



# BJÖRNBORG

ANNUAL REPORT 2010



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**THE SPACE NEEDLE**  
IN SEATTLE AND BJORN  
BORG UNDERWEAR ARE  
BOTH AWESOME, WELL  
MADE, AND SUPER  
ORIGINAL. GOTTA LOVE  
BJORN BORG!

FELIX

# PASSION FOR A BRAND

In thousands of images from Björn Borg wearers in over 40 countries the passion for our brand is very much alive. Our Swedish Exports “mission” is an open invitation to take a photo of how playful, cool, crazy, hot or fantastic you look in your Björn Borgs.

With underwear from Björn Borg – on the ski slopes, beside the Golden Gate Bridge, with diving gear underwater, hanging in a palm tree or with the whole family lined up – our customers show us what they like. They love to be seen and are happy to talk about why they wear Björn Borg.

In our annual report we couldn't help but show some of the many fantastic images we have received. We are so proud to have won the confidence of these customers and to share their passion for the brand. It spurs us to remain colorful – in every way – and inspires us to bring Björn Borg to more of the world.

Want to see more great photos?  
Welcome to [bjornborg.com/Swedish Exports](http://bjornborg.com/Swedish Exports)

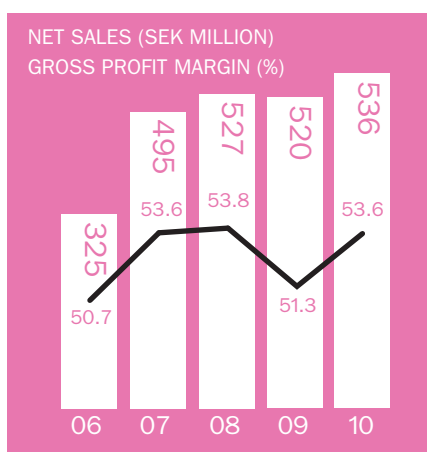
# BJÖRN BORG IN BRIEF

# 5.20

DISTRIBUTION OF SEK 5.20 PER SHARE.

# 23.5

THE OPERATING MARGIN WAS 23.5 PERCENT.



# 53.6

THE GROSS PROFIT MARGIN WAS 53.6 PERCENT.



## BJÖRN BORG GROUP

Björn Borg is a Swedish group that owns and develops the Björn Borg brand. Fashion underwear is our core business and largest product area. We also offer clothing, footwear, bags, fragrances and eyewear through licensees. Björn Borg is currently represented in around 20 markets, the largest of which are the Netherlands and Sweden.

Björn Borg's operations comprise brand development, services for the network of licensees and distributors, and product development in the core business of underwear. The Group is responsible for distribution of these products in Sweden, England and the U.S., as well as footwear in Sweden and Finland, and manages ten Björn Borg stores in the Swedish market.

Björn Borg's largest product group, underwear, has a strong foothold in established markets, and it is with underwear that Björn Borg is launched in new markets. With innovative product development, consistent marketing communications and efficient distribution, the potential is in place for a further expansion of the Björn Borg brand.

## THE YEAR IN NUMBERS

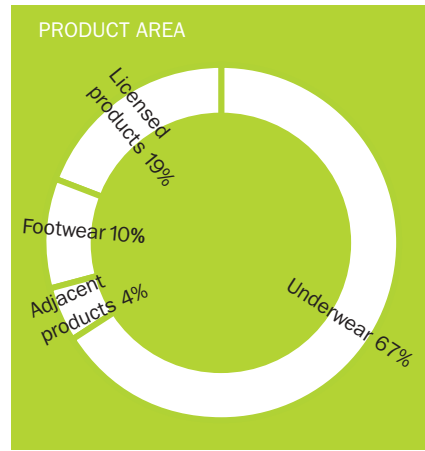
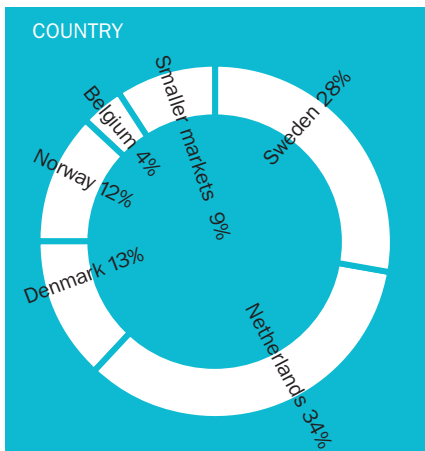
- The Group's net sales increased by 3 percent to SEK 536.0 million (519.9). Excluding currency effects, sales rose by 7 percent.
- The gross profit margin increased to 53.6 percent (51.3).
- Operating profit amounted to SEK 126.0 million (112.6), an increase of 12 percent.
- Earnings per share increased to SEK 3.61 (3.22). Fully diluted earnings per share amounted to SEK 3.57 (3.21).
- Brand sales (excluding VAT) decreased by 7 percent to SEK 1,733 million (1,872). Excluding currency effects, sales decreased by 1 percent.
- The Board of Directors has decided to recommend that the Annual General Meeting approve a distribution of SEK 5.20 per share. For 2009, a dividend of SEK 5.00 per share was paid.



# 47



AT YEAR-END THERE WERE 47 BJÖRN BORG STORES, 10 OF WHICH ARE GROUP-OWNED.



# 1,733

TOTAL BRAND SALES AMOUNTED TO SEK 1,733 MILLION.

## THE BJÖRN BORG BRAND

The Björn Borg brand was established in the Swedish fashion market in the first half of the 1990s. Continuity has helped the brand to carve out a strong position in its established markets, particularly for its largest product group, underwear. In the last five years Björn Borg has expanded to several new markets, where the brand is in a start-up phase.

The brand is recognized for quality products with distinctive and innovative design. Our patterns and colors stand out, and a large variety of models creates an exciting and attractive product range. We are seen as a liberated Swedish brand of fashion underwear, which is underscored by our motto: *Playful, Vibrant and Daring*. A passion for underwear and the courage to challenge the industry is evident in our marketing communications and product development. Our vision is to be *the Champion of Fashion Underwear*.

## BRAND SALES

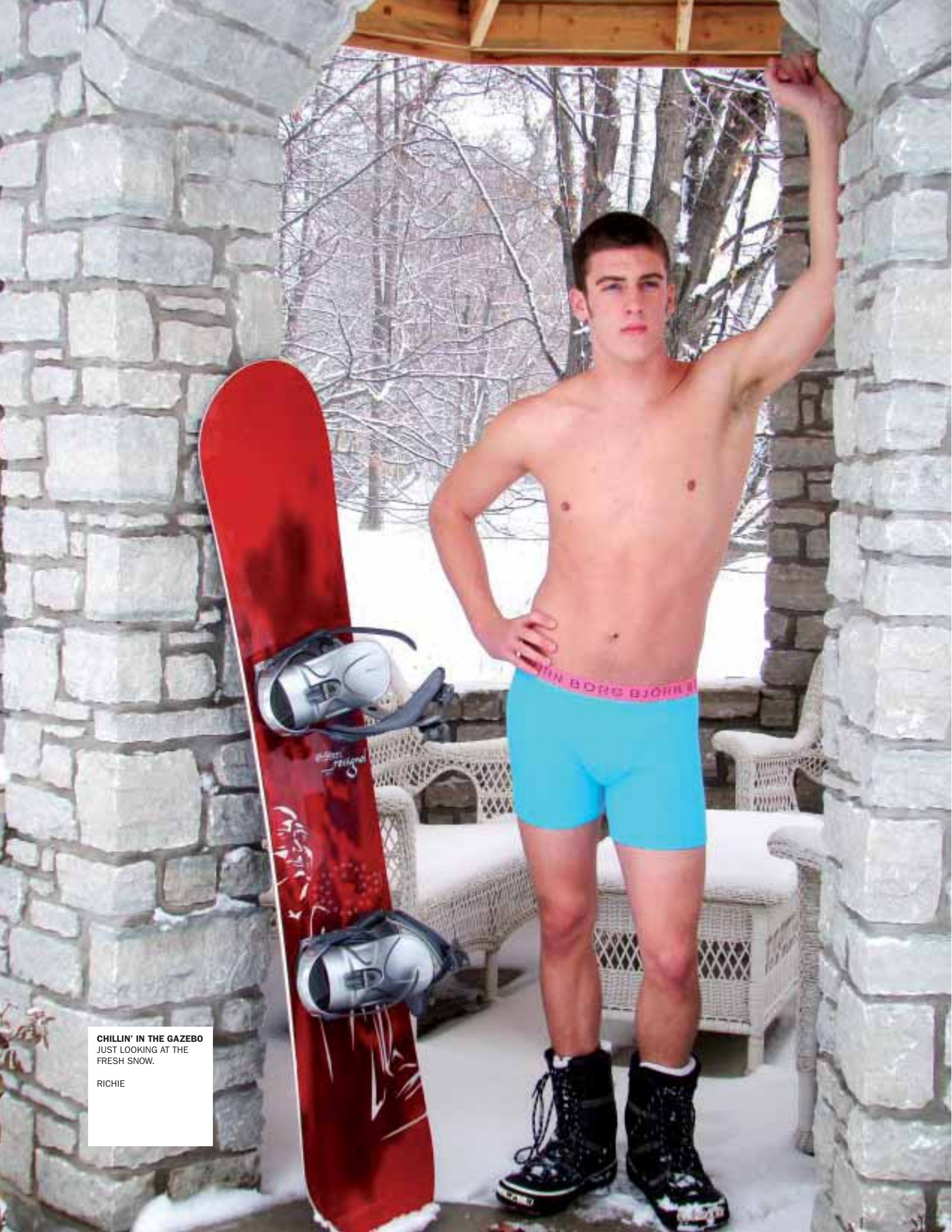
Total brand sales, excluding VAT, decreased compared with the previous year to SEK 1,733 million (1,872). Excluding currency effects, sales decreased by 1 percent.

## MARKETS

- In 2010 Björn Borg signed agreements to launch the brand in Estonia, Latvia and Lithuania. An agreement was also signed to launch in Switzerland through the German distributor.
- Björn Borg decided to take over the operations in England after an agreement was reached with the previous British distributor.
- After the conclusion of the year letters of intent were signed with new distributors in France and Italy.

## NEW STORES

An outlet was opened during the year in Germany by the German distributor. No other changes were made in the network of stores during the year. At year-end there were a total of 47 (46) Björn Borg stores, 10 (10) of which are Group-owned.



**CHILLIN' IN THE GAZEBO**  
JUST LOOKING AT THE  
FRESH SNOW.

RICHIE

**THE FUTURE OFFERS OPPORTUNITIES.** Björn Borg products are purchased and loved by customers in a growing number of countries. Bringing Björn Borg to more places in the world, creating opportunities for profitable growth and building the brand long-term is our mission, and it was where our efforts were focused in 2010. This resulted in a year of changes and new investments. At the same time we have performed well, with higher revenues and stronger margins.

Underwear is our core and our passion. Two years ago we launched a revised strategy for Björn Borg which emphasizes underwear – our most important product group with the greatest potential. This is where we have the most know-how, extensive experience and a strong network to build on.

2010 was highlighted by the work we did to adapt our operations to this concentration on underwear and to further expand internationally. This has required changes in the organization and investments in key areas to create opportunities for the brand and the Group to grow, which we will continue with in 2011.

**CONTINUED FLOW OF NEW PRODUCTS**  
Further strengthening our core area, underwear, was one of our most important jobs in 2010. And I think we succeeded well. We have broadened the product assortment and delivered exciting new products. It is a question of testing to find what is right in each area and focusing on the products that gain traction. In 2011 we will launch more products, including new versions of our high-volume women's product, Love All, and an expanded sport line. For men, our classic solid underwear will be redesigned with new models and packaging. And more is on the way.

**“We have implemented strategic changes and focused on areas that are critical to the future.”**

#### LICENSES TO SPECIALISTS

In order to concentrate fully on underwear at Björn Borg in Stockholm, we have decided to license out other product groups to specialists. We feel confident that this will create the best opportunities for our main product as well as the other categories.

After the conclusion of the year we announced a new sportswear venture based in the Netherlands together with the Dutch distributor. Called Björn Borg Sport, it will have the license to produce apparel. Together with the licensing of footwear operations in 2010, this means we have completed the restructuring of our operations that we wanted. The Group now has its main focus on underwear, while all of the other product categories are licensed to specialists in each niche.

#### NEW MARKETS ARE IMPORTANT TO GROWTH

Another important step during the year was the takeover of the operations in England from the former distributor. The organization is in place, and the fall collections are being shown with the help of a new showroom in London. With our own operations, we can take a more long-term approach in the important British market and receive valuable input for our international expansion. In 2011 we are hoping to grow our newer markets even faster, especially five large new European markets: England, Germany, Italy, France and Spain.

#### CONTINUED INVESTMENTS IN GROWTH

As a whole, 2010 was a good year for Björn Borg, with sales, earnings and margins all rising. At the same time we have implemented strategic changes and focused on areas that are critical to our future. Skilled, passionate employees and a growing network of professional distributors and licensees have made this possible.



As 2011 begins we still see instability in some places, primarily markets in Southern Europe. We are monitoring developments, focusing on what we can influence and working on creating as stable a platform for our operations as possible. And we will continue to invest in future growth: in the new clothing company Björn Borg Sport, in England, in e-commerce, in branding, in product development and in other long-term ventures.

We see several signs of exciting opportunities for Björn Borg going forward. The interest we see from established players in various markets around the world is an indication of the strength of our brand. We have to take advantage of this and create business opportunities. Our strength is also evident in our products and strong relationship with customers – clearly illustrated by the passionate images from customers shown in the annual report.

Arthur Engel  
President

# VISION, BUSINESS CONCEPT, GOALS AND STRATEGY

## VISION

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**Our vision is to utilize an innovative product offering and successful business model to be the Champion of Fashion Underwear.**

## BUSINESS CONCEPT

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**The company will develop the Björn Borg brand primarily in fashion underwear.**

## STRATEGY

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The Björn Borg brand has its roots in underwear, and underwear remains the core business. The strength of the brand comes from extensive experience and knowledge in this area – and the qualities the brand stands for: its Swedish heritage, colorful products and a passion for underwear. Licensed sales of other product groups contribute to growth and are designed to further develop the brand.

To be the best in underwear and ensure the Group's profitable expansion, Björn Borg has identified a number of key success factors: innovative product development, creative marketing communications and efficient international distribution. Björn Borg's strategy to continue to grow in new and recently established markets and enhance its strong position in established markets is based on these factors.

**Focus on the largest product group, underwear, and offer an attractive, complementary range of Björn Borg products with sales through independent retailers and Björn Borg stores.**

Since 2009 Björn Borg has chosen to focus on its largest and most profitable product area, underwear. The brand has a strong position in underwear in its established markets and great potential in new markets. The footwear and clothing operations have been licensed out, as have bags, fragrances and eyewear, to optimize opportunities for growth in these areas as well.

Björn Borg's products will be sold mainly through external retailers, including independent stores, department stores, fashion and sporting goods chains. Björn Borg stores are primarily located today in large markets, but the aim is to grow with more Björn Borg stores in newer markets also.

**Utilize the broad-based competence and experience within the company to further strengthen its position in fashion underwear.**

To stay on the forefront in fashion underwear requires innovation and new categories of products and segments – and a fast pace. Björn Borg is continually adjusting its organization to further strengthen competence and increase capacity in product development and design of underwear to meet and exceed the market's expectations.

**Implement the current business model, which facilitates geographical and product expansion with limited operating risk and capital investment.**

Björn Borg's business model is based on the Group's ownership and control of the trademark and that it manages the core business, while specialists are responsible for other product areas and mainly external distributors sell internationally. This provides flexibility and opportunities for profitable expansion. Björn Borg's challenge is to steer the development of the brand through consistent branding in all markets and at the same time serve as an efficient service organization for its customers – the distributors.

**Cooperate with strong local distributors with established distribution networks, experience in underwear or fast-moving consumer goods and the resources for long-term marketing investments.**

Our external distributors' contacts and familiarity with their markets are invaluable to establishing the brand in the country. Underwear, which is a fashion product but has to be replaced quickly like consumer packaged goods, at the same time requires specific know-how. In new markets we evaluate local conditions, the opportunities available to distributors and their ability to reach and penetrate the market during an initial two-year test period, after which decision is made how to proceed.

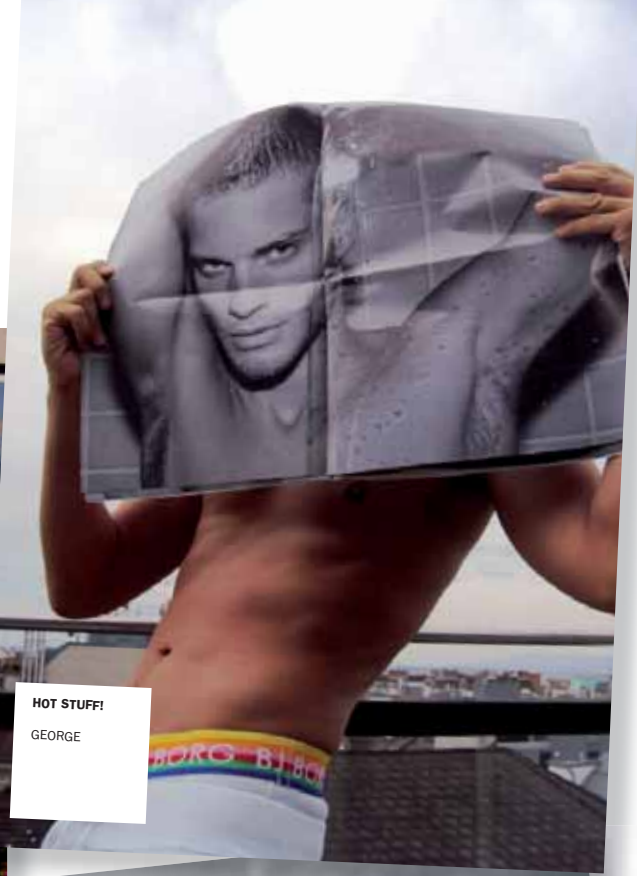




**LAST DAY**  
OF MY VACATION AND  
THE HOTEL OWNER  
ASKED ME TO WATER  
HIS FLOWERS IN  
RETURN FOR A  
DISCOUNT.  
  
SIMON



**NOTHING BEATS**  
BROTHERLY LOVE...FOR  
SWEDEN AND BB. MY  
LITTLE BROTHER LOVED  
MY SWEDEN BB'S SO  
MUCH HE ASKED FOR A  
PAIR FOR CHRISTMAS.  
  
PRESTON



**HOT STUFF!**  
  
GEORGE



**I JUST HAD TO**  
DO IT! YOU SHOULD  
HAVE SEEN THE  
OTHER PEOPLES  
FACES!  
  
REMCO

## FINANCIAL GOALS

The Board of Directors has established financial goals for the period 2010–2014. Björn Borg will generate:

- Average annual organic growth of at least 10 percent
- An average annual operating margin of at least 20 percent
- An annual dividend of at least 50 percent of net profit
- Long-term cash reserves equivalent to 10–20 percent of annual sales.

### Comments on the financial goals:

The long-term goals will be achieved by growing slightly below the average target in large markets and generating higher growth in smaller markets. At the beginning of the period sales growth could fall below the target, as several new markets are added.

Surplus liquidity that is generated while taking into account the financial goals will be distributed gradually during the forecast period, starting in 2010.

Operating investments are estimated annually at 2–5 percent of net sales depending on whether any new Björn Borg stores are opened.

# THE SWEDISH UNDERWEAR LIBERATION

## THE BRAND

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### LONG-TERM SECURITY WITH WHOLLY OWNED TRADEMARK

The Björn Borg brand is the core of the Group's operations. The Group has developed the brand since 1997 on the basis of an exclusive license to manufacture, market and sell products under the Björn Borg name. In 2006 the Group acquired the Björn Borg trademark and obtained exclusive global rights to its use for all categories of products and services. By owning the trademark, the Björn Borg Group can operate from a position of strength internationally at the same time that ownership provides long-term security for the entire network of licensees and distributors.

### DISTINCTIVE IDENTITY AND STRONG POSITION

The Björn Borg trademark in its present form was registered in the late 1980s and established in the Swedish fashion market in the first half of the 1990s. New product areas and geographical markets have been established since then, and the company has experienced stable growth in recent years.

The brand has a distinctive identity and strong position in established markets in its dominant product area, underwear, while newer markets are in a start-up phase.

Today the brand increasingly stands on its own merits, distinct from Björn Borg as a person, and a growing number of consumers associate the name with the brand's products rather than Björn Borg himself. At the same time Björn Borg's legacy as a tennis player and his celebrity in large parts of the world still provide a strong platform for international expansion.



**AN EVENING BIKE TRIP**  
TO A NEARBY LAKE TO ENJOY THE TRAILS AND A SWIM. WE GOT A BIT LOST ON THE WAY BACK BUT FOUND A SMALL, BEAUTIFUL POND.  
JOHAN



**WE WERE 15 FRENCH**  
FRIENDS ON A CABIN TRIP NEAR STAVANGER. SOME OF US DECIDED TO TAKE ARTISTIC PICTURES...  
LUDVINE

# BRAND PLATFORM

## ESSENCE OF THE BRAND

Björn Borg's positioning and all brand development, from design and product development to store layouts and marketing communications, are based on a distinctive brand platform.

During the year Björn Borg continued to fine-tune its brand platform in line with the company's strategy to focus on underwear.

The brand platform summarizes three concepts that form the essence of the Björn Borg brand:

## SWEDISH UNDERWEAR

Björn Borg is identified as a Swedish underwear brand with a playful, flirty spirit. *To create a Swedish Underwear Liberation* is Björn Borg's mission.

## COLORFUL UNDERWEAR

Our products have historically been distinguished by lively colors and patterns – and they still are.

## PASSION FOR UNDERWEAR

At the same time Björn Borg is driven by a passion for underwear and fashion and a desire to constantly challenge and develop its products and the industry.



# BRAND DEVELOPMENT

## SERVICES FOR LICENSEES AND DISTRIBUTORS

Björn Borg attempts to provide the best possible service to its distributors and licensees, which in turn commit to a specific level of marketing investments in each market. The aim is to create opportunities for them to develop successfully and at the same time ensure coherent development of the brand.

Support for distributors and licensees includes guidelines for uniform, consistent branding and the tools to implement them. In 2009 Björn Borg more clearly structured its branding advice and supporting material for distributors to use in their markets, which were implemented last year. The new guidelines, which include campaigns, PR activities, a media mix and store displays, are packaged to suit each market depending on its stage of development and size. Björn Borg's support for licensees and distributors comprises several areas:

### PRODUCT DEVELOPMENT

- Trend information
- Design
- Quality
- Product range and volume

### MARKETING CONCEPT

- Graphic identity
- Campaigns
- Channels, media mix
- Packaging and displays
- Store concept
- Franchise management

# MARKETING COMMUNICATIONS

## INNOVATIVE AND INTEGRATED ACTIVITIES

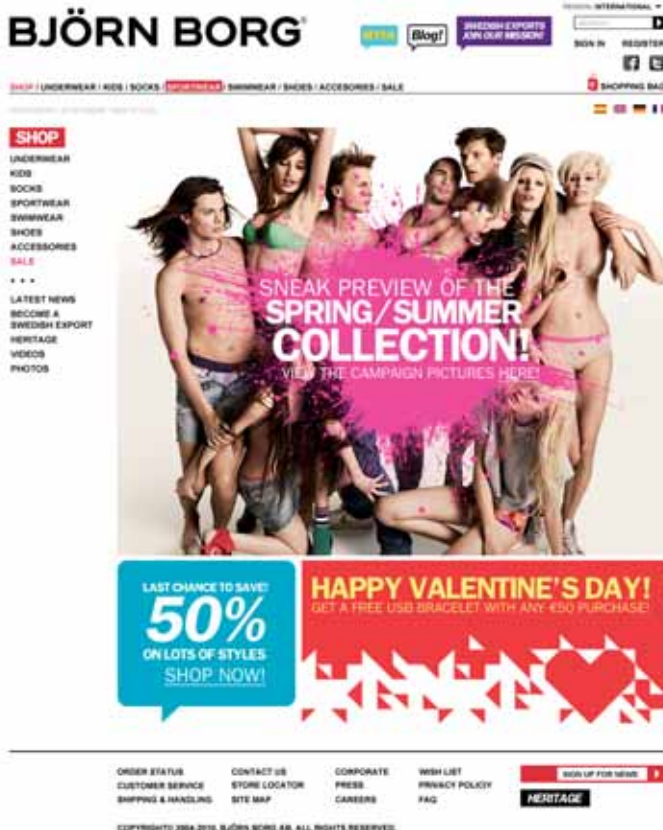
The company showcases the Björn Borg brand through innovative marketing activities that focus on the product. The strategy is designed to consistently reinforce the brand and drive sales long-term. To achieve cost efficiencies and a broader impact, the Group focuses on integrated campaigns and activities that utilize multiple channels such as outdoor advertising, PR, fashion shows, store displays and, to a growing extent, the web site and social media.



## SWEDISH EXPORTS – BJÖRN BORG FROM AROUND THE WORLD

Photos of customers wearing Björn Borg underwear have continued to stream in from every corner of the world in response to the Swedish Exports campaign, which was launched in late 2008 and intensified in 2009 and 2010. The images are published on the web site and used in stores and other marketing communications.

The response has been fantastic. In a playful way the campaign has created a valuable contact with Björn Borg's consumers – the very best ambassadors for the brand. In spring 2010 the campaign was launched on Facebook, where groups in several countries are "liked" by over 55,000 people so far. The campaign will continue, and the most fantastic images keep arriving at Björn Borg. Several Swedish Exports images are shown in the annual report.



## WEB SITE

Björn Borg's web site is an important channel for international branding and to communicate with target audiences. Interactive campaigns that get visitors to participate create a sense of belonging and increase traffic to the site. The design and content of the campaigns are integrated with marketing communications in other channels – in stores, advertising, PR and events – for a greater impact.

In 2010 Björn Borg worked intensely to improve communication through the web site. Among other things, a new platform has been launched for Swedish Exports, a campaign where customers are invited to send in creative and amusing photos of themselves wearing Björn Borg underwear, which has had a fantastic impact. The new platform improves and simplifies communication between the company and consumers as well as between consumers.

