024</b>	<b>966</b>	<b>2,278</b>	<b>1,220</b>
<b>Total comprehensive income for the period</b>		<b>16,883</b>	<b>5,986</b>	<b>49,488</b>	<b>38,592</b>
<b>Total comprehensive income attributable to</b>					
Parent Company's shareholders		17,162	5,006	49,984	37,829
Non-controlling interests		-279	980	-496	763



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONDENSED

SEK thousands	Note	March 31, 2018	March 31, 2017	Dec 31, 2017
<b>Non-current assets</b>				
Goodwill		34,817	35,926	35,755
Trademarks		187,532	187,532	187,532
Other intangible assets		5,613	2,933	5,066
Tangible non-current assets		16,113	12,318	15,392
Deferred tax assets		25,230	26,045	22,530
<b>Total non-current assets</b>		<b>269,305</b>	<b>264,754</b>	<b>266,275</b>
<b>Current assets</b>				
Inventory		103,462	113,335	109,770
Accounts receivable		93,006	75,020	91,479
Other current receivables		15,682	23,265	20,055
Investments	3	500	27,162	500
Cash & cash equivalents		41,334	52,216	52,620
<b>Total current assets</b>		<b>253,984</b>	<b>290,998</b>	<b>274,424</b>
<b>Total assets</b>		<b>523,289</b>	<b>555,752</b>	<b>540,699</b>
<b>Equity and liabilities</b>				
Equity		291,311	295,089	277,398
Deferred tax liabilities		49,376	42,720	42,949
Bond loan		–	135,470	–
Non-current liabilities credit institutions		100,000	–	125,000
Other non-current liabilities		21,547	17,273	22,925
Accounts payable		20,034	13,976	20,452
Other current liabilities		41,021	51,224	51,975
<b>Total equity and liabilities</b>		<b>523,289</b>	<b>555,752</b>	<b>540,699</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONDENSED

SEK thousands	Note	Equity attributable to Parent Company's shareholders	Non-controlling interests	Total equity
<b>Opening balance, January 1, 2017</b>		<b>289,375</b>	<b>-272</b>	<b>289,103</b>
Total comprehensive income for the period		5,006	980	5,986
<b>Closing balance, March 31, 2017</b>		<b>294,381</b>	<b>708</b>	<b>295,089</b>
<b>Opening balance, January 1, 2017</b>		<b>289,375</b>	<b>-272</b>	<b>289,103</b>
Total comprehensive income for the period		37,829	763	38,592
Distribution for 2016		-50,297	–	-50,297
<b>Closing balance, December 31, 2017</b>		<b>276,907</b>	<b>491</b>	<b>277,398</b>
<b>Opening balance, January 1, 2018</b>		<b>276,907</b>	<b>491</b>	<b>277,398</b>
Total comprehensive income for the period		17,162	-279	16,883
Acquisition of non-controlling interest		-2,611	-359	-2,970
<b>Closing balance, March 31, 2018</b>		<b>291,458</b>	<b>-147</b>	<b>291,311</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS CONDENSED

SEK thousands	January- March 2018	January- March 2017	Full-year 2017
<b>Cash flow from operating activities</b>			
Before changes in working capital	18,133	5,320	61,400
Changes in working capital	87	2,884	-8,221
<b>Cash flow from operating activities</b>	<b>18,220</b>	<b>8,204</b>	<b>53,179</b>
Acquisition of subsidiary, cash & cash equivalents	-	-	2,868
Acquisition of minority interest	-2,970	-	-
Investments in intangible non-current assets	-1,155	-368	-4,921
Investments in tangible non-current assets	-1,915	-625	-7,868
Investments/sale of investments	-	419	25,417
<b>Cash flow from investing activities</b>	<b>-6,040</b>	<b>-574</b>	<b>15,496</b>
Distribution	-	-	-50,297
Amortization of loans	-25,000	-1,764	-37,136
Newly raised loan	-	-	157,151
Bond loan repurchases/repayment	-	-1,502	-135,470
<b>Cash flow from financing activities</b>	<b>-25,000</b>	<b>-3,266</b>	<b>-65,752</b>
<b>Cash flow for the period</b>	<b>-12,820</b>	<b>4,364</b>	<b>2,923</b>
Cash & cash equivalents at beginning of year	52,620	48,948	48,948
Translation difference in cash & cash equivalents	1,534	-1,096	749
<b>Cash &amp; cash equivalents at end of the period</b>	<b>41,334</b>	<b>52,216</b>	<b>52,620</b>

