

# KAPPAHL 2015

ANNUAL REPORT PART 2 ADMINISTRATION REPORT | GRI INDEX | CORPORATE GOVERNANCE

” ... therefore  
KappAhl has been  
able to powerfully  
implement **more**  
**major initiatives**  
**than ever.**



KappAhl

**KAPPAHL** WAS FOUNDED IN 1953 *in Gothenburg and is now one of the leading Nordic fashion chains with 400 stores in Sweden, Norway, Finland and Poland as well as Shop Online.*

**WE OFFER VALUE-FOR-MONEY FASHION** *of our own design with wide appeal – to women, men and children, with special focus on women in the prime of life. 24 per cent of the range has sustainability-labelling.*

**IN 2014/2015 SALES WERE SEK 4.6 billion** *and the number of employees was more than 4,000 in eight countries. KappAhl is listed on NASDAQ Stockholm.*



# CONTENTS

|  |   |
|--|---|
| <i>The KappAhl share</i>               | 2 |
| <i>Multi-year and quarterly review</i> | 4 |

---

|   |    |
|---|----|
| <i>Administration report</i>                                    | 6  |
| <i>Consolidated income statement</i>                            | 10 |
| <i>Consolidated statement of other comprehensive income</i>     | 10 |
| <i>Comments on the consolidated income statement</i>            | 11 |
| <i>Consolidated balance sheet</i>                               | 12 |
| <i>Comments on the consolidated balance sheet</i>               | 13 |
| <i>Consolidated statement of changes in equity</i>              | 14 |
| <i>Consolidated cash flow statement</i>                         | 15 |
| <i>Comments on the consolidated cash flow statement</i>         | 15 |
| <i>Parent company income statement</i>                          | 16 |
| <i>Statement of comprehensive income for the parent company</i> | 16 |
| <i>Parent company balance sheet</i>                             | 17 |
| <i>Parent company statement of changes in equity</i>            | 18 |
| <i>History of number of shares and share capital</i>            | 18 |
| <i>Parent company cash flow statement</i>                       | 19 |
| <i>Notes to the financial statements</i>                        | 20 |
| <i>Auditor's report</i>   | 39 |

---

|                             |    |
|-----------------------------|----|
| <i>Materiality analysis</i> | 40 |
| <i>GRI Index</i>            | 42 |

---

|  |    |
|--|----|
| <i>Corporate governance report</i>                                 | 51 |
| <i>Statement by the auditor on the corporate governance report</i> | 55 |
| <i>Board of Directors</i>  | 56 |
| <i>Management</i>  | 58 |
| <i>Annual General Meeting</i>                                      | 59 |
| <i>Calendar</i>  | 59 |

# DIVIDEND OF SEK 0.75 PER SHARE

The KappAhl share has been listed on Nasdaq Stockholm, Midcap since 23 February 2006. The KappAhl share is included in the Nasdaq Stockholm Consumer Discretionary Index.

The number of shares in KappAhl is 76,820,380. One share entitles the holder to one vote. All shares have equal rights to a share in KappAhl's assets and profits.

## Price performance and trading

From the start of the financial year (1 September 2014) to 31 August 2015 the value of the KappAhl share decreased by 32.4 per cent.

This can be compared with the Nasdaq Stockholm All-Share index that increased in value by 11.0 per cent and Nasdaq Stockholm General Retailers that increased by 13.3 per cent in the same period. The highest price paid was SEK 45.0 on 3 December 2014 and the lowest price paid was SEK 24.7 on 24 August 2015. At the close of the financial year KappAhl's market value was SEK 1,990 million and the P/E ratio estimated on profit for the year was 17.9.

In the period 1 September 2014 to 31 August 2015 a total of 57,014,117 KappAhl shares were traded to the value of SEK 2,134.8 million, based on the average price, SEK 37.4. This means that each share was traded 0.74 times over the year, corresponding to an average of 228,056 shares traded per day.

## Ownership structure

On 31 August 2015 KappAhl had 15,726 shareholders. The largest shareholder was Mellby Gård AB (Rune Andersson) with a holding of 20.0 per cent and Handelsbanken Fonder with 7.6 per cent, followed by Swedbank Robur Fonder with 7.1 per cent.

Of the shareholders, 5.2 per cent own more than 5,000 shares. Shareholdings registered with companies and institutions amounted to 79.2 per cent.

## Dividend

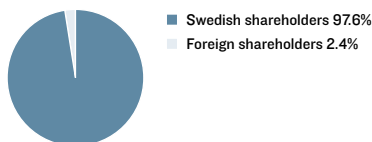
The Board of Directors proposes a dividend of SEK 0.75 per share for the 2014/2015 financial year.

## Stock market information

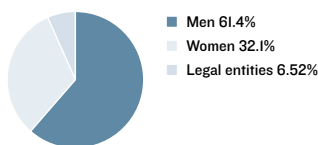
KappAhl's information to the stock market and shareholders is to be characterised by correctness, relevance, transparency and speed.

KappAhl's press releases, quarterly reports and annual reports are available at [www.kappahl.com/ir](http://www.kappahl.com/ir). Here you will also find additional information about the company, financial performance and the KappAhl share and how to subscribe to information from KappAhl.

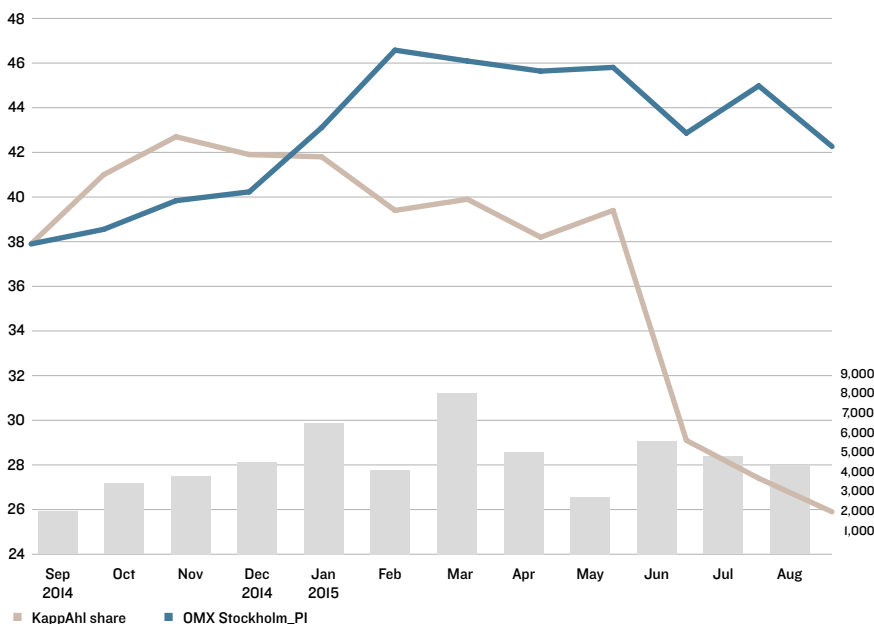
DISTRIBUTION OF OWNERSHIP, SHAREHOLDINGS



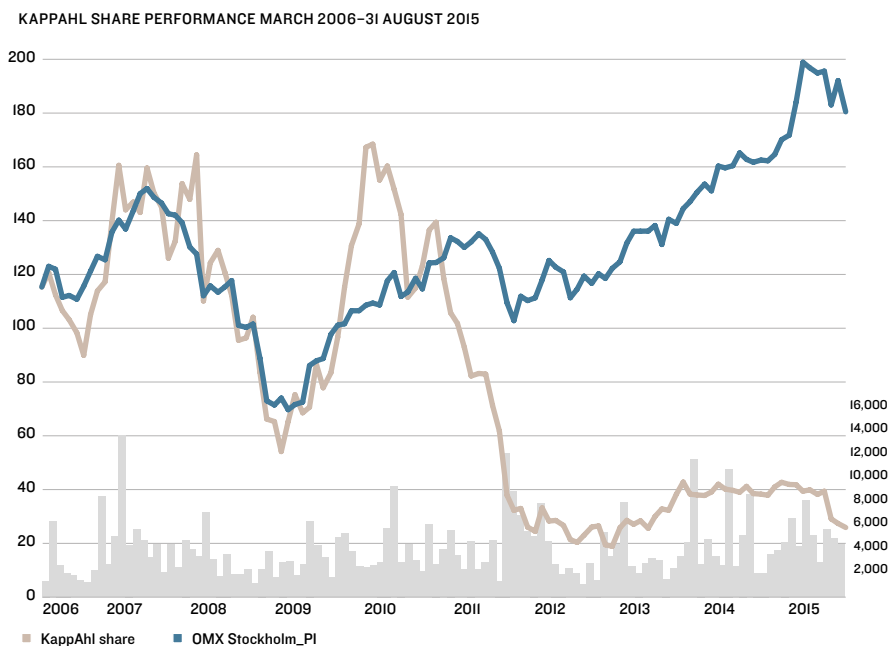
SHAREHOLDERS, DISTRIBUTION



KAPPAHL SHARE PERFORMANCE 2014/2015



| Holding as at 31 August 2014<br>(SEK thousand) | Number of<br>shareholders | Number of shares  | Shareholding (%) | Votes (%)      |
|--|---------------------------|-------------------|------------------|----------------|
| 1-500  | 10,357                    | 1,700,083         | 2.21%            | 2.21%          |
| 501-1,000                                      | 2,062                     | 1,762,389         | 2.29%            | 2.29%          |
| 1,001-5,000                                    | 2,470                     | 5,956,310         | 7.75%            | 7.75%          |
| 5,001-10,000                                   | 434                       | 3,368,546         | 4.38%            | 4.38%          |
| 10,001-15,000                                  | 103                       | 1,304,163         | 1.70%            | 1.70%          |
| 15,001-20,000                                  | 72                        | 1,306,521         | 1.70%            | 1.70%          |
| 20,001-  | 216                       | 61,422,368        | 79.96%           | 79.96%         |
| <b>Total</b>                                   | <b>15,714</b>             | <b>76,820,380</b> | <b>100.00%</b>   | <b>100.00%</b> |



# MULTI-YEAR AND QUARTERLY REVIEW

## KEY FIGURES AND RATIOS

|   | September–August<br>2014/2015 | September–August<br>2013/2014 | September–August<br>2012/2013 | September–August<br>2011/2012 | September–August<br>2010/2011 |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Sales growth, %   | -3.3                          | -0.2                          | 3.6                           | -7.8                          | -2.7                          |
| Operating profit (EBIT), SEK million                                      | 198                           | 272                           | 252                           | -64                           | 222                           |
| Operating profit (EBIT) excluding non-recurring items, SEK million        | 208                           | 295                           | 202                           | 53                            | 222                           |
| Operating profit (EBITDA)   | 333                           | 400                           | 396                           | 156                           | 441                           |
| Operating profit (EBITDA) excluding non-recurring items, SEK million      | 343                           | 423                           | 346                           | 273                           | 441                           |
| Total depreciation/amortisation, SEK million                              | 135                           | 128                           | 141                           | 220                           | 219                           |
| Gross margin %  | 60.1                          | 60.8                          | 59.2                          | 56.7                          | 58.8                          |
| Operating margin, %   | 4.3                           | 5.7                           | 5.3                           | -1.4                          | 4.5                           |
| Operating margin excluding non-recurring items, %                         | 4.5                           | 6.2                           | 4.3                           | 1.2                           | 4.5                           |
| Interest coverage ratio (multiple)  | 9.0                           | 4.0                           | 2.9                           | 0.39                          | 3.1                           |
| Net interest-bearing liabilities, SEK million                             | 282                           | 460                           | 661                           | 1,673                         | 2,266                         |
| Net interest-bearing liabilities/Adjusted EBITDA (multiple) <sup>1)</sup> | 0.8                           | 1.1                           | 1.7                           | 10.7                          | 5.14                          |
| Equity-assets ratio, %  | 56.6                          | 56.1                          | 49.4                          | 26.2                          | 14.9                          |
| Equity per share, SEK   | 21.36                         | 20.12                         | 18.42                         | 3.85                          | 6.93                          |
| Equity per share after dilution, SEK                                      | 21.30                         | 19.99                         | 18.42                         | 3.85                          | 6.93                          |
| Cash flow from operating activities per share, SEK                        | 4.75                          | 4.60                          | 3.06                          | 0.68                          | 1.27                          |
| Market price, SEK   | 25.90                         | 38.30                         | 38.34                         | 6.40                          | 16.30                         |
| Market value, SEK million   | 1,990                         | 2,874                         | 2,877                         | 1,441                         | 1,223                         |
| P/E ratio (multiple)  | 17.9                          | 22.3                          | 31.6                          | neg                           | 17.9                          |
| Dividend yield, %   | 0.0                           | 0.0                           | 0.0                           | 0.0                           | 0.0                           |
| Price/equity per share, %   | 82                            | 188                           | 208                           | 166                           | 235                           |
| Earnings per share, SEK <sup>2)</sup>                                     | 1.45                          | 1.71                          | 1.32                          | -5.30                         | 2.98                          |
| Dividend per share, SEK (proposed 2013/2014)                              | 0.75                          | 0.75                          | 0.00                          | 0.00                          | 0.00                          |
| Dividend pay-out ratio of earnings after tax paid, %                      | 0.0                           | 0.0                           | 0.0                           | 0.0                           | 0.0                           |
| weighted average number of shares   | 76,296,003                    | 75,040,000                    | 68,474,000                    | 42,272,533                    | 22,844,480                    |
| Number of shares at close of period                                       | 76,820,380                    | 75,040,000                    | 75,040,000                    | 225,120,000                   | 75,040,000                    |
| Number of shares after dilution   | 76,296,003                    | 75,522,814                    | 75,040,000                    | 225,120,000                   | 75,040,000                    |

<sup>1)</sup> Adjusted for non-recurring items, see Note 18.