The web site also plays an important role in driving sales through special offers in stores, but mainly through underwear sales on the web shop. In 2010 e-commerce took on a more central role on the web site to facilitate a broader expansion and to improve user friendliness. A new global e-commerce platform launched during the spring included a new logistics solution.

## PR AND EVENTS

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PR activities and events are an important component in the mix of channels used in Björn Borg's integrated campaigns. Background material and guidelines are produced centrally as part of the marketing packages that distributors have access to, while detailed planning and implementation are handled in each market. Participation in international fashion shows, private showings and related events have also been crucial in positioning and strengthening the brand. One successful PR project is Björn Borg's mobile changing rooms, where people can change into a pair of Björn Borg underwear and be photographed for the Swedish Exports campaign. The changing rooms, which are placed in busy public locations mainly in new markets, have gained a lot of attention.



## BJÖRN BORG STORES

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Björn Borg stores continue to fill an important function as a marketing channel and to display the brand. The new retail concept was initially launched in a store in Stockholm in March 2010. The concept, which has received a positive response, is designed to showcase underwear in Björn Borg stores. More stores will be redesigned with the new concept in 2011.

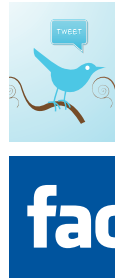
## SUCCESSFUL PROJECT WITH FASHION BLOGGERS

As part of what could be described as a giant recruitment campaign for global ambassadors, Björn Borg lined up successful fashion bloggers in 14 of its most important markets last fall. In cooperation with the bloggers, an international contest was launched to recruit as many Swedish Exports as possible – an expression that the company coined to describe the images that loyal consumers take of themselves in Björn Borg underwear. A steady stream of creative, colorful images was generated through the campaign, which drove so much traffic that Google, in whose network Björn Borg advertised, has done a case study of it.

## SOCIAL MEDIA

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Social media continued to grow in importance in 2010 to reach Björn Borg's younger target groups. It is becoming an imperative to closely monitor rapid changes in this area and adapt communications accordingly. Björn Borg has a blog on its web site that is being developed as an independent channel with more active visitors. During the fall it also ran a successful blog project with fashion bloggers in a number of markets. See above.



Björn Borg intensified its work on Facebook in 2010 and had over 55,000 people who liked its various Facebook groups at year-end. Björn Borg has 12,000–13,000 active users a month on Facebook and considers it one of the best places to create and train brand ambassadors. Projects on Twitter and Flickr are also under way.

## MARKET POSITION AND COMPETITION

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The brand has an especially strong position in men's underwear. The company is confident that Björn Borg can be considered a market leader in quality and design in its dominant product area, underwear, in established markets.

In underwear, Björn Borg competes with well-known international brands such as Calvin Klein, Hugo Boss and H&M, but also with smaller, local players. Competition in underwear is generally expected to grow as more major fashion brands such as Diesel and Puma introduce their own underwear collections and new companies enter the market.

# PRODUCT DEVELOPMENT

## BRAND AND PRODUCTS

### UNDERWEAR AS FASHION

Underwear is increasingly considered a fashion item, with buying patterns similar to other fashion products. It is displayed and sold not only in separate underwear departments, but also in fashion boutiques alongside trendy items, or in sporting goods stores with sports fashion. This requires underwear manufacturers to meet customer demand in terms of fashion, function and new items. Björn Borg's customers should always recognize the brand's products, but should also be able to find something new and unexpected.



**THE ONLY WAY**  
TO MAKE THIS BUNCH  
CUTER WAS TO DRESS  
THEM UP IN BJÖRN  
BORGS.

JORDI



**HITTING THE SLOPES**  
IN STYLE WITH MY  
BJÖRN BORGS!

ALICE

### PRODUCT DEVELOPMENT IS A CRITICAL SUCCESS FACTOR

Innovative and responsive product development is critical to the focus on underwear that Björn Borg decided on in 2009. Björn Borg is characterized by creative products with the brand's typical playful and colorful identity, but to consolidate its strong position it has to continuously improve and broaden the product range.

During the year the product development unit for underwear was further strengthened in terms of its organization and expertise as well as in the way it works in order to raise the tempo and creativity in its design work. The product department has been expanded with additional specialists and the design unit added more designers to meet the demand for a broader product range from more customer groups.

In other categories as well, every detail of the products and every collection must express the values synonymous with the brand. Björn Borg explains the product range's positioning in trend and design information provided to licensees in the network prior to each season. A chief designer for every product group ensures uniform brand development through the entire product range.

## PRODUCT RANGE

### A CONSTANTLY CHANGING PRODUCT RANGE GENERATES INTEREST

In its core business, underwear, Björn Borg began in 2009 to create a broader range for new target groups with more products in a variety of categories, from popular basics to trendy, bolder models in playful colors, patterns and materials. This is becoming increasingly important as the brand expands to more markets with somewhat different preferences. In addition, Björn Borg will increase the number of new items in its men's and women's collections each season to meet demand from these target groups for exciting new fashions and to create greater interest in the product range and the brand. Another aim in product development is to expand the range to new categories and target groups, as Björn Borg did during the year in the kid's segment and with constructed bras.



### LARGER FLOW OF NEW ITEMS

Efforts to broaden and improve the product range continued in 2010, when a number of new product categories reached the market. Changes continued on the women's side, where demand for new products is greatest and which is generally more in need of a facelift than the men's side. Among other things, a new line of underwear basics in a variety of colors, Love All, was launched to consumers in mid-February 2010, complemented by marketing activities in stores, online and using outdoor advertising. This volume product has performed well, and additional versions will be launched in 2011. In fall 2010 the product range was initially expanded to include so-called constructed bras, which emphasize fit and quality. The collection of colorful models, which has been sold to key resellers, has received positive reactions in the network and from customers.

In 2010 the men's range was updated with new products in several models. For example, woven boxer shorts were introduced during the fall in both classic and bolder models and patterns. The line of sport underwear launched during the spring has been broadened as interest in this category continues to rise. In 2011 the men's collection will be expanded to include sleeveless undershirts and T-shirts, while a line of athletic underwear for women will be launched as well.

Björn Borg's more classic men's solid underwear will be totally redesigned during the year with new models and packaging. Basics are more important to the men's line than the women's, but a steady flow of new items is critical in every segment to create interest in the brand and maintain its position as a market leader in fashion underwear.



### SALES OF KIDS COLLECTIONS BEGIN

During the holiday 2009 shopping season Björn Borg offered a sneak preview of its new Kids collection with boys' underwear. Sales of the full range of underwear for both boys and girls ages 2–12 began in spring 2010. Kids has generated great interest, and Björn Borg plans to expand the line. A specially designed children's line complements the other categories and creates opportunities for growth in new and established markets and in new channels.

### CAMPAIGNS THAT STAND OUT

With provocative sales campaigns, Björn Borg can generate attention and interest in stores and on the web site and, in the process, drive sales. A successful campaign was run during the year in connection with the World Cup. Called Nations, it included underwear designed with the flags of every participating nation – and one with referee stripes. Locally in Sweden, special underwear with a Royal Wedding theme was sold in connection with Princess Victoria's wedding.

### SOCKS GAIN GROUND

Björn Borg reinvigorated its sock line during the year by adding bright colors and patterns typical for the company, which was positively received. In 2011 more new socks will be introduced.

# UPPING THE TEMPO IN SHOES

– LICENSED OUT TO INTERNATIONAL SPECIALIST

Björn Borg has been selling shoes, primarily in Scandinavia, for many years, but the aim is to reach even more customers in more markets. To create better opportunities for expansion, Björn Borg has licensed out the footwear product area to an expert in the field – the international Trend Design Group.

Björn Borg wants to be the Champion of Fashion Underwear, but at the same time believes that there are good opportunities for the brand's other product areas to develop and grow – mainly with the help of outside specialists. Since the beginning of 2010 the footwear operations have been licensed out to Trend Design Group, an established producer and wholesaler based in the Netherlands and Italy. In this way Björn Borg can focus on what it does best – underwear – while Trend Design Group designs, develops and sells shoes, which is their specialty. Our new partner's expertise in footwear design and production is complemented by a broad-based distribution network that will benefit Björn Borg as a footwear brand. This creates new opportunities to reach further and more efficiently than its own organization could.

**Björn Borg wants to be the Champion of Fashion Underwear, but at the same time believes that there are good opportunities for the brand's other product areas to develop and grow.**

#### **BROAD INTERNATIONAL NETWORK**

Trend Design Group is a production and wholesale company for men's and women's shoes, headquartered in Amsterdam and with design and product development in Italy. With extensive distribution in parts of Europe, North America and Australia, the company has a valuable international network. Sales are generated through its own representatives in a few markets as well as through distributors and agents. The company has grown since its start in 1983 to where it now has 120 employees and revenues of about SEK 860 million.



The collaboration between Björn Borg and Trend Design Group began in early 2010. During the first year the focus was on promoting the new collections designed by Trend Design Group in markets where Björn Borg shoes were previously sold as well as new markets. Björn Borg has retained the right to sell footwear in Sweden and Finland, while Trend Design Group designs and manufactures all shoes and has the right to sell them in other markets.



## EXPANSION BEGINS

The first collection of Björn Borg footwear that Trend Design Group is fully responsible for will reach stores in number of markets around Europe in March 2011, including in Scandinavia, Germany, Belgium, the Netherlands and France. This will expand sales, although the new markets will initially generate small volumes.

“It’s great to work with a strong brand like Björn Borg. We anticipate big opportunities to grow both in and outside Scandinavia,” said Ben Poelman, part-owner, sales coordinator and brand manager of Trend Design Group. “At first we will focus on Germany, where we have an established network of contacts.”

## INCREASE AWARENESS OF BJÖRN BORG SHOES

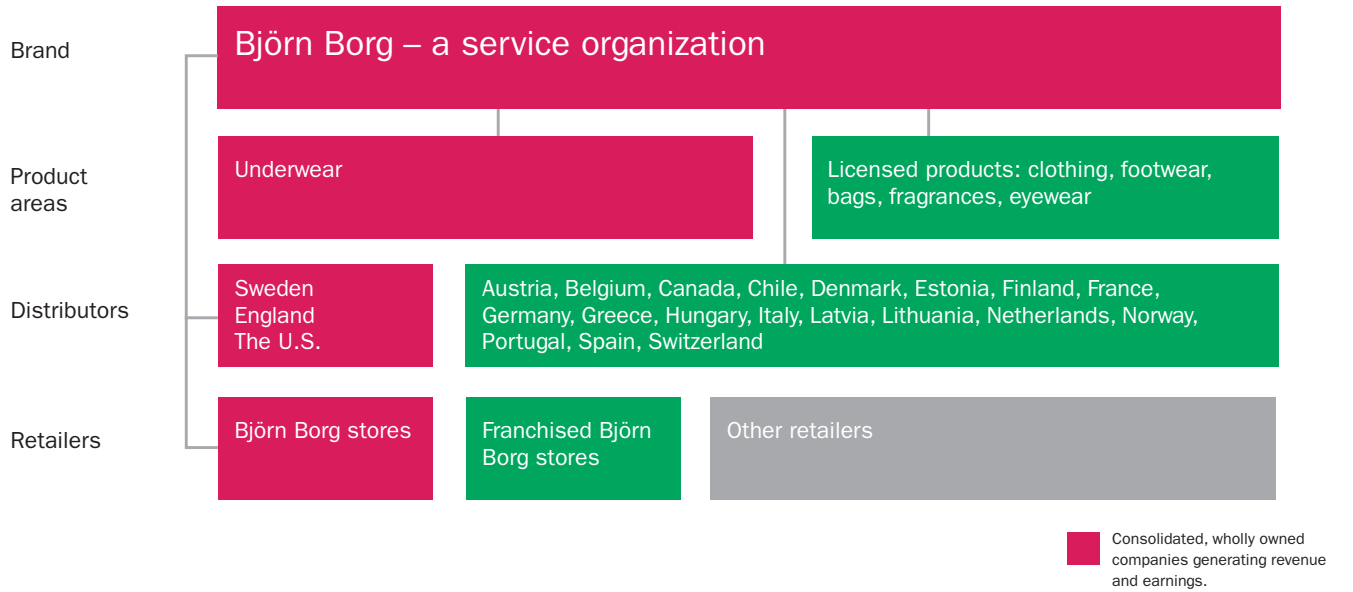
Björn Borg’s footwear collection will consist of men’s and women’s shoes in both sport and fashion models. We were able to show the first samples of fashion shoes from Trend Design Group in Swedish stores in August 2010. The women’s shoes will fall in the mid-price segment, between SEK 500 and 1,500, with men’s shoes slightly higher. The fall and winter collection will be somewhat more expensive, however. Ben Poelman sees opportunities to expand the range of Björn Borg shoes and would eventually consider adding children’s shoes, for example.

The footwear product area accounted for about 10 percent of Björn Borg’s brand sales in 2010. By licensing out footwear, the hope is that the business will have a better opportunity to develop and grow. Trend Design Group’s goal is to increase sales in new and existing markets, and it wants to increase awareness of Björn Borg shoes in the Björn Borg network as well as externally. They hope to do so with attractive new shoe collections, broader distribution and increased sales in several markets.



**“Our aim is to increase awareness of Björn Borg shoes – internally, among retailers and with consumers. We want to make fantastic shoes and produce good results,” said Ben Poelman of Trend Design Group.**

# OPERATIONS



## BUSINESS MODEL

The Group's growth and high profitability in recent years – and its success in positioning the Björn Borg brand – has largely been the result of its business model. The model facilitates expansion geographically and in the product range with limited operational risk and capital investment, while retaining control over the brand.

Björn Borg's business model utilizes the Group's own companies and a network of distributors and licensees, which have been granted licenses to one or more product areas and/or geographical markets. The network also includes Björn Borg stores operated by the Group or as independent franchisees.

By utilizing its own network as well as independent partners, Björn Borg can be involved in every part of the value chain and develop the brand internationally with a compact organization and limited financial investment and risks. The business model requires little capital investment by the company, since licensees and distributors are responsible for marketing, including investments and inventories for their product areas or markets. The model generates substantial consumer sales with limited risk and investment for Björn Borg. Björn Borg owns the strategically most important operations – the company responsible for the underwear product area.

Another positive effect of the business model and the network's use of a number of independent distributors is that the competence and valuable local expertise of these enterprising entrepreneurs can be put to use.



## BRAND

Björn Borg has specialized expertise in brand building and management. It is responsible for the development of the Björn Borg brand and for implementing the brand strategy and ensuring compliance within the network. At the same time the aim as a service organization is to create the best possible opportunities for distributors to successfully manage operations in their markets. This is done through guidelines and various packages for companies in the network, which include marketing activities, displays and graphic identity material. This ensures consistency in branding work and is efficient for distributors.

In a network encompassing the Group's own entities and 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 consumer sales. This gives it the best chance of ensuring the further development and correct positioning of the Björn Borg brand. Since it owns the Björn Borg trademark since 2006, the Group is responsible for ensuring that proper

trademark registration and protection are in place.

Underwear from Björn Borg is often prominently displayed in department stores, major retail chains and fashion boutiques. From well-stocked displays, these products attract the attention of customers with their distinctive patterns and bold colors. The design of the packaging ensures that the brand is quickly recognized. Björn Borg offers the stores flexible display solutions for small spaces, along with fast service and product replenishment. This facilitates high levels of sales at the retail level – a strong sales argument for Björn Borg's distributors.



## PRODUCT AREAS

The largest product area, underwear, is owned and managed by the Group. The areas for bags, eyewear and fragrances – and footwear from 2010 – are licensed to outside product companies. Until January 2011 the Dutch distributor was the licensee for the womenswear collection in the Dutch market. At that point Björn Borg established a subsidiary to produce fashionable, functional sportswear together with the Dutch distributor; see below.

The basic idea is that specialists should manage each product area to create the best possible prospects for growth and development. Each product company, whether Group-owned or managed by a licensee, is responsible within its respective area for the design and development of collections for every market, and position various products based on Björn Borg's guidelines. The collections are displayed and sold to distributors in the various geographical markets for further sale to retailers. The product companies also play a supporting role for distributors and retailers in the network.

Aside from the underwear collections for men, women and children, the Group-owned product company for underwear comprises socks, swimwear and lounge-wear. All design and product development are done by the Group-owned company,

while production is handled by outside suppliers, primarily in China and to a lesser extent in Europe. High demands are placed on quality and reliability relative to price, and the performance of suppliers is continuously evaluated. In production and logistics, Björn Borg tries to increase flexibility and efficiency, two factors that have grown in importance in recent years in pace with need for a more responsive supply chain and the ability to adapt production to shifting fashions. The company also looks for suppliers that can guarantee that Björn Borg's guidelines on working conditions and the environment are met. Read more about Björn Borg's corporate responsibility and environmental work on page 26.

### LICENSING OF FOOTWEAR

In February 2010 Björn Borg licensed out product development and portions of sales in the footwear product area to Trend Design Group, a well-established production company and wholesaler of men's and women's footwear with distribution in large parts of Europe as well as North America and Australia. The first collection that Trend Design Group is responsible for will reach around ten markets in March 2011. The aim is to utilize a strong international partner to further increase the growth in footwear.

### NEW SPORTSWEAR VENTURE IN THE NETHERLANDS

In January 2011 Björn Borg established a new subsidiary to produce fashionable athletic and functional wear together with the Dutch distributor. The creation of a separate clothing operation based in the Netherlands is another element in the strategy to focus on the core business, underwear, based in Stockholm. The new company, Björn Borg Sport, builds on the clothing concept in the Netherlands, where Björn Borg has established operations and extensive experience after having successfully managed the licensed womenswear company for about ten years. The collections, both women's and men's, will primarily include functional sports fashion. The products will be sold to distributors in Björn Borg's current markets, with an initial focus on larger markets.

Björn Borg is the majority owner with 51 percent of the new company, while the rest is owned by the current Dutch distributor and a smaller percentage by the clothing company's management and board of directors.



## DISTRIBUTORS

Distribution to retailers is normally handled by distributors with established supply chains and experience in underwear or fast-moving consumer goods, which are granted a license to use the trademark in the marketing and sale of Björn Borg products in various geographical markets.

The company has revised its criteria for cooperations with distributors in its geographical markets due to the increased focus on underwear. Björn Borg's partners in the network must be entrenched players with experience in underwear and fast-moving consumer goods rather than fashion and have an established distribution network in their local market and the resources for long-term investments.

Distributors sell and distribute the products to retailers by building the brand regionally through their sales force. They are responsible for purchasing, sales support, inventory, regional marketing, media planning and training. Björn Borg provides them with support in the form of joint marketing and PR campaigns, among other activities.

In the agreements, distributors commit to specific targets in terms of sales and investments in their markets. If they do not meet predetermined requirements, Björn Borg can terminate the agreement. The challenge for distributors, in the face of tight competition, is to establish and maintain their position as a supplier to retail chains and department stores as well as independent retailers. Success factors include a high level of service for retailers in the form of fast replenishment of popular products, attractive promotional materials and effective marketing activities. The ability to contribute to higher retail sales through such measures is considered a key success factor.

Marketing and sales feedback from distributors to Björn Borg and the licensees is an important element in order to continuously develop and fine-tune the collections and marketing activities. Four times a year Björn Borg brings together all its distributors to showcase its new collections and marketing materials and to discuss strategies, campaigns and planning, in addition to which an open dialogue is maintained on the performance of each market. The close cooperation in the network is important to the successful expansion of the brand.

## RETAILERS

Björn Borg products are sold at the retail level through department stores, chains and independent retailers, as well as through Group-owned and franchised Björn Borg stores and factory outlets. This mix creates the right positioning in the upper mid-price segment while generating high sales volume.

The large network of outside retailers represents an important interface with consumers. In all, around 3,800 retailers sell Björn Borg underwear and adjacent products, including 850 in Sweden, 900 in the Netherlands, 800 in Denmark and 400 in Norway. In smaller markets, around 900 retailers sell these products. Licensed products are sold through a total of around 6,000 retailers, about half of which are in Sweden.

Fashion and sporting goods chains as well as department stores – some with shop-in-shops – are gradually increasing in importance to the sale of Björn Borg products, while independent retailers are shrinking in number. This creates a more efficient selling-in process and leads to greater exposure in areas with high customer turnover.

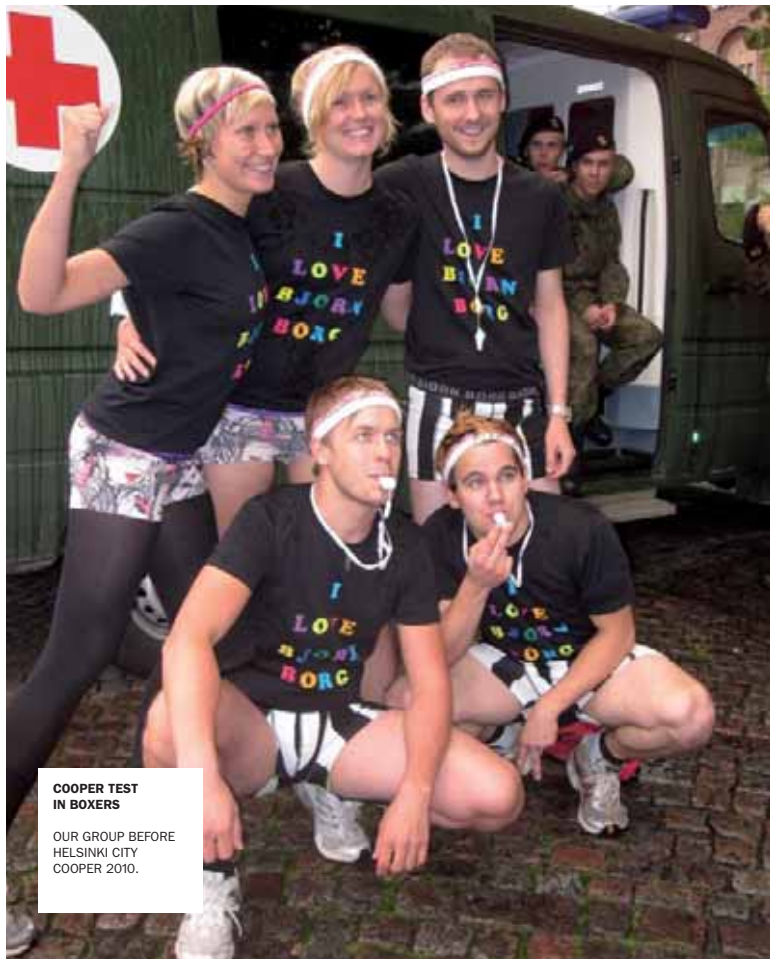
### BJÖRN BORG STORES

Björn Borg stores are important to the brand's exposure, marketing and direct contacts with consumers. At the same time they are a valuable source of sales. The stores are either wholly owned or franchised. The network also includes five factory outlets, two of which are run by Björn Borg in Sweden. The ten Group-owned Björn Borg's stores are located in Stockholm, Göteborg, Malmö and Linköping. The 37 franchised stores are in the Netherlands, Norway, Finland, Belgium, Germany and Sweden, where the first franchised Björn Borg store was opened in Helsingborg in late 2009.

### E-COMMERCE

E-commerce through the web site [www.bjornborg.com](http://www.bjornborg.com) is becoming an increasingly important sales channel for the company. In established markets, the web shop offers even greater accessibility, and in new markets it is an important complement since the number of retailers is still limited.

The global e-commerce platform launched in spring 2010 includes a new logistics solution and accommodates more languages such as Spanish, German and French. During the summer the new e-commerce platform was introduced in the US market as well.



COOPER TEST  
IN BOXERS

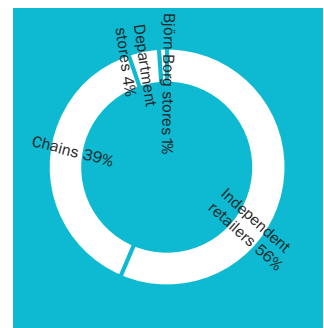
OUR GROUP BEFORE  
HELSINKI CITY  
COOPER 2010.

Measures to further improve the web shop are continuing with the aim to make it even easier and more enticing for customers to shop.

Björn Borg has seen accelerating sales since the new web shop was launched last spring and anticipates opportunities for further growth.

Björn Borg stores	Group-owned	Franchises
Sweden	10	1
Netherlands	–	28
Norway	–	2
Finland	–	1
Belgium	–	4
Germany	–	1
Total	10	37

SHARE OF RETAILERS  
BY RETAILER CATEGORY





ALL I NEED TO KEEP  
WARM TODAY IS  
MY BJÖRN BORG  
BOXERS.

VILDE

# PRODUCT AREAS

## UNDERWEAR

Underwear is Björn Borg's largest product area, comprising men's, women's and children's underwear, socks and swimwear. During the year underwear for children ages 2–12 was added. The range consists of trendy and fashionable products with the brand's characteristic patterns and colors, as well as a basics line with classic models.

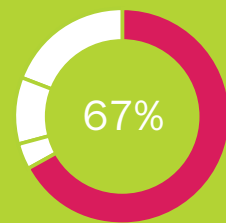
The men's collection accounted for about 68 percent of underwear sales, while the women's accounted for 21 percent. The kid's line accounted for about 11 percent after its first year on the market.

Björn Borg underwear is sold by independent retailers, apparel and sporting goods chains, department stores, online and Björn Borg stores. The product company for underwear is owned and operated by the Björn Borg Group.

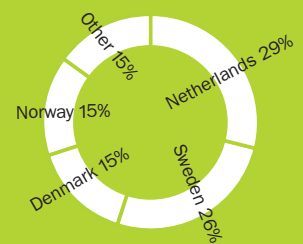
Brand sales for underwear decreased by 8 percent in 2010 to SEK 1,167 million. Among larger markets, Sweden and Belgium reported good growth during the year, while Norway, Denmark and the Netherlands saw sales decrease slightly year-on-year. Among smaller markets, Finland and Germany noted strong sales growth during the year.