## KEY FIGURES GROUP

SEK thousands	January- March 2018	January- March 2017	April 2017- March 2018	Full-year 2017
Gross profit margin, %	57.1	48.9	56.2	54.0
Operating margin, %	8.9	3.6	9.4	7.9
Profit margin, %	11.3	3.6	9.4	7.4
Return on capital employed, %	16.0	16.0	16.0	13.2
Return on average equity, %	16.2	15.0	16.2	13.1
Profit attributable to Parent Company's shareholders	15,048	4,507	47,640	37,099
Equity/assets ratio, %	55.7	53.1	55.7	51.3
Equity per share, SEK	11.58	11.73	11.58	11.03
Investments in intangible non-current assets	1,155	368	5,708	4,921
Investments in tangible non-current assets	1,915	625	9,158	7,868
Business acquisitions	2,970	-	2,970	-
Depreciation, amortization and impairment losses for the period	-2,081	-2,264	-9,723	-9,906
Average number of employees	213	199	215	212

## SUMMARY BY SEGMENT GROUP

SEK thousands	January- March 2018	January- March 2017	April 2017- March 2018	Full-year 2017
<b>Operating revenue</b>				
<b>Licensing</b>				
External revenue	4,619	4,172	19,022	18,575
Internal revenue	15,969	9,314	40,089	33,435
	<b>20,588</b>	<b>13,486</b>	<b>59,111</b>	<b>52,010</b>
<b>Distributors</b>				
External revenue	5,981	11,245	53,029	58,292
Internal revenue	127,363	102,216	441,005	415,859
	<b>133,344</b>	<b>113,461</b>	<b>494,034</b>	<b>474,151</b>
<b>Wholesale</b>				
External revenue	123,988	132,798	432,605	441,414
Internal revenue	474	13,468	9,762	22,756
	<b>124,462</b>	<b>146,266</b>	<b>442,367</b>	<b>464,170</b>
<b>Consumer Direct</b>				
External revenue	38,993	36,456	188,510	185,973
Internal revenue	–	2,185	9	2,194
	<b>38,993</b>	<b>38,641</b>	<b>188,519</b>	<b>188,167</b>
Less internal sales	–143,805	–127,184	–490,864	–474,243
<b>Operating revenue</b>	<b>173,582</b>	<b>184,670</b>	<b>693,167</b>	<b>704,255</b>
<b>Operating profit</b>				
Licensing	4,030	3,676	16,649	16,294
Distributors	1,788	3,133	16,920	18,266
Wholesale	15,989	8,914	41,723	34,647
Consumer Direct	–6,722	–8,982	–11,582	–13,840
<b>Operating profit</b>	<b>15,085</b>	<b>6,741</b>	<b>63,710</b>	<b>55,367</b>

### Reconciliation between operating profit and profit before tax

The difference between operating profit for segments for which information must be disclosed, SEK 15,085 thousand (6,741), and profit before tax, SEK 19,099 thousand (6,765), is net financial items, SEK 4,014 thousand (24).

## QUARTERLY DATA GROUP

SEK thousands	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Net sales	169,204	170,269	205,712	134,844	185,657	171,410	179,977	122,165
Gross profit margin, %	57.1	58.3	56.3	52.1	48.9	48.0	50.4	53.5
Operating profit/loss	15,085	16,905	32,012	–290	6,741	21,365	28,636	305
Operating margin, %	8.9	9.9	15.6	–0.2	3.6	12.5	15.9	0.2
Profit/loss after financial items	19,099	15,683	31,028	–2,079	6,765	25,413	28,493	–16
Profit margin, %	11.3	9.2	15.1	–1.5	3.6	14.8	15.8	0.0
Earnings per share before dilution, SEK	0.60	0.43	0.98	–0.11	0.18	0.74	0.95	–0.09
Earnings per share after dilution, SEK	0.60	0.43	0.98	–0.11	0.18	0.74	0.95	–0.09
Number of Björn Borg stores at end of period	39	41	40	39	39	40	39	40
of which Group-owned Björn Borg stores	34	35	34	33	33	20	20	21
Brand sales	411,661	359,775	474,201	270,824	436,957	371,960	479,109	280,888

## PARENT COMPANY INCOME STATEMENT CONDENSED

SEK thousands	Note	January- March 2018	January- March 2017	April 2017- March 2018	Full-year 2017
Net sales		26,903	23,934	98,774	95,805
Other operating revenue		538	227	5,351	5,040
<b>Operating revenue</b>		<b>27,441</b>	<b>24,161</b>	<b>104,125</b>	<b>100,845</b>
Goods for resale		-2	-	-24	-22
Other external expenses	2	-13,689	-11,122	-57,060	-54,493
Staff costs		-9,165	-8,824	-36,059	-35,718
Depreciation/amortization of tangible/intangible non-current assets		-454	-317	-1,533	-1,396
Other operating expenses		-312	-185	-355	-228
<b>Operating profit</b>		<b>3,819</b>	<b>3,713</b>	<b>9,094</b>	<b>8,988</b>
Result from shares in subsidiaries		-	-	48,452	48,452
Net financial items		-1,157	-3,272	-15,656	-17,771
<b>Profit after financial items</b>		<b>2,662</b>	<b>441</b>	<b>41,890</b>	<b>39,669</b>
Group contributions received		-	-	11,623	11,623
<b>Profit before tax</b>		<b>2,662</b>	<b>441</b>	<b>53,513</b>	<b>51,292</b>
Tax		-	-	-572	-572
<b>Profit for the period</b>		<b>2,662</b>	<b>441</b>	<b>52,941</b>	<b>50,720</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>2,662</b>	<b>441</b>	<b>52,941</b>	<b>50,720</b>