<sup>2)</sup> Earnings per share are calculated as earnings after tax/weighted average number of shares after dilution. Earnings per share have been restated for comparison periods.

## CONSOLIDATED INCOME STATEMENT (SEK MILLION)

|   | September–August<br>2014/2015 | September–August<br>2013/2014 | September–August<br>2012/2013 | September–August<br>2011/2012 | September–August<br>2010/2011 |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Net sales   | 4,588                         | 4,743                         | 4,751                         | 4,587                         | 4,974                         |
| Cost of goods sold                                    | -1,832                        | -1,857                        | -1,937                        | -1,988                        | -2,048                        |
| <b>Gross profit</b>                                   | <b>2,756</b>                  | <b>2,886</b>                  | <b>2,814</b>                  | <b>2,599</b>                  | <b>2,926</b>                  |
| Selling expenses                                      | -2,385                        | -2,469                        | -2,488                        | -2,527                        | -2,560                        |
| Administrative expenses                               | -173                          | -145                          | -150                          | -136                          | -144                          |
| Other operating income                                | -                             | -                             | 76                            | -                             | -                             |
| <b>Operating profit</b>                               | <b>198</b>                    | <b>272</b>                    | <b>252</b>                    | <b>-64</b>                    | <b>222</b>                    |
| <b>Operating profit excluding non-recurring items</b> | <b>208</b>                    | <b>295</b>                    | <b>202</b>                    | <b>53</b>                     | <b>222</b>                    |
| Financial income                                      | 1                             | 0                             | 1                             | 0                             | 1                             |
| Financial expenses                                    | -22                           | -68                           | -88                           | -166                          | -72                           |
| <b>Profit/loss before tax</b>                         | <b>177</b>                    | <b>204</b>                    | <b>165</b>                    | <b>-230</b>                   | <b>151</b>                    |
| Taxes   | -66                           | -75                           | -74                           | 6                             | -83                           |
| <b>Net profit/loss for the year</b>                   | <b>111</b>                    | <b>129</b>                    | <b>91</b>                     | <b>-224</b>                   | <b>68</b>                     |

## QUARTERLY INCOME STATEMENTS (SEK MILLION)

|   | Q4,14/15   | Q3,14/15   | Q2,14/15   | Q1,14/15   | Q4,13/14   | Q3,13/14   | Q2,13/14   | Q1,13/14   | Q4,12/13   | Q3,12/13   | Q2,12/13   | Q1,12/13   |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Net sales   | 1,149      | 1,132      | 1,133      | 1,174      | 1,185      | 1,201      | 1,114      | 1,243      | 1,148      | 1,210      | 1,148      | 1,245      |
| Cost of goods sold                                    | -490       | -433       | -478       | -431       | -482       | -448       | -471       | -456       | -494       | -470       | -516       | -457       |
| <b>Gross profit</b>                                   | <b>659</b> | <b>699</b> | <b>655</b> | <b>743</b> | <b>703</b> | <b>753</b> | <b>643</b> | <b>787</b> | <b>654</b> | <b>740</b> | <b>632</b> | <b>788</b> |
| Selling expenses                                      | -563       | -612       | -604       | -606       | -598       | -617       | -603       | -651       | -575       | -627       | -636       | -650       |
| Administrative expenses                               | -44        | -45        | -42        | -42        | -36        | -35        | -37        | -37        | -36        | -49        | -31        | -34        |
| Other operating income                                | -          | -          | -          | -          | -          | -          | -          | -          | -          | -          | -1         | 77         |
| Other operating charges                               | -          | -          | -          | -          | -          | -          | -          | -          | -          | -          | -          | -          |
| <b>Operating profit</b>                               | <b>52</b>  | <b>42</b>  | <b>9</b>   | <b>95</b>  | <b>69</b>  | <b>101</b> | <b>3</b>   | <b>99</b>  | <b>43</b>  | <b>64</b>  | <b>-36</b> | <b>181</b> |
| <b>Operating profit excluding non-recurring items</b> | <b>62</b>  | <b>42</b>  | <b>9</b>   | <b>95</b>  | <b>92</b>  | <b>101</b> | <b>3</b>   | <b>99</b>  | <b>57</b>  | <b>76</b>  | <b>-36</b> | <b>105</b> |
| Financial income                                      | 1          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| Financial expenses                                    | -6         | -5         | -3         | -8         | -10        | -38        | -8         | -12        | -7         | -21        | -17        | -43        |
| <b>Profit/loss before tax</b>                         | <b>47</b>  | <b>37</b>  | <b>6</b>   | <b>87</b>  | <b>59</b>  | <b>63</b>  | <b>-5</b>  | <b>87</b>  | <b>36</b>  | <b>43</b>  | <b>-53</b> | <b>138</b> |
| Taxes   | -17        | -14        | -9         | -26        | -27        | -21        | -2         | -25        | -29        | -11        | -11        | -23        |
| <b>Net profit/loss for the year</b>                   | <b>30</b>  | <b>23</b>  | <b>-3</b>  | <b>61</b>  | <b>32</b>  | <b>42</b>  | <b>-7</b>  | <b>62</b>  | <b>7</b>   | <b>32</b>  | <b>-64</b> | <b>115</b> |

|   | Q4,11/12   | Q3,11/12   | Q2,11/12    | Q1,11/12   | Q4,10/11   | Q3,10/11   | Q2,10/11   | Q1,10/11   |
|---|------------|------------|-------------|------------|------------|------------|------------|------------|
| Net sales   | 1,129      | 1,146      | 1,119       | 1,193      | 1,208      | 1,237      | 1,188      | 1,341      |
| Cost of goods sold                                    | -485       | -469       | -538        | -496       | -556       | -493       | -508       | -491       |
| <b>Gross profit</b>                                   | <b>644</b> | <b>677</b> | <b>581</b>  | <b>697</b> | <b>652</b> | <b>744</b> | <b>680</b> | <b>850</b> |
| Selling expenses                                      | -579       | -615       | -685        | -648       | -616       | -651       | -624       | -669       |
| Administrative expenses                               | -36        | -33        | -34         | -33        | -33        | -36        | -40        | -35        |
| Other operating income                                | -          | -          | -           | -          | -          | -          | -          | -          |
| Other operating charges                               | -          | -          | -           | -          | -          | -          | -          | -          |
| <b>Operating profit</b>                               | <b>29</b>  | <b>29</b>  | <b>-138</b> | <b>16</b>  | <b>3</b>   | <b>57</b>  | <b>16</b>  | <b>146</b> |
| <b>Operating profit excluding non-recurring items</b> | <b>46</b>  | <b>46</b>  | <b>-55</b>  | <b>16</b>  | <b>3</b>   | <b>57</b>  | <b>16</b>  | <b>146</b> |
| Financial income                                      | 0          | 0          | 0           | 0          | 1          | 0          | 0          | 0          |
| Financial expenses                                    | -59        | -34        | -47         | -26        | -18        | -22        | -15        | -17        |
| <b>Profit/loss before tax</b>                         | <b>-30</b> | <b>-5</b>  | <b>-185</b> | <b>-10</b> | <b>-14</b> | <b>35</b>  | <b>1</b>   | <b>129</b> |
| Taxes   | -10        | -5         | 22          | -1         | -40        | -9         | 0          | -34        |
| <b>Net profit/loss for the year</b>                   | <b>-40</b> | <b>-10</b> | <b>-163</b> | <b>-11</b> | <b>-54</b> | <b>26</b>  | <b>1</b>   | <b>95</b>  |



# ADMINISTRATION REPORT

The Board of Directors and the President of KappAhl AB (publ), corporate identity number 556661-2312, with its registered office in Mölndal, hereby submit the Annual Report and consolidated accounts for the financial year 1 September 2014 to 31 August 2015.

## Group

The Group operates in retail sales of clothes for women, men and children. In addition to the parent company, KappAhl AB (publ), the Group includes the operating wholly owned companies KappAhl Sverige AB, sales companies in Norway, Finland and Poland and a purchasing company in China. The Group also has production offices in China, Turkey, Bangladesh and India.

KappAhl Sverige AB and the sales companies in Norway, Finland and Poland are responsible for retail sales in their respective countries. A full list of Group companies is given in Note 23.

The company in China and the foreign production offices are responsible for making contact with new suppliers, quality control and overseeing production and delivery in the markets close to them. The production offices also play an important part in sustainability.

## INFORMATION CONCERNING THE COMPANY'S SHARES

### *Total number of shares, votes, dividend and new shares*

As at 31 August 2015 the total number of outstanding shares was 76,820,380. The KappAhl share is listed on Nasdaq Stockholm, Mid Cap. Each share carries one vote. A shareholder may vote for all shares he or she owns or represents. All shares have the same dividend entitlement and there are no other rights restrictions attaching to the shares. The General Meeting of Shareholders has not issued any authorisation to the Board to acquire or issue new shares.

### *Stock options*

The warrants ran up to and including 6 February 2015 and subscription for shares was registered in February 2015. Of 6,774,000 warrants, 6,594,000 were exercised, which means that the number of shares increased by 1,780,380, to a total of 76,820,380. The share capital increased by SEK 1,526,040 to a total of SEK 65,846,040.

KappAhl currently has no outstanding share-based incentive programmes.

### *Transferability*

There are no restrictions on the transferability of the shares under the articles of association or current legislation.

The company is not otherwise aware of any contracts between shareholders restricting the transferability of shares.

## Shareholding

As at 31 August 2015 the ten largest shareholders of KappAhl AB (publ) were as follows:

|   | Number of shares  | Percentage of shares and votes |
|---|-------------------|--------------------------------|
| Mellby Gård AB                          | 15,369,245        | 20.01                          |
| Handelsbanken Fonder AB RE JPMEL        | 5,864,854         | 7.63                           |
| Swedbank Robur Fonder                   | 5,431,732         | 7.07                           |
| Försäkringsaktiebolaget, Avanza Pension | 2,378,533         | 3.10                           |
| Lannebo fonder                          | 2,362,991         | 3.08                           |
| Fourth National Pension Fund            | 1,993,393         | 2.59                           |
| Castella Fondförvaltning                | 1,860,525         | 2.42                           |
| Fidelity Funds - Nordic Fund            | 1,821,955         | 2.37                           |
| Svolder Aktiebolag                      | 1,555,000         | 2.02                           |
| Liv & Pension, Nordea                   | 1,102,876         | 1.44                           |
| Other shareholders                      | 37,079,276        | 48.27                          |
| <b>Total</b>                            | <b>76,820,380</b> | <b>100.00</b>                  |

No shares are owned by employees through pension funds or similar. The company does not hold any shares of its own.

## Agreements with clauses on change of ownership

The Group has no agreements, apart from customary rules concerning change of ownership in credit agreements, which can be terminated on change of ownership. Apart from what is stated on page 9 concerning the President's terms of employment, there are no agreements between the company and members of the Board or employees providing for compensation, apart from salary during the period of notice, if they resign or are made redundant without valid reason or if their employment or engagement ceases because of a public takeover bid.