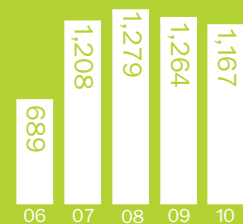
SHARE OF BRAND SALES 2010



BRAND SALES BY COUNTRY 2010

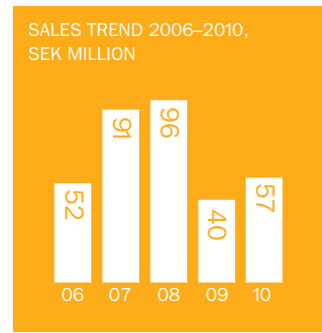
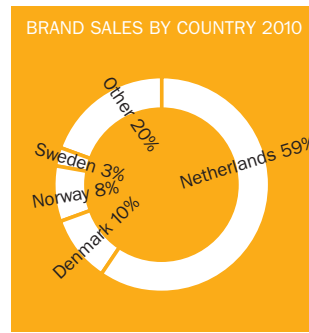
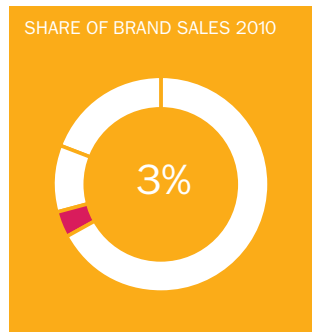


SALES TREND 2006–2010, SEK MILLION



## ADJACENT PRODUCTS

In 2010 Björn Borg offered a men's collection of coordinated sporty basics in casual models, including polos, T-shirts, tank tops, shorts, pajamas and robes. They are sold in Björn Borg stores and through a number of retailers. The distributor in the Netherlands has manufactured a clothing collection for women on a licensing basis for the Dutch market; see Licensed products. As of



2011 all clothing is produced and sold under the Björn Borg trademark through a new licensed company, Björn Borg Sport. Brand sales for adjacent products increased by 44 percent in 2010 to SEK 57 million.

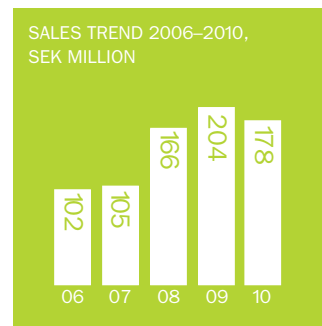
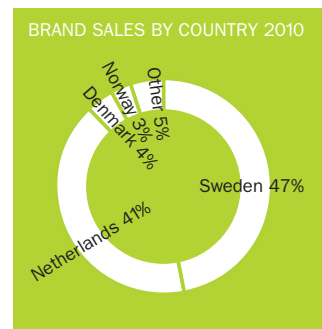
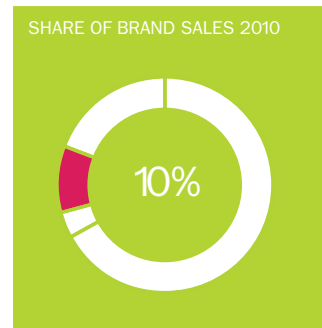


## FOOTWEAR

The footwear product area offers a range of fashion products and timeless classics such as men's and women's casual shoes. In recent years Björn Borg has expanded the footwear operations internationally to several of the company's markets. Sales in Denmark and the Netherlands began in 2007 and grew strongly in 2008–2009. In 2010 the footwear operations were licensed out to an international footwear company to create opportunities for further expansion and growth. During the spring the first licensed collection will reach stores in around ten markets.

Shoes are sold through independent retailers, footwear and sporting goods chains, and department stores.

Brand sales in the footwear product area amounted to SEK 178 million during the year, a decrease of 13 percent compared with 2009. Sales in Sweden decreased by 1 percent, from SEK 84 million to SEK 83 million.





## LICENSED PRODUCTS

### BAGS

The product area for bags falls in the fashion/trend segment and comprises handbags, wallets, gloves and belts. Bags are sold in Björn Borg's established markets in Europe – of which Sweden and the Netherlands are the largest – through luggage and sporting goods shops, retail chains, department stores and Björn Borg stores.

### EYEWEAR

Björn Borg eyeglass frames fall into the trendy segment of the market and are sold to retailers through the licensee's distribution organization. A line of sunglasses is also sold to other categories of retailers such as fashion boutiques, department stores and Björn Borg stores. Sweden and the Netherlands are the largest markets for eyewear.



### SALES TREND 2010

Total brand sales of licensed products amounted to SEK 331 million in 2010, down 9 percent compared with 2009. For bags the decrease was 7 percent, while eyewear and fragrances reported declines of 19 percent and 27 percent, respectively. Sales of the licensed women's collection in the Netherlands fell by 28 percent during the year.



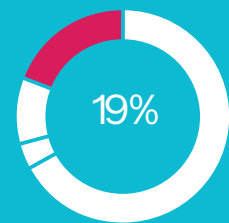
### FRAGRANCES

The product area offers a range of fragrances and skincare products for men and women in two lines: Advantage for both sexes, and Björn Borg Off Course, a line of fragrances and skincare products for men. The largest markets are Sweden and Denmark. Sales are currently made through major cosmetic chains such as Kicks and department stores such as Åhléns and NK, as well as through independent retailers and Björn Borg stores.

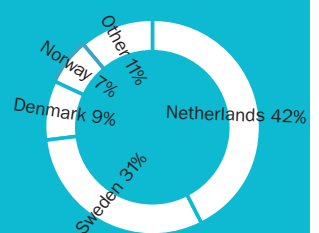
### WOMEN'S CLOTHING

Until 2010 the distributor in the Netherlands manufactured and sold a clothing collection for women on a licensing basis in the Dutch market. The clothing is sold through Björn Borg stores, independent fashion boutiques and department stores. As of 2011 all clothing is manufactured and sold under the Björn Borg brand through a new licensed company, Björn Borg Sport.

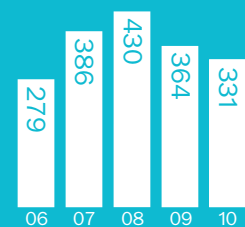
SHARE OF BRAND SALES 2010



BRAND SALES BY COUNTRY 2010



SALES TREND 2006–2010, SEK MILLION



# GEOGRAPHICAL MARKETS

Björn Borg's underwear product area is currently represented in a total of around 20 markets, of which the Netherlands, Sweden, Norway, Denmark and Belgium are the largest, in that order. Smaller markets include Finland and a number of markets where the brand has been introduced in the last five years: Chile, England, Estonia, France, Greece, Italy, Canada, Latvia, Lithuania, Portugal, Switzerland, Spain, Germany, the U.S. and Austria.

## LARGE MARKETS

### SWEDEN

The Björn Borg trademark was registered in Sweden in 1989 and established in the Swedish apparel market in the first half of the 1990s. In 1994 the first Björn Borg store opened in Stockholm. Today Sweden accounts for 28 percent of total brand sales. Björn Borg products are sold through around 850 retailers around the country as well as in eleven Björn Borg stores, one of which is franchised. Today Björn Borg has broad distribution in the Swedish market, and all its product groups are represented. Further expansion will be done selectively, although new product categories such as kids' underwear will attract new retailers. Brand sales rose in 2010 compared with the previous year.

### NETHERLANDS

The Netherlands was the largest market for the Björn Borg brand in 2010, with 34 percent of total brand sales. Operations in the country date back to 1993, and the brand quickly established a position in the Dutch market through growing volumes and a broad-based presence. Björn Borg products are sold through about 1,000 retailers and 28 franchised stores. In the Dutch market Björn Borg product sells underwear, clothing, footwear, bags and eyewear. Total brand sales in the Netherlands fell during the year, which was largely due to a decline during the first quarter. Sales during the last quarter of the year were largely unchanged.

### DENMARK

Björn Borg was launched in Denmark in 1992, and today it accounts for 13 percent of total brand sales. In the Danish market, Björn Borg products are sold exclusively through around 800 retailers, since there are currently no Björn Borg stores in the country. In Denmark the brand is represented in every product area. In 2010 brand sales in Denmark declined slightly compared with 2009.

### NORWAY

The brand was launched in the Norwegian market in the early 1990s. Norway today accounts for 12 percent of total brand sales. Products are sold through about 500 retailers around the country and two Björn Borg stores in Oslo. All product groups are represented in Norway. Brand sales in the Norwegian market declined slightly compared with the previous year.

### BELGIUM

Björn Borg was launched in Belgium during the second half of the 1990s. In recent years the growth rate has increased and Belgium is currently Björn Borg's fifth largest market, with 4 percent of total brand sales. Underwear dominates in the Belgian market and is sold through around 250 retailers and four Björn Borg stores. Brand sales in the Belgian market reported good growth compared with the previous year.



IT WAS A SUNNY AFTERNOON IN BAD GASTEIN SO I DECIDED TO KICK SOME POWDER IN MY BJÖRN BORG PANTS.

MARCUS

## SMALLER MARKETS

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Björn Borg's smaller markets combined for 9 percent of total brand sales, compared with 10 percent in the previous year. The first two years of a distribution cooperation in a new market are considered a test period when market conditions and the distributor's opportunities and ability to cultivate the market are evaluated, after which an assessment is made of the market's future development potential.

### **FINLAND**

The brand was established in Finland during the second half of the 1990s. Underwear is the dominant product area, although footwear and adjacent products are sold as well through retailers and a Björn Borg store in Helsinki. Brand sales grew strongly in Finland during the year.

### **ENGLAND**

Björn Borg started operations in England in 2006. The launch took place at the department store Selfridges in London. Distribution has since been broadened to include several other well-known retailers such as Harvey Nichols and Harrods, which are important to the continued international expansion. Underwear is sold in the British market. Since fall 2010 operations are managed by a company in the Björn Borg Group with its own sales organization. As part of the expanded marketing in the country, a showroom was opened centrally at Oxford Circus in London. Brand sales in England decreased in 2010 due to the takeover of the operations. During the second quarter of 2011 Björn Borg will fully manage the operations.

### **GERMANY**

In 2009 Björn Borg reached an agreement with a new, experienced distributor for the German market after the previous agreement had been terminated. Since operations were relaunched in fall 2009, the number of retailers has grown significantly, in particular among sporting goods distributors. An outlet was opened in late 2010. Brand sales continued to rise in 2010.

### **AUSTRIA**

Björn Borg has operated on a limited scale in Austria since 2007. The cooperation and potential for further operations in the country were evaluated during the year. Thanks to the positive trend in 2010, the prospects of further growth are considered good and the cooperation will be continued.

### **SPAIN**

Björn Borg terminated the agreement with the distributor in Spain at the end of the year. The aim is to remain in Spain, where the brand has begun to gain ground after several years in the market. Negotiations are being held with several interested parties that want to take over distribution in the country.

### **THE U.S.**

Björn Borg decided in 2009 to seek out a partnership solution with less risk for the further development of its U.S. operations. The focus now is mainly on further establishing the brand in the country through e-commerce.

### **CANADA**

In Canada, Björn Borg launched its sales on a limited scale in late 2008 through an external distributor. Brand sales in the Canadian market developed positively during the year from small volumes.

### **FRANCE**

Sales of Björn Borg products in France have remained on a small scale since the agreement with the previous distributor was terminated in 2009. In early 2011 Björn Borg signed a letter of intent with a new distributor for the French market.

### **GREECE**

In early 2009 an agreement was signed with an independent distributor to launch Björn Borg in Greece, with sales starting in fall 2009. Although difficult market conditions have hampered the brand's development, sales and the number of retailers both increased during the year.

### **ITALY**

A distribution agreement was signed in Italy in early 2009. During the fourth quarter of 2010 it was announced that the cooperation with the Italian distributor had been terminated. The operations that were launched in fall 2009 have not performed as planned, and it was determined that the distributor is unable to make the investments needed to establish the brand in the country. In early 2011 Björn Borg signed a letter of intent with a new distributor for the Italian market.

### **PORTUGAL AND CHILE**

Agreements were signed with independent distributors in fall 2009 to launch Björn Borg in Portugal and Chile in spring 2010. Sales are gradually increasing as the retailer network is expanded.

### **BALTIC COUNTRIES**

In August 2010 it was announced that an agreement had been reached with a distributor to launch Björn Borg in Estonia, Latvia and Lithuania during a trial period. The brand was promoted to retailers in these markets during the second half of 2010.

### **SWITZERLAND**

In fall 2010 it was decided that the distributor in Germany would assume responsibility for distribution in Switzerland as well. Sales to retailers are expected to begin during the second quarter of 2011.

# CORPORATE SOCIAL RESPONSIBILITY IN THE BJÖRN BORG GROUP

## CORPORATE RESPONSIBILITY

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### **BJÖRN BORG'S VIEW OF ITS RESPONSIBILITY**

Björn Borg is a Swedish company operating in an international market, who wants to be a good corporate citizen with the motivation of ensuring that the Björn Borg brand stands for something positive. One of Björn Borg's fundamental corporate values is taking responsibility. This is why corporate responsibility issues are so important to the company. This means, for example, that products must be of high quality and sustainable, that individuals that directly or indirectly works for Björn Borg must be treated with respect and work under reasonable conditions, and that operations must not impact the environment more than necessary. This should be reflected in business decisions and the way in which operations are conducted. Corporate social responsibility involves not only how the company itself acts but also, ultimately, encouraging partners such as suppliers to also do the right thing.

Björn Borg is trying to work in a more conscious, structured way with corporate social responsibility issues and to be more transparent about the work it is doing in this area. By reporting openly on the company's corporate social responsibility work, including which areas need improvement and the goals that the company is working towards, Björn Borg hopes to meet the expectations of its employees, consumers, the public, partners, organizations and the financial market. Björn Borg also tries to learn from successful examples of measures and approaches in the corporate social responsibility area.

### **ORGANIZATION AND TRAINING**

The President has the overall responsibility for corporate social responsibility issues. The Group also has a person responsible for managing these issues at an operating level. This includes enforcing and revising the company's code of conduct, monitoring that manufacturers, licensees and others follow the requirements, and providing information and training internally and for outside partners. To increase the impact of corporate social responsibility issues in a broader sense, Björn Borg plans to deepen its cooperations with licensees and, where applicable, with outside partners. The aim is to increase knowledge and understanding of corporate social responsibility issues in the wider network of partners, including through various types of training and follow-ups.

### **QUALITY AND SUSTAINABILITY**

Ensuring the quality of the products and production processes is an important part of Björn Borg's corporate social responsibility work. When a consumer buys a product of high quality, it will last. If the product is something the buyer values highly and enjoys, they will typically use it more often and for longer. A longer product life cycle can help to reduce environmental impacts. Björn Borg strives to maintain consistently high quality in its products. Specialists within each product area work continuously to improve every step of the manufacturing process, from design and choice of materials to production, in order to reach the right level of quality. The aim is that the customer will be able, and want, to use Björn Borg's products for a long time. The company's surveys show that this is the case.

Björn Borg has evaluated products over their life cycle in order to get a better understanding of their environmental impact and as a basis for further environmental work. The results show that it is the washing of the underwear by the customer that has the greatest impact. Because of this, Björn Borg will add a text on its packaging to encourage customers to think about the environment when using, and especially washing, the product. Other factors that affect the environment during the lifecycle of an undergarment are the manufacturing and processing of the material and, of course, the manufacturing and the subsequent transport of the product itself.

The production of cotton for underwear uses a considerable amount of water and chemicals. In early 2011 Björn Borg therefore started working with a new collection of underwear for men and women made from organic cotton for launch in spring 2012. A growing share of Björn Borg's products are also made with other, generally less environmentally harmful materials such as polyester and polyamide, a trend which is expected to continue.

## SOCIAL RESPONSIBILITY

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### **CHANGES BY MANUFACTURERS**

Björn Borg, like its licensees, relies on outside manufacturers to produce its products, primarily in Asia, but also to some extent in Europe. The company normally maintains close, longstanding relationships with its suppliers, which provides good insight into production conditions and creates opportunities for a constructive dialogue on corporate social responsibility issues. The number of principal suppliers is purposely kept low to facilitate control and follow-up. Björn Borg wants to take responsibility for ensuring that the people who produce Björn Borg products do so in a safe environment and under reasonable conditions, even if they are employed by third party manufacturers, not the Björn Borg Group. The requirements that Björn Borg places on its manufacturers in this respect are spelled out in manufacturing agreements, codes of conduct and chemical restrictions. A key success factor in implementing these types of requirements, is a close cooperation with the manufacturers in question and to allocate time and resources to support them as far as possible in making their own, internal improvements.

## BSCI

To better be able to systematically monitor and ensure compliance with the requirements placed on manufacturers, the company has joined the Business Social Compliance Initiative, BSCI, and applies its methodologies.

BSCI is a European non-profit organization dedicated to helping a large number of members, mostly retail, brand and import companies, to improve working conditions in their supply chain. BSCI helps members to work more efficiently by applying the same standardized requirements in terms of production conditions, etc., which makes it easier for these companies and their suppliers to make improvements. This includes a system to control and document the results of inspections and corrective actions. Björn Borg became a member of BSCI in January 2008 and has since adapted its Code of Conduct to the organization's guidelines. BSCI's Code of Conduct is based on the ILO's Core Conventions, the UN Declaration of Human Rights, the UN's Convention on the Rights of the Child and the OECD's Guidelines for Multinational Enterprises.

BSCI's Code of Conduct includes the following key elements:

- Legal compliance
- Freedom of association and the right to collective bargaining
- No discrimination is practiced
- Right to reasonable wages and benefits
- Limitations on overtime
- Workplace health and safety
- Prohibition of child labor
- Prohibition of forced labor
- Animal welfare guidelines

All of Björn Borg's manufacturers have committed to comply with the company's Code of Conduct, which is based on the BSCI's Code of Conduct, as noted above. When new manufacturers are contracted, a systematic review is done of working conditions, work environments, chemical handling, etc. in order to verify that the company in question is equipped to meet Björn Borg's requirements. The largest manufacturers contracted by Björn Borg are audited at least every three years. Any non-compliances that are identified result in a request to manufacturers to implement corrective action plans, after which they are re-audited to confirm that the appropriate measures have been taken. BSCI's requirement is that production units that supply 70 percent of more of total production volume must comply with the requirements of its code of conduct.

### AUDITS AND RE-AUDITS

The BSCI audits that Björn Borg previously conducted, including of its largest manufacturer, have resulted in demands that the manufacturers implement improvements. The most common areas of non-compliance relate to emergency exits, safety equipment, fire safety training, lighting and storage of chemicals.



These non-compliances can usually be remedied fairly easily. In April 2010 Björn Borg had an extensive re-audit conducted of the Group's largest underwear manufacturer, with good results. The facility was classified at the second highest level. The problems that remained primarily involved the amount of overtime. It is not unusual that overtime among manufacturers exceeds the levels allowed in the code of conduct. This issue is generally much more difficult to address. In Björn Borg's experience, it requires fundamentally changing attitudes, which takes time. In 2010 the company's largest manufacturer hired an outside consultant to support in implementing the changes in working hours required. The audits and re-audits that have been conducted to date concludes that BSCI's requirement (of 70 percent or more) is being met, but continuous follow-ups are needed to verify that the manufacturers at least maintain this level and continue to comply with the guidelines. Re-audits of overtime at Björn Borg's largest manufacturers will be made in 2011.

Björn Borg also tries to monitor its licensees' corporate social responsibility work, e.g., by controlling which controls they conduct of their manufacturers. Some licensees are active themselves within the BSCI. In 2010, two licensees conducted BSCI audits of their manufacturers, as a result of which these licensees now comply with BSCI's requirements as indicated above. These licensees also require their manufacturers to abide by BSCI's Code of Conduct. One of the licensees has terminated its agreement with a manufacturer that failed to meet the requirements. Björn Borg's goal is to further extend its cooperations with licensees in the area of corporate social responsibility in the future.

### WORKSHOPS AND TRAINING

As noted above, the company's largest manufacturer has hired an outside consultant as support in its improvement efforts. Björn Borg is also planning additional measures to increase awareness and understanding of its code of conduct, BSCI and current rules among its licensees, and eventually among others in its network of partners as well.

## ENVIRONMENTAL RESPONSIBILITY

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The products sold by Björn Borg shall comply with applicable legal requirements and other mandatory rules and be safe for customers and the environment. Björn Borg tries to minimize the environmental impact from the manufacturing of its products. Since manufacturing is handled exclusively by outside parties, this work usually involves trying to induce manufacturers in various ways to switch to production methods and chemicals that are safer for the environment and their personnel. An important focus area going forward is water, energy and chemical consumption in production. Another is whether the impact of transports and packaging can be further reduced.

### CHEMICAL RESTRICTIONS

Björn Borg has implemented guidelines on the use of chemicals in the manufacture of its products based on the chemical guide of Sweden's Textile Importers' Association and EU chemical regulations. The company's manufacturers have pledged to follow the instructions on the use of various substances, as detailed in a specific list of chemicals produced for this purpose. In some cases Björn Borg's own recommended limits on what is allowed in products are lower than the Textile Importers' Association's. Samples of the materials used in the company's underwear are now regularly tested before production begins in order to ensure that the guidelines are followed as early in the process as possible. Björn Borg's employees also regularly visit production facilities, giving them the opportunity to inspect and monitor them. A formal chemical handling process has now been implemented within the Group, based on the REACH regulation. The purpose of this work is to be able to inform outside stakeholders such as customers of the extent to which specific substances are used in individual products.

### INDUSTRY COOPERATIONS

Björn Borg cooperates with the research institute Swerea IVF, which has a broad range of operations in the textile field, including product testing. A chemicals group made up of a number of Swedish apparel companies under the leadership of Swerea IVF offers Björn Borg valuable support in its work with production chemicals, including access to expertise and up-to-date information on new and revised rules and more environmentally adapted chemicals and methods.

### TRANSPORTS

Björn Borg's products are shipped primarily by sea from its suppliers in China, and only to a limited extent by air. The small share of products manufactured in Europe is transported by truck. Shipments are sent directly from the country of origin to the distributor's warehouse in each market, which produces less emissions and lower costs than if they were sent through a central warehouse.

### PACKAGING

Björn Borg's underwear, and to some extent its other product areas, are shipped in plastic and paper packaging. All products contain labels. In 2010 greener plastic packaging was introduced in the form of EVA and polypropylene plastics, both of which are recyclable.



## COMMUNITY ENGAGEMENT

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In its efforts to give back to society, Björn Borg is providing financial support to the Mathare Sports Association (MYSA), a self-help program for children and young adults in the slums of Nairobi, Kenya that uses team sports and environmental cleanups. MYSA combines sports with leadership training by organizing activities to improve local environments and increase AIDS awareness. The organization currently serves around 25,000 children and young adults. Björn Borg donates a specific percentage of the sales price of each underwear item in its kid's collection to support MYSA's organization and scholarship fund. As a result, Björn Borg in 2010 allocated approximately SEK 5.4 million. In 2010 it donated SEK 1 million to MYSA for specific projects, including financing for grants and an office for operations. All the money will go to the organization as it expands and starts more projects. This long-term co-operation is periodically evaluated. In 2010 Björn Borg's partner, Social Initiative, followed up to see if the money was being used as agreed, how the support was being perceived by the children and how well the organization was performing, with positive results.

## PLANNED ACTIVITIES IN 2011

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In 2010 Björn Borg will focus on completing the BSCI re-audits mentioned above, including of the manufacturers that produced the high-volume product, Love All. Addressing the overtime situation will remain a priority in 2011. New manufacturers may also be included within the framework of the BSCI re-audits and in some cases may require audit measures. Further re-audit of licensees are planned as well. Björn Borg's goal is otherwise to gradually increase openness about its corporate social responsibility work and more clearly communicate its goals and results in this area.

# EMPLOYEES AND ORGANIZATION

The competence, creativity and drive of Björn Borg's employees are important factors behind the development of the brand and the Group and are considered decisive to their future success. Retaining employees, offering them opportunities to grow and attracting new professionals are priorities that management satisfies by building an open and stimulating corporate culture where employees can grow and further develop. In a growing organization focused on the international expansion of the brand, increasing demands are placed on structure and efficient working methods – while still maintaining creativity.

## INSPIRATION IS IMPORTANT

Björn Borg's employees generally have extensive industry experience, including from large international fashion and retail companies, as well as unique competence in the main area, underwear. Continuous skills development is important for both new hires and employees who have spent years with the company. Björn Borg provides internal training and closely follows developments in the industry. An important factor in maintaining a high level of innovation and creativity in product development is to gather inspiration from fashion shows and other international events and at the same time create an inspiring climate internally with close cooperation between departments.

## COMMON VALUES STEER US IN THE RIGHT DIRECTION

As part of the new strategy implemented in 2009, Björn Borg defined the values that shape the way it works: Open, Innovative, Passionate, Business Smart and Responsible. This also applies to communications internally and externally. Shared values play an important unifying function for Björn Borg and its growing international business and network of partners, as well as for the development of the brand.

Clear targets should be set for every employee and group to give the staff a better understanding of how they contribute to the Group's goals and to provide more opportunities for monitoring and development.

The compensation system currently used by the company utilizes base salaries and variable compensation for key employees, which pays out when individual targets are met. In addition, incentive schemes are offered to all employees based on warrants. They are described in more detail in note 7 on page 53.

## ORGANIZATION DURING THE YEAR

During the year employees were added in certain functions to meet the needs of a growing international group, but also to adapt the company's increased focus on underwear. This included specialists and designers in underwear. The organization was also strengthened in other areas during the year to meet higher aims and continue the international expansion.

## THE ORGANIZATION IN NUMBERS

The average number of employees in the Group was 100 in 2010. Their average age was 34, and 37 percent were men. Among the Group's employees, 32 percent have a post-secondary education. Average industry experience was slightly over ten years. Employee turnover in 2010 was 41 percent and sick leave 3.2 percent, against 2.3 percent in 2009.