## PARENT COMPANY BALANCE SHEET CONDENSED

SEK thousands	Note	March 31, 2018	March 31, 2017	Dec 31, 2017
<b>Non-current assets</b>				
Intangible assets		1,875	170	1,520
Tangible non-current assets		1,214	2,111	1,431
Long-term receivables	3	-	10,700	-
Deferred tax		316	131	316
Shares in Group companies		344,106	353,182	341,137
<b>Total non-current assets</b>		<b>347,511</b>	<b>366,294</b>	<b>344,404</b>
<b>Current assets</b>				
Receivables from Group companies		565,565	466,077	557,280
Current receivables		4,257	6,101	4,236
Investments	3	500	27,162	500
Cash & cash equivalents		1,070	-11,602	10,267
<b>Total current assets</b>		<b>571,392</b>	<b>487,738</b>	<b>572,283</b>
<b>Total assets</b>		<b>918,903</b>	<b>854,032</b>	<b>916,687</b>
<b>Equity and liabilities</b>				
Equity		153,772	151,128	151,110
Bond loan	3	-	135,470	-
Non-current liabilities credit institutions		100,000	-	125,000
Other non-current liabilities		21,547	17,273	22,925
Due to Group companies		631,043	528,408	601,130
Accounts payable		1,917	1,405	2,203
Other current liabilities		10,624	20,348	14,319
<b>Total equity and liabilities</b>		<b>918,903</b>	<b>854,032</b>	<b>916,687</b>

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY CONDENSED

SEK thousands	January- March 2018	January- March 2017	Full-year 2017
<b>Opening balance</b>	<b>151,110</b>	<b>150,687</b>	<b>150,687</b>
Distribution	–	–	–50,297
Total comprehensive income for the period	2,662	441	50,720
<b>Closing balance</b>	<b>153,772</b>	<b>151,128</b>	<b>151,110</b>

## SUPPLEMENTARY DISCLOSURES

### NOTE 1 NET SALES

The groups net sales consists of sale of products and royalty for usage of the brand. The transaction of the products/royalties is set to a specific point in time and is not spread across time.

SEK thousands	Group	
	Jan-Mar 2018	Jan-Mar 2017
Sweden	63,703	55,718
Netherlands	42,237	40,055
Finland	27,307	41,061
Other	35,957	48,823
<b>Total net sales</b>	<b>169,204</b>	<b>185,657</b>

### NOTE 2 OTHER EXTERNAL EXPENSES

SEK thousands	Group		Parent Company	
	Jan-Mar 2018	Jan-Mar 2017	Jan-Mar 2018	Jan-Mar 2017
Cost of premises	12,262	11,546	2,638	2,556
Selling expenses	12,109	10,419	966	391
Marketing expenses	13,681	11,163	5,964	5,273
Administrative expenses	6,931	8,734	3,139	2,457
Other	2,873	4,086	982	445
<b>Total</b>	<b>47,856</b>	<b>45,948</b>	<b>13,689</b>	<b>11,122</b>

### NOTE 3 FINANCIAL ASSETS AND LIABILITIES

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

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

There were no net divestments during the quarter from the company's corporate bond portfolio of SEK 500 thousand.

#### FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS MARCH 31, 2018

SEK thousands	Level 1	Level 2	Level 3
Securities held for trading	500	–	–
Derivatives held for trading	–	–	–
<b>Net</b>	<b>500</b>	<b>–</b>	<b>–</b>

The carrying amount of financial instruments recognized at amortized cost corresponds to fair value as of March 31, 2018.

#### FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS MARCH 31, 2017

SEK thousands	Level 1	Level 2	Level 3
Securities held for trading	26,936	–	–
Derivatives held for trading	–	226	–
<b>Net</b>	<b>26,936</b>	<b>226</b>	<b>–</b>

## NOTE 4 BENELUX ACQUISITION

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

The acquisition closed on January 2, 2017. Björn Borg paid about SEK 5.3 million for all shares and shareholders' loans after disposing of net assets to the former owners relating to brands other than Björn Borg. The difference between the actual and preliminary acquisition price previously announced as approximately SEK 12 million (EUR 1.25 million) is the value of assets (primarily inventory and accounts receivables) unrelated to the Björn Borg brand, which on December 31, 2016 was higher than preliminarily estimated and was therefore deducted from the acquisition price. A portion of the acquisition price was paid on the closing day and the remainder falls due in the three subsequent financial years. The acquisition is financed with own funds. There are no earn-out payments.