## Performance and significant events of the financial year

### *Group performance*

KappAhl's net sales for the financial year were SEK 4,588 (4,743) million, corresponding to a decrease of 3.3 per cent compared with the previous financial year. This is explained by new and closed stores, -1.0 per cent; development in comparable stores, -2.2 per cent; currency translation differences, 0.7 per cent and -0.8 per cent is attributable to reclassification in comparison with the previous year. During the year the net number of stores decreased by 9.

Gross profit was SEK 2,756 (2,886) million, which corresponds to a gross margin of 60.1 (60.8) per cent.

### *Operating profit*

Selling and administrative expenses amounted to SEK 2,558 (2,614) million, meaning that the costs are slightly lower than in the previous year. This year's selling and administrative expenses include non-recurring costs of SEK 10 (23) million that



refer to severance payment for change of President. In the previous year the item referred to closing down of stores. The Group's operating profit for the financial year is SEK 198 (272) million and excluding non-recurring items SEK 208 (295) million. The operating margin is 4.3 (5.7) per cent or 4.5 (6.2) per cent excluding non-recurring costs.

#### Financial expenses

Financial expenses amounted to SEK -21 (-68) million.

The improved net financial income is due to financial expenses in the previous year being changed with non-recurring costs for interest swaps of SEK 33 million and a generally lower interest rate level in the market, with improved interest rate terms for the company. For more information, please see Note 18.

#### Taxes

Effective tax reported for the financial year is 36.9 (36.7) per cent. The high effective tax rate is due to unmeasured loss carry-forwards in Poland and Finland. See Note 9.

#### Store network and expansion

Five new stores were opened during the financial year; three in Sweden, one in Poland and one in Norway. In the same period two stores in Sweden, eight in Poland, two in Norway and two stores in Finland were closed. The total number of closed stores is 14. The total number of stores was 368 (377) at the end of the financial year. Of these, there are 167 in Sweden, 100 in Norway, 61 in Finland and 40 in Poland.

#### Number of stores per country

|                | 31/8<br>2015 | 31/8<br>2014 | 31/8<br>2013 | 31/8<br>2012 | 31/8<br>2011 | 31/8<br>2010 | 31/8<br>2009 | 31/8<br>2008 | 31/8<br>2007 |
|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sweden         | 167          | 166          | 165          | 165          | 159          | 153          | 144          | 138          | 131          |
| Norway         | 100          | 101          | 103          | 103          | 99           | 95           | 92           | 87           | 84           |
| Finland        | 61           | 63           | 65           | 62           | 59           | 56           | 53           | 46           | 42           |
| Poland         | 40           | 47           | 52           | 53           | 47           | 40           | 30           | 20           | 15           |
| Czech Republic | -            | -            | 5            | 5            | 5            | 1            | -            | -            | -            |
| <b>Total</b>   | <b>368</b>   | <b>377</b>   | <b>390</b>   | <b>388</b>   | <b>369</b>   | <b>345</b>   | <b>319</b>   | <b>291</b>   | <b>272</b>   |

#### Financial instruments and risk management

The aim of the Group's currency policy is to reduce the risk of negative effects on earnings and to increase the predictability of future earnings. This is achieved by hedging the subsidiaries' revenues. In addition goods purchases in the Group are currency hedged in that future goods flows are hedged 1-12 months forward. Futures are used for hedging. A substantial portion of the Group's goods purchases are in USD, which makes the business sensitive to changes in the dollar exchange rate. Further information is available in Note 18.

#### FINANCING

At the end of the period net interest-bearing liabilities amounted to SEK 282 million, compared with SEK 460 million as at 31 August 2014. At the close of the period net interest-bearing liabilities/EBITDA amounted to 0.8, compared with 1.1 as at 31 August 2014. The equity/assets ratio increased to 56.6 (56.1) per cent. Cash and cash equivalents amounted to SEK 188 (43) million as at 31 August 2015. At the period close there were unutilised credit facilities of about SEK 578 (619) million.

The company's external financing is primarily in the form of bank loans and overdraft facilities.

#### SIGNIFICANT EVENTS

##### Change of President/CEO

On 30 June 2015 the President/CEO Johan Åberg resigned. Chief Financial Officer Anders Düring was appointed as acting President/CEO during the ongoing recruitment process.

##### Investments

Net investments in the Group amount to SEK 199 (98) million and mainly consist of investments in existing and newly opened stores, process and system development for a more digital customer interface and eCommerce solutions for all countries. The investment level in the Group in the coming year is expected to remain unchanged. No investments were made in the parent company KappAhl AB (publ) during the year.

#### Future expectations

In the past year fashion retailing in KappAhl's segments and markets, has performed poorly, affected among other things by the weather and consumer behaviour. Ahead of the coming year KappAhl believes that, as last year, business will be characterised by purchases directly linked to use more than by planned purchases, and that the redistribution of consumption from clothes to services will be consolidated. This leads to the assessment that for KappAhl the market will continue to be mildly positive.

#### Material risks and uncertainties

KappAhl is exposed to a number of risks, relating both to its own operations and to the industry as a whole. Most risk areas can be managed through internal procedures and controls, while some are governed more by external factors. The risks can be divided into business-related or operational risks and financial risks.

The financial risks and their management are described in more detail in Note 18. The management of risks is also described in the corporate governance report, page 54, under the heading "Internal control regarding financial reporting".

Other material areas of identified risks and uncertainties are described in brief below, together with how KappAhl addresses each of these risk areas.

*Competition*

The fashion industry is characterised by great competition, in terms of both product range and markets. The main competitors are other chains, department stores, mail order companies and internet shopping, for the sale of clothes to women, men and children and of accessories. There is also competition for good store locations and favourable rental terms for them.

KappAhl focuses on clear concepts and market positioning through a well-defined target group, combined with a clear message.

*Fashion*

KappAhl's success is due to its ability to identify and adapt to constantly shifting fashion trends and customer requirements and its timely introduction of new and attractive products. The products must attract a broad range of customers, whose perception of fashion cannot be predicted with certainty. If consumer trends and collections are misread it can lead to a surplus of stock, price cuts and reduced margins.

The brand could be damaged if customers believe that KappAhl is unable to offer them products they perceive as attractive. These risks are offset by recruiting talented designers and buyers who work constantly to spot and predict trends. Moreover the company has a customer-oriented business model where customer purchase patterns and behaviour are constantly analysed.

*Trade restrictions*

About 88 per cent of KappAhl's products are bought from Asia and the rest from Europe. Any trade restrictions, including customs tariffs, protective measures or quotas for clothes and accessories may have an impact on the cost or availability of products and mean that purchasing routines must be changed. It is impossible to predict if any of the countries in which clothes and accessories are manufactured, currently or in the future, will be subject to further trade restrictions and, if so, what the effects will be.

*Development of the store network*

KappAhl continues to develop the store network. At the same time, stores are continually being upgraded and developed, which requires considerable investment and management resources. There is never any guarantee that investments will generate sufficient return. The management regularly evaluates the performance of individual stores in relation to targets and ambition. This is done continually to ensure that growth targets and profitability requirements in the store operations are possible to achieve.

*Trademarks*

It is KappAhl's policy to register and protect its brand and name. There are, however, no guarantees that these measures are sufficient to protect the brand and property. Moreover, unauthorised use of the brand on pirate copies or imitation of KappAhl's stores damage the company's image and reputation.

*Information systems and information security*

KappAhl relies on system support to manage the supply chain from purchase to sales in KappAhl's various sales channels, as well as to compile operative and statistical information. The risks include appropriateness of existing systems and safeguarding business-sensitive information. Any long interruption or lack of functionality in the systems can mean the loss of important information or the prevention or delay of actions.

The existing system structure is consequently regularly evaluated for the purpose of ensuring that the systems comply with current requirements. There is also a sharp focus on information security assurance in all parts of the Group. The Group's work also includes developing plans and processes for dealing with disruptions and interruptions. Multi-year plans for measures and action have been drawn up for modernisation and upgrading of the Group's IT tools.

*The economy*

The industry in which KappAhl operates is affected by changes in the economy that impact total demand and consequently the level of consumption. Consumer patterns are affected by a number of general factors beyond the control of the company, including general business conditions, interest rates, exchange rates, inflation and deflation levels, taxes, access to credit, stock market trends, unemployment levels, uncertainty about the economic outlook for the future and shifts in consumer patterns from consumer discretionary goods to other goods and services.

**PARENT COMPANY**

Sales amounted to SEK 25 (19) million and refer for the most part to inter-company invoicing of services. There were no external sales. Net financial income was SEK 50 (105) million. Profit after financial items was SEK 35 (102) million.

As regards the number of employees, salaries, remuneration and terms of employment, please refer to Note 5.

**Events after the close of the financial year**

No significant events have taken place after the balance sheet date up to the date on which this Annual Report was signed.

### Guidelines for remuneration to senior executives

The company's guidelines for remuneration to senior executives were adopted by the Annual General Meeting on 3 December 2014. The Board of Directors proposes that the 2015 Annual General Meeting adopts guidelines that are by and large unchanged in comparison with 2014 and are worded as follows:

#### *Basic salary*

Pay and other conditions of employment shall be such that KappAhl can attract and retain competent senior executives. Senior executives will be offered a fixed salary that is market related and based on the person's responsibility and performance. Salary will be set per calendar year.

#### *Variable remuneration*

The senior executive may, from time to time, be offered a bonus. The maximum bonus payable is 50 per cent of the fixed salary. The senior executive may, on his or her own initiative, convert the bonus into extra pension payments. Bonuses will be primarily based on the operating profit (EBIT) of the KappAhl Group. Bonuses will be set per financial year.

#### *Other benefits*

Senior executives are entitled to extra health care insurance as well as all benefits covering the Group's other employees.

#### *Pension*

Apart from the provisions of collective agreements or other agreements, senior management executives are entitled to arrange pension solutions on an individual basis. Salary or bonus waivers can be used to increase allocation to a pension plan, provided the cost to KappAhl is unchanged over the period.

#### *Notice of termination etc.*

Senior executives and KappAhl must observe a period of six months' notice of termination. In the event of notice of termination from the employer, the following applies: the current President retains full salary for six months and receives severance pay, less any salary from other employment.

### Corporate Governance

Information is provided in a separate Corporate Governance report. For further reading, please see page 51.

### Sustainable development

KappAhl takes responsibility for people and the environment and makes an active contribution to development in the countries where the company operates. More information can be found at [www.kappahl.com/sustainability](http://www.kappahl.com/sustainability).

#### Employees

At KappAhl more than 4,000 employees work at about 400 workplaces in eight countries. More information is available in part I on page 14 and page 43.

#### Dividend

Provided that the 2015 Annual General Meeting adopts the Board of Directors' proposed distribution of profits, SEK 2,189 million will be carried forward. There is full coverage for the parent company's restricted equity after the proposed distribution of profits. The Group's equity amounts to SEK 1,625 million.

As grounds for its proposed distribution of profits, the Board of Directors under Chapter 18, Section 4 of the Companies Act (2005:551), has assessed that the proposal is justifiable in relation to the extent of the company's and the Group's need to strengthen their balance sheets, liquidity and financial position in general.

#### Proposed appropriation of the company's profits

The Board of Directors and President propose that the distributable profits, SEK 2,246,254,052, be appropriated as follows:

|  |                   |
|--|-------------------|
| Retained earnings                              | 2,246,254,052 SEK |
| Dividend to shareholders of SEK 0.75 per share | -57,615,285 SEK   |
| To be brought forward                          | 2,188,638,767 SEK |

For information about KappAhl's earnings and financial position in other respects, please refer to the income statements, balance sheets and accompanying notes set out below.