**BJORN BORG**  
UNDERWEAR... THEY  
MAKE ME STAND OUT  
FROM THE CROWD!

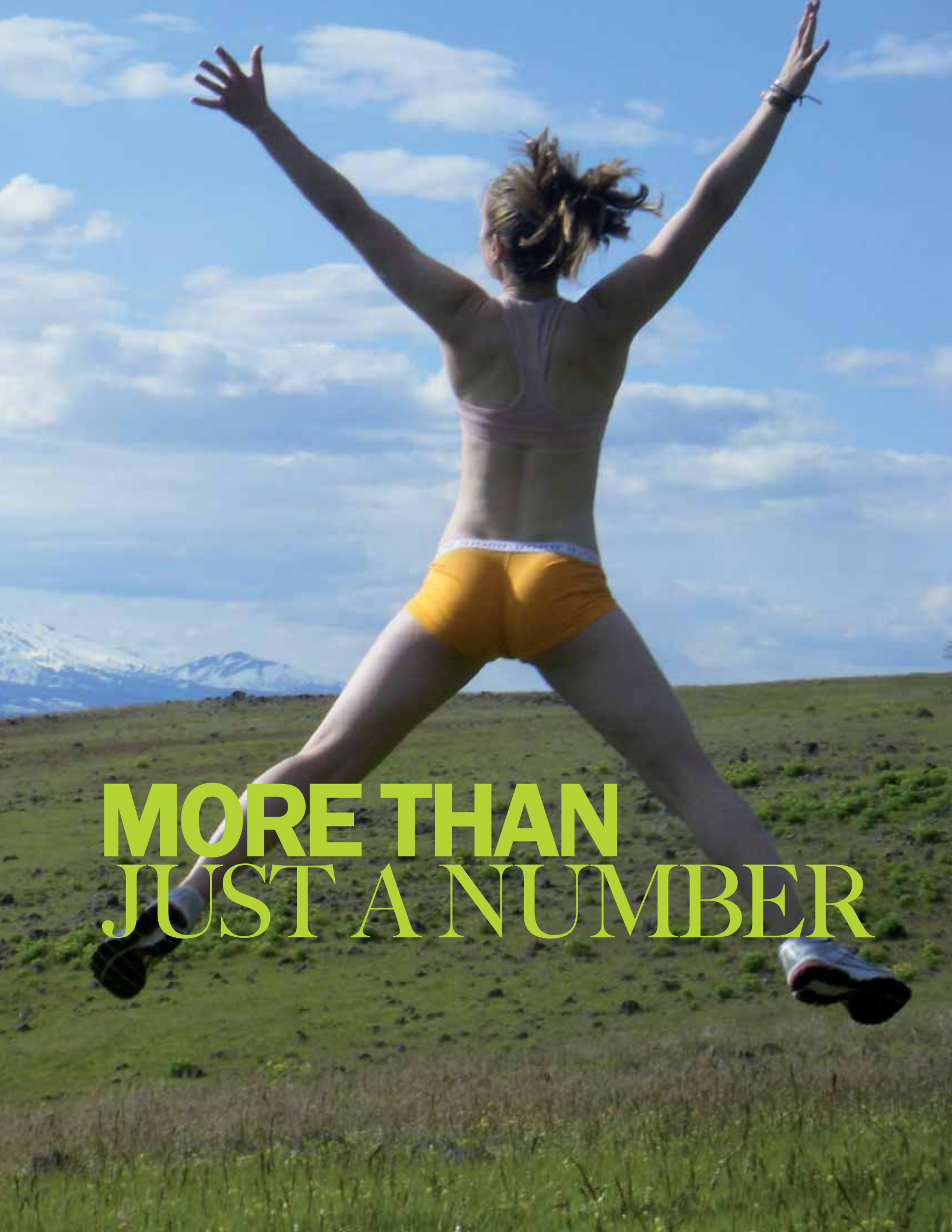
DJ GRANDMASTER  
BAITZ



**OUR FRIEND INTRODUCED**  
US TO BJORN BORG AND WE  
FELL IN LOVE! DURING OUR  
HIKING TRIP TO THE KLICKITAT  
RIVER IN WASHINGTON STATE,  
WE DECIDED TO HIKE IN ONLY  
OUR BJORN BORG.

MADDIE AND ALLI





**MORE THAN  
JUST A NUMBER**

# FIVE-YEAR SUMMARY

SEK thousands	2010	2009	2008	2007	2006
<b>Income statement</b>					
Net sales	536,040	519,915	526,556	494,886	324,555
Operating profit	126,005	112,594	128,751	142,075	81,864
Profit after financial items	123,995	111,658	134,822	142,227	81,400
Profit for the year	90,763	80,902	99,202	102,091	58,485
<b>Balance sheet</b>					
Intangible assets	208,334	204,913	203,172	202,417	202,426
Tangible non-current assets	7,808	11,150	15,366	17,817	6,331
Financial non-current assets	–	–	–	–	45
Deferred tax assets	6,438	–	–	–	–
Inventories, etc.	26,239	26,455	33,752	24,640	22,036
Current receivables	85,344	65,719	106,197	77,093	58,194
Short-term investments	35,567	–	–	–	–
Cash & cash equivalents	194,275	296,484	241,498	187,423	59,544
<b>Total assets</b>	<b>564,005</b>	<b>604,720</b>	<b>599,985</b>	<b>509,390</b>	<b>348,576</b>
Equity	427,276	460,956	413,803	342,943	138,054
Non-current liabilities	34,724	40,889	46,816	52,515	95,465
Deferred tax liabilities	48,189	40,011	32,884	28,607	17,141
Current liabilities (interest-bearing)	–	–	–	–	10,000
Other current liabilities	53,816	62,864	106,482	85,325	87,916
<b>Total equity and liabilities</b>	<b>564,005</b>	<b>604,720</b>	<b>599,985</b>	<b>509,390</b>	<b>348,576</b>
<b>Key figures</b>					
Gross profit margin, %	53.6	51.3	53.8	53.6	50.7
Operating margin, %	23.5	21.7	24.5	28.7	25.2
Profit margin, %	23.1	21.5	25.6	28.7	25.1
Return on capital employed, %	25.7	20.9	28.8	40.9	48.6
Return on average equity, %	20.5	18.5	26.2	42.4	53.0
Profit attributable to Parent Company's shareholders	90,897	80,867	99,210	102,062	58,485
Equity/assets ratio, %	75.8	76.2	69.0	67.3	39.6
Equity per share, SEK	16.99	18.33	16.51	13.70	5.95
Investments in intangible non-current assets	4,878	3,160	2,200	225	188,532
Investments in tangible non-current assets	2,498	1,380	2,873	15,290	5,542
Investments in financial assets	9,046	–	–	–	–
Depreciation/amortization for the year	–7,136	–7,024	–6,976	–4,121	–1,329
Average number of employees	100	92	88	76	52
<b>Data per share</b>					
Earnings per share, SEK	3.61	3.22	3.96	4.18	2.55
Earnings per share (after dilution), SEK	3.57	3.21	3.96	4.17	2.53
Number of shares	25,148,384	25,148,384	25,059,184	25,036,984	23,207,376
Weighted average number of shares	25,148,384	25,111,217	25,041,134	24,406,699	22,954,076
Effect of dilution	321,818	118,910	34,366	83,461	127,524
Weighted average number of shares (after dilution)	25,470,202	25,230,128	25,075,500	24,490,160	23,081,600

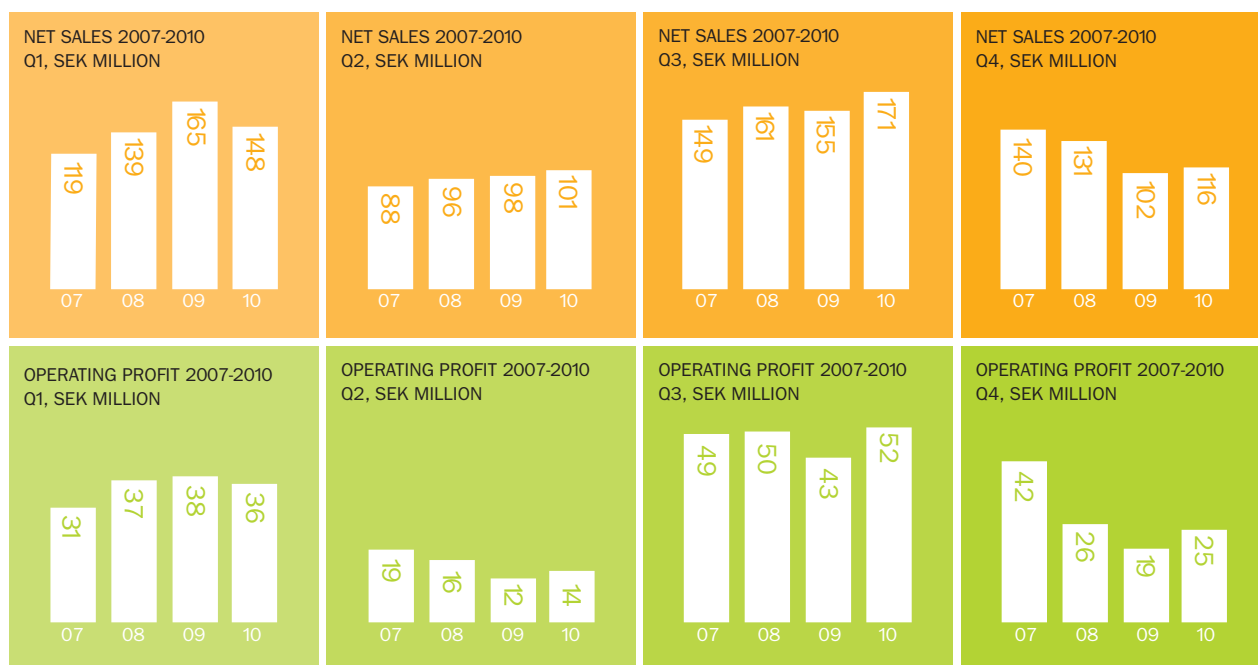
# QUARTERLY DATA FOR THE GROUP

SEK thousands	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	2010	2010	2010	2010	2009	2009	2009	2009
Brand sales	428,234	506,572	338,253	460,156	410,053*	501,629*	358,037*	602,183
Net sales	115,893	170,998	100,770	148,379	102,247	155,162	97,832	164,674
Gross profit margin, %	56.3	52.6	55.1	51.6	55.7	50.8	50.9	49.3
Operating profit	24,513	51,516	13,939	36,037	19,427	43,454	12,131	37,582
Operating margin, %	21.2	30.1	13.8	24.3	19.0	28.0	12.4	22.8
Profit after financial items	24,150	49,772	14,644	35,429	19,712	40,830	11,871	39,245
Profit margin, %	20.8	29.1	14.5	23.9	19.3	26.3	12.1	23.8
Earnings per share, SEK	0.70	1.46	0.43	1.03	0.54	1.20	0.34	1.15
Earnings per share after dilution, SEK	0.70	1.44	0.42	1.01	0.53	1.19	0.33	1.15
Number of Björn Borg stores at end of period	47	46	46	46	46	45	43	44
of which Group-owned Björn Borg stores	10	10	10	10	10	10	10	11

\* Because brand sales for the full-year 2009 have been changed to correct the previously reported figures, quarterly brand sales for 2009 have been updated. Previously reported figures: Q2 2009 = SEK 385,637,000, Q3 2009 = SEK 566,423,000, Q4 2009 = SEK 422,121,000.

## SEASONAL VARIATIONS

The Björn Borg Group is active in an industry with seasonal variations. The four quarters vary in terms of sales and earnings. With the current product mix, the second quarter is generally the weakest with regard to sales and earnings.



# BUSINESS SEGMENTS

## BUSINESS SEGMENTS AND REVENUE

Björn Borg reports revenue for four business segments.

### BRAND AND OTHER

Net sales in the Brand and Other segment mainly consist of royalty revenue, as well as invoicing of internal Group services. Royalties are generated through wholesale sales of Björn Borg products through distributors (Group-owned and independent) to retailers and are calculated as a share of these sales. Royalties are paid monthly or quarterly in arrears. In 2010 net sales amounted to SEK 135.5 million (138.3) with operating profit of SEK 40.8 million (43.9).

### PRODUCT DEVELOPMENT

Sales in the Product Development segment are generated by the Group-owned product companies for clothing and adjacent products through sales to distributors in all markets. In 2010 net sales amounted to SEK 360.6 million (339.2) with operating profit of SEK 64.4 million (51.0).

### WHOLESALE

Sales in the Wholesale segment are generated by the Group-owned distributors for clothing and footwear in Sweden, England and the U.S., where Björn Borg is the exclusive distributor in these segments. In 2010 net sales amounted to SEK 208.2 million (193.8) with operating profit of SEK 21.3 million (9.6).

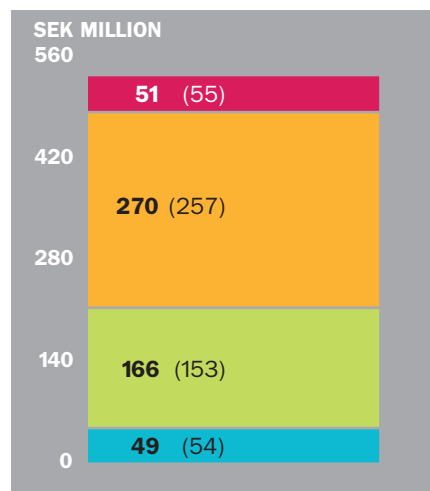
### RETAIL

Sales in the Retail segment are currently generated through Group-owned Björn Borg stores and e-commerce. Net sales in Retail amounted to SEK 49.1 million (54.5) in 2010 with an operating loss of SEK 0.5 million, against year-earlier profit of SEK 8.0 million.

## NET SALES BY SEGMENT

After eliminating internal sales

## OPERATING PROFIT BY SEGMENT



- Brand and other
- Product development
- Distribution
- Retail

# BOARD OF DIRECTORS' REPORT

The Board of Directors and the President of Björn Borg AB (publ), company registration number 556658-0683, herewith present the annual report and consolidated accounts for the financial year 2010.

## OPERATIONS

Björn Borg AB owns the Björn Borg trademark and focuses on underwear. The company also offers adjacent products, footwear and, through licensees, bags, eyewear and fragrances. Björn Borg products are sold in around 20 markets, the largest of which are Sweden and the Netherlands. Operations are conducted through a network of product and wholesale companies which are either part of the Group or independent companies with licenses for product areas and geographical markets. The Björn Borg Group has its own operations at every level from brand development to consumer sales in its own Björn Borg stores. Björn Borg's business model facilitates geographical and product expansion with limited risk and capital investment, at the same time that control of the brand rests with the company.

## BJÖRN BORG SHARE AND OWNERSHIP STRUCTURE

Björn Borg is listed on NASDAQ OMX Stockholm Mid Cap list. The total number of shares in Björn Borg is 25,148,384. There is one class of share. The share capital amounts to SEK 7,858,870 and the quota value per share is SEK 0.3125. Each share carries one vote at the Annual General Meeting (AGM) and there are no limitations on how many votes each shareholder may cast at the AGM. Björn Borg had 6,908 shareholders at year-end. The largest shareholder as of December 31, 2010 was Fredrik Lövestedt, who directly or indirectly owned more than ten percent of the shares in Björn Borg.

There are no limitations on the right to transfer the Björn Borg share according to current laws or Björn Borg's Articles of Association. Nor is Björn Borg aware of any agreements between shareholders that could infringe upon the right to transfer Björn Borg shares. There are no material agreements in which Björn Borg is a party which take effect, are amended or cease to apply if control over the company changes as a result of a public takeover offer.

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

## ANNUAL GENERAL MEETING

Björn Borg's Annual General Meeting was held on April 15, 2010. The AGM re-elected Mats H Nilsson, Vilhelm Schottenius, Michael Storåkers, Monika Elling, Fabian Månsson and Nils Vinberg as Directors, with Fredrik Lövestedt as Chairman of the Board. Kerstin Hessius was elected as a new Director. The AGM also passed resolutions on the profit distribution, authorization for the Board to resolve on acquisitions, transfers of the company's own shares and new share issues.

## BOARD WORK

In 2010 the Board held seven scheduled meetings, four of which were in connection with the quarterly financial reports, one in connection with the preparations for the AGM, one in connection with the AGM, one strategy meeting and one meeting in connection with the adoption of the budget. In addition, two special meetings were held. Further information on the Board's work and members' attendance at the meetings held during the year can be found in the corporate governance report on page 64.

## NOMINATION COMMITTEE

According to the resolution of the AGM, Björn Borg's Nomination Committee shall be composed of the Chairman of the Board and one representative from each of the company's three largest shareholders by votes. For the 2011 AGM Björn Borg's Nomination Committee has the following members:

- Fredrik Lövestedt, Chairman of the Board
  - Mats H Nilsson, representing himself as a shareholder
  - Carina Tovi, representing Swedbank Robur Funds
  - Stefan Roos, representing SEB Funds
- Mats H Nilsson is Chairman of the Nomination Committee.

## CAPITAL MANAGEMENT

### Financial goals

Björn Borg's financial goals for the period 2010–2014 are as follows:

- Average annual organic growth of at least 10 percent
- An average annual operating margin of at least 20 percent
- An annual dividend of at least 50 percent of net profit
- Long-term cash reserves equivalent to 10–20 percent of annual sales.

### Comments on the financial objectives

The long-term objective will be achieved by growing slightly below the average target in large markets and generating higher growth in smaller markets. During the beginning of the period sales growth could fall below the target, as several new markets are being added.

Surplus liquidity that is generated while taking into account the new financial goals will be distributed gradually during the forecast period, starting in 2010.

Operating investments are estimated annually at 2–5 percent of net sales depending on whether any new concept stores are opened.

## Dividend

The Board of Directors has decided to recommend to the 2011 AGM a distribution of SEK 5.20 per share for the financial year 2010, corresponding to 144 percent of net income; see above regarding the financial goals and dividend. As proposed, the distribution would be paid through an automatic redemption, whereby every share is divided into a common share and two redemption shares. The redemption shares will then automatically be redeemed for SEK 2.60 per share. Payment for the redemption shares, contingent on the approval of the

AGM, is expected to be made around May 25, 2011. The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 130.8 million (125.7). For 2009 a dividend of SEK 5.00 was paid per share, corresponding to 155 percent of net income.

## EVENTS IN 2010

### Markets

During the year Björn Borg gradually took over the British operations from the former distributor and fully manages them as of the second quarter of 2011. The takeover of the operations slightly increased operating expenses during the second half of 2010. The Spanish distributor filed for bankruptcy at the end of 2010. Because of the business model Björn Borg uses with its distributors, the bankruptcy has not caused any significant costs for the Group. There is a strong interest in the brand in the country, and negotiations are currently being held with potential partners in the Spanish market.

The previously announced letter of intent on wholesale in Poland has been canceled.

During the first quarter of 2011 Björn Borg signed the letters of intent with new distributors in Italy and France. In the company's estimation, the new distributors have the capacity for the necessary investments to establish the brand in these countries.

In recent years Björn Borg has expanded to a number of new markets in cooperation with external distributors. The Group has tightened its criteria for new distributors in terms of resources, contact networks and experience. In 2011 Björn Borg will introduce a two-year trial period on cooperations with new distributors in order to evaluate market conditions and the distributor's opportunity and ability to cultivate the market. During this introductory stage, we will assess the market's future development potential.

### Licensing

Due to its focus on underwear, Björn Borg during the year licensed out its product development and a portion of sales in the footwear area to Trend Design Group, a well-established production and wholesale company for men's and women's footwear with distribution in large parts of Europe as well as North America and Australia. Distribution of Björn Borg shoes in Sweden and Finland remains within the Group and is managed by the current sales organization, while Trend Design Group is responsible for sales in other markets.

The first collection of Björn Borg footwear that Trend Design Group is fully responsible for will reach stores in a number of markets around Europe in March 2011.

### Björn Borg stores

An outlet in Germany was opened by the German distributor during the fourth quarter of 2010. No other changes were made regarding the number of stores during the year. At year-end there were 47 (46) Björn Borg stores, of which 10 (10) are Group-owned.

### Commitments and contingent liabilities

An agreement has been reached on the previously reported dispute with the English distributor regarding undelivered shipments, which affected profit negatively in the second quarter of 2010.

### Licensed product groups

The company has agreements for four licensed product groups: footwear, bags, eyewear and fragrances.

### EVENTS AFTER THE BALANCE SHEET DATE

In January 2011 Björn Borg established a new subsidiary to produce fashionable athletic and functional wear together with the Dutch distributor. The creation of a separate clothing operation based in the Netherlands is another element in the strategy to focus on the core business, underwear, based in Stockholm. The new company, Björn Borg Sport, builds on the clothing concept in the Netherlands, where Björn Borg has established operations and extensive experience after having successfully managing the licensed womenswear company for about ten years. The collections, both women's and men's, will primarily include sports fashion and functional sportswear. The products will be sold to distributors in Björn Borg's current markets, with an initial focus on larger markets. In 2011 Björn Borg Sport will handle some billing for shipments from the former Dutch apparel operations. This is expected to raise the Group's operating expenses by about SEK 10 million in 2011. The new clothing operation is considered to have good financial potential.

## THE GROUP'S DEVELOPMENT

### Net sales

Group sales during the year amounted to SEK 536.0 million (519.9), an increase of 3 percent. The increase came from product development (export sales to distributors) and wholesale operations (sales to retailers), while lower footwear exports to the Netherlands negatively affected sales in the first quarter of 2010.

### Profit

The gross profit margin increased during the year to 53.6 percent (51.3). Operating profit amounted to SEK 126.0 million (112.6) and the operating margin was 23.5 percent (21.7). Profit before tax increased to SEK 124.0 million (111.7). Operating expenses as a share of net sales amounted to 30.1 percent (29.6). The higher gross margin was partly due to a larger share of higher-margin sales within product development, and to some extent to a weaker USD compared with 2009, which has had a positive effect on the wholesale operations.

At the end of the period the company had 25,148,384 (25,148,384) shares outstanding. Earnings per share before and after dilution amounted to SEK 3.61 (3.22) and SEK 3.57 (3.21), respectively.

Condensed income statement	2010	2009
Net sales, SEK million	536.0	519.9
Operating profit, SEK million	126.0	112.6
Operating margin, %	23.5	21.7
Profit before tax, SEK million	124.0	111.7
Profit for the year, SEK million	90.8	80.9
Earnings per share, SEK	3.61	3.22
Earnings per share after full dilution, SEK	3.57	3.21

### Investments and cash flow

Cash flow from operating activities in the Group amounted to SEK 72.8 million (94.1) for the full-year 2010. The decline was mainly

due to increased tied-up working capital compared with December 31, 2009, partly caused by larger deliveries to wholesale customers at the end of the year, which increased accounts receivable. Together with other current receivables, they were SEK 19.6 million higher than on December 31, 2009. At the same time accounts payable were SEK 5.5 million lower than a year earlier.

Total investments in tangible and intangible non-current assets amounted to SEK 7.4 million (4.5), the large part of which was attributable to a new web platform, but also a store renovation and a new enterprise system. During the first quarter Björn Borg Services AB was acquired for SEK 9.1 million, excluding Björn Borg Services' cash and transaction expenses.

For the full-year 2010 cash & cash equivalents decreased by SEK 66.6 million, compared with an increase of SEK 55.0 million in the previous year, mainly due to an increased dividend to shareholders and the temporary increase in tied-up working capital. In 2010, SEK 125.7 million was distributed to shareholders, compared with SEK 37.6 million in 2009.

#### **Financial position and liquidity**

The Björn Borg Group's cash & cash equivalents and short-term investments amounted to SEK 229.8 million (296.5) at the end of the period. The equity/assets ratio was 75.8 percent (76.2). The company has no interest-bearing liabilities.

#### **PERSONNEL AND REMUNERATION GUIDELINES**

The competence, creativity and drive of Björn Borg's employees are important factors behind the development of the brand and the Group, and are decisive to their future success. Retaining employees and attracting new professionals to the organization is therefore a priority for management. The compensation systems currently used by the company comprise base salaries and a variable compensation system for certain key employees, which pays out when individual targets are met. The maximum variable compensation corresponds to three months' salary. In addition, Björn Borg has established an incentive scheme based on warrants for all employees.

#### **REMUNERATION GUIDELINES FOR THE PRESIDENT AND OTHER SENIOR EXECUTIVES**

The Annual General Meeting on April 15, 2010 resolved that remuneration for the President and other members of senior management shall comprise a base salary, variable compensation, long-term incentive schemes and other benefits, including a pension. Total compensation must be competitive given current market conditions and reasonable relative to each individual's responsibilities and authority. Variable compensation will be based on performance in relation to defined, measurable goals and maximized relative to established targets. Variable compensation will never exceed the base salary. If terminated by the company, the term of notice will not exceed twelve months. Severance is not paid. Pension benefits are defined contribution (or a combination) and entitle senior executives to receive a pension from age 65.

The Board proposes that the 2011 AGM keep the remuneration guidelines for the President and other senior executives unchanged. The average number of employees for the full year was 100 (92), of whom 37 percent (35) are men and 63 percent (65) women.

#### **RESEARCH AND DEVELOPMENT**

Although Björn Borg does not conduct any research, development and design work is done in the clothing and footwear product areas, which is recognized as development costs through profit or loss.

#### **CORPORATE RESPONSIBILITY AND THE ENVIRONMENT**

Taking responsibility for its impact on people and the environment is one of Björn Borg's core values and is crucial to cooperations in the Group's network.

Björn Borg maintains a close cooperation with its suppliers and in many cases has longstanding relationships, which generally gives it good insight into production conditions. The limited number of principal suppliers facilitates dialogue and oversight. Björn Borg works continuously with corporate responsibility and environmental issues, including by specifying requirements that must be met in the Group's supplier agreements, code of conduct and chemical restrictions.

Björn Borg has been a member of the Business Social Compliance Initiative, BSCI, since January 2009 and has since adapted the Group's Code of Conduct to the organization's guidelines. Members apply the same requirements regarding production conditions, etc., which makes it easier for companies and suppliers to make improvements.

All of Björn Borg's suppliers pledge to abide by the company's Code of Conduct, and major suppliers are gradually undergoing independent audits and re-audits. With respect to the use of chemicals in textile production, Björn Borg follows the guidelines of the Textile Importers' Association in Sweden, which are based on Swedish legislation and EU regulations.

During the year Björn Borg continued to work on corporate responsibility issues, including through audits and re-audits of suppliers, an increase in inspections of chemicals contained in products, internal training and industry cooperations to more effectively work with chemical issues in production.

#### **RISKS, UNCERTAINTIES AND RISK MANAGEMENT**

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

##### **Financial risks**

Through its operations, Björn Borg is exposed to currency, interest rate, credit and counterparty risks, as well as liquidity and refinancing risks. The Board has decided how the Group will manage these risks. See also Note 3, page 50.

##### **Market risks**

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

##### **Expansion of operations**

The company's future growth is dependent on the network's ability to increase sales through existing channels, though also on find-

ing new geographical markets for the company's products. The opportunity to find new markets for Björn Borg is partly dependent on factors beyond the company's control, such as economic conditions, trade barriers and access to attractive store locations on commercially viable terms.