Direct acquisition expenses amounted to about SEK 1.7 million and were included in other external expenses in the fourth quarter of 2016.

The Benelux acquisition is an important step in accelerating the vertical integration of Björn Borg's operations and is in line with the strategy to get closer to consumers and retailers. This is expected to create more opportunities for Björn Borg to grow in the Benelux market in the long term. In terms of efficiency improvements, future synergies are mainly expected in procurement.

Through the consolidation of Baseline in the Björn Borg Group, where sales at the distributor level are replaced by sales at the wholesale and retail level, net sales rose about SEK 85 million in 2017. Operating profit was reduced due to an accounting effect as Benelux sales are now realized at the wholesale and consumer level instead of the distributor level. As a result, the entire gross profit from the spring/summer season at the distributor level in Benelux was pushed back to the financial year 2018. At the same time the earn-out payments to the former owner of the Björn Borg brand ended in 2017, which positively impacted EBIT by SEK 22 million, largely compensating for the negative short-term effect of the Group.

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

The table shows a preliminary acquisition analysis. This table has changed since the year-end report for 2017 as the acquisition price has been reduced by SEK 1.8 million after an agreement with the sellers of Baseline. As a result, goodwill has declined by a corresponding amount, SEK 1.8 million.

### FÖRVÄRVADE NETTOTILLGÅNGAR

SEK thousands	Fair value
Preliminary acquisition price	11,980
Adjustment net assets	-4,829
Adjustment acquisition price	-1,829
<b>Acquisition price</b>	<b>5,322</b>
<b>Acquired net assets</b>	
Intangible and tangible assets	6,731
Financial non-current assets	11,081
Inventory	61,640
Other short-term receivables	12,334
Long-term interest-bearing liabilities	-21,072
Current non-interest-bearing liabilities	-79,452
<b>Total acquired assets and liabilities</b>	<b>-8,739</b>
Goodwill	14,061
<b>Total net assets</b>	<b>5,322</b>
<b>Acquisition payments fall due as follows:</b>	
2017	1,764
2018	-
2019	-
2020	3,558
<b>Total acquisition payments</b>	<b>5,322</b>

## DEFINITIONS

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

### BRAND SALES

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

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

### CAPITAL EMPLOYED

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

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

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

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

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

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

Earnings per share adjusted for any dilution effect.

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

### EQUITY/ASSETS RATIO

Equity as a percentage of total assets.

**Purpose:** Nyckeltalet används för att, ur ett ägarperspektiv, bedöma investeringens utveckling.

### 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 profit margin before acquisitions is used to measure operating profitability adjusted for acquisition effects.

### NET DEBT

Liabilities less investments and cash & cash equivalents.

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

### NET DEBT TO EBITDA RATIO

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

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

### NET FINANCIAL ITEMS

Financial income less financial expenses.

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

### OPERATING MARGIN

Operating profit as a percentage of net sales.

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

### OPERATING PROFIT

Profit before tax plus net financial items.

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

### PROFIT MARGIN

Profit before tax as a percentage of net sales.

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

### RETURN ON CAPITAL EMPLOYED

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

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

### RETURN ON EQUITY

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

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

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

Stockholm, May 17, 2018

Heiner Olbrich  
Chairman

Lotta de Champs  
Board member

Martin Bjäringer  
Board member

Mats H Nilsson  
Board member

Fredrik Lövestedt  
Board member

Christel Kinning  
Board member

Henrik Bunge  
CEO



**CALENDAR 2018**

The interim report for January-June 2018 will be released on August 17, 2018.

The interim report for January-September 2018 will be released on November 16, 2018.

The interim report for 2018 will be released on February 22, 2019.

**FINANCIAL REPORTS**

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

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**ABOUT THE BJÖRN BORG GROUP**

The Group owns the Björn Borg trademark and its core business is sports apparel and underwear. It also offers footwear, bags and eyewear through licensees. Björn Borg products are sold in around thirty markets, of which Sweden and the Netherlands are the largest. The Björn Borg Group has operations at every level from branding to consumer sales in its own Björn Borg stores. Total sales of Björn Borg products in 2018 amounted to about SEK 1.5 billion, excluding VAT, at the consumer level. Group net sales amounted to SEK 696.5 million in 2018, with an average of 212 employees. The Björn Borg share has been listed on Nasdaq Stockholm since 2007.

**IMAGES IN THE INTERIM REPORT**

The images in the interim report come from Björn Borg's spring/summer 2018 collection.

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This information is information that Björn Borg AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at May 17, 2018 at 17:30 am (CET).