# CONSOLIDATED INCOME STATEMENT

| Amounts in SEK million  | Note    | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014 |
|---|---------|-----------------------|-----------------------|
| Net sales   | 3, 4    | 4,588.2               | 4,742.9               |
| Cost of goods sold  |         | -1,831.9              | -1,856.5              |
| <b>Gross profit</b>   | 7       | <b>2,756.3</b>        | <b>2,886.4</b>        |
| Selling expenses  | 7       | -2,384.8              | -2,468.9              |
| Administrative expenses                                       | 7       | -173.7                | -145.4                |
| <b>Operating profit</b>                                       | 5, 6, 7 | <b>197.8</b>          | <b>272.1</b>          |
| Financial income  | 8, 24   | 0.7                   | 0.4                   |
| Financial expenses  | 8, 24   | -21.8                 | -68.1                 |
| <b>Total net financial expense</b>                            | 8       | <b>-21.1</b>          | <b>-67.7</b>          |
| <b>Profit/loss before tax</b>                                 |         | <b>176.7</b>          | <b>204.4</b>          |
| Taxes   | 9       | -65.3                 | -75.1                 |
| <b>Net profit/loss for the year</b>                           |         | <b>111.4</b>          | <b>129.3</b>          |
| Earnings per share  |         |                       |                       |
| before dilution (SEK)   |         | 1.46                  | 1.72                  |
| after dilution (SEK)  |         | 1.45                  | 1.71                  |
| average number of outstanding shares in issue before dilution |         | 76,078,555            | 75,040,000            |
| average number of outstanding shares in issue before dilution |         | 76,296,003            | 75,522,814            |

Net profit for the year refers entirely to the parent company KappaAhl AB's shareholders.

# CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

| Amounts in SEK million   | Note | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014 |
|--|------|-----------------------|-----------------------|
| <b>Net profit/loss for the year</b>  |      | <b>111.4</b>          | <b>129.3</b>          |
| <b>Items not to be recognised in net profit for the year</b>                             |      |                       |                       |
| Actuarial gains/losses   |      | 20.8                  | -21.4                 |
| Tax effect   | 9    | -4.6                  | 4.7                   |
| <b>Total items not to be recognised in net profit for the year</b>                       |      | <b>16.2</b>           | <b>-16.7</b>          |
| <b>Items that have been reposted or may be reposted to net profit for the year</b>       |      |                       |                       |
| Year's translation differences   |      | -6.7                  | 3.0                   |
| Cash flow hedges – value changes   | 18   | 15.0                  | 3.0                   |
| Cash flow hedges recognised in income  |      | -16.2                 | 13.6                  |
| Tax effect   | 9    | 0.3                   | -3.7                  |
| <b>Total items that have been reposted or may be reposted to net profit for the year</b> |      | <b>-7.6</b>           | <b>15.9</b>           |
| <b>Total comprehensive income attributable to parent company's shareholders</b>          |      | <b>120.0</b>          | <b>128.5</b>          |

# COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

## **Net sales**

Net sales amount to SEK 4,588 (4,743) million, a decrease of 3.3 per cent.

The decrease consists of new and closed stores, -1.0 per cent, development in stores that are comparable between years, -2.2 per cent and translation differences in foreign currency, 0.7 per cent, as well as -0.8 per cent referring to reclassification compared with the previous year.

## **Gross profit**

Gross profit is SEK 2,756 (2,886) million, corresponding to a decrease of 4.5 per cent. The gross margin is 60.1 per cent, compared with 60.8 per cent in the previous financial year.

## **Operating profit**

The operating profit is SEK 198 (272) million, a decrease of 2.7 per cent. The operating margin is 4.3 per cent. Selling and administrative expenses have decreased by SEK 56 million. The selling and administrative expenses for the year include non-recurring costs of SEK 10 million, compared with SEK 23 million in the previous financial year. The cost refers to severance payment for the change of President and in the previous year to closing down stores in Poland and Finland.

## **Profit/loss before tax**

Profit before tax is SEK 177 (204) million, which is a deterioration compared with the previous year of SEK 27 million. Net financial income amounts to SEK -22 (-68) million, which is an improvement compared with the previous year of SEK 46 million. Financial expenses for the previous year included costs of SEK 33 million referring to interest swaps; see Note 18.

## **Taxes**

The effective tax rate for the financial year is 36.9 (36.7) per cent. The reason for the high tax cost is that the Group is not reporting any deferred tax for losses in Poland and Finland of SEK -24 (-20) million; see Note 9.

## **Earnings per share**

Earnings per share are restated for comparison periods. The number of shares has been adjusted to allow for the previous year's rights issue and reverse split as well as the exercise of warrants during the financial year, which has contributed to dilution effects.

# CONSOLIDATED BALANCE SHEET

| Amounts in SEK million                          | Note   | 31/8/2015      | 31/8/2014      |
|---|--------|----------------|----------------|
| <b>ASSETS</b>                                   |        |                |                |
| <b>Non-current assets</b>                       |        |                |                |
| Intangible assets                               | 10     | 1,348.7        | 1,342.3        |
| Property, plant and equipment                   | 11     | 459.4          | 411.6          |
| Deferred tax assets                             | 9      | 10.9           | 22.4           |
| <b>Total non-current assets</b>                 |        | <b>1,819.0</b> | <b>1,776.3</b> |
| <b>Current assets</b>                           |        |                |                |
| Inventories                                     | 12     | 725.2          | 733.1          |
| Trade receivables                               | 18     | 1.5            | 4.9            |
| Current tax assets                              | 9      | 9.5            | 9.1            |
| Prepaid expenses and accrued income             | 13     | 101.8          | 95.7           |
| Other receivables                               | 18     | 25.2           | 32.1           |
| Cash and cash equivalents                       | 18     | 188.3          | 43.4           |
| <b>Total current assets</b>                     |        | <b>1,051.5</b> | <b>918.3</b>   |
| <b>Total assets</b>                             |        | <b>2,870.5</b> | <b>2,694.6</b> |
| <b>EQUITY AND LIABILITIES</b>                   |        |                |                |
| <b>Equity</b>                                   |        |                |                |
| Share capital                                   |        | 65.8           | 64.3           |
| Other contributed capital                       |        | 1,160.9        | 1,111.2        |
| Reserves  |        | -12.8          | -5.2           |
| Retained earnings including profit for the year |        | 411.2          | 339.9          |
| <b>Total equity</b>                             |        | <b>1,625.1</b> | <b>1,510.2</b> |
| <b>Liabilities</b>                              |        |                |                |
| <b>Non-current liabilities</b>                  |        |                |                |
| Other interest-bearing liabilities              | 14, 18 | 400.0          | -              |
| Provisions for pensions and similar obligations | 15     | 48.0           | 53.5           |
| Deferred tax liabilities                        | 9      | 89.0           | 29.3           |
| <b>Total non-current liabilities</b>            |        | <b>537.0</b>   | <b>82.8</b>    |
| <b>Current liabilities</b>                      |        |                |                |
| Interest-bearing liabilities                    | 14, 18 | 22.3           | 449.0          |
| Trade creditors                                 |        | 258.9          | 233.5          |
| Current tax liabilities                         |        | 8.1            | 6.3            |
| Other liabilities                               | 16, 18 | 123.6          | 121.8          |
| Accrued expenses and deferred income            | 17     | 295.5          | 291.0          |
| <b>Total current liabilities</b>                |        | <b>708.4</b>   | <b>1,101.6</b> |
| <b>Total liabilities</b>                        |        | <b>1,245.4</b> | <b>1,184.4</b> |
| <b>Total equity and liabilities</b>             |        | <b>2,870.5</b> | <b>2,694.6</b> |
| Pledged assets                                  | 21     | 3,042.7        | 2,897.3        |
| Contingent liabilities                          | 21     | 0.5            | 0.5            |

Equity refers entirely to the parent company KappaAhl AB's shareholders.

# COMMENTS ON THE CONSOLIDATED BALANCE SHEET

## **Non-current assets**

Intangible assets consist mainly of goodwill, SEK 696 million, and trademarks, SEK 610 million. Property, plant and equipment as at the balance sheet date amounted to SEK 459 (412) million. Investments during the year amount to SEK 199 (98) million and refer mainly to new stores and existing store conversions and IT-related investments. No impairment loss was recorded on property, plant and equipment during the year. Depreciation/amortisation amounts to a total of SEK 135 (128) million.

## **Current assets**

### *Inventories*

Inventories decreased by SEK -8 (11) million between the years. In total the value of the inventories is assessed to be normal in relation to purchases of goods and in relation to sales during the period.

## **Equity**

The change in equity is SEK 115 (129) million and consists of the year's total comprehensive income and transactions with shareholders.

## **Non-current liabilities**

Short-term interest-bearing liabilities have been reclassified to non-current liabilities in connection with a new banking agreement. Long-term interest derivatives of SEK 22 (33) million are included in short-term interest-bearing liabilities.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Amounts in SEK million   | Equity attributable to the parent company's shareholders |                         |                              |                                   |   | Total equity   |
|--|--|-------------------------|------------------------------|-----------------------------------|---|----------------|
|  | Share capital  | Other contributed funds | Hedging reserve <sup>1</sup> | Translation reserve <sup>2)</sup> | Retained earnings including profit for the year |                |
| <b>Opening equity, 1/9/2013</b>                                | <b>64.3</b>  | <b>1,111.2</b>          | <b>-0.6</b>                  | <b>-20.5</b>                      | <b>227.3</b>                                    | <b>1,381.7</b> |
| Net profit/loss for the year                                   | -  | -                       | -                            | -                                 | 129.3   | 129.3          |
| <b>Other comprehensive income</b>                              |  |                         |                              |                                   |   |                |
| Cash flow hedges – value changes                               | -  | -                       | 3.0                          | -                                 | -   | 3.0            |
| Cash flow hedges recognised in income                          | -  | -                       | 13.6                         | -                                 | -   | 13.6           |
| Year's translation differences                                 | -  | -                       | -                            | 3.0                               | -   | 3.0            |
| Actuarial gains/losses   | -  | -                       | -                            | -                                 | -21.4   | -21.4          |
| Tax effect attributable to items in other comprehensive income | -  | -                       | -3.7                         | -                                 | 4.7   | 1.0            |
| <b>Total comprehensive income</b>                              | <b>-</b>   | <b>-</b>                | <b>12.9</b>                  | <b>3.0</b>                        | <b>112.6</b>                                    | <b>128.5</b>   |
| <b>Transactions with shareholders</b>                          | <b>-</b>   | <b>-</b>                | <b>-</b>                     | <b>-</b>                          | <b>-</b>  | <b>-</b>       |
| <b>Closing equity, 31/8/2014</b>                               | <b>64.3</b>  | <b>1,111.2</b>          | <b>12.3</b>                  | <b>-17.5</b>                      | <b>339.9</b>                                    | <b>1,510.2</b> |

| Amounts in SEK million   | Equity attributable to the parent company's shareholders |                         |                              |                                   |   | Total equity   |
|--|--|-------------------------|------------------------------|-----------------------------------|---|----------------|
|  | Share capital  | Other contributed funds | Hedging reserve <sup>1</sup> | Translation reserve <sup>2)</sup> | Retained earnings including profit for the year |                |
| <b>Opening equity, 1/9/2014</b>                                | <b>64.3</b>  | <b>1,111.2</b>          | <b>12.3</b>                  | <b>-17.5</b>                      | <b>339.9</b>                                    | <b>1,510.2</b> |
| Net profit/loss for the year                                   | -  | -                       | -                            | -                                 | 111.4   | 111.4          |
| <b>Other comprehensive income</b>                              |  |                         |                              |                                   |   |                |
| Cash flow hedges – value changes                               | -  | -                       | 15.0                         | -                                 | -   | 15.0           |
| Cash flow hedges recognised in income                          | -  | -                       | -16.2                        | -                                 | -   | -16.2          |
| Year's translation differences                                 | -  | -                       | -                            | -6.7                              | -   | -6.7           |
| Actuarial gains/losses   | -  | -                       | -                            | -                                 | 20.8  | 20.8           |
| Tax effect attributable to items in other comprehensive income | -  | -                       | 0.3                          | -                                 | -4.6  | -4.3           |
| <b>Total comprehensive income</b>                              | <b>-</b>   | <b>-</b>                | <b>-0.9</b>                  | <b>-6.7</b>                       | <b>127.6</b>                                    | <b>120.0</b>   |
| <b>Transactions with shareholders</b>                          |  |                         |                              |                                   |   |                |
| Staff options plan   | 1.5  | 49.7                    | -                            | -                                 | -   | 51.2           |
| Dividend   | -  | -                       | -                            | -                                 | -56.3   | -56.3          |
| <b>Total transactions with shareholders</b>                    | <b>1.5</b>   | <b>49.7</b>             | <b>-</b>                     | <b>-</b>                          | <b>-56.3</b>                                    | <b>-5.1</b>    |
| <b>Closing equity, 31/8/2015</b>                               | <b>65.8</b>  | <b>1,160.9</b>          | <b>11.4</b>                  | <b>-24.2</b>                      | <b>411.2</b>                                    | <b>1,625.1</b> |

<sup>1)</sup> The hedging reserve includes the effective portion of the accumulated net change in fair value of a cash flow hedging instrument attributable to hedging transactions that have not yet occurred.