#### Network

The company's position and future expansion are dependent in part on independent entrepreneurs that serve as product companies, distributors and franchisees in the network. Despite that Björn Borg generally has effective, extensive contractual relationships, directly or indirectly, with outside parties in the network, these agreements can be terminated and there are no guarantees that similar agreements can be signed. The termination of a cooperation with one or more entrepreneurs in the network could adversely impact the company's growth and results.

#### Fashion trends

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

#### Cyclicality

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

#### Protecting the Björn Borg trademark

The Björn Borg trademark is crucial to the company's position and success. Copyright infringements and distribution of pirated copies damage the Björn Borg brand, the reputational capital of its products and Björn Borg's profitability. As the brand has become stronger and sales of its products have grown of late, the company has noted an increase in pirated copies of its products. In addition to the risks associated with pirating, the opportunity to expand to new markets could be affected if, for example, a third party in another country has registered a trademark similar to Björn Borg. The company works continuously with trademark protection. There are no guarantees, however, that the measures taken to protect the Björn Borg trademark are sufficient.

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

#### Reputational damage

The company's reputation among customers is based on a consistent experience with Björn Borg products in the markets where

they figure. Björn Borg products should be presented in a way that reflects the values Björn Borg represents. If the parties in the network should take any action that presents Björn Borg products in a way that conflicts with the company's market positioning or the values the brand represents, Björn Borg's reputation would be damaged. In the long term damage to the company's reputation would impact growth and earnings.

#### FORM OF ASSOCIATION, ETC.

Björn Borg AB (publ) was formed on February 20, 2004 and recorded in the register of companies on March 19, 2004. The company's form of association is governed by the Swedish Companies Act (2005:551). The domicile of the Board of Directors is the municipality of Stockholm. The company's registration number is 556658-0683.

#### OUTLOOK FOR 2011

It is the company's policy not to issue earnings forecasts.

#### PARENT COMPANY

Björn Borg AB (publ) is mainly engaged in intra-Group activities. The company also owns 100 percent of the shares in Björn Borg Brands AB, Björn Borg Footwear, Björn Borg Inc. (US) and Björn Borg Services AB (dormant).

Moreover, the company owns 80 percent of the shares in Björn Borg Ltd (UK). The Parent Company's net sales for the full-year 2010 amounted to SEK 45.8 million (47.6). Profit before tax and allocations amounted to SEK 68.8 million (84.4) for the full-year. Cash & cash equivalents and short-term investments amounted to SEK 217.3 million (287.7) on December 31, 2010. Full-year investments in tangible and intangible non-current assets amounted to SEK 0.8 million (2.3).

#### Proposed distribution of profit

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

Retained earnings, SEK	56,880,795
Profit for the year, SEK	77,616,900
	<hr/>
	134,497,695
The Board proposes that:	
Shareholders receive a distribution of SEK 5.20 per share, totaling SEK	130,771,597
Carried forward, SEK	3,726,098
	<hr/>
	134,497,695

Based on the information above and what has otherwise come to its attention, the Board of Directors has evaluated the financial position of the company and the Group and considers the dividend to be justifiable in view of the requirements that the nature, scope and risks of the operations place on the size of the company's equity, as well as the consolidation needs, liquidity and financial position of the company and the Group in other respects.



# CONSOLIDATED INCOME STATEMENT AND TOTAL COMPREHENSIVE INCOME

SEK thousands	Note	2010	2009
Net sales	4,5	536,040	519,915
Cost of goods sold		-248,844	-253,271
<b>Gross profit</b>		<b>287,196</b>	<b>266,644</b>
Distribution expenses		-106,643	-102,390
Administrative expenses		-41,037	-38,463
Development expenses		-13,511	-13,197
<b>Operating profit</b>	4, 6, 7, 8, 9, 10, 11	<b>126,005</b>	<b>112,594</b>
Interest income and similar income items	26	2,754	4,384
Interest expenses and similar expense items	26	-4,764	-5,320
<b>Profit after financial items</b>		<b>123,995</b>	<b>111,658</b>
<b>Profit before tax</b>		<b>123,995</b>	<b>111,658</b>
Tax on profit for the year	13	-33,232	-30,756
<b>Profit for the year</b>		<b>90,763</b>	<b>80,902</b>
<b>Profit for the year attributable to:</b>			
Parent Company's shareholders		90,897	80,867
Non-controlling interests		-134	35
<b>Total comprehensive income</b>			
Profit for the year		90,763	80,902
<b>Other comprehensive income</b>			
Exchange rate differences		253	844
<b>Total comprehensive income for the year</b>		<b>91,017</b>	<b>81,746</b>
<b>Total comprehensive income for the year attributable to</b>			
Parent Company's shareholders		91,151	81,711
Non-controlling interests		-134	35
Earnings per share, SEK	23	3.61	3.22
Earnings per share after dilution, SEK	23	3.57	3.21

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Note	Dec. 31, 2010	Dec. 31, 2009
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>	14		
Goodwill		13,944	13,944
Trademarks		187,532	187,532
Other intangible assets		6,858	3,437
		<b>208,334</b>	<b>204,913</b>
<b>Tangible non-current assets</b>	15		
Property, plant and equipment		7,808	11,150
		<b>7,808</b>	<b>11,150</b>
<b>Financial non-current assets</b>			
Deferred tax assets		6,438	–
		<b>6,438</b>	<b>–</b>
<b>Total non-current assets</b>		<b>222,580</b>	<b>216,063</b>
<b>Current assets</b>			
<b>Inventories</b>			
Trading book	17	26,239	26,455
		<b>26,239</b>	<b>26,455</b>
<b>Current receivables</b>			
Accounts receivable	18	50,993	38,032
Tax assets		15,260	7,370
Other current receivables		4,486	3,227
Prepaid expenses and accrued income	19	14,605	17,090
		<b>85,344</b>	<b>65,719</b>
<b>Short-term investments</b>			
Short-term investments		35,567	–
		<b>35,567</b>	<b>–</b>
<b>Cash &amp; cash equivalents</b>			
Cash and bank balances		194,275	296,484
		<b>194,275</b>	<b>296,484</b>
<b>Total current assets</b>		<b>341,425</b>	<b>388,657</b>
<b>TOTAL ASSETS</b>		<b>564,005</b>	<b>604,720</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		7,859	7,859
Other paid-in capital		182,145	182,145
Reserves		561	308
Retained earnings		235,685	270,530
		426,250	460,842
Non-controlling interests		1,026	114
<b>Total equity</b>		<b>427,276</b>	<b>460,956</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	13	48,189	40,011
Other non-current liabilities	20	34,724	40,889
		<b>82,913</b>	<b>80,900</b>
<b>Current liabilities</b>			
Accounts payable		9,987	15,480
Current tax liabilities	13	–	–
Other current liabilities	20	11,192	13,997
Accrued expenses and deferred income	21	32,637	33,387
		<b>53,816</b>	<b>62,864</b>
<b>Total liabilities</b>		<b>136,729</b>	<b>143,764</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>564,005</b>	<b>604,720</b>
<b>Memorandum items</b>			
Pledged assets	22	18,000	18,000
Contingent liabilities	22	1,586	4,025

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousands	Share capital	Other paid-in capital	Reserves	Retained earnings	Non-controlling interests	Total equity
<b>Opening balance, January 1, 2009</b>	<b>7,831</b>	<b>179,177</b>	<b>-536</b>	<b>227,252</b>	<b>79</b>	<b>413,803</b>
<b>Total comprehensive income for the year</b>			<b>844</b>	<b>80,867</b>	<b>35</b>	<b>81,746</b>
<b>Transactions with owners</b>						
New share issues	28	2,968				2,996
Dividend for 2008				-37,589		-37,589
<b>Total transactions with owners</b>	<b>28</b>	<b>2,968</b>	<b>-</b>	<b>-37,589</b>	<b>-</b>	<b>-34,593</b>
<b>Closing balance, December 31, 2009</b>	<b>7,859</b>	<b>182,145</b>	<b>308</b>	<b>270,530</b>	<b>114</b>	<b>460,956</b>
<b>Total comprehensive income for the year</b>			<b>253</b>	<b>90,897</b>	<b>-134</b>	<b>91,017</b>
<b>Transactions with owners</b>						
Dividend for 2009				-125,742		-125,742
Non-controlling interests arising through acquisitions					1,046	1,046
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-125,742</b>	<b>1,046</b>	<b>1,046</b>
<b>Closing balance, December 31, 2010</b>	<b>7,859</b>	<b>182,145</b>	<b>561</b>	<b>235,685</b>	<b>1,026</b>	<b>427,276</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

SEK thousands	Note	2010	2009
<b>OPERATING ACTIVITIES</b>			
Profit after tax		90,763	80,902
Income tax expensed through profit or loss		33,232	30,756
Financial expenses and income recognized through profit or loss	26	2,010	936
Amortization/depreciation of intangible/tangible assets	9	7,136	7,024
Other financial items		-2,645	-2,197
Interest paid	26	2,049	2,850
Interest received	26	-114	-745
Taxes paid		-32,945	-50,280
<b>Cash flow from operating activities before changes in working capital</b>		<b>99,486</b>	<b>69,246</b>
<b>CHANGES IN WORKING CAPITAL</b>			
Change in inventories		216	7,297
Change in accounts receivable		-12,961	41,868
Change in other receivables		1,226	5,979
Change in accounts payable		-5,492	-30,009
Change in other current liabilities		-9,722	-263
<b>Change in working capital</b>		<b>-26,733</b>	<b>24,873</b>
<b>Cash flow from operating activities</b>		<b>72,753</b>	<b>94,119</b>
<b>INVESTING ACTIVITIES</b>			
Investments in intangible non-current assets	14	-4,878	-3,160
Investments in tangible non-current assets	15	-2,498	-1,380
Investments in financial non-current assets		-9,046	-
Sale of tangible non-current assets		161	-
Short-term investments		-35,567	-
Reversal of deferred tax assets		2,608	-
<b>Cash flow from investing activities</b>		<b>-49,220</b>	<b>-4,540</b>
<b>FINANCING ACTIVITIES</b>			
New share issues		-	2,996
Dividend		-125,742	-37,589
<b>Cash flow from financing activities</b>		<b>-125,742</b>	<b>-34,593</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>-102,209</b>	<b>54,986</b>
<b>Cash &amp; cash equivalents at beginning of year</b>		<b>296,484</b>	<b>241,498</b>
<b>Cash &amp; cash equivalents at year-end</b>		<b>194,275</b>	<b>296,484</b>

# PARENT COMPANY INCOME STATEMENT

SEK thousands	Note	2010	2009
Net sales	4,5	45,818	47,608
Cost of goods sold		-368	-2,407
<b>Gross profit</b>		<b>45,450</b>	<b>45,201</b>
Distribution expenses		-44,742	-40,826
Administrative expenses		-17,208	-15,702
Development expenses		-6,883	-6,281
<b>Operating profit</b>	4, 6, 7, 8, 9, 10, 11	<b>-23,383</b>	<b>-17,608</b>
Dividend from subsidiary		100,000	100,000
Interest income and similar income items	26	2,313	2,695
Interest expenses and similar expense items	26	-10,142	-720
<b>Profit after financial items</b>		<b>68,788</b>	<b>84,367</b>
Appropriations	12	818	-
<b>Profit before tax</b>		<b>69,606</b>	<b>84,367</b>
Tax on profit for the year	13	8,011	4,017
<b>Profit for the year</b>		<b>77,617</b>	<b>88,383</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>77,617</b>	<b>88,383</b>

# PARENT COMPANY BALANCE SHEET

SEK thousands	Note	Dec. 31, 2010	Dec. 31, 2009
<b>ASSETS</b>			
Non-current assets			
<b>Intangible assets</b>			
Other intangible assets	14	1,686	1,694
		<b>1,686</b>	<b>1,694</b>
<b>Tangible non-current assets</b>			
Property, plant and equipment	15	2,830	4,238
		<b>2,830</b>	<b>4,238</b>
<b>Financial non-current assets</b>			
Shares in Group companies	16	320,771	54,497
<b>Total non-current assets</b>		<b>325,287</b>	<b>60,428</b>
Current assets			
<b>Current receivables</b>			
Accounts receivable	18	543	810
Receivables from Group companies		47,801	88,903
Tax assets		1,666	1,542
Short-term investments		35,567	–
Other current receivables		5	27
Prepaid expenses and accrued income	19	2,383	3,324
		<b>87,965</b>	<b>94,606</b>
<b>Cash &amp; cash equivalents</b>			
Cash and bank balances		181,742	287,657
		<b>181,742</b>	<b>287,657</b>
<b>Total current assets</b>		<b>269,707</b>	<b>382,263</b>
<b>TOTAL ASSETS</b>		<b>594,994</b>	<b>442,691</b>
<b>EQUITY AND LIABILITIES</b>			
Equity			
<b>Restricted equity</b>			
Share capital		7,859	7,859
Statutory reserve		46,817	46,817
		<b>54,676</b>	<b>54,676</b>
<b>Unrestricted equity</b>			
Retained earnings		56,881	71,679
Profit for the year		77,617	88,383
		<b>134,498</b>	<b>160,062</b>
<b>Total equity</b>		<b>189,174</b>	<b>214,738</b>
Untaxed reserves	12	6,540	7,359
<b>Current liabilities</b>			
Accounts payable		2,913	1,840
Due to Group companies		383,256	207,835
Other current liabilities		2,733	2,803
Accrued expenses and deferred income	21	10,378	8,116
<b>Total liabilities</b>		<b>399,280</b>	<b>220,594</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>594,994</b>	<b>442,691</b>
<b>Memorandum items</b>			
Pledged assets	22	None	None
Contingent liabilities	22	None	None

# PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK thousands	Share capital	Statutory reserve	Retained earnings	Total equity
<b>Opening balance, January 1, 2009</b>	<b>7,831</b>	<b>46,817</b>	<b>95,134</b>	<b>149 782</b>
Dividend paid	–	–	–37,589	–37 589
New share issues	28	–	2,938	2 966
Group contributions	–	–	15,191	15 191
Tax effect of Group contributions	–	–	–3,995	–3 995
Total comprehensive income for the year	–	–	88,383	88 383
<b>Closing balance, December 31, 2009</b>	<b>7,859</b>	<b>46,817</b>	<b>160,062</b>	<b>214 738</b>
Dividend paid	–	–	–125,742	–125 742
Group contributions	–	–	30,611	30 611
Tax effect of Group contributions	–	–	–8,050	–8 050
Total comprehensive income for the year	–	–	77,617	77 617
<b>Closing balance, December 31, 2010</b>	<b>7,859</b>	<b>46,817</b>	<b>134,498</b>	<b>189 174</b>

Number of shares	Number of votes	Number of shares	Quota value
<b>Opening balance, January 1, 2009</b>	<b>25,059,184</b>	<b>25,059,184</b>	<b>7,830,995</b>
Exercise of warrants	89,200	89,200	27,875
<b>Closing balance, December 31, 2009</b>	<b>25,148,384</b>	<b>25,148,384</b>	<b>7,858,870</b>
Exercise of warrants	–	–	–
<b>Closing balance, December 31, 2010</b>	<b>25,148,384</b>	<b>25,148,384</b>	<b>7,858,870</b>

All shares are common shares and are fully paid-in. No shares are reserved for transfer according to warrant agreements or other agreements.

# PARENT COMPANY STATEMENT OF CASH FLOWS

SEK thousands	Note	2010	2009
<b>OPERATING ACTIVITIES</b>			
Profit after tax		77,617	88,383
Income tax expensed through profit or loss		-8,011	-4,017
Financial expenses and income recognized through profit or loss		7,828	-1,975
Amortization/depreciation of intangible/tangible assets	9	2,209	1,883
Appropriations		-818	-
Interest paid		-10,142	-720
Interest received		2,313	2,695
Taxes paid		-164	855
<b>Cash flow from operating activities before changes in working capital</b>		<b>70,832</b>	<b>87,104</b>
<b>CHANGES IN WORKING CAPITAL</b>			
Change in accounts receivable		267	-351
Change in other receivables		120,478	-13,376
Change in accounts payable		1,072	-5,872
Change in other current liabilities		129,813	36,698
<b>Change in working capital</b>		<b>251,630</b>	<b>17,099</b>
<b>Cash flow from operating activities</b>		<b>322,462</b>	<b>104,203</b>
<b>INVESTING ACTIVITIES</b>			
Short-term investments	28	-35,567	-
Investments in subsidiaries		-266,275	-
Investments in intangible assets	14	-420	-1,868
Investments in tangible non-current assets	15	-372	-403
<b>Cash flow from investing activities</b>		<b>-302,634</b>	<b>-2,271</b>
<b>FINANCING ACTIVITIES</b>			
New share issues		-	2,966
Dividend		-125,742	-37,589
<b>Cash flow from financing activities</b>		<b>-125,742</b>	<b>-34,623</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>-105,914</b>	<b>67,309</b>
<b>Cash &amp; cash equivalents at beginning of year</b>		<b>287,657</b>	<b>220,348</b>
<b>Cash &amp; cash equivalents at year-end</b>		<b>181,742</b>	<b>287,657</b>



# SUPPLEMENTARY INFORMATION

## NOTE 1 ACCOUNTING PRINCIPLES

### GENERAL

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

The Parent Company operates as a limited liability company with its registered address in Stockholm. The address of the head office is Götgatan 78, 28th floor, SE-118 30 Stockholm, Sweden. The Parent Company's share is listed on NASDAQ OMX Stockholm. A list of the largest individual shareholders as of December 31, 2010 is provided on page 61 of this annual report.

### ACCOUNTING AND VALUATION PRINCIPLES

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the EU and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2010. The Group also applies the Swedish Financial Reporting Board's recommendation RFR 1 (December 2010) Supplementary Accounting Regulations for Groups, which specifies the disclosures that are required in addition to IFRS according to the provisions of the Annual Accounts Act. Items in the consolidated accounts are valued at cost, with the exception of certain financial instruments, which are measured at fair value. The significant accounting principles applied are described below. The Parent Company's functional currency is the Swedish krona, which is also the Group's reporting currency. All amounts are in SEK thousands unless indicated otherwise. The Group's critical accounting policies are described below.

### CHANGES IN ACCOUNTING PRINCIPLES 2010

The revised accounting principles applied by the Group as of January 1, 2010 are described below. Other changes in IFRS that took effect in 2010 have not had a material impact on the Group's accounts.

IAS 27 *Consolidated and Separate Financial Statements* and IFRS 3 *Business Combinations* apply to acquisitions and transactions on or after 1 January 2010. The changes to these standards mean, among other things, that transactions with minority owners, where control is retained, are recognized as transactions between owners (in equity). Further, the rules for recognition of contingent consideration have been revised, so that the cost of an acquisition is recognized all at once. Subsequent adjustments to cost affect profit and loss, as do acquisition-related expenses, which may no longer be included in the cost of an acquisition. The assumption in the recognition of multiple-step acquisitions has been changed, whereby the fair value of the previously owned shares is calculated on the date of acquisition (when control is obtained). Cost therefore consists of the fair value of previously owned shares plus the price of the newly acquired shares. Any change in the value of the previously owned shares is recognized through profit or loss.

The new rules in IFRS 3 required the Group to recognize transition costs of SEK 1.3 million related to the acquisition of FSSIT Services AB. Compared with the previously applied IFRS principles, this transaction cost would have affected the cost of the acquisition and not directly affected results. The above changes will otherwise affect future acquisitions.

Other new and revised standards and interpretations did not have a material effect on the Group's financial reports in 2010.

### CHANGES IN ACCOUNTING PRINCIPLES 2011

The International Accounting Standards Board (IASB) has issued number of new and revised standards which apply as of January 1, 2011. The standards that could impact Björn Borg's future financial reporting are described below.

The revisions to IAS 24 Related Party Disclosures change the definition of related parties, due to which several special relationships have been added to the category of related parties, while several others have disappeared. IAS 24 is applied retroactively to financial years beginning on or after January 1, 2011. In addition to IAS 24 Related Party Disclosures, changes were made to IAS 32 Financial Instruments.

### CONSOLIDATION

The consolidated accounts include the Parent Company and all entities over which the Parent Company exercises control. These are companies in which Björn Borg has the right to formulate financial and operational strategies, generally through a shareholding of more than 50 percent of the capital and votes. The existence and effect of potential voting rights which are currently exercisable or convertible are taken into account when determining whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is obtained and are no longer consolidated from the date on which control ceases.

The acquisition method is used to report the Group's acquisitions of subsidiaries. The cost of an acquisition consists of the fair value of the assets paid as consideration, equity instruments in issue and liabilities that have arisen or been assumed as of the closing day, plus expenses directly attributable to the acquisition. Identifiable acquired assets and assumed and contingent liabilities are initially valued at fair value on the acquisition date, regardless of the scope of any non-controlling interests. The surplus is comprised of the difference between the cost and fair value of the Group's share of identifiable acquired net assets is recognized as goodwill. If the cost of the acquired subsidiary's net assets is less than their fair value, the difference is recognized directly through profit or loss. The accounting principles used by subsidiaries are adjusted where necessary to ensure consistency with the principles applied by other Group entities. All inter-company transactions and balances are eliminated in the preparation of the consolidated accounts. Unrealized losses are also eliminated unless the transaction provides evidence of impairment.

### ASSOCIATES

Associates are companies in which the Group holds at least 20 and not more than 50 percent of the votes or where the Group otherwise can exercise a significant influence. A significant influence means that the owner can participate in decisions concerning a company's financial and operational strategies, but does not allow it to decide on these strategies.

Associates are reported according to the equity method. Holdings in associates are initially recognized at cost. The carrying amount includes any goodwill. The equity method means that the Group's share of any profit generated by the associate after acquisition is recognized through profit or loss. Cumulative changes subsequent to acquisition are recognized as a change in the holding's carrying amount.

Unrealized gains and losses on transactions between an associate and the Parent Company are eliminated in proportion to the Group's holding in the associate.

### NON-CONTROLLING INTERESTS

Non-controlling interests in a subsidiary's net assets are reported as a separate item in the Group's equity. In the consolidated income statement, non-controlling interests are included in reported income. Transactions with non-controlling interests are treated in the same way as transactions with external parties. The sale of shares to non-controlling interests results in a gain or loss that is recognized in the consolidated income statement. The acquisition of non-controlling interests can result in goodwill if the cost exceeds the carrying amount of the acquired net assets.

### TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are translated to Swedish kronor at the exchange rate on the transaction date. Monetary items (assets and liabilities) in foreign currency are translated to Swedish kronor at the balance date exchange rate. Exchange gains and losses that arise on such translations are recognized through profit or loss as other operating income and/or other operating expenses.

## REVENUE RECOGNITION

Revenue comprises the fair value of goods and services sold, net of value-added tax and discounts and after eliminating intra-Group sales. Revenue is recognized as follows:

- Sales of goods are recognized upon delivery of a product to the customer (points 2–4 below), when the financial risks and benefits of ownership are transferred, which coincides with delivery.
- Royalties are recognized in the period to which the underlying revenue refers.

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

#### 1. Royalty revenue

Royalty revenue is generated through wholesale sales of Björn Borg products by distributors (Group-owned and independent) and the product companies to retailers, and is calculated as a percentage of these sales. Royalties are recognized through profit or loss at the same time as the distributor's wholesale sale. Internal royalties are eliminated in the preparation of the consolidated accounts.

#### 2. Product company revenue

The product companies for clothing and footwear generate revenue for Björn Borg from product sales to distributors.

#### 3. Wholesale company revenue

The Group-owned wholesale companies for the clothing and footwear product areas generate revenue for Björn Borg from product sales to retailers.

#### 4. Björn Borg store revenue

Björn Borg stores generate revenue for Björn Borg from sales to consumers.

## LEASING

In a finance lease, the economic risks and benefits associated with ownership of an asset are transferred in all essential respects from lessor to lessee. Other leases are classified as operating.

### The Group as lessee

Assets held according to finance leases are recognized as non-current assets in the consolidated balance sheet at fair value at the start of the lease term or at the present value of the minimum lease fees, whichever is lower. The corresponding liability is carried in the balance sheet as a liability to the lessor. Lease payments are distributed between interest and principal. Interest is distributed over the lease term so that every reporting period is charged with an amount corresponding to a fixed interest rate on the recognized liability for each period. Depreciation of financially leased assets is carried for owned assets, with the exception of lease assets where it is unlikely Björn Borg will redeem the asset in question. In such cases, the asset is depreciated over its period of use or the lease term, whichever is shorter, taking into account residual values at the conclusion of each period.

Lease fees paid for operating leases are expensed on a straight-line basis over the lease term unless another systematic approach better reflects Björn Borg's use of the leased asset.

## EMPLOYEE BENEFITS

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

Premiums received from employees for stock options in issue have been recognized as an increase in equity. If the Group receives market-rate consideration from employees for equity instruments in issue, no expense is recognized through profit or loss.

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

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

## TAXES

The Group's total tax expense consists of current tax and deferred tax. Current tax is the tax paid or received for the current year and any adjustments to current tax in prior years. Deferred tax is calculated on differences arising between the

tax bases of assets and liabilities and their carrying amounts. Deferred tax is reported using the balance sheet approach. Deferred tax liabilities are normally recognized for all taxable temporary differences, while deferred tax assets are recognized to the extent it is probable that future taxable profits will be available against which the amounts can be utilized.

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

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

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

## INTANGIBLE ASSETS

### Goodwill

Goodwill consists of the amount by which cost exceeds the fair value of the Group's share of an acquired subsidiary's identifiable net assets upon acquisition. If it is proven at the time of acquisition that the fair value of acquired assets, liabilities and contingent liabilities exceeds cost, the surplus is immediately recognized as revenue through profit or loss.

Goodwill has an indeterminate period of use and is recognized at cost less accumulated impairment losses. Goodwill is allocated to the smallest cash-generating units.

### Tenancy rights

Tenancy rights are recognized at cost less depreciation. Depreciation is booked on a straight-line basis over the estimated period of use, i.e., the lease term, usually five years.

### Trademarks

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

### Tangible non-current assets

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

## IMPAIRMENT

At the end of each reporting period, the Group's assets are tested for impairment. If there is an indication of impairment, the asset's recoverable amount is calculated. Goodwill has been allocated to cash-generating units and, together with other intangible assets with an indeterminate period of use and intangible assets not in use, is subject to annual impairment testing even if there is no indication of diminished value. However, impairment testing is done more frequently if there are indications of diminished value. The recoverable amount is the higher of the asset's value in use and the value that would be obtained if the assets were sold to an independent party, i.e., its net selling price. Value in use is the present value of all receipts and disbursements expected to arise from continuing use of the asset plus the present value of the net selling price at the end of the asset's useful life. If the estimated recoverable amount is less than the carrying amount, the asset is written down to its recoverable amount.

## INVENTORY

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

Note 1, continued

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

#### **RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES AND OTHER FINANCIAL INSTRUMENTS**

Financial instruments are valued and recognized by the Group in accordance with the rules in IAS 39. Financial assets and liabilities are categorized according to IAS 39. Financial instruments are initially recognized at cost, corresponding to the instrument's fair value plus transaction costs for all financial instruments other than those in the category financial assets (liabilities), which are recognized at fair value through profit or loss. Subsequent recognition and valuation depend on how the financial instruments have been classified.

Financial assets and liabilities are recognized in the balance sheet when the company becomes a party to the instrument's contractual terms. Accounts receivable are recognized when an invoice has been issued. Liabilities are recognized when the counterparty has performed as agreed and there is a contractual obligation to pay, even if the invoice has not yet been received. Accounts payable are recognized when an invoice has been received.

A financial asset is derecognized when the rights in the agreement are realized, expire or the company loses control of them. The same applies to part of a financial asset. A financial liability is derecognized when the obligation in the agreement is fulfilled or otherwise discharged. The same applies to part of a financial liability.

#### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets initially recognized at fair value through profit or loss according to the so-called fair value option. The fair value option was chosen because management periodically evaluates and manages assets based on their fair values.

#### **Estimation of fair value of financial instruments**

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

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

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

#### **Loans receivable and accounts receivable**

Loans receivable and accounts receivable are financial receivables that arise when the company provides money without the intent to trade its claim and are categorized as loans receivable and accounts receivable. Within loans receivable and accounts receivable, accounts receivable are included in other current receivables and cash & cash equivalents. Assets in this category are recognized after acquisition at amortized cost. Amortized cost is calculated with the help of the effective interest rate method, which means that any premiums and discounts as well as directly related costs or revenue are accrued over the life of the agreement with the help of the estimated effective interest rate. The effective interest rate is the interest rate that produces the instrument's cost through a present value calculation of future cash flows. The anticipated maturity of accounts receivable is short, due to which they are carried at nominal amount without discounting. Accounts receivable are recognized at the amounts that are expected to be received after deducting impaired receivables, which are evaluated individually. Provisions for impaired receivables are recognized when there is objective proof that the Group will not be able to receive all the amounts that are due as per the original terms of the receivables. If it is determined in the quarterly review of exposures that a customer, due to insolvency, has not been able to pay its liabilities or for good reason is not expected to pay its liabilities within three months, a provision is allocated for the entire established or anticipated loss. Provisions for anticipated impaired receivables are based on an individual assessment of each customer given their solvency, future risk and the value of the collateral received.

Write-downs of accounts receivable are recognized in operating expenses. Translations to SEK are based on closing-date exchange rates.

#### **Cash & cash equivalents**

Cash & cash equivalents consist of cash, demand deposits and other short-term investments with maturities of three months or less. Cash and bank deposits

are recognized at nominal amounts and short-term investments at fair value, with any changes in value recognized through profit or loss.

#### **Financial liabilities**

Accounts payable and loan liabilities are categorized as "Financial liabilities," which means that they are recognized at amortized cost. The anticipated maturity of accounts payable is short, due to which the liability is carried at nominal amount without discounting.

Liabilities to credit institutions, bank overdraft facilities and other liabilities (loans) are initially recognized at fair value, net after transaction costs. Loans are subsequently carried at amortized cost. Any transaction costs are distributed over the term of the loan applying the effective rate method. Non-current liabilities have an anticipated maturity of more than one year, while current liabilities have a maturity of less than one year.

#### **SHARE CAPITAL**

Common shares are classified as share capital. Transaction costs in connection with new share issues are reported as a deduction (net of 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 constructive obligation as a result of a past event and it is likely that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

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

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

#### **PARENT COMPANY'S ACCOUNTING PRINCIPLES**

The annual report of the Parent Company has been prepared according to the Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 2 (December 2010) Accounting in Legal Entities and statements from the Swedish Financial Reporting Board. RFR 2 (December 2010) means that the Parent Company, in the annual report for the legal entity, must apply all EU-approved IFRS and pronouncements as far as possible within the framework of the Annual Accounts Act and the Pension Obligations Vesting Act, taking into account the connection between reporting and taxation. The recommendation specifies the exemptions from and additions to IFRS. Differences between the accounting principles of the Group and the Parent Company are indicated below.

#### **Taxes**

The amounts allocated to untaxed reserves constitute taxable temporary differences. Because of the relationship between recognition and taxation, the deferred tax liability attributable to untaxed reserves is not reported separately by the legal entity. Swedish practice requires changes in untaxed reserves to be recognized through profit or loss in individual companies under the heading "Appropriations." The accumulated value of provisions is reported in the balance sheet under the heading "Untaxed reserves," of which 26.3 percent is considered a deferred tax liability and 73.7 percent restricted equity.

#### **Shareholder contributions and Group contributions**

Shareholder contributions are recognized directly in the unrestricted equity of the recipient and as an increase in shares in subsidiaries at the time the contributions are made to the subsidiaries. Group contributions are recognized according to their economic substance. This means that Group contributions paid as distributions are recognized by the recipient in the result from shares in subsidiaries and by the contributor as a reduction in unrestricted equity. Group contributions paid or received by the Parent Company to minimize the Group's total tax are recognized directly against retained earnings after deducting any tax effect.

#### **Shares in subsidiaries and associated companies**

Shares in subsidiaries are recognized according to the acquisition cost method. Appraisals are made of the value of the shares when there is an indication of diminished value. Acquisition-related costs for subsidiaries, which are expensed in the consolidated accounts, are included as part of the acquisition cost of the shares in the subsidiary.

Note 1, continued

### Financial guarantees

The Parent Company's financial guarantee agreements mainly consist of guarantees on behalf of subsidiaries. Financial guarantees commit the company to compensate the holder of a debt instrument for losses they incur because a given debtor does not make payment upon maturity according to the terms of the agreement. The Parent Company applies a voluntary rule in RFR 2 to recognize financial guarantees compared with the rules on financial instruments in IFRS (IAS 39). According to this rule, the Parent Company recognizes outstanding financial guarantees as a provision in the balance sheet when the company has a commitment and payment will likely be required to settle it, i.e., according to the rules on provisions in IAS 37.

## NOTE 2 CRITICAL ESTIMATES AND ASSUMPTIONS

### CRITICAL ESTIMATES AND ASSUMPTIONS FOR ACCOUNTING PURPOSES

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

### Taxes

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities and their value for tax purposes. There are primarily two types of assumptions and estimates that affect reported deferred tax, i.e., those used to determine the carrying amount of various assets and liabilities and those used to determine future taxable gains in cases where future utilization of deferred tax assets is dependent on this. For more information, see Note 13.

### Impairment testing of goodwill and trademarks

Impairment testing of the Group's goodwill and the carrying amount for trademarks requires estimates and assumptions regarding margins, growth, discount rates, etc. For a more detailed description of impairment testing, see Note 14.

## NOTE 3 FINANCIAL RISK MANAGEMENT

### FINANCIAL RISK MANAGEMENT AND FINANCIAL DERIVATIVES

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

### CURRENCY RISK

Fluctuations in exchange rates affect Björn Borg mainly because sales and purchases are made in different currencies (transaction exposure).

The Group's largest currency exposure is against the U.S. dollar; approximately 50 percent of the Group's sales and cost of goods sold is in USD or USD-pegged currencies. The Group's transaction risk arises because Björn Borg's largest business segment, Product Development, has sales in USD and purchases in USD, at the same time that the Wholesale business segment has sales in SEK and purchases in USD.

### SENSITIVITY ANALYSIS

The Björn Borg Group was affected negatively by the significant decrease in the value of the U.S. dollar against the Swedish krona in 2010 compared with 2009. For the full-year 2010 the dollar was an average of about 6 percent lower than in 2009.

The lower dollar versus the Swedish krona has affected the Product Development business segment negatively in the form of lower gross profit, at the same time that it has affected the Wholesale business segment positively in the form of less expensive purchases, and thus higher gross profit.

The table below describes the effect of the dollar exchange rate on the Björn Borg Group's revenue and operating profit based on the current business model and the various business segments' share of revenue and operating profit.

Several aspects influence the dollar's total impact on the Group, e.g., each business segment's geographical share of total revenue and profit, the timing of deliveries and changes in inventory.

Björn Borg does not use currency derivatives.

### Estimated currency effect 2010

	Percent	Estimated effect on revenue	Estimated effect on operating profit
Stronger USD vs. SEK	10%	5%	3%
Weaker USD vs. SEK	-10%	-5%	-3%
Stronger EUR vs. SEK	10%	1%	1%
Weaker EUR vs. SEK	-10%	-1%	-1%

The reason for the table is that the Group's sales and purchases through the Product Development business segment to external distributors are affected positively or negatively depending on the dollar's fluctuations relative to the Swedish krona – sales in USD/purchases in USD. In the Wholesale business segment, goods purchases are affected negatively by a strong dollar and positively by a weak dollar at the same time that pricing to retailers is not adjustable due to currency sales in SEK/purchases in USD.

### INTEREST RATE RISK

Interest rate risk refers to the risk that changes in market interest rates will negatively impact the Group's net interest income and expenses. Björn Borg's interest rate risk as of December 31, 2010 was limited, since interest-bearing assets amounted to SEK 229,842 thousand (296,484) and interest-bearing loan liabilities amounted to SEK 0 thousand (0).

### CREDIT AND COUNTERPARTY RISKS

The Group's credit and counterparty risks consist of exposures to commercial and financial counterparties. Credit or counterparty risk refers to the risk of a loss if the counterparty does not meet its obligations. According to the decision of the Board of Directors, this risk will be limited by accepting only counterparties with high credit ratings and establishing limits. Björn Borg's commercial credit risk mainly consists of accounts receivable, which are distributed among a large number of counterparties. Credit risk vis-à-vis financial counterparties is limited to financial institutions with high credit ratings. As of December 31, 2010 there were no significant concentrations of credit risk. The maximum credit risk corresponds to the carrying amount of the financial assets.

### The Björn Borg Group's outstanding credit risk as of Dec. 31, 2010

Group	2010	2009
Accounts receivable	50,993	38,032
Other current receivables	4,486	3,227
Short-term investments	35,567	–
Cash and bank balances	194,275	296,484
	<b>285,321</b>	<b>337,743</b>

### LIQUIDITY AND REFINANCING RISKS

Liquidity and refinancing risk refers to the risk that the cost will be higher and financing opportunities limited when loans are renewed and that payment obligations cannot be met due to insufficient liquidity or difficulty obtaining financing. The Group's cash & cash equivalents are invested short-term.

### Maturity structure of the Björn Borg Group's outstanding liabilities as of Dec. 31, 2010

Dec. 31, 2010	Up to 3 mos.	3-12 mos.	<5 yrs.	Over 5 yrs.
Accounts receivable	50,993			
Other current receivables	4,486			
Cash and bank balances	194,275			
Other liabilities	–	11,192	27,224	7,500
Accounts payable	9,987	–	–	–
<b>Total</b>	<b>259,741</b>	<b>11,192</b>	<b>27,224</b>	<b>7,500</b>
Dec. 31, 2009	Up to 3 mos.	3-12 mos.	<5 yrs.	Over 5 yrs.
Accounts receivable	38,032			
Other current receivables	3,227			
Cash and bank balances	296,484			
Other liabilities	–	13,997	26,177	14,712
Accounts payable	15,480	–	–	–
<b>Total</b>	<b>353,223</b>	<b>13,997</b>	<b>26,177</b>	<b>14,712</b>

## NOTE 4 SEGMENT REPORTING

A business segment is a group of assets and operations which provides products or services that are exposed to risks and opportunities different from those of other business segments. The Björn Borg Group is divided into four primary business segments: Brands, Product Development, Wholesale and Retail.

Segment reporting is prepared according to the same accounting principles as the consolidated accounts, as indicated in Note 1.

### BRANDS

In its capacity as owner and manager of the Björn Borg trademark, the Björn Borg Group receives royalty revenue based on wholesale sales by distributors and product companies.

### PRODUCT DEVELOPMENT

The product companies for clothing and footwear are responsible for design and development of collections for all markets in the network. They generate revenue from product sales to distributors.

### WHOLESALE

The distribution companies for the clothing and footwear product areas generate revenue for the Björn Borg Group from product sales to retailers.

### RETAIL

Björn Borg's concept stores generate revenue for the Group from sales to consumers.

### Summary by segment

SEK thousands	Brand		Product Development		Wholesale		Retail		Total		Eliminations		Group	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue														
External sales	51,057	54,936	270,029	257,391	165,859	153,102	49,095	54,485	536,040	519,915	-	-	536,040	519,915
Internal sales	84,417	83,341	90,604	81,788	42,378	40,713	2	6	217,401	205,847	-217,401	-205,847	-	-
<b>Total sales</b>	<b>135,474</b>	<b>138,277</b>	<b>360,633</b>	<b>339,179</b>	<b>208,237</b>	<b>193,815</b>	<b>49,097</b>	<b>54,491</b>	<b>753,441</b>	<b>725,762</b>	<b>-217,401</b>	<b>-205,847</b>	<b>536,040</b>	<b>519,915</b>
<b>Operating profit</b>	<b>40,778</b>	<b>43,942</b>	<b>64,371</b>	<b>50,984</b>	<b>21,342</b>	<b>9,635</b>	<b>-486</b>	<b>8,032</b>	<b>126,005</b>	<b>112,594</b>	<b>-</b>	<b>-</b>	<b>126,005</b>	<b>112,594</b>
Non-current assets <sup>1</sup>	440,533	197,427	8,412	8,648	884	506	9,229	7,875	459,058	214,457	-236,478	1,606	222,580	216,063
Inventory	-	-	1,079	1,373	27,388	28,742	9,742	8,234	38,209	38,349	-11,970	-11,894	26,239	26,455
Other current assets	824,682	717,981	116,370	93,989	91,809	74,414	28,783	28,569	1,061,644	914,953	-746,458	-552,751	315,186	362,203
<b>Total assets</b>	<b>1,265,215</b>	<b>915,409</b>	<b>125,861</b>	<b>104,011</b>	<b>120,081</b>	<b>103,661</b>	<b>47,754</b>	<b>44,678</b>	<b>1,558,911</b>	<b>1,167,759</b>	<b>-994,906</b>	<b>-563,039</b>	<b>564,004</b>	<b>604,720</b>
Other liabilities	561,042	317,670	120,288	99,325	79,033	96,852	36,403	42,634	796,766	556,481	-660,037	-412,717	136,729	143,764
<b>Total liabilities</b>	<b>561,042</b>	<b>317,670</b>	<b>120,288</b>	<b>99,325</b>	<b>79,033</b>	<b>96,852</b>	<b>36,403</b>	<b>42,634</b>	<b>796,766</b>	<b>556,481</b>	<b>-660,037</b>	<b>-412,717</b>	<b>136,729</b>	<b>143,764</b>
Investments in tangible and intangible assets	839	2,317	30	446	515	474	5,899	1,303	7,376	4,540	-	-	7,283	4,540
Depreciation/amortization	-2,209	-1,883	-103	-156	-263	-947	-4,557	-4,038	-7,136	-7,024	-	-	-7,132	-7,024

<sup>1</sup>The increase relates to the acquisition of Björn Borg Services AB; see Note 16.

### RECONCILIATION BETWEEN OPERATING PROFIT AND PROFIT FOR TAX PURPOSES

The difference between operating profit for segments for which information is disclosed, SEK 126,005 thousand (112,594), and profit before tax and discontinued operations, SEK 123,995 thousand (111,658), is net financial items, SEK -2,010 thousand (-936).

### INTERNAL PRICING

Sales between segments are executed on market terms. Revenue from outside parties that is reported to management is valued in the same way as in profit and loss.

### ELIMINATIONS

The column for eliminations refers strictly to internal transactions.

### Geographical areas

	Sweden		Netherlands		Norway		Denmark		Other		Group	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Net sales	193,333	203,059	143,325	156,187	60,257	38,524	49,882	37,220	89,243	84,925	536,040	519,915
Assets	564,005	604,720	-	-	-	-	-	-	-	-	564,005	604,720
Investments	7,283	4,540	-	-	-	-	-	-	-	-	7,283	4,540
Depreciation/amortization	-7,132	-7,024	-	-	-	-	-	-	-	-	-7,132	-7,024

Revenue of approximately SEK 143,325 thousand (156,187) refers to a single outside customer. This revenue is attributable to the brand and product development segment in the Netherlands.

## NOTE 5 REVENUE DISTRIBUTION

Net sales SEK thousands	Group		Parent Company	
	2010	2009	2010	2009
Royalty and service revenue	51,057	54,936	45,818	47,608
Product company revenue	270,029	257,391	–	–
Wholesale company revenue	165,859	153,102	–	–
Retail revenue	49,095	54,485	–	–
<b>Total</b>	<b>536,040</b>	<b>519,915</b>	<b>45,818</b>	<b>47,608</b>

Royalty revenue amounted to SEK 49,582 thousand (52,468). There is no royalty revenue in the Parent Company.

## NOTE 6 REVENUE AND EXPENSES BETWEEN GROUP COMPANIES

The Parent Company's revenue from subsidiaries amounted to SEK 44,343 thousand (45,098). The Parent Company's expenses for subsidiaries amounted to SEK 1,129 thousand (5,912). The Parent Company's sales to subsidiaries mainly consist of compensation to cover shared costs for rents, central administration, shared systems and marketing services.

## NOTE 7 INFORMATION ON PERSONNEL AND COMPENSATION TO BOARD, PRESIDENT AND OTHER SENIOR EXECUTIVES

Wages, salaries, other compensation and social security contributions	Group		Parent Company	
	2010	2009	2010	2009
Wages, salaries and other compensation	43,470	40,122	14,736	12,990
Social security contributions	11,829	11,450	4,155	3,927
Pension costs	4,536	4,455	2,336	2,210
<b>Total</b>	<b>59,835</b>	<b>56,027</b>	<b>21,227</b>	<b>19,128</b>

Wages, salaries and other compensation divided between Senior Executives and other employees	Group		Parent Company	
	2010	2009	2010	2009
Board, President and other Senior Executives	10,849	8,770	7,965	5,973
Other employees	32,621	31,352	6,771	7,017
<b>Total</b>	<b>43,470</b>	<b>40,122</b>	<b>14,736</b>	<b>12,990</b>

Average number of employees <sup>1</sup>				
Women	63	60	14	10
Men	37	32	9	10
<b>Total</b>	<b>100</b>	<b>92</b>	<b>23</b>	<b>20</b>

### Group 2010 2009

Gender distribution among Directors and Senior Executives	2010		2009	
	Men	Women	Men	Women
Board	6	2	6	1
Other Senior Executives	4	2	4	3
<b>Total</b>	<b>10</b>	<b>4</b>	<b>10</b>	<b>4</b>

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

Compensation and other benefits to Directors	2010		2009	
	Board fees	Other compensation	Board fees	Other compensation
Chairman of the Board Fredrik Löfstedt	300	65	300	–
Other Directors:				
Mats H Nilsson	100	25	100	10
Fabian Månsson	100	–	100	–
Vilhelm Schottenius	100	–	100	29
Monika Elling	100	40	100	–
Michael Storåkers	100	–	100	–
Nils Vinberg	100	–	50	–
Kerstin Hessius	100	–	–	–
<b>Total</b>	<b>1,000</b>	<b>130</b>	<b>850</b>	<b>39</b>

### Compensation and other benefits to Senior Executives

2010	Base salary	Variable compensation	Pension costs	Other compensation
	President	1,836	633	574
EVP	1,102	633	431	–
Other Senior Executives	5,595	1,050	1,276	–
<b>Total</b>	<b>8,533</b>	<b>2,316</b>	<b>2,281</b>	<b>–</b>

2009	Base salary	Variable compensation	Pension costs	Other compensation
	President	1,800	240	447
EVP	1,080	240	395	–
Other Senior Executives	5,235	175	998	–
<b>Total</b>	<b>8,115</b>	<b>655</b>	<b>1,840</b>	<b>–</b>

### BENEFITS TO BOARD, PRESIDENT AND OTHER SENIOR EXECUTIVES

#### Compensation to Board

Total fees of SEK 1,000 thousand (850) to the Chairman and other Directors were expensed in 2010, in accordance with the Board compensation approved by the Annual General Meeting. The Chairman received SEK 300 thousand (300), while other Directors received SEK 100 thousand (100) each. In addition to their fees, the Chairman and other Directors are reimbursed for travel and accommodations in connection with Board meetings. The members of the Compensation Committee received total fees of SEK 40 thousand (0) and the members of the Audit Committee received a total of SEK 90 thousand (0). All compensation complies with the Board compensation resolved by the AGM.

#### Compensation to the President and Senior Executives

The President's base salary and other compensation amounted to SEK 1,836 thousand (1,800) during the year. In addition, he received variable compensation of SEK 633 thousand (240). The variable compensation is paid if the Group's sales and results exceed the Board's established budget. Moreover, the President receives a company car and health insurance. He is entitled to a monthly pension provision corresponding to 25 percent of base salary.

The President has a term of notice of 6 months if terminated by the company. If he resigns, there is a 6 month term of notice. The President is entitled to the equivalent of his maximum monthly benefits in severance beyond the term of notice. A proposal on the terms of the compensation package for the President is made by a compensation committee consisting of Fredrik Löfstedt and Monika Elling and approved by the Board. The President's holding of shares and warrants is described below.

Senior Executives refer to six persons who, together with the President, made up the Group Management in 2010.

Note 7, continued

#### Other Senior Executives

Base salaries paid to other Senior Executives amounted to SEK 6,697 thousand (6,315) in 2010. Moreover, they receive variable compensation if the Group's sales and results exceed the Board's established budget. The variable compensation for 2010 amounted to SEK 1,683 thousand (415). Certain Senior Executives also have access to a company car. Björn Borg pays pension premiums to a defined contribution pension plan. Retirement benefit costs for 2010 amounted to SEK 1,707 thousand (1,393). If terminated by the company, Senior Executives are entitled to a term of notice of 3-6 months. If they resign, the term of notice is 4-6 months. The shareholdings and warrant holdings of Senior Executives of Björn Borg are described below.

#### Shareholdings and warrant holdings of Board, President and other Senior Executives as of Dec. 31, 2010

	No. of warrants	No. of shares
Fredrik Lövestedt		2,600,040
Mats H Nilsson		1,478,440
Vilhelm Schottenius		1,023,520
Nils Vinberg		711,080
Monika Elling		69,000
Michael Storåkers		40,000
Kerstin Hessius		6,000
Fabian Månsson		2,000
President	750,000	35,000
Other Senior Executives	546,000	10,500
<b>Total</b>	<b>1,296,000</b>	<b>5,975,580</b>

#### PENSIONS

The Group has only defined contribution pension plans. A defined contribution plan is a plan where the Group pays fixed premiums to a separate legal entity. After it has paid the premium, Björn Borg has no further obligation to the Group's employees. The fees are recognized as staff costs in the period to which the fees relate and in 2010 amounted to SEK 4.5 million (4.5).

#### INCENTIVE SCHEMES

Björn Borg offers the following two incentive schemes based on warrants in Björn Borg (i.e., the Parent Company).

#### Warrant scheme 2008:1

Warrant scheme 2008:1, approved by the Annual General Meeting 2008 at the suggestion of Björn Borg's Board of Directors, issued 500,000 warrants to Björn Borg Brands AB for further transfer to employees of the Group. After deducting warrants that have been deregistered by the Swedish Companies Registration Office, there are currently 155,300 outstanding warrants in this scheme, 46,000 of which relate to Senior Executives. The outstanding warrants carry the right to subscribe for 155,300 shares for SEK 74.60 per share. The warrant scheme expires on June 1, 2011. Subscriptions are permitted in May 2011, though not before the interim report has been published.

#### Warrant scheme 2008:2

Warrant scheme 2008:2, approved by the Annual General Meeting 2008 at the suggestion of Björn Borg's Board of Directors, issued 1,250,000 warrants to Björn Borg Brands AB for further transfer to the President and Vice President of the Group. There are currently 1,250,000 outstanding warrants in this scheme. The outstanding warrants carry the right to subscribe for 1,250,000 shares for SEK 48.84 per share. The warrant scheme expires on November 30, 2012. Subscriptions are permitted in May and November 2011 and in May and November 2012, though not before the interim report has been published.

#### OTHER

The warrants have been acquired at market rates based on an independent valuation according to the Black & Scholes model. None of the outstanding schemes contain terms that could entail costs for the company, e.g., in form of social security contributions. If all outstanding warrants were exercised, the number of shares in the company would increase from 25,148,384 to 26,533,684 and the share capital would increase by SEK 439,156, which would mean that the new shares correspond to 5.6 percent of the total number of shares on a fully diluted basis.

Warrant scheme	Scheme 2008:1	Scheme 2008:2	Total
Outstanding at beginning of year	155,300	1,250,000	1,405,300
Converted to shares	–	–	–
Outstanding and exercisable at year-end	155,300	1,250,000	1,405,300
Share entitlement	155,300	1,250,000	1,405,300

#### NOTE 8 AUDITORS' FEES

New layout for 2010 according to Annual Accounts Act, chap. 5, section 21.

	Group		Parent Company	
	2010	2009	2010	2009
<b>Deloitte AB</b>				
Statutory audit	1,022	873	773	619
Other audits	–	–	–	–
Tax advice	58	59	58	–
Other services	12	56	13	56
	<b>1,092</b>	<b>988</b>	<b>844</b>	<b>675</b>
<b>Other accounting firms</b>				
Statutory audit	25	31	–	–
Other audits	–	–	–	–
Tax advice	–	–	–	–
Other services	–	–	–	–
	<b>25</b>	<b>31</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>1,117</b>	<b>1,019</b>	<b>844</b>	<b>675</b>

Audit assignments refer to the examination of the annual report and accounting records as well as the administration by the Board and the President, other tasks related to the duties of the company's auditors and consultation or other services that may result from observations noted during such examinations or implementation of such other tasks. All other tasks are defined as other assignments.