<sup>2)</sup> The currency translation reserve includes all translation differences that arise in connection with restating financial statements from foreign operations that have prepared their financial statements in a currency other than the Group's presentation currency.

# CONSOLIDATED CASH FLOW STATEMENT

| Amounts in SEK million   | Note | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014 |
|--|------|-----------------------|-----------------------|
| <b>Operating activities</b>  |      |                       |                       |
| Profit/loss before tax   |      | 176.7                 | 204.4                 |
| Adjustment for non-cash items  | 24   | 153.1                 | 107.1                 |
| Income tax paid  | 9    | 3.0                   | 21.2                  |
| <b>Cash flow from operating activities before changes in working capital</b> |      | <b>332.8</b>          | <b>332.7</b>          |
| <b>Cash flow from changes in working capital</b>                             |      |                       |                       |
| Decrease (+)/Increase (-) in inventories                                     |      | 7.9                   | -11.4                 |
| Decrease (+)/Increase (-) in operating receivables                           |      | 1.1                   | -1.0                  |
| Decrease (-)/Increase in (+) in operating liabilities                        |      | 23.7                  | 25.4                  |
| <b>Cash flow from operating activities</b>                                   |      | <b>365.5</b>          | <b>345.7</b>          |
| <b>Investing activities</b>  |      |                       |                       |
| Acquisition of property, plant and equipment                                 |      | -180.5                | -79.5                 |
| Acquisitions of intangible fixed assets                                      |      | -18.6                 | -18.9                 |
| <b>Cash flow from investing activities</b>                                   |      | <b>-199.1</b>         | <b>-98.4</b>          |
| <b>Financing activities</b>  |      |                       |                       |
| Dividend   |      | -56.3                 | -                     |
| Staff options plan   |      | 51.2                  | -                     |
| Amortisation of debt   |      | -295.0                | -75.0                 |
| Loans raised   |      | 400.0                 | -                     |
| Decrease (-)/Increase (+) in bank overdraft facilities                       |      | -121.4                | -186.8                |
| <b>Cash flow from financing activities</b>                                   |      | <b>-21.5</b>          | <b>-261.8</b>         |
| <b>Cash flow for the year</b>  |      | <b>146.5</b>          | <b>-15.5</b>          |
| Cash and cash equivalents at beginning of the year                           |      | 43.4                  | 57.9                  |
| Exchange rate differences in cash and cash equivalents                       |      | -1.6                  | 1.0                   |
| <b>Cash and cash equivalents at end of the year</b>                          |      | <b>188.3</b>          | <b>43.4</b>           |

## COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

### Cash flow from operating activities before changes in working capital

On the line 'Adjustment for non-cash items' the largest item refers to depreciation, SEK 135 (128) million.

### Cash flow from changes in working capital

The cash flow from the changes in working capital gives a net impact on cash flow of SEK 33 (13) million. The change is mainly attributable to inventories.

### Cash flow from investing activities

Cash flow from investing activities has resulted in payments totalling SEK 199 (98) million. Investments for the year refer mainly to new stores and existing store conversions, as well as IT-related investments.

### Cash flow from financing activities

Cash flow from financing activities is SEK -22 (-262) million. The change is attributable to new loans and increased utilisation of the bank overdraft facilities.

Translation differences in cash and cash equivalents are SEK -2 (1) million in the cash flow statement above.

# PARENT COMPANY INCOME STATEMENT

| Amounts in SEK million                              | Note  | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014 |
|---|-------|-----------------------|-----------------------|
| Net sales   |       | 24.5                  | 19.2                  |
| Cost of goods sold                                  |       | –                     | –                     |
| <b>Gross profit</b>                                 |       | <b>24.5</b>           | <b>19.2</b>           |
| Other operating charges                             |       | –39.2                 | –29.7                 |
| <b>Operating profit</b>                             | 5, 6  | <b>–14.7</b>          | <b>–10.5</b>          |
| <i>Profit from financial items:</i>                 |       |                       |                       |
| Dividends from subsidiaries                         | 8     | 36.5                  | 103.5                 |
| Group contribution received                         | 8     | 42.9                  | 71.4                  |
| Other interest income and similar profit/loss items | 8, 24 | 13.4                  | 22.3                  |
| Interest expense and similar profit/loss items      | 8, 24 | –43.0                 | –92.3                 |
| <b>Total net financial expense</b>                  |       | <b>49.8</b>           | <b>104.9</b>          |
| Appropriations                                      |       | –                     | 8.0                   |
| <b>Profit/loss before tax</b>                       |       | <b>35.1</b>           | <b>102.4</b>          |
| Taxes   | 9     | –                     | –2.6                  |
| <b>Net profit/loss for the year</b>                 |       | <b>35.1</b>           | <b>99.8</b>           |

# STATEMENT OF COMPREHENSIVE INCOME FOR THE PARENT COMPANY

| Amounts in SEK million                        | Note | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014 |
|---|------|-----------------------|-----------------------|
| <b>Net profit/loss for the year</b>           |      | <b>35.1</b>           | <b>99.8</b>           |
| <b>Items to be recognised in income</b>       |      |                       |                       |
| Cash flow hedges – value changes              | 18   | –                     | –12.8                 |
| Cash flow hedges recognised in income         | 18   | –                     | 32.5                  |
| Tax effect                                    | 9    | –                     | –4.0                  |
| <b>Total items to be recognised in income</b> |      | <b>–</b>              | <b>15.7</b>           |
| <b>Total other comprehensive income</b>       |      | <b>35.1</b>           | <b>115.5</b>          |

# PARENT COMPANY BALANCE SHEET

| Amounts in SEK million                          | Note   | 31/8/2015      | 31/8/2014      |
|---|--------|----------------|----------------|
| <b>ASSETS</b>                                   |        |                |                |
| <b>Non-current assets</b>                       |        |                |                |
| <b>Financial assets</b>                         |        |                |                |
| Participations in group companies               | 23     | 3,106.2        | 3,049.3        |
| <b>Total financial assets</b>                   |        | <b>3,106.2</b> | <b>3,049.3</b> |
| <b>Total non-current assets</b>                 |        | <b>3,106.2</b> | <b>3,049.3</b> |
| <b>Current assets</b>                           |        |                |                |
| Receivables from group companies                |        | 279.4          | 313.5          |
| Current tax asset                               |        | 1.9            | 1.6            |
| Prepaid expenses and accrued income             | 13     | 1.0            | 0.7            |
| Cash and cash equivalents                       |        | 38.2           | 76.6           |
| <b>Total current assets</b>                     |        | <b>320.5</b>   | <b>392.4</b>   |
| <b>Total assets</b>                             |        | <b>3,426.7</b> | <b>3,441.7</b> |
| <b>EQUITY AND LIABILITIES</b>                   |        |                |                |
| <b>Equity</b>                                   |        |                |                |
| <b>Restricted equity</b>                        |        |                |                |
| Share capital (76,820,380 shares at SEK 0.86)   |        | 65.8           | 64.3           |
| Statutory reserve                               |        | 205.1          | 205.1          |
| <b>Total restricted equity</b>                  |        | <b>270.9</b>   | <b>269.4</b>   |
| <b>Non-restricted equity</b>                    |        |                |                |
| Share premium reserve                           |        | 955.8          | 906.1          |
| Retained earnings including profit for the year |        | 1,290.6        | 1,311.8        |
| <b>Total non-restricted equity</b>              |        | <b>2,246.4</b> | <b>2,217.9</b> |
| <b>Total equity</b>                             |        | <b>2,517.3</b> | <b>2,487.3</b> |
| <b>Non-current liabilities</b>                  |        |                |                |
| Other interest-bearing liabilities              | 14     | 400.0          | –              |
| <b>Total non-current liabilities</b>            |        | <b>400.0</b>   | <b>–</b>       |
| <b>Current liabilities</b>                      |        |                |                |
| Other interest-bearing liabilities              | 14, 18 | 336.4          | 846.4          |
| Trade creditors                                 |        | 0.4            | 0.3            |
| Liabilities to group companies                  |        | 153.8          | 92.2           |
| Other liabilities                               |        | 3.5            | 2.0            |
| Accrued expenses and deferred income            | 17     | 15.3           | 13.5           |
| <b>Total current liabilities</b>                |        | <b>509.4</b>   | <b>954.4</b>   |
| <b>Total equity and liabilities</b>             |        | <b>3,426.7</b> | <b>3,441.7</b> |
| Pledged assets                                  | 21     | 3,106.2        | 3,049.3        |
| Contingent liabilities                          | 21     | None           | None           |

# PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

| Amounts in SEK million                | Share capital | Statutory reserve | Share premium reserve <sup>1)</sup> | Fair value reserve <sup>2)</sup> | Retained earnings | Total equity   |
|---------------------------------------|---------------|-------------------|-------------------------------------|----------------------------------|-------------------|----------------|
| <b>Opening equity, 1/9/2013</b>       | <b>64.3</b>   | <b>205.1</b>      | <b>906.1</b>                        | <b>-15.7</b>                     | <b>1,212.0</b>    | <b>2,371.8</b> |
| Net profit/loss for the year          | -             | -                 | -                                   | -                                | 99.8              | 99.8           |
| <b>Other comprehensive income</b>     |               |                   |                                     |                                  |                   |                |
| Cash flow hedges – value changes      | -             | -                 | -                                   | -12.8                            | -                 | -12.8          |
| Cash flow hedges recognised in income | -             | -                 | -                                   | 32.5                             | -                 | 32.5           |
| Tax attributable to cash flow hedges  | -             | -                 | -                                   | -4.0                             | -                 | -4.0           |
| <b>Total comprehensive income</b>     | <b>-</b>      | <b>-</b>          | <b>-</b>                            | <b>15.7</b>                      | <b>99.8</b>       | <b>115.5</b>   |
| <b>Transactions with shareholders</b> | <b>-</b>      | <b>-</b>          | <b>-</b>                            | <b>-</b>                         | <b>-</b>          | <b>-</b>       |
| <b>Closing equity, 31/8/2014</b>      | <b>64.3</b>   | <b>205.1</b>      | <b>906.1</b>                        | <b>-</b>                         | <b>1,311.8</b>    | <b>2,487.3</b> |

| Amounts in SEK million                      | Share capital | Statutory reserve | Share premium reserve <sup>1)</sup> | Fair value reserve <sup>2)</sup> | Retained earnings | Total equity   |
|---|---------------|-------------------|-------------------------------------|----------------------------------|-------------------|----------------|
| <b>Opening equity, 1/9/2014</b>             | <b>64.3</b>   | <b>205.1</b>      | <b>906.1</b>                        | <b>-</b>                         | <b>1,311.8</b>    | <b>2,487.3</b> |
| Net profit/loss for the year                | -             | -                 | -                                   | -                                | 35.1              | 35.1           |
| <b>Other comprehensive income</b>           |               |                   |                                     |                                  |                   |                |
| Cash flow hedges – value changes            | -             | -                 | -                                   | -                                | -                 | -              |
| Cash flow hedges recognised in income       | -             | -                 | -                                   | -                                | -                 | -              |
| Tax attributable to cash flow hedges        | -             | -                 | -                                   | -                                | -                 | -              |
| <b>Total comprehensive income</b>           | <b>-</b>      | <b>-</b>          | <b>-</b>                            | <b>-</b>                         | <b>35.1</b>       | <b>35.1</b>    |
| <b>Transactions with shareholders</b>       |               |                   |                                     |                                  |                   |                |
| Staff options plan                          | 1.5           | -                 | 49.7                                | -                                | -                 | 51.2           |
| Dividend                                    | -             | -                 | -                                   | -                                | -56.3             | -56.3          |
| <b>Total transactions with shareholders</b> | <b>1.5</b>    | <b>-</b>          | <b>49.7</b>                         | <b>-</b>                         | <b>-56.3</b>      | <b>-5.1</b>    |
| <b>Closing equity, 31/8/2015</b>            | <b>65.8</b>   | <b>205.1</b>      | <b>955.8</b>                        | <b>-</b>                         | <b>1,290.6</b>    | <b>2,517.3</b> |

<sup>1)</sup> The share premium reserve consists of the part of the price at the time of a new issue that exceeds the nominal value. The year's change refers to the part of the staff options plan that exceeds the nominal value.

<sup>2)</sup> The fair value reserve includes the effective portion of the accumulated net change in fair value of a cash flow hedging instrument attributable to the flows that have not yet occurred.

# HISTORY OF NUMBER OF SHARES AND SHARE CAPITAL

|  | Number of shares  | Carrying amount   |
|--|-------------------|-------------------|
| 1 January 2005                                       | 10,000,000        | 10,000,000        |
| New share issue, January 2005                        | 366,000           | 366,000           |
| Subscription for new shares, December 2005           | 354,000           | 354,000           |
| Split 7:1, January 2006                              | 64,320,000        | -                 |
| Split 2:1, January 2008                              | 75,040,000        | -                 |
| Redemption 1:2 2008                                  | -75,040,000       | -                 |
| Rights issue November 2011                           | 150,080,000       | 21,440,000        |
| Rights issue November 2012                           | 225,120,000       | 32,160,000        |
| Reverse split 6:1 December 2012                      | -375,200,000      | -                 |
| Subscription for new shares (warrants) February 2015 | 1,780,380         | 1,526,040         |
| <b>Closing amounts, 31 August 2015</b>               | <b>76,820,380</b> | <b>65,846,040</b> |

# PARENT COMPANY CASH FLOW STATEMENT

| Amounts in SEK million   | Note | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014 |
|--|------|-----------------------|-----------------------|
| <b>Operating activities</b>  |      |                       |                       |
| Profit/loss before tax   |      | 35.1                  | 102.5                 |
| Adjustment for non-cash items  | 24   | -79.4                 | -182.9                |
| Income tax paid  |      | -0.3                  | -0.6                  |
| <b>Cash flow from operating activities before changes in working capital</b> |      | <b>-44.6</b>          | <b>-81.0</b>          |
| <b>Cash flow from changes in working capital</b>                             |      |                       |                       |
| Increase (-)/Decrease (+) in operating receivables                           |      | 113.2                 | 463.5                 |
| Increase (+)/Decrease (-) in operating liabilities                           |      | -2.2                  | -44.7                 |
| <b>Cash flow from operating activities</b>                                   |      | <b>66.4</b>           | <b>337.8</b>          |
| <b>Investing activities</b>  |      |                       |                       |
| Sale of subsidiaries   |      | -                     | -                     |
| Capital injection to subsidiaries  |      | -                     | -                     |
| <b>Cash flow from investing activities</b>                                   |      | <b>-</b>              | <b>-</b>              |
| <b>Financing activities</b>  |      |                       |                       |
| Staff options plan   |      | 51.2                  | -                     |
| Dividend   |      | -56.3                 | -                     |
| Loans raised   |      | 400.0                 | -                     |
| Amortisation of debt   | 18   | -295.0                | -72.9                 |
| Decrease (-)/Increase (+) in bank overdraft facilities                       | 18   | -204.7                | -188.3                |
| <b>Cash flow from financing activities</b>                                   |      | <b>-104.8</b>         | <b>-261.2</b>         |
| <b>Cash flow for the year</b>  |      | <b>-38.4</b>          | <b>76.6</b>           |
| Cash and cash equivalents at beginning of the year                           |      | 76.6                  | 0.0                   |
| <b>Cash and cash equivalents at end of the year</b>                          |      | <b>38.2</b>           | <b>76.6</b>           |

# NOTES TO THE FINANCIAL STATEMENTS

|  | <i>Page</i> |  | <i>Page</i> |
|--|-------------|--|-------------|
| <b>NOTE 1</b>                            | <b>20</b>   | <b>NOTE 13</b>                                   | <b>30</b>   |
| <i>Accounting policies</i>               |             | <i>Prepaid expenses and accrued income</i>       |             |
| <b>NOTE 2</b>                            | <b>24</b>   | <b>NOTE 14</b>                                   | <b>31</b>   |
| <i>Important accounting estimates</i>    |             | <i>Interest-bearing liabilities</i>              |             |
| <b>NOTE 3</b>                            | <b>24</b>   | <b>NOTE 15</b>                                   | <b>31</b>   |
| <i>Distribution of revenue</i>           |             | <i>Post-employment employee benefits</i>         |             |
| <b>NOTE 4</b>                            | <b>24</b>   | <b>NOTE 16</b>                                   | <b>33</b>   |
| <i>Net sales</i>                         |             | <i>Other liabilities</i>                         |             |
| <b>NOTE 5</b>                            | <b>25</b>   | <b>NOTE 17</b>                                   | <b>33</b>   |
| <i>Employees and staff costs</i>         |             | <i>Accrued expenses and deferred income</i>      |             |
| <b>NOTE 6</b>                            | <b>26</b>   | <b>NOTE 18</b>                                   | <b>33</b>   |
| <i>Fees and remuneration to auditors</i> |             | <i>Financial risks and financial policy</i>      |             |
| <b>NOTE 7</b>                            | <b>26</b>   | <b>NOTE 19</b>                                   | <b>35</b>   |
| <i>Operating expenses</i>                |             | <i>Operating leases</i>                          |             |
| <b>NOTE 8</b>                            | <b>27</b>   | <b>NOTE 20</b>                                   | <b>36</b>   |
| <i>Financial income and expense</i>      |             | <i>Capital commitments</i>                       |             |
| <b>NOTE 9</b>                            | <b>27</b>   | <b>NOTE 21</b>                                   | <b>36</b>   |
| <i>Taxes</i>                             |             | <i>Pledged assets and contingent liabilities</i> |             |
| <b>NOTE 10</b>                           | <b>29</b>   | <b>NOTE 22</b>                                   | <b>36</b>   |
| <i>Intangible assets</i>                 |             | <i>Related parties</i>                           |             |
| <b>NOTE 11</b>                           | <b>30</b>   | <b>NOTE 23</b>                                   | <b>36</b>   |
| <i>Property, plant and equipment</i>     |             | <i>Participations in group companies</i>         |             |
| <b>NOTE 12</b>                           | <b>30</b>   | <b>NOTE 24</b>                                   | <b>37</b>   |
| <i>Inventories</i>                       |             | <i>Cash Flow Statement</i>                       |             |
|  |             | <b>NOTE 25</b>                                   | <b>37</b>   |
|  |             | <i>Parent company details</i>                    |             |

## NOTE 1 *Accounting policies*

### COMPLIANCE WITH STANDARDS AND LAWS

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. Additional information in accordance with the Swedish Financial Reporting Board recommendation RFR 1 "Supplementary accounting rules for groups" has also been taken into account.

The parent company applies the same accounting policies as the Group, except in the cases indicated below under the heading "Parent company's accounting policies". The deviations between the parent company's and the group's accounting policies are due to restrictions imposed by the Annual Accounts Act and the Act on Safeguarding Pension Commitments affecting the parent company's ability to apply IFRS, and in some cases for tax reasons. In addition the Swedish Financial Reporting Board recommendation RFR 2 "Accounting for legal entities" has been applied.

The accounting policies, unless otherwise stated, have been applied consistently in all periods presented in the Group's financial statements.

### BASIS FOR THE PREPARATION OF THE PARENT COMPANY AND GROUP FINANCIAL STATEMENTS

The functional currency used by the parent company in its operations is Swedish kronor and this is also the reporting currency of the parent company and the Group. This means that the financial statements are presented in Swedish kronor. All amounts, unless otherwise indicated, are rounded to one decimal place to the nearest million kronor. Assets and liabilities are recognised at their historic cost of acquisition, with the exception of financial assets and liabilities, which are stated at their fair value. Financial assets and liabilities stated at their fair value consist of derivative instruments, such as interest swaps, currency forwards and currency swaps.

Preparing statements in accordance with IFRS requires the use of a number of important accounting estimates. Furthermore, the management must make certain judgments when applying the Group's accounting policies. The areas that entail a high degree of judgment, which are complex or of such a nature that assumptions and estimates are critical to the consolidated accounts are specified in note 2.

The Group's accounting policies have been applied consistently in all reporting and consolidation of subsidiaries.

### NEW AND AMENDED ACCOUNTING POLICIES

As of 1 September 2014 the Group applies the following new standards and amendments:

IFRS 10 "Consolidated Financial Statements" replaces the section in IAS 27 that deals with preparation of consolidated accounts. The rules on how consolidated accounts must be prepared have not changed. The changes rather refer to further guidance on how a company is to go about determining the existence of a controlling influence and thus whether a company should be consolidated. The new definition on controlling influence in IFRS 10 has not resulted in any changes relating to the companies to be included in the consolidated accounts.

IFRS 12 "Disclosure of interests in other entities" covers disclosure requirements for subsidiaries, joint arrangements, associated companies or unconsolidated structured entities. The purpose of the new disclosure requirements is that companies should make disclosures that help users of their financial statements to assess the risks that are attributable to interests in other entities and the impact these interests have on the company's financial statements. The standard has not entailed any additional disclosure requirements for the Group, as the parent company does not own any material interests in other companies.

IFRIC 21, "Levies", clarifies recognition of a liability to pay a levy or charge that is not income tax. The interpretation identifies the obligating event that triggers the liability to pay a levy or charge and thus when a liability is to be recognised. The Group is currently not exposed to any material levies or charges that are not income tax and thus this interpretation has no material impact on the Group.

None of the other IFRS or IFRIC interpretations that are compulsory for the first time for the financial year starting in September 2014 have had any material impact on the Group during the financial year.

### NEW AND AMENDED STANDARDS, INTERPRETATIONS ISSUED BUT NOT YET IN FORCE

When preparing the consolidated accounts as at 30 September 2015 several standards, interpretations and amendments had been published but not yet come into force or adopted by the EU. None of these are expected to have any material effect on the Group's financial statements with the exception of:

IFRS 15 "Revenue from contracts with customers", which is a new framework for reporting revenue with associated disclosure requirements. IFRS 15 will replace IAS 18 Revenue and IAS 11 Construction contracts and will be applied as of 1 January 2018. The premise is that everything starts with an agreement between two parties on the sale of a good or service. Initially a contract with a customer is to be identified, which for the seller generates an asset (rights, a promise of remuneration) and a liability (commitment, a promise to



transfer goods/services). According to the model the company then recognises revenue, thereby demonstrating the company's performance of an obligation to supply the promised goods or services to the customer. The current assessment by the company's management is that the standard will not entail any material difference for the Group.

IFRS 9 "Financial instruments" will be published in three parts: Classification and Measurement, Impairment and Hedge Accounting and will replace the current IAS 39 Financial Instruments: Recognition and measurement. The company management assesses that application of IFRS 9 will impact the Group's financial statements. However, it is not yet possible to quantify how great the effects may be. The standard, which has not yet been adopted by the EU, will be applicable from 1 January 2018.

## CONSOLIDATION PRINCIPLES

### Consolidation

The consolidated accounts include the parent company KappAhl AB (publ) and the companies over which KappAhl AB has a controlling influence, directly or indirectly. Subsidiaries are all companies over which the Group has a controlling interest. The Group controls a company when it is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. Subsidiaries are fully consolidated from the date on which control was transferred to the Group. They are de-consolidated from the date that control ceases. Equity in the Group includes equity in the parent company and the part of equity in the subsidiary that was generated after acquisition. All internal transactions between the Group company and inter-company transactions are eliminated in the consolidated accounts.

### Business combinations

The purchase method is used to account for subsidiaries. Acquired identifiable assets, liabilities and contingent liabilities are measured at fair value on the acquisition date. The excess of the cost of acquisition for the acquired interests over the total fair value of the identifiable net assets and liabilities acquired is recorded as goodwill. The cost of acquisition is the fair value of the assets transferred to the seller and liabilities incurred or assumed at the date of exchange. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Supplementary purchase considerations are recognised as provisions until they are settled. All acquisition related costs are recognised as expenses. Companies acquired during the current year are included in the consolidated accounts as of the date of acquisition. Divested companies are included in the consolidated accounts up to and including the date of divestment.