#### NOTE 9 DEPRECIATION/AMORTIZATION

#### Depreciation/amortization of intangible and tangible non-current assets by function

	Group		Parent Company	
	2010	2009	2010	2009
Distribution expenses	4,638	4,566	1,436	1,224
Administrative expenses	1,784	1,756	552	471
Development expenses	714	702	221	188
<b>Total</b>	<b>7,136</b>	<b>7,024</b>	<b>2,209</b>	<b>1,883</b>

## NOTE 10 OPERATING LEASES

	Group		Parent Company	
	2010	2009	2010	2009
Leases during the year amount to	13,844	14,671	5,816	5,523
Future lease fees amount to				
– within 1 year	14,104	14,950	5,866	5,631
– later than 1 year but within 5 years	59,126	62,708	24,599	23,646
<b>Total</b>	<b>73,230</b>	<b>77,658</b>	<b>30,465</b>	<b>29,277</b>

The Björn Borg Group leases offices and retail space. The leases are signed on market terms with regard to price and duration. Certain leases are variable and include both a minimum rent and a portion contingent on sales.

As of the closing day, December 31, 2010, the Björn Borg Group had no finance leases.

## NOTE 11 TRANSACTIONS WITH RELATED PARTIES

No transactions with related parties took place in 2010.

## NOTE 12 UNTAXED RESERVES

Parent Company	Dec. 31 2010	Dec. 31 2009
Untaxed reserves		
Accumulated accelerated depreciation	585	1,404
Tax allocation reserve 2006	5,955	5,955
<b>Total</b>	<b>6,540</b>	<b>7,359</b>

## NOTE 13 TAXES

	Group		Parent Company	
	2010	2009	2010	2009
Current tax on profit for the year	-23,385	-23,239	-40	-
Deferred tax	-9,847	-7,517	-	-
Notional tax on Group contributions	-	-	8,051	4,017
<b>Total recognized tax expense</b>	<b>-33,232</b>	<b>-30,756</b>	<b>8,011</b>	<b>4,017</b>

Reconciliation between current tax rate and effective tax rate	Group		Parent Company	
	2010	2009	2010	2009
Recognized profit before tax	123,995	111,658	69,606	84,367
Tax according to current tax rate	-32,611	-29,366	-18,306	-22,188
Tax effect of:				
Tax related to tax allocation reserve	-	-	-36	-33
Other non-deductible costs	-98	-319	-56	-67
Taxable income	69	71	-	-
Other tax-exempt income	195	-	26,449	26,305
Tax related to revenue/expenses not recognized through profit or loss	-312	-97	-	-
Adjustment of tax from previous years	-40	-349	-40	-
Unutilized tax loss in the U.S.	-58	-696	-	-
Unutilized tax loss in UK	-239	-	-	-
<b>Recognized tax expense</b>	<b>-33,232</b>	<b>-30,756</b>	<b>8,011</b>	<b>4,017</b>

Deferred taxes	Group		Parent Company	
	Dec. 31 2010	Dec. 31 2009	Dec. 31 2010	Dec. 31 2009
Recognized deferred tax assets and tax liabilities				
Inventories	3,148	3,128	-	-
Untaxed reserves	-51,337	-43,139	-	-
<b>Total deferred tax assets (+) deferred tax liabilities (-)</b>	<b>-48,189</b>	<b>-40,011</b>	<b>-</b>	<b>-</b>

## NOTE 14 INTANGIBLE ASSETS

Group	Dec. 31 2010	Dec. 31 2009
<b>Goodwill</b>		
Accumulated cost		
Opening balance	13,944	13,944
<b>Carrying amount at year-end</b>	<b>13,944</b>	<b>13,944</b>
<b>Trademarks</b>		
Accumulated cost		
Opening balance	187,532	187,532
<b>Carrying amount at year-end</b>	<b>187,532</b>	<b>187,532</b>
<b>Tenancy rights</b>		
Accumulated cost		
Opening balance	3,425	3,425
<b>Closing balance</b>	<b>3,425</b>	<b>3,425</b>
<b>Accumulated amortization</b>		
Opening balance	-2,974	-1,729
Amortization for the year	-252	-1,245
<b>Closing balance</b>	<b>-3,226</b>	<b>-2,974</b>
<b>Carrying amount at year-end</b>	<b>199</b>	<b>451</b>
<b>Capitalized expenditure for software</b>		
Accumulated cost		
Opening balance	4,385	-
Investments	4,832	4,385
<b>Closing balance</b>	<b>9,217</b>	<b>4,385</b>
Accumulated amortization		
Opening balance	-947	-
Amortization for the year	-1,411	-947
<b>Closing balance</b>	<b>-2,358</b>	<b>-947</b>
<b>Carrying amount at year-end</b>	<b>6,858</b>	<b>3,438</b>



Note 14, continued

Parent Company	Dec. 31 2010	Dec. 31 2009
<b>Capitalized expenditure for software</b>		
Accumulated cost		–
Opening balance	1,868	–
Investments	420	1,868
<b>Closing balance</b>	<b>2,288</b>	<b>1,868</b>
Accumulated impairment losses		
Opening balance	–174	–
Amortization for the year	–428	–174
<b>Closing balance</b>	<b>–602</b>	<b>–174</b>
<b>Carrying amount at year-end</b>	<b>1,686</b>	<b>1,694</b>

#### IMPAIRMENT TESTING OF GOODWILL AND TRADEMARKS

Goodwill has been allocated to three cash-generating units: Björn Borg Brands AB, Björn Borg Clothing AB and Björn Borg Footwear AB.

There are also intangible non-current assets in the form of trademarks where the cash-generating unit is Björn Borg Brands AB. A list is provided below.

Goodwill	Dec. 31 2010	Dec. 31 2009
Björn Borg Brands AB	9,330	9,330
Björn Borg Clothing AB	658	658
Björn Borg Footwear AB	3,956	3,956
	<b>13,944</b>	<b>13,944</b>

Trademarks	Dec. 31 2010	Dec. 31 2009
Björn Borg Brands AB	187,532	187,532
	<b>187,532</b>	<b>187,532</b>

Every year the Group tests goodwill and trademarks for impairment in accordance with the accounting principle described in Note 1. The future cash flows used to calculate each unit's value in use are based in the first year on the budget adopted by the Board for 2011 for each unit.

Cash flows are subsequently based on the assumption that annual growth will be lower than historical growth in the last five-year period. Management bases its assumptions of future growth on previous experience and detailed discussions with distributors and licensees.

Impairment tests were conducted as of December 31, 2010 applying a 14 percent (14) discount rate before tax as well as an assumption of annual, sustainable growth of 3 percent (3) for the period beyond the forecast horizon. This annual growth is assumed to be in line with growth for the market in which Björn Borg is active. The forecast period stretches from 2011 to 2020.

There are no impairment losses in the Group, since the discounted present value of future cash flows exceeds the carrying amount of the net assets in every case.

If the assumed growth beyond the forecast period used in the calculation of value in use for goodwill and trademarks had been 0 percent instead of the assumed 3 percent, there would have still been no impairment losses.

#### NOTE 15 TANGIBLE NON-CURRENT ASSETS

	Group		Parent Company	
	Dec. 31 2010	Dec. 31 2009	Dec. 31 2010	Dec. 31 2009
<b>Accumulated cost</b>				
Opening balance	27,265	25,885	8,769	8,366
Investments	2,498	1,380	372	403
Sales and disposals	–417	–	–	–
<b>Closing balance</b>	<b>29,346</b>	<b>27,265</b>	<b>9,141</b>	<b>8,769</b>
<b>Accumulated depreciation</b>				
Opening balance	–16,115	–10,519	–4,531	–2,822
Sales and disposals	302	9	–	–
Depreciation for the year	–5,725	–5,605	–1,780	–1,709
<b>Closing balance</b>	<b>–21,538</b>	<b>–16,115</b>	<b>–6,311</b>	<b>–4,531</b>
<b>Carrying amount at year-end</b>	<b>7,808</b>	<b>11,150</b>	<b>2,830</b>	<b>4,238</b>

#### NOTE 16 FINANCIAL NON-CURRENT ASSETS

Parent Company	Dec. 31 2010	Dec. 31 2009
<b>Shares in subsidiaries</b>		
Opening cost	54,497	54,497
Acquired companies	266,274	–
<b>Closing accumulated cost</b>	<b>320,771</b>	<b>54,497</b>

Shares in subsidiaries	Reg.no.	Registered address	No. of shares	Share of equity %	Book value
Björn Borg Brands AB	556537-3551	Stockholm	84,806	100	40,216
Björn Borg Clothing AB	556414-0373	Stockholm	1,000	100	–
Björn Borg Sweden AB	556374-5776	Stockholm	3,000	100	–
Anteros Lagerhantering AB	556539-2221	Stockholm	901	90,1	–
Björn Borg Retail AB	556577-4410	Stockholm	1,000	100	–
Björn Borg Inc		Delaware	3,000	100	–
Björn Borg UK Limited	7392965	Wales	400,000	80	4,185
Björn Borg Services AB	556537-3551	Stockholm	5,000	100	262,089
Björn Borg Footwear AB	556280-5746	Varberg	6,999	100	14,281
					<b>320,771</b>

On March 25, 2010 Björn Borg acquired 100 percent of the capital and votes in FSSIT Services AB (the name of which has since been changed to Björn Borg Services AB). Björn Borg UK Limited was formed on September 30, 2010. Björn Borg owns 80 percent of the capital and votes in the company.

#### NOTE 17 INVENTORY

	Group		Parent Company	
	Dec. 31 2010	Dec. 31 2009	Dec. 31 2010	Dec. 31 2009
Trading book, gross	26,239	27,273	–	–
Reserve for obsolescence in inventory	–	–818	–	–
<b>Total</b>	<b>26,239</b>	<b>26,455</b>	<b>–</b>	<b>–</b>

## NOTE 18 ACCOUNTS RECEIVABLE

	Group		Parent Company	
	Dec. 31 2010	Dec. 31 2009	Dec. 31 2010	Dec. 31 2009
<b>Accounts receivable</b>				
Accounts receivable, gross	53,860	40,176	812	970
Reserve for impaired receivables	-2,867	-2,144	-269	-160
<b>Total accounts receivable, net, after reserve for impaired receivables</b>	<b>50,993</b>	<b>38,032</b>	<b>543</b>	<b>810</b>
<b>Overdue receivables</b>				
Not overdue	33,602	11,506	18	-
1-30 days	13,821	22,202	15	670
31-90 days	2,932	278	4	-
91-180 days	1,680	3,180	15	140
>180 days	1,825	3,010	760	160
<b>Total</b>	<b>53,860</b>	<b>40,176</b>	<b>812</b>	<b>970</b>

### Overdue receivables not considered impaired

Not overdue	33,602	11,506	18	-
1-30 days	13,821	22,202	15	670
31-90 days	2,927	278	4	-
91-180 days	519	3,180	15	140
>180 days	124	866	492	-
<b>Total</b>	<b>50,993</b>	<b>38,032</b>	<b>543</b>	<b>810</b>

	Group		Parent Company	
	Dec. 31 2010	Dec. 31 2009	Dec. 31 2010	Dec. 31 2009
<b>Control account for customer losses – reconciliation</b>				
Provisions at beginning of year	-2,144	-1,869	-160	-
Reversed provisions	58	-	-	-
Provisions	-2,867	-63	-269	-160
Established losses	2,086	-212	160	-
<b>Total</b>	<b>-2,867</b>	<b>-2,144</b>	<b>-269</b>	<b>-160</b>

## NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	Dec. 31 2010	Dec. 31 2009	Dec. 31 2010	Dec. 31 2009
Accrued royalty revenue	4,714	4,280	0	-
Prepaid rents	3,889	4,043	1,399	1,418
Prepaid leases	88	97	0	-
Other	5,914	8,670	984	1,906
<b>Total</b>	<b>14,605</b>	<b>17,090</b>	<b>2,383</b>	<b>3,324</b>

## NOTE 20 LIABILITIES

	Group		Parent Company	
	Dec. 31 2010	Dec. 31 2009	Dec. 31 2010	Dec. 31 2009
<b>Non-current and current interest-bearing loans</b>				
Available credit lines	-	-	-	-
Bank overdraft facilities	20,000	20,000	20,000	20,000
<b>Total available credit lines</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>
<b>Unutilized available credit lines</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>

Bank overdraft facilities were not utilized at any point in 2010. The company pays annual contractual interest amounting to 0.4 percent of the facility. Other liabilities include a reported liability to the seller of the Björn Borg trademark totaling SEK 40,889 thousand (of which SEK 6,164 thousand will be paid within 12 months and SEK 34,724 thousand after five years). Since no interest is paid on the liability, future amortization of the liability has been discounted to present value. The difference between the present value of the liability and the nominal amount is carried as an interest expense over the credit period applying the effective interest method.

## NOTE 21 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	Dec. 31 2010	Dec. 31 2009	Dec. 31 2010	Dec. 31 2009
Contingent consideration for trademarks	5,901	6,332	-	-
Personnel-related items	8,030	6,541	4,295	1,595
Customs and shipping	-	-	-	-
Management expenses	1,902	1,127	1,902	1,127
Marketing expenses	1,993	1,209	-	-
Other	14,811	18,178	4,181	5,394
<b>Total</b>	<b>32,637</b>	<b>33,387</b>	<b>10,378</b>	<b>8,116</b>

## NOTE 22 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
	Dec. 31 2010	Dec. 31 2009	Dec. 31 2010	Dec. 31 2009
<b>Pledged assets</b>				
Chattel mortgages	18,000	18,000	-	-
Shares in subsidiaries and associates	0	0	0	0
<b>Total</b>	<b>18,000</b>	<b>18,000</b>	<b>0</b>	<b>0</b>
<b>Contingent liabilities</b>				
Other guarantees	1,586	4,025	-	-
<b>Total</b>	<b>1,586</b>	<b>4,025</b>	<b>-</b>	<b>-</b>

## NOTE 23 EARNINGS PER SHARE

	2010	2009
Earnings per share, SEK	3.61	3.22
Earnings per share, SEK (after dilution)	3.57	3.21
Number of shares	25,148,384	25,148,384
Number of shares, weighted average	25,148,384	25,111,217
Effect of dilution	321,818	118,910
Number of shares, weighted average (after dilution)	25,470,202	25,230,128

Earnings per share are calculated by dividing profit attributable to the Parent Company's shareholders by the average number of shares outstanding during the period. All warrant schemes are taken into account in calculating the dilution effect.

## NOTE 24 NET PROFIT/LOSS FOR EACH CATEGORY OF FINANCIAL INSTRUMENT

Group	2010	2009
Accounts and loans receivable	2,457	2,536
Financial liabilities at amortized cost	640	-2,837
Financial assets at fair value through profit or loss	567	-
<b>Total</b>	<b>3,664</b>	<b>-301</b>

## NOTE 25 DIVIDEND PER SHARE

The Annual General Meeting on April 15, 2010 approved a dividend of SEK 125,742 thousand for the financial year 2009, corresponding to SEK 5.00 per share.

The Board of Directors has decided to recommend to the AGM a distribution of SEK 5.20 per share for the financial year 2010. As proposed, the distribution would be paid through an automatic redemption, whereby every share is divided into a common share and two redemption shares. The redemption shares will then automatically be redeemed for SEK 2.60 per share. Payment for the redemption shares, contingent on the approval of the AGM, is expected to be made around May 25, 2011. The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 130,771,597 (125,741,920).

## NOTE 26 NET FINANCIAL ITEMS

Group	Group		Parent Company	
	2010	2009	2010	2009
Change in exchange rates	33	1,360	33	-
Interest income*	2,049	2,850	1,646	2,694
Other financial income**	672	174	634	1
<b>Total financial income</b>	<b>2,754</b>	<b>4,384</b>	<b>2,313</b>	<b>2,695</b>
Change in exchange rates	-2,352	-2,366	-	-446
Other financial expenses	-425	-108	-10,074	-213
Interest expense Trademarks*	-1,873	-2,101	-	-
Interest expenses*	-114	-745	-68	-61
<b>Total financial expenses</b>	<b>-4,764</b>	<b>-5,320</b>	<b>-10,142</b>	<b>-720</b>
<b>Net financial items</b>	<b>-2,010</b>	<b>-936</b>	<b>-7,829</b>	<b>1,975</b>

\* The item in its entirety refers to financial assets not measured at fair value through profit or loss.

\*\* Of which SEK 567 thousand (0) refers to unrealized changes in short-term investments at fair value through profit or loss.

## NOTE 27 FINANCIAL ASSETS AND LIABILITIES

Group Dec. 31, 2010	Accounts receivable and loans receivable	Other financial liabilities	Total carrying amount	Fair value	Non-financial assets and liabilities	Total assets
Accounts receivable	50,993	-	50,993	50,993	-	50,993
Short-term investments	35,567	-	35,567	35,567	-	35,567
Cash and bank balances	194,275	-	194,275	194,275	-	194,275
<b>Total financial assets</b>	<b>280,835</b>	<b>-</b>	<b>280,835</b>	<b>280,835</b>	<b>-</b>	<b>280,835</b>
Other non-current liabilities	-	34,724	34,724	34,724	-	34,724
Other current liabilities	-	6,164	6,164	6,164	5,028	11,192
Accounts payable	-	9,987	9,987	9,987	-	9,987
<b>Total financial liabilities</b>	<b>-</b>	<b>50,875</b>	<b>50,875</b>	<b>50,875</b>	<b>5,028</b>	<b>55,903</b>

Group Dec. 31, 2009	Accounts receivable and loans receivable	Other financial liabilities	Total carrying amount	Fair value	Non-financial assets and liabilities	Total assets
Accounts receivable	38,032	-	38,032	38,032	-	38,032
Cash and bank balances	296,484	-	296,484	296,484	-	296,484
<b>Total financial assets</b>	<b>334,516</b>	<b>-</b>	<b>334,516</b>	<b>334,516</b>	<b>-</b>	<b>334,516</b>
Other non-current liabilities	-	40,889	40,889	40,889	-	40,889
Other current liabilities	-	5,927	5,927	5,927	8,071	13,998
Accounts payable	-	15,480	15,480	15,480	-	15,480
<b>Total financial liabilities</b>	<b>-</b>	<b>62,296</b>	<b>62,296</b>	<b>62,296</b>	<b>8,071</b>	<b>70,367</b>

### Recognition at fair value

Fair values are determined according to a valuation hierarchy comprised of 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.

All holdings of financial assets by the Group and Parent Company are recognized at fair value, which consist exclusively of accounts receivable, short-term investments, and cash and bank balances, can be found in level 1. The quoted market prices used for the Group's financial assets consist of the bid rates on the closing day. The carrying amount and fair value as indicated in the table above totals SEK 280.8 million (334.5).

## NOTE 28 BUSINESS COMBINATIONS

On March 25, 2010 Björn Borg acquired 100 percent of the capital and votes in FSSIT Services AB (the name of which has since been changed to Björn Borg Services AB). The purchase price amounted to SEK 9.1 million, excluding FSSIT Services AB's cash reserves, and transaction costs to SEK 1.3 million. The transaction costs have been recognized as an administrative cost and thus affected operating profit negatively.

During the two years prior to the acquisition FSSIT Services AB did not carry on any operations, and other than cash reserves the company essentially lacked assets and liabilities. Operating previously as an IT service company, FSSIT Services AB generated losses that gave it tax loss carryforwards of approximately SEK 182 million, for which deferred tax assets of SEK 9 million have been recognized in the acquisition balance sheet. The acquisition affects the Group's cash flow by SEK -9 million, which corresponds to the difference between the purchase price paid and FSSIT Services AB's cash reserves on the acquisition date. The effect on the Group's results and financial position is immaterial before or after the acquisition date.

### Carrying amounts of identifiable acquired assets and assumed liabilities

Cash & cash equivalents	251.8
Deferred tax assets	9.1
Total identifiable net assets	260.9
Total purchase price (cash paid)	260.9
Goodwill	0.0

## NOTE 29 EVENTS AFTER THE BALANCE SHEET DATE

As previously announced, Björn Borg established a new subsidiary in January 2011 to produce fashionable athletic and functional wear together with the Dutch distributor. The creation of a separate clothing operation based in the Netherlands is another element in the strategy to focus on Björn Borg's core business, underwear, based in Stockholm. The new company, Björn Borg Sport, builds on the clothing concept in the Netherlands, where Björn Borg has established operations and extensive experience after having successfully managing the licensed womenswear company for about ten years. The collections, both women's and men's, will primarily include sports fashion and functional sportswear. The products will be sold to distributors in Björn Borg's current markets, with an initial focus on larger markets. In 2011 Björn Borg Sport will handle some billing for shipments from the former Dutch apparel operations. The venture is expected to raise the Group's operating expenses by about SEK 10 million in 2011. The new clothing operation is considered to have good financial potential.

The undersigned certify that the consolidated accounts 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, March 17, 2011

Fredrik Lövestedt  
Chairman

Nils Vinberg  
Vice Chairman

Monika Elling

Kerstin Hessius

Fabian Månsson

Mats H Nilsson

Vilhelm Schottenius

Michael Storåkers

Arthur Engel  
President

Our audit report was submitted on March 17, 2011  
Deloitte AB

Håkan Pettersson  
Authorized Public Accountant

Tommy Mårtensson  
Authorized Public Accountant

# AUDIT REPORT

To the Annual General Meeting of Björn Borg AB (publ)  
Company reg. no. 556658-0683

We have examined the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Björn Borg AB (publ) for the financial year 2010. The company's annual report is included in the printed version of this document on pages 35–58. The Board of Directors and the President are responsible for the financial statements and the administration of the company as well as for the application of the Annual Accounts Act in the preparation of the annual accounts and the application of the International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act in the preparation of the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration of the company based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. These standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and critical estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation

of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We have also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and provide a true and fair view of the company's results of operations and financial position in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act and provide a true and fair view of the Group's results of operations and financial position. The Board of Directors' report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend that the Annual General Meeting adopt the Parent Company's income statement and balance sheet and the Group's income statement and statement of financial position, that the profit in the Parent Company be dealt with in accordance with the proposal in the Board of Directors' report, and that the members of the Board and the President be discharged from liability for the financial year.

Stockholm, March 17, 2011  
Deloitte AB

Håkan Pettersson  
Authorized Public Accountant

Tommy Mårtensson  
Authorized Public Accountant

# THE SHARE

The Björn Borg share has been listed on NASDAQ OMX Stockholm's Mid Cap list since May 7, 2008 and is traded under the ticker symbol BORG. The share 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 profits and assets.

## TRADING

The last price paid on December 31, 2010 was SEK 64, giving Björn Borg a market capitalization of SEK 1,609 million. A total of 18.8 million shares were traded in 2010 at a value of approximately SEK 1,263 million. The average daily turnover was 74,256 shares. The share price fell during the year by SEK 3, or 4.7 percent. The share reached a high of SEK 80.50 and dipped to a low of SEK 55.

## INCENTIVE SCHEMES

Björn Borg has two outstanding incentive schemes based on warrants in the company. The exercise of all the outstanding warrants would fully dilute the share capital by about 6 percent. For more information on the incentive schemes, see Note 7 on page 52.

## DIVIDEND POLICY

According to Björn Borg's financial goals for the period 2010–2014, 50 percent of net profit will be distributed to the company's shareholders. As part of the financial goals, the company will strive to maintain long-term cash reserves equivalent to 10–20 percent of annual sales. The surplus liquidity that is generated while taking into account the new financial goals will be transferred to the shareholders in stages during the forecast period, starting in 2010.

## DIVIDEND PROPOSAL

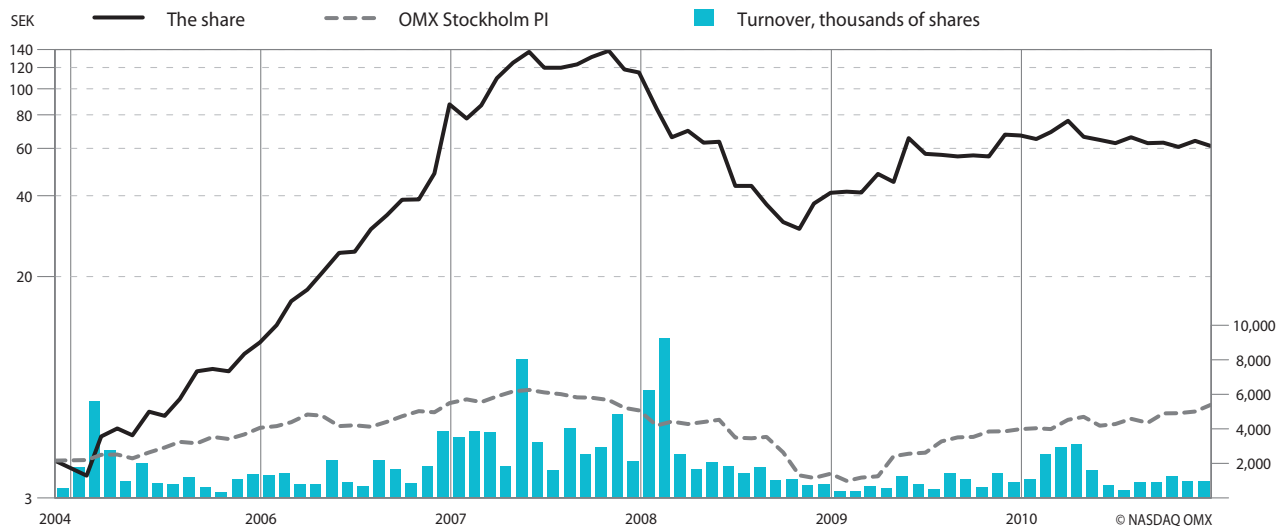
The Board of Directors has recommended to the AGM a distribution of SEK 5.20 per share for 2010, corresponding to 144 percent of net income. As proposed, the distribution would be paid through an automatic redemption, whereby every share is divided into a common share and two redemption shares. The redemption shares will then automatically be redeemed for SEK 2.60 per share. Payment for the redemption shares, contingent on the approval of the AGM, is expected to be made around May 25, 2011.

The Board of Directors' proposal corresponds to a transfer to shareholders of SEK 130.8 million (125.7). For 2009 a dividend of SEK 5.00 was paid per share, corresponding to 155 percent of net income.

## SHAREHOLDERS

As of December 31, 2010 Björn Borg had 6,908 shareholders (6,116), according to Euroclear. Björn Borg's ten largest shareholders owned shares corresponding to 53.5 percent of the votes and capital. Institutional investors owned 27 percent.