## FOREIGN CURRENCY

### Transactions in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated to the functional currency using the exchange rate prevailing on the balance sheet date. Translation differences that arise in connection with translation are recorded in the income statement. Translation differences on non-monetary assets and liabilities, recorded at historical cost, are translated at the exchange rate on the transaction date. Non-monetary assets and liabilities that are reported at their fair values are translated into the functional currency using the exchange rates prevailing at the time they are recognised at their fair value. The translation differences are then reported in the same way as other changes in the amounts of assets and liabilities.

The functional currency is the currency of the primary economic environment in which the company operates. The companies of the Group are the parent company and subsidiaries. The parent company's functional currency and reporting currency is Swedish kronor. The Group's reporting currency is Swedish kronor. The functional currency of the subsidiaries is the local currency in the respective country.

### Financial statements of foreign operations

Assets and liabilities of foreign operations, including goodwill and other consolidated surpluses and deficits, are translated into Swedish kronor at the exchange rate in effect on the balance sheet date. The income and expenses of foreign operations are translated into Swedish kronor at an average rate that is an approximation of the rates on the respective transaction dates. Translation

differences that arise in connection with translation of foreign operations are recognised in the translation reserve via other comprehensive income. When a foreign operation is divested, the accumulated translated differences pertaining to the operations are realised after deduction of possible hedging in the consolidated income statement.

## INCOME

### Sale of goods

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards associated with ownership of the goods have been transferred to the buyer. Revenue is not recognised if it is probable that the economic benefits will not accrue to the Group. If there is considerable uncertainty concerning payment, associated costs or risk of return, and if the seller retains an interest in the ongoing management normally associated with ownership, no revenue is recognised. Revenue is recognised at the fair value of the consideration received or expected to be received, less any discounts given.

All sales are made on a 30-day sale-or-return basis. Revenue is recognised on the date of the sale, subject to sale-or-return.

The Group has a loyalty programme in which customer club members earn bonus points and can later use them as payment in the form of bonus cheques. For accounting purposes the bonus earned is recognised by reducing net sales at the time the bonus reward is earned with a corresponding deferred income item in the balance sheet.

## OPERATING EXPENSES AND FINANCIAL INCOME AND EXPENSES

### Payments relating to operating leases

Payments relating to operating leases are reported in the income statement on a straight-line basis over the leasing period. Benefits received in connection with the signing of an agreement are reported as part of the total leasing expense in the income statement.

### Financial income and expense

Financial income and expense consists of interest income on bank balances, interest expense relating to loans and other financial items.

## FINANCIAL INSTRUMENTS

Financial instruments recorded in the balance sheet include, on the assets side, cash and cash equivalents, trade receivables and derivatives reported as other current receivables. Liabilities include loan liabilities to credit institutions, trade payables and derivatives reported as other current receivables. Financial instruments are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are removed from the balance sheet when the contractual right to receive the cash flow from the asset ceases. Financial liabilities are removed from the balance sheet when the contractual obligation is discharged, annulled or expires.

### Loans and receivables

The category mainly covers cash and balances with banks and trade receivables. Cash and balances with banks are measured at nominal amounts. Trade receivables have a short expected maturity and are measured without discounting at the original invoiced amount less expected loss risk.

### Other financial liabilities

Financial liabilities not held for trading are measured at amortised cost. Liabilities to financial institutions are classified as 'Other interest-bearing liabilities', which means recognition at amortised cost, at which time directly attributable costs such as arrangement fees, are accrued over the life of the loan using the effective interest method. Long-term liabilities have an expected maturity of more than 1 year, while current liabilities have a maturity of less than 1 year. Trade payables are assigned to this category. They have a short expected maturity and are recorded at nominal amounts without discounting.

### Financial liabilities at fair value

All derivatives are initially and subsequently recognised at fair value in the balance sheet. Profit/loss on revaluation of derivatives used for hedging is recognised as described in the section 'Derivatives and hedge accounting'.

## **Note 1 cont.**

### **DERIVATIVES AND HEDGE ACCOUNTING**

Derivatives are currency forwards, currency swaps and interest swaps that are used to handle the risk of exchange rate fluctuation and exposure to interest risk. The Group's financial gains and risk management are described in Note 18.

#### **Cash flow hedging**

Foreign currency exposure relating to future forecast cash flows is hedged through currency forwards. Currency forwards that protect the forecast cash flows are reported in the balance sheet at their fair value.

Interest rate swaps are used to hedge interest risk. Interest rate swaps are stated at their fair value in the balance sheet.

The effective portion of the change in fair value of a derivative instrument identified as a cash flow hedge and satisfying the criteria for hedge accounting, is reported in other comprehensive income and only recognised in income in the periods when the hedged item affects profit or loss (for example when the hedged forecast transaction takes place). The gain or loss referring to the ineffective portion is recognised immediately in the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset (such as inventories or non-current assets), the gains or losses previously reported in equity will be transferred from equity and included in the initial cost of acquisition of the asset. These amounts recognised as assets will be reported later in 'Cost of goods sold' as regards inventories or in 'Depreciation' as regards non-current assets.

When hedging instruments mature, are sold, liquidated or redeemed, or the company breaks the identification of the hedging relationship before the hedged transaction has taken place and the forecast transaction is still expected to take place, the reported accumulated gain or loss remains in the hedging reserve in equity and is recorded in a similar way as above when the transaction takes place. If the transaction is no longer expected to take place, the hedging instrument's accumulated gains or losses are immediately recognised in the income statement.

### **PROPERTY, PLANT AND EQUIPMENT**

#### **Owned assets**

Property, plant and equipment are recognised as assets in the balance sheet if it is likely that the company will receive future economic benefits and the cost of acquisition of the asset can be reliably measured.

Property, plant and equipment are recognised in the consolidated accounts at cost of acquisition, deducting accumulated depreciation and any impairment loss. The cost of acquisition includes the purchase price and costs directly relating to the asset to put it in place in a condition enabling it to be used for the purpose for which it was acquired.

#### **Leased assets**

In the consolidated accounts leases are classified either as finance leases or operating leases. A lease is a finance lease if it transfers substantially all the risks and rewards incident to ownership to the lessee, otherwise it is an operating lease. The Group has no material financial leases.

#### **Borrowing costs**

Borrowing costs for acquisition of qualifying non-current assets are capitalised.

#### **Depreciation principles**

Straight-line depreciation is used over the estimated useful life of the asset.

Estimated useful life periods:

– equipment, tools, fixtures and fittings      3–10 years

Annual impairment tests are made of the residual value of assets and their useful life.

### **INTANGIBLE ASSETS**

#### **Goodwill**

Goodwill represents the difference between cost of acquisition of the business combination and the fair value of acquired assets and liabilities and contingent liabilities.

Goodwill is recognised at cost of acquisition minus any accumulated impairment losses. Goodwill is distributed to cash-generating units and is not amortised, but impairment tests are carried out on an annual basis.

#### **Computer software**

Computer programs acquired or developed internally by KappAhl are recorded at cost of acquisition minus accumulated depreciation and impairment.

### **Trademarks**

Trademarks acquired by KappAhl are recorded at cost of acquisition minus accumulated impairment. The KappAhl brand has existed for 50 years and has been gradually strengthened over the years, first through distribution in Sweden and then in other countries. The company has for many years been seeing a trend whereby the type of chain concept represented by KappAhl has been increasing its market share. Based on KappAhl's own growth and the general trends on the market, the brand is expected to endure for many years to come and is therefore believed to have an indefinite useful life. The value of the brand is not amortised but is tested annual for impairment.

### **Tenancy rights**

Tenancy rights for the stores are recorded in the accounts at their cost of acquisition with an estimated useful life of 10 years.

### **Amortisation**

Amortisation is recorded in the income statement on a straight line basis over the estimated useful life of the intangible asset, unless the useful life is indefinite. Goodwill, trademarks and brands have an indefinite useful life and an impairment test is conducted annually, or as soon as there are indications that the asset in question has fallen in value. Amortisable intangible assets are amortised from the date they are available for use. The estimated useful life periods are:

– software                      3–5 years  
– tenancy rights              10 years

### **INVENTORIES**

Inventories are stated at the lower of cost and net realisable value. The net realisable value is the estimated selling price in current operations, after deduction for the estimated cost of completion and for achieving a sale.

The cost of acquisition of inventories is calculated using the first-in, first-out method and includes costs incurred in connection with the acquisition of the inventory items and transportation to their current location.

### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash and bank assets that can be accessed immediately, held in banks and similar institutions, as well as short-term investments with original maturity of less than three months and which are only exposed to a marginal risk of fluctuations in value.

### **IMPAIRMENT LOSS**

The reported values of the Group's assets with the exception of inventories, actuarial plan assets used for financing employee benefits and deferred tax assets are reviewed on each balance sheet date to assess if impairment is indicated. If such an indication exists, the asset's recoverable value is assessed. The value of assets that are exempt as stated above is reviewed according to the relevant standards in place.

The recoverable value of goodwill, trademarks and brands with an indefinite useful life and intangible assets that are not yet ready for use, are assessed annually.

If it is not possible to establish the individual cash inflow of an individual asset when impairment testing is carried out, the assets are grouped at the lowest level where it is possible to identify essentially independent cash flows. Impairment is indicated when an asset's or a cash-generating unit's carrying amount exceeds the recoverable value. Impairment losses are recognised in the income statement. Goodwill is monitored in the Group's management accounting at Group level, and therefore impairment testing is carried out for the Group as a whole. Goodwill, trademarks and brands were acquired in connection with the acquisition of the KappAhl Group in December 2004.

### **EMPLOYEE BENEFITS**

#### **Defined contribution plans**

The company's obligations with respect to contributions to defined contribution plans are recognised in the income statement when they fall due.

#### **Defined benefit plans**

The Group's net obligation with respect to defined benefit plans is calculated individually for each plan by estimating the future benefit the employees will have earned from their employment for both current and previous periods; this benefit is discounted to its present value and the fair value of any plan assets is deducted.

The discount rate is the rate of interest on the balance sheet date of first class corporate bonds with a maturity that corresponds to the Group's pension obli-

## **Note 1 cont.**

gations. When there is no active market for such corporate bonds, the market interest rate on government bonds with the equivalent maturity is used. As of 2009/2010 a discount rate based on the mortgage bond market is used for KappAhl Sverige AB and a discount rate based on the government borrowing rate is used for KappAhl AS. See Note 15. A qualified actuary performs the calculation using the projected unit credit method.

Remeasurements, consisting of actuarial gains and losses, return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), change in the effect of the asset ceiling, excluding amounts included in the net interest on the net defined benefit liability (asset) are recognised in other comprehensive income in the period in which they arise. This type of remeasurement is never recognised in income in future periods.

Past service costs are recognised in income either at the time of the change or reduction in the plan or when the Group recognises related restructuring costs.

The net interest is calculated on the defined benefit net liability. The interest rate used is the discount rate above. The interest is recorded as financial expense/income. Service costs are recorded in the following items in the income statement: cost of goods sold, selling expenses and administrative expenses.

### **Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy or in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to terminating the employment of employees according to a detailed formal plan without possibility of withdrawal. Where the company has made an offer to encourage voluntary redundancy, calculation of the termination benefit is based on the number of employees estimated to accept the offer. Benefits falling due more than 12 months after the close of the reporting period are discounted to present value.

### **PROVISIONS**

A provision is reported in the balance sheet when the Group has an existing legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. When the effect of the timing of the payment is of material significance, provisions are calculated by discounting the expected future cash flow at an interest rate before tax that reflects current market assessments of the money's time value, and where appropriate, the risks that are associated with the liability.

### **CONTINGENT LIABILITIES**

Contingent liabilities are reported when there is a possible obligation arising from past events and the existence of which is only confirmed by one or more uncertain future events or when there is an obligation not reported as a liability or provision because it is not probable that an outflow of resources will be required.

### **SEGMENT REPORTING**

KappAhl does not report additional operating segments under IFRS 8, as the Group's reportable segments are deemed to constitute only one operating segment.

The assessment is based on the assumption that the Group's management team constitutes the "chief operating decision-maker". The company's business activities consist entirely of selling fashion in by and large similar geographical markets. The operations have a group-wide integrated purchasing and logistics function. The financial reporting is based on a group-wide functional organisation and management structure.

### **TAXES**

Income taxes consist of current tax and deferred tax. Income taxes are recorded in the income statement except when the underlying transaction is recognised in other comprehensive income or equity, in which case the associated tax effect is also recognised in other comprehensive income or equity.