## SHARE PRICE PERFORMANCE



## CHANGES IN SHARE CAPITAL

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

## LARGEST SHAREHOLDERS

	No. of shares	Votes/capital, %
Fredrik Lövestedt through companies	2,600,040	10.3
SEB	2,578,480	10.3
Robur	1,855,600	7.4
Mats H Nilsson directly or through related parties	1,478,440	5.9
Vilhelm Schottenius	1,023,520	4.1
Fourth Swedish National Pension Fund	943,999	3.8
JP Morgan Bank	741,800	2.9
Nils Vinberg	711,080	2.8
MSIL IPB Client Account	532,227	2.1
Avanza	528,032	2.1
<b>Total, 10 largest shareholders</b>	<b>12,993,218</b>	<b>51.7</b>
<b>Total, other</b>	<b>12,155,166</b>	<b>48.3</b>
<b>Total number of shares</b>	<b>25,148,384</b>	<b>100.0</b>

According to share register on December 31, 2010.

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

## SHAREHOLDER STRUCTURE

	No. of shareholders	No. of shares	Capital and votes, %
1– 500	4,940	845,899	3.3
501– 1,000	908	795,255	3.2
1,001– 5,000	790	1,858,926	7.3
5,001– 10,000	130	994,738	4.0
10,001– 15,000	38	493,051	2.0
15,001– 20,000	20	348,885	1.4
20,001–	82	19,811,630	78.8
<b>Total</b>	<b>6,908</b>	<b>25,148,384</b>	<b>100.0</b>

According to share register on December 31, 2010.

## DATA PER SHARE

	2010	2009	2008	2007	2006
Earnings per share before dilution, SEK	3.61	3.22	3.96	4.18	2.55
Earnings per share after full dilution, SEK	3.57	3.21	3.96	4.17	2.53
Number of shares outstanding on closing day	25,148,384	25,148,384	25,059,184	25,036,984	23,207,376
Average number of shares outstanding	25,148,384	25,111,217	25,041,134	24,406,699	22,954,076
Average number of shares outstanding after dilution	25,470,202	25,230,128	25,075,500	24,490,160	23,081,600

# BOARD OF DIRECTORS AND AUDITORS



**Fredrik Lövestedt**  
Chairman since 2005,  
Director since 2004.  
b. 1956.  
M.Sc. Eng., MBA.  
Other assignments: Chairman of Alertsec AB. President of AB Durator.  
Background: Former Executive Vice President of Protect Data AB (1996–2001). Has run his own company since 1984.  
Shares in Björn Borg: 2,600,040



**Nils Vinberg**  
Vice Chairman since 2008.  
Director since 2004.  
b. 1957.  
B.Sc. Econ.  
Other assignments: Chairman of Charge Holding AB. Director of RNB Retail and Brands AB, Odd Molly International AB, Elevenate AB, Svensk Handel Stil and Vinberg Management AB.  
Background: Former President of Björn Borg AB (2004–2008), former CFO of Björn Borg AB (1999–2004), President of Industriell Partner AB, CFO of Industriellhandelsgruppen.  
Shares in Björn Borg: 711,080.



**Monika Elling**  
Director since 2009.  
b. 1962.  
B.Sc. Econ., B.Sc. ME.  
Background: CEO of Poolia. Previously Regional Managing Director and CFO of Intrum Justitia, analyst at Enskilda Securities in Stockholm, COO of Arrow Lock, New York, the U.S. (today part of Assa Abloy), Business Development Manager in Cash Handling Services at Securitas. Formerly a Director of AB Index.  
Shares in Björn Borg: 69,000.



**Kerstin Hessius**  
Director since 2010.  
b. 1958.  
B.Sc. Econ.  
Other assignments: CEO of Tredje AP-fonden, Director of Vasakronan AB, Hemsö AB and member of the HHS Advisory Board and Stiftelsen Danvikshem.  
Background: Former CEO of Stockholmsbörsen, Deputy Governor at Sveriges Riksbank, Managing Director of Asset Management at Östgöta Enskilda Bank/ Danske Bank and various management positions at Alfred Berg/ABN Amro.  
Shares in Björn Borg: 6,000.



**Fabian Månsson**  
Director since 2009.  
b. 1964.  
B.Sc. Econ.  
Other assignments: Active as industrial advisor since 2008, Director of Aurora Fashions.  
Background: In recent years Fabian Månsson has served as an industrial advisor for the managements of Hugo Boss and Mavi Jeans, among other companies.  
Former CEO, President and Director of Eddie Bauer Inc, the U.S.. EVP of Spray Ventures AB. President, Purchasing Manager and Divisional Manager for H&M Hennes och Mauritz AB.  
Shares in Björn Borg: 2,000.



**Mats H Nilsson**  
Director since 1998.  
b. 1955.  
B.Sc. Econ.  
Other assignments: Director of Credelity Capital AB and SevenDay Finans AB.  
Background: Former Executive Director of Swiss Bank Corporation, London, and Director of SG Warburg & Co Ltd, London.  
Shares in Björn Borg: 1,478,440.



**Vilhelm Schottenius**  
Director since 1997.  
b. 1956.  
B.Sc. Econ.  
Other assignments: Director of Procurator AB, Collector AB, Nilörgruppen AB, Stampen Media Partner AB, Sportmanship Invest AB, Identity Works AB, Saddler Scandinavia AB, the regional bank board of Handelsbanken.  
Background: One of the founders of the Björn Borg brand and Lunarworks AB (Lunarstorm).  
Shares in Björn Borg: 1,023,520.



**Michael Storåkers**  
Director since 2006.  
b. 1972.  
B.Sc. Econ.  
Other assignments: CEO of Bukowskis AB. Chairman of McCann Nordic AB and Storåkers McCann AB. Director of the Stockholm School of Economics, Bukowskis AB, Stockholmsmässan AB and Rodebjer AB.  
Background: Former Director of Stockholm Business Region AB, Konzept AB, Fortum Värme, Pysslingen Förskolor och Skolor AB.  
Shares in Björn Borg: 40,000.

Auditors: Deloitte AB. Håkan Pettersson, Authorized Public Accountant. Tommy Mårtensson, Authorized Public Accountant.

Shareholdings and warrant holdings as of December 31, 2010.



# SENIOR MANAGEMENT



**Arthur Engel**

President.  
b. 1967.  
Recruited 2008.  
B.Sc. Econ.  
Background: President of Gant.  
Shares in Björn Borg: 35,000.  
Warrants in Björn Borg: 750,000.



**Malin Wählstedt**

Business Area Manager Underwear.  
b. 1966.  
Recruited 2009.  
Business School Economics.  
Background: Former Section Manager H&M, Underwear.  
Shares in Björn Borg: 0.



**Henrik Fischer**

Vice President and International Sales Director.  
b. 1967.  
Recruited 2008.  
Business School Economics.  
Background: President of Polarn o. Pyret, COO of Gant, President of Gant Sweden.  
Shares in Björn Borg: 6,000.  
Warrants in Björn Borg: 500,000.



**Magnus Teeling**

Financial Manager.  
b. 1973.  
Recruited 2011.  
B.Sc. Econ.  
Background: Tilgin AB, Aroma AB, KPMG.  
Shares in Björn Borg: 500.



**Erik Jarnsjö**

Marketing Director.  
b. 1974.  
Recruited 2011.  
B.Sc. Econ.  
Background: Brand Manager at Coop, Senior Brand Manager at Unilever, Nordic Marketing Manager at Unilever, Marketing Manager at Spendrups Bryggeri.  
Shares in Björn Borg: 0



**Magnus Ehrland**

Creative Director.  
b. 1965.  
Recruited 2009.  
Background: Design Director of J Lindeberg, Menswear Designer Diesel, Italy.  
Shares in Björn Borg: 1,500.

Shareholdings and warrant holdings as of December 31, 2010.

# CORPORATE GOVERNANCE REPORT 2010

The Björn Borg share is listed on NASDAQ OMX 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 corporate governance principles applied by Björn Borg, in addition to the rules stipulated in laws and regulations are stated in the Swedish Code of Corporate Governance. The Board of Directors is responsible for ensuring that the code is applied by the Board itself as well as by the management and the company in general, and continuously monitors that the code is applied. If a company that applies the Swedish Code of Corporate Governance does not follow it in any respect, the company must explain the non-compliance, describe the solution it has selected instead and state the reasons why. In 2010 Björn Borg applied the Swedish Code of Corporate Governance without non-compliance with any of its provisions, with the exception that Director Mats H Nilsson served as Chairman of the Nomination Committee. The reason for this non-compliance was that the Nomination Committee felt that Mats H Nilsson's background as a major long-term shareholder and Director of Björn Borg qualified him to effectively lead the 2010 Nomination Committee as Chairman.

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), at which every shareholder who is recorded in the share register on the record day for the AGM and notifies the company as required is entitled to participate personally or by proxy. The AGM may decide on all issues that affect the company and do not expressly fall under another decision-making body's exclusive competence according to the Swedish Companies Act or the Articles of Association. Every shareholder is entitled to have an issue brought before the 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, and decide on the disposition of the profit from the company's operations and the discharge from liability for the Directors and the President. 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 fees. 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 and warrants, the AGM may authorize the Board to take decisions.

## **Annual General Meeting 2011**

The next AGM will be held in Stockholm on April 14, 2011. A notice will be released in accordance with the Articles of Association and the rules that apply according to the Swedish Companies Act and the Swedish Code of Corporate Governance.

## **Annual General Meeting 2010**

The 2010 AGM was held in Stockholm on April 15, 2010. The AGM passed resolution to reelect Directors Mats H Nilsson, Vilhelm Schottenius, Michael Storåkers, Monika Elling, Fabian Månsson and Nils Vinberg, and reelected Fredrik Lövestedt as Chairman. Kerstin Hessius was elected as a new Director. The AGM also resolved to approve the profit distribution, authorize the Board to decide on the acquisition and transfer of the company's own shares and to issue new shares. The minutes of the AGM can be found on Björn Borg's web site.

## **NOMINATION COMMITTEE**

According to the resolution of the 2010 AGM, Björn Borg's Nomination Committee will be appointed in a specific way. The Nomination Committee, whose composition was published on the Group's web site in October 2010, consists of the following members for the 2011 AGM:

- Fredrik Lövestedt, Chairman of the Board
- Mats H Nilsson, representing himself as a shareholder
- Carina Tovi, representing Swedbank Robur Funds
- Stefan Roos, representing SEB Funds

Mats H Nilsson has been named Chairman of the Nomination Committee. According to the resolution of Björn Borg's 2010 AGM, the Nomination Committee's mandate is to propose to the 2011 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, the Nomination Committee, the Chairman of the AGM and, when applicable, the election of the auditors and their remuneration. Up until January 31, 2011, the Nomination Committee has held two meetings at which minutes were taken. In addition contacts were made at other times. No compensation was paid to the members of the committee.

## **BOARD OF DIRECTORS**

In accordance with the Articles of Association, Björn Borg's Board of Directors consists of a minimum of four and a maximum of eight members. Directors are elected annually at the AGM for a one-year term up until the following AGM. The AGM on April 15, 2010 reelected Directors Fredrik Lövestedt, Mats H Nilsson, Vilhelm Schottenius, Michael Storåkers, Nils Vinberg, Monika Elling and Fabian Månsson. Kerstin Hessius was elected as a new Director. Fredrik Lövestedt was elected Chairman of the Board.

The Board fulfills the requirements of the Swedish Code of Corporate Governance that no more than one Director elected by the AGM is employed in the company's management or the management of the company's subsidiary, that a majority of the Directors are independent in relation to the company and the management, and that at least two Directors are independent in relation to the company's major shareholders. Prior to the 2010 AGM the Nomination Committee concluded that all of the nominated Directors were independent from the company and the management as well as from major shareholders, with the exception that the Chairman of the Board, Fredrik Lövestedt, was not considered independent in relation to the company's major shareholders due to his shareholding, and that Nils Vinberg was not considered independent in relation to the company and the management due to his previous role as President of Björn Borg.

The Board is assisted by an external secretary. For more information on the Directors, see page 62 of 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 and appoints its President. The Board lays down the company's goals and strategy, adopts critical policy documents and continuously monitors compliance thereto. The Board also has ultimate responsibility for its various committees. The Board's rules of procedure, which were adopted at the Board meeting on August 18, 2010 and subsequently reevaluated, define the principles for Board work, the delegation between the Board and the President, and financial reporting.

### Board work

In 2010 the Board held seven scheduled meetings, four of which were in connection with the quarterly financial reports, one in connection with the preparations for the AGM, one in connection with the AGM, one strategy meeting and one meeting in connection with the adoption of the budget. In addition, two extraordinary meetings were held. Directors' attendance at the year's Board meetings is shown in the table below.

### Compensation Committee

The Board has established a Compensation Committee consisting of Chairman Fredrik Lövestedt and Monika Elling to prepare proposals on remuneration and other terms of employment for Senior Executives. In 2010 the committee held two meetings. The Compensation Committee is a drafting committee.

### Audit Committee

The Board of Directors has established an Audit Committee consisting of Chairman Fredrik Lövestedt, Mats H Nilsson and Monika Elling. The committee supports the Board in its efforts to quality assure Björn Borg's financial reports and is tasked with ensuring that accurate, qualitative financial reports are prepared and communicated. The committee convened a total of four times in 2010, all in connection with the quarterly reports. All of the Committee's members attended all of these meetings. The Audit Committee is a drafting committee.

### PRESIDENT

The Board has established an instruction for the President's work and role. The President is responsible for day-to-day management of the Group's operations according to the Board's guidelines as well as other established policies and guidelines, and reports to the Board.

The President of Björn Borg is Arthur Engel, born 1967, since November 3, 2008. He does not own any shares in companies with which Björn Borg has significant business interests. For more information on the President, see page 63 of the annual report.

### THE COMPANY'S AUDITORS

The outside auditors review Björn Borg's annual accounts, accounting records and the administration of the Board of Directors and the President. After every financial year the auditors submit an audit report to the AGM. The 2007 AGM elected the registered public accounting firm Deloitte AB as auditor for a four-year term, with authorized public accountant Håkan Pettersson as chief auditor, assisted by authorized public accountant Tommie Mårtensson. Håkan Pettersson has been the auditor for Björn Borg since the company was established in 2004 and for the Group since 1997. The issue of the election of auditors will be addressed at the 2011 AGM. According to a change in the Swedish Companies Act, the auditors' term has been shortened to one year, instead of the previous four-year term.

Further information on the auditors can be found on page 62 in the annual report. Information on the auditors' fee can be found in Note 8.

### REMUNERATION TO DIRECTORS AND SENIOR EXECUTIVES

Remuneration to the Chairman and other Directors is determined by the AGM. According to the resolution of the 2010 AGM, the Chairman received remuneration of SEK 300,000 and other Directors received SEK 100,000. For committee work in 2010, the member of the Compensation Committee was paid SEK 15,000 and the Chairman was paid SEK 25,000, while the members of the Audit Committee were each paid SEK 25,000 and the Chairman was paid SEK 40,000.

According to the remuneration guidelines for Senior Executives approved by the 2010 AGM, the remuneration for the President and other members of management includes a base salary, variable compensation, previously established long-term incentive schemes and other benefits, including a pension. The variable compensation is based on the results relative to defined, measurable targets and is maximized relative to the salary target.

The fixed and variable salary components and benefits for the President and the management of Björn Borg are indicated in Note 7 of the annual report.

### INCENTIVE SCHEMES

Björn Borg has two current warrant-based incentive schemes. They were approved by the 2008 AGM and the Extraordinary General Meeting in 2008. The scope of Björn Borg's incentive schemes is indicated in Note 7 of the annual report.

### Directors' attendance in 2010

	Feb 10	Mar 10	Mar 24	May 5	Jun 17	Aug 18	Sep 19	Nov 10	Dec 14
Fredrik Lövestedt	1	1	1	1	1	1	1	1	1
Vilhelm Schottenius	1	1	1	1	1	1	1	1	1
Mats H Nilsson	1	1	1	1	1	1	1	1	1
Michael Storåkers	–	1	–	1	1	1	1	1	1
Nils Vinberg	1	1	–	1	1	1	1	1	1
Fabian Månsson	1	1	1	–	1	1	1	1	1
Monika Elling	1	1	1	1	1	1	1	1	–
Kerstin Hessius*	–	–	–	1	–	–	1	1	1
<b>No. of attendees</b>	<b>6</b>	<b>7</b>	<b>5</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>8</b>	<b>8</b>	<b>7</b>

\* Newly elected Director

## FINANCIAL REPORTING

The quality of the financial reporting is ensured by the Board of Directors' policies and instructions on the delegation of responsibility and control as well as the instruction for the President on financial reporting, among other things. Prior to each of its meetings, the Board receives the latest financial reports and at each meeting it discusses the financial situation of the Parent Company and the Group. The Board also discusses the interim and annual reports. At least once a year the auditors report on whether the company has ensured that its accounts, their management and financial controls are working. After the formal report the President, Executive Vice President and Chief Financial Officer leave the meeting, so that the Directors can have a discussion with the auditors without the participation of the Senior Executives.

## BOARD REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

According to the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for internal control. This report on internal control over financial reporting for 2010 has been prepared in accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance and is part of the corporate governance report. Björn Borg's Board has evaluated the need for a separate audit function (internal audit) and has found that such a function is not necessary at present in view of the staffing in the company's finance department in relation to the operations' nature, scope and complexity.

## ORGANIZATION OF INTERNAL CONTROL OVER FINANCIAL REPORTING

### Control environment and corporate governance

The control environment serves as the basis for internal control over financial reporting. The Board of Directors' rules of procedure and instructions for the President and the Board's committees clearly define the delegation of roles and responsibilities in order to effectively manage the company's risks. The Board has established a number of fundamental guidelines and frameworks that are important to internal control. Examples include the Board's rules of procedure, financial policy, investment policy, code of conduct and communication policy. The Board's Audit Committee has as its specific responsibility to monitor and quality assure the financial reporting.

Management regularly reports to the Board based on established routines, as does the Audit Committee. Management is responsible for ensuring that the routines and systems established for internal control are followed to ensure proper management of significant operating risks. This includes routines and guidelines for various Senior Executives, so that they understand the importance of their roles in maintaining good internal control.

### Risk assessment

Management works continuously and actively with risk analysis, risk assessment and risk management to ensure that the risks that the company faces are managed appropriately within the framework that has been established. The risk assessment takes into consideration, among other things, the company's administrative routines with respect to operating, financial and legal risks. Balance sheet and income statement items where there is a risk that material errors could arise are continuously reviewed as well. Assessed risks in various

major balance sheet and income statement items are graded and monitored. The risk analysis has identified a number of critical processes. The biggest focus is on purchasing and revenue processes. The Audit Committee plays an important role in risk assessment, since it reports its observations and priorities to Björn Borg's Board.

### Communication and control activities

Prior to each of its meetings, the Board receives financial reports. The financial situation of the Parent Company and the Group is treated as a separate point at each Board meeting. The Audit Committee plays an important role in the monitoring process, since it reports its observations and priorities to the Board.

Manuals, guidelines and policy documents important to financial reporting are updated and provided to all parties concerned at internal meetings or by e-mail. To ensure that external information is distributed correctly, Björn Borg has a communication policy laid down by the Board.

Financial reporting for all subsidiaries is managed by Björn Borg's finance department. The company's auditors conduct the audit of the Group's financial reporting and review the processes, systems, routines and accounting work done by the finance department.

### Monitoring

The Board of Directors of Björn Borg is ultimately responsible for internal control. The Audit Committee appointed by the Board is responsible for, among other things, quality assuring the company's financial reporting, informing itself about the focus of the audit and reviewing the efficiency of the internal control systems for financial reporting.

The Audit Committee has the internal control structure as a recurring point at its meetings.

## BJÖRN BORG SHARE AND OWNERSHIP STRUCTURE

Shares in Björn Borg are listed on NASDAQ OMX Stockholm's Mid Cap list. The total number of shares in Björn Borg is 25,148,384. There is one class of share. The share capital amounts to SEK 7,858,870 and the quota value per share is SEK 0.3125. Each share carries one vote at the company's AGM, and there are no limitations on how many votes each shareholder may cast at the AGM. Björn Borg had 6,908 shareholders at year-end. The largest shareholder as of December 31, 2010 was Chairman Fredrik Löfstedt, who held 10.3 percent of the shares and votes. There are no limitations on the right to transfer the Björn Borg share due to legal provisions or Björn Borg's Articles of Association. Nor is Björn Borg aware of any agreements between shareholders that could infringe upon the right to transfer Björn Borg shares.

### Largest shareholders Dec. 31, 2010

Fredrik Löfstedt	2,600,040	10.3%
SEB	2,578,480	10.3%
Robur	1,855,600	7.4%
Mats H Nilsson directly or through related parties	1,478,440	5.9%
Vilhelm Schottenius	1,023,520	4.1%
Fourth Swedish National Pension Fund	943,999	3.8%
JP Morgan Bank	741,800	2.9%
Nils Vinberg	711,080	2.8%
MSIL IPB Client Account	532,227	2.1%
Avanza	528,032	2.1%
<b>Total</b>	<b>12,993,218</b>	<b>51.7%</b>
<b>Total number of shares</b>	<b>25,148,384</b>	<b>100.0%</b>

# AUDITORS' ASSURANCE REPORT ON THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of Björn Borg AB (publ). Company reg. no. 556658-0683

The Board of Directors is responsible for the corporate governance report and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our opinion that the corporate governance statement has been prepared and is consistent with the annual accounts and the consolidated accounts, we have read the corporate governance report and assessed its statutory content based on our knowledge of the company.

In our opinion, the corporate governance report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, March 17, 2011

Deloitte AB

Håkan Pettersson  
Authorized Public Accountant

Tommy Mårtensson  
Authorized Public Accountant

# DEFINITIONS

## GROSS PROFIT MARGIN

Net sales less cost of goods sold in relation to net sales.

## OPERATING MARGIN

Operating profit as a percentage of net sales.

## PROFIT MARGIN

Profit before tax as a percentage of net sales.

## EQUITY/ASSETS RATIO

Equity as a percentage of total assets.

## RETURN ON CAPITAL EMPLOYED

Profit after financial items plus finance expense as a percentage of average capital employed.

## RETURN ON EQUITY

Net income 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 the result by two.

## EARNINGS PER SHARE

Earnings per share in relation to the weighted average number of shares during the period.

## EARNINGS PER SHARE AFTER DILUTION

Earnings per share adjusted for any dilution effect.

## BRAND SALES

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

## BJÖRN BORG

Björn Borg refers to Björn Borg AB or, depending on the context, the group in which Björn Borg AB is the Parent Company (also referred to as "the Group"). "Björn Borg" also refers to the Björn Borg brand or, in rare cases, Björn Borg himself. In cases where "Björn Borg" refers to Björn Borg the person, this is noted.

## RETAILERS

Retailers of Björn Borg products, including department stores, retail chains and independent merchants, as well as Group-owned or franchised Björn Borg stores and factory outlets.

## DISTRIBUTORS

Distributors refer to the approximately 30 distributors with agreements with Björn Borg or with one of the external product companies on the use of the Björn Borg trademark and/or sale of Björn Borg products.

## PRODUCT COMPANIES

Product companies are the Group companies Björn Borg Clothing AB and Björn Borg Footwear AB as well as the external companies EGOptiska International AB (eyewear), Libro Gruppen AB (bags), Romella International AB (fragrances) and Trend Design Group (footwear), which have agreements with Björn Borg on the use of the Björn Borg trademark in the development, design and manufacture of Björn Borg products.

## BJÖRN BORG STORES

Björn Borg stores are stores managed by either Björn Borg Retail AB or franchisees and sell only Björn Borg products.

## FRANCHISEES

Franchisees are companies with franchise agreements with Björn Borg that give them the right to manage Björn Borg stores.

## NETWORK

The network comprises Group companies included in Björn Borg and product companies, distributors and franchisees that directly or indirectly have contractual relationships with Björn Borg on the use of the Björn Borg trademark and/or sale of Björn Borg products. Independent retailers that are not franchisees are not part of the network.

SEK	Swedish krona
USD	US dollar
HKD	Hong Kong dollar
EUR	Euro



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# OTHER INFORMATION

## ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders will be held on Thursday, April 14, 2011 at 5:00 pm (CET) at the company's office, Götgatan 78, Stockholm.

To be entitled to participate in the Annual General Meeting, shareholders must be entered in the shareholders' register maintained by the Swedish Central Securities Depository (VPC AB) on Friday, April 8, 2011 and must notify the company of their intention to participate by 4:00 pm on the same date, April 8, 2011. Notification must be sent in writing to Björn Borg AB, Götgatan 78, SE-118 30 Stockholm, Sweden, by tel to +46 8 506 33 700 or by e-mail to [stamma@bjornborg.net](mailto:stamma@bjornborg.net). When notifying the company, please include your name, personal identification or company registration number, address, telephone number and the names of those accompanying you.

Proxies and representatives of legal entities are advised to submit authorization documents well in advance of the meeting. A proxy template is available on Björn Borg's web site, [www.bjornborg.com](http://www.bjornborg.com).

Shareholders whose shares are registered in the name of a nominee must temporarily re-register the shares in their own names with VPC in order to be entitled to participate in the meeting. Re-registration must be completed by Friday, April 8, 2011, which means that shareholders must inform nominees well in advance of this date.

## 2011 CALENDAR

Annual General Meeting 2011	April 14, 2011
Interim report January – March 2011	May 4, 2011
Interim report, January – June 2011	August 23, 2011
Interim report, January – September 2011	November 10, 2011


## FINANCIAL REPORTS

Financial reports can be downloaded from the company's web site, [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

Arthur Engel, President  
E-mail: [arthur.engel@bjornborg.com](mailto:arthur.engel@bjornborg.com)  
Tel: +46 8 506 33 700  
Mobile: +46 701 81 34 01

Magnus Teeling, CFO  
E-mail: [magnus.teeling@bjornborg.com](mailto:magnus.teeling@bjornborg.com)  
Tel: +46 8 506 33 700  
Mobile: +46 708 50 55 37



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Björn Borg AB  
Götgatan 78, 28th floor, SE-118 30 Stockholm, Sweden  
Tel +46 8 506 33 700  
Fax +46 8 506 33 701  
[www.bjornborg.com](http://www.bjornborg.com)