Current tax is tax that must be paid or may be recovered for the current year using the tax rates in effect or substantively in effect as at the balance sheet date

Deferred tax is calculated using the balance sheet method based on temporary differences between the carrying amount and tax base value of assets and liabilities. The following temporary differences are not taken into account: temporary differences that have arisen upon initial recognition of goodwill; initial recognition of assets and liabilities that are not business combinations and at the time of the transaction do not affect the reported or taxable profit; Moreover, temporary differences relating to participations in subsidiaries that are not

expected to be reversed in the foreseeable future are not taken into account either. The value of deferred tax is based on how the reported amounts of assets or liabilities are expected to be realised or paid. Deferred tax is calculated using the tax rates and tax rules that are in effect or substantively in effect as at the balance sheet date.

Deferred tax assets relating to temporary tax-deductible differences and loss carry-forwards are only recognised when it is probable that they can be used in the future. The value of deferred tax assets is reduced when it is no longer deemed likely that they can be used.

Deferred tax assets and tax liabilities are offset when they refer to income tax debited by the same tax authority and when the Group intends to settle the tax on a net basis.

### **PARENT COMPANY ACCOUNTING POLICIES**

The parent company presents its annual accounts in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for Legal Entities". RFR 2 means that the Parent Company, in its separate financial statements, must apply all the IFRS and statements adopted by the EU as far as possible, subject to the Annual Accounts Act and the Act on Safeguarding Pension Obligations, due to considerations of the connection between accounting and taxation. The recommendation specifies the exemptions and additions that must be made in relation to IFRS. The differences between the Group's and the Parent Company's accounting policies are presented below.

The accounting policies outlined below for the parent company have been consistently applied to all periods that are presented in the parent company's financial statements and remain unchanged compared with last year.

### **Participations in subsidiaries**

Participations in subsidiaries are reported in the Parent Company accounts at cost of acquisition less any impairment loss.

### **Accounting for group contributions**

Group contributions received from and given to subsidiaries are reported as financial income or expense.

### **Taxes**

Untaxed reserves in the Parent Company include deferred tax liabilities. The consolidated accounts, however, divide untaxed reserves into deferred tax liability and equity.

## NOTE 2 *Important accounting estimates*

When preparing the financial statements estimates and assumptions are made about the future that affect the balance sheet and income statement items presented in the annual accounts. These estimates and assumptions are evaluated regularly and are based on historical experience and the various assumptions considered by the management and Board to be reasonable under the current circumstances. Where it is not possible to determine the carrying amount of assets and liabilities through information from other sources, such estimates and assumptions form the basis of the valuation. If other assumptions are made or other conditions exist, the actual outcome may differ from these assumptions. The assumptions and estimates assessed to have the greatest impact on KappAhl's financial position and performance are discussed below.

### **Impairment tests for goodwill and trademarks**

Every year the Group carries out impairment tests for goodwill and trademarks that have an indefinite useful life in accordance with the accounting policy described in Note 1 above. The testing requires an estimate of parameters that impact future cash flow and determination of discounting factor. Recoverable amounts for cash generating units have subsequently been determined by means of calculation of values in use. Note 10 contains a description of material assumptions made in impairment testing of goodwill and other assets with indefinite useful lives, as well as a description of the effect of reasonable possible changes in the assumptions on which the calculation is based. As at 31 August 2015 the carrying amount for goodwill and trademarks with an indefinite useful life was SEK 1,306 million.

### **Measurement of deferred tax assets**

Deferred tax assets referring to temporary differences of SEK 65 (71) million have been recorded in the Group based on the assessment that it will probably be possible to use them to give lower tax payments in future.

In addition deferred tax assets for loss carry-forwards of SEK 57 (119) million were reported as at 31 August 2015. The carrying amount of these tax assets was tested on the balance sheet date and it was deemed probable that the deductions can be applied against surplus in future taxation. The largest tax assets refer to countries where loss carry forwards can be used for an unlimited period. The Group's operations in these countries are either profitable or expected to generate surplus in the future. KappAhl therefore considers that there are convincing factors indicating that the loss carry-forwards to which the tax assets refer will be possible to apply against future taxable surpluses.

## NOTE 3 *Distribution of revenue*

Net sales in the Group consist entirely of the sale of goods. No segment information is given because the Group as a whole constitutes an operating segment.

## NOTE 4 *Net sales*

### **Net sales by geographical market**

| Group<br>SEK million | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014 |
|----------------------|-----------------------|-----------------------|
| Sweden               | 2,516.0               | 2,552.3               |
| Norway               | 1,195.8               | 1,225.6               |
| Finland              | 562.2                 | 603.4                 |
| Poland               | 314.2                 | 350.5                 |
| Czech Republic       | –                     | 11.1                  |
| <b>Total</b>         | <b>4,588.2</b>        | <b>4,742.9</b>        |

Moreover, as at 31 August 2015, the Group had unutilised loss carry forwards and other tax deductible temporary differences amounting to just over SEK 463 (478) million, for which no deferred tax assets have been recorded.

Changes in the assumptions and estimates above may result in considerable differences in valuation of deferred tax assets.

### **Customs dispute in Norway**

In the 2005/06 financial year a dispute with the customs authorities in Norway was settled in KappAhl's favour and the judgment became final and non-appealable in the 2006/2007 financial year. However, there have been continued demands from the customs authorities for about SEK 3 million, in contravention of the ruling handed down. As there continues to be some uncertainty in the matter the company has a reserved cost referring to the above claim. The company and its advisers consider that the initial court ruling is correct.

### **Post-employment benefits**

Accounting for provisions for defined benefit pension plans and other pension benefits is based on actuarial calculations using assumptions about discount rate, expected return on plan assets, future salary increases, staff turnover and demographics.

The estimates made concerning these assumptions affect the value of the total pension obligations and major changes in the estimates could have a significant effect on the Group's results and financial position. The same applies to a changed estimate concerning whether pension insurance in Alecta is to be reported as a defined contribution plan or not. On 31 August 2015 the Group's provisions for pensions amounted to SEK 48 (54) million.

### **Customer bonus**

Customer bonus is calculated on the basis of members' bonus points earned and the future possibility of using points earned in the form of bonus cheques as a means of payment. For accounting purposes the bonus earned is recognised by reducing net sales at the time the bonus reward is earned with a corresponding item in the balance sheet. Assumptions for calculating the bonus liability are based on the last quarter gross debt history, percentage of redeemed bonus cheques, net debt etc. As at 31 August 2015 the Group's deferred income for customer bonus was SEK 64 (48) million. See Note 17.

### **Non-current assets by geographical market**

| Group<br>SEK million | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014 |
|----------------------|-----------------------|-----------------------|
| Sweden               | 291.5                 | 225.9                 |
| Norway               | 95.8                  | 108.8                 |
| Finland              | 47.4                  | 46.8                  |
| Poland               | 67.6                  | 66.6                  |
| <b>Total</b>         | <b>502.3</b>          | <b>448.1</b>          |

Goodwill and trademarks are not included in non-current assets by country as they cannot be allocated by country

## NOTE 5 *Employees and staff costs*

### Average number of employees

|                             | 1/9/2014<br>31/8/2015 | Of which<br>men | 1/9/2013<br>31/8/2014 | Of which<br>men |
|-----------------------------|-----------------------|-----------------|-----------------------|-----------------|
| <b>Parent company</b>       |                       |                 |                       |                 |
| Sweden                      | 7                     | 50.0%           | 7                     | 57.1%           |
| <b>Total parent company</b> | <b>7</b>              | <b>50.0%</b>    | <b>7</b>              | <b>57.1%</b>    |
| <b>Subsidiaries</b>         |                       |                 |                       |                 |
| Sweden                      | 1,417                 | 10.0%           | 1,418                 | 11.0%           |
| Norway                      | 601                   | 2.0%            | 623                   | 2.0%            |
| Finland                     | 356                   | 1.0%            | 377                   | 1.0%            |
| Poland                      | 365                   | 6.0%            | 390                   | 4.0%            |
| Asia                        | 146                   | 40.0%           | 145                   | 37.0%           |
| <b>Total, subsidiaries</b>  | <b>2,885</b>          | <b>7.5%</b>     | <b>2,953</b>          | <b>6.5%</b>     |
| <b>Group, total</b>         | <b>2,892</b>          | <b>7.5%</b>     | <b>2,960</b>          | <b>6.4%</b>     |

### Gender breakdown of company management

|                         | 31/8/2015<br>Percentage of<br>women | 31/8/2014<br>Percentage of<br>women |
|-------------------------|-------------------------------------|-------------------------------------|
| <b>Parent company</b>   |                                     |                                     |
| Board of Directors      | 60.0%                               | 40.0%                               |
| Other senior executives | 57.1%                               | 50.0%                               |
| <b>Group, total</b>     |                                     |                                     |
| Board of Directors      | 66.7%                               | 55.5%                               |
| Other senior executives | 66.7%                               | 53.3%                               |

### Salaries, other remuneration and social security expenses

| SEK million               | 1/9/2014–31/8/2015           |                          | 1/9/2013–31/8/2014           |                          |
|---------------------------|------------------------------|--------------------------|------------------------------|--------------------------|
|                           | Salaries and<br>remuneration | Social<br>security costs | Salaries and<br>remuneration | Social<br>security costs |
| <b>Parent company</b>     | <b>22.6</b>                  | <b>12.7</b>              | <b>16.2</b>                  | <b>10.1</b>              |
| (of which pension costs)  | –                            | 4.3                      | –                            | 4.0                      |
| <b>Subsidiaries</b>       | <b>908.1</b>                 | <b>235.4</b>             | <b>913.5</b>                 | <b>252.8</b>             |
| (of which pension costs)  | –                            | 29.8                     | –                            | 41.9                     |
| <b>Group, total</b>       | <b>930.7</b>                 | <b>248.1</b>             | <b>929.7</b>                 | <b>262.9</b>             |
| (of which pension costs)* | –                            | 34.1                     | –                            | 45.9                     |

\* The Group's pension costs include SEK 1.4 (1.1) million for the Board of Directors and the President. For a complete summary of remuneration and other benefits to the Board of Directors, President and Management Team, please see below.

### Salaries and other remuneration by country and between board members etc. and other employees

| SEK million                 | 1/9/2014–31/8/2015  |                 | 1/9/2013–31/8/2014  |                 |
|-----------------------------|---------------------|-----------------|---------------------|-----------------|
|                             | Board and President | Other employees | Board and President | Other employees |
| <b>Parent company</b>       |                     |                 |                     |                 |
| Sweden                      | 12.5                | 10.1            | 7.0                 | 9.2             |
| (of which bonus etc.)       | 0.0                 | 0.0             | 0.8                 | 1.9             |
| <b>Total parent company</b> | <b>12.5</b>         | <b>10.1</b>     | <b>7.0</b>          | <b>9.2</b>      |
| (of which bonus etc.)       | 0.0                 | 0.0             | 0.8                 | 1.9             |
| Subsidiaries in Sweden      | –                   | 502.0           | –                   | 501.0           |
| (of which bonus etc.)       | –                   | –               | –                   | –               |
| <i>Foreign subsidiaries</i> |                     |                 |                     |                 |
| Norway                      | 2.6                 | 235.2           | 2.3                 | 245.4           |
| (of which bonus etc.)       | –                   | –               | –                   | –               |
| Finland                     | 1.8                 | 93.4            | 1.8                 | 93.8            |
| (of which bonus etc.)       | –                   | –               | –                   | –               |
| Poland                      | 0.8                 | 37.5            | 0.8                 | 36.0            |
| (of which bonus etc.)       | –                   | –               | –                   | –               |
| Czech Republic              | –                   | –               | 0.0                 | 1.5             |
| (of which bonus etc.)       | –                   | –               | –                   | –               |
| Asia                        | 1.3                 | 33.5            | 1.9                 | 29.0            |
| (of which bonus etc.)       | –                   | –               | –                   | –               |
| <b>Total, subsidiaries</b>  | <b>6.5</b>          | <b>901.6</b>    | <b>6.8</b>          | <b>906.7</b>    |
| (of which bonus etc.)       | –                   | –               | –                   | –               |
| <b>Group, total</b>         | <b>19.0</b>         | <b>911.7</b>    | <b>13.8</b>         | <b>915.9</b>    |
| (of which bonus etc.)       | 0.0                 | 0.0             | 0.8                 | 1.9             |

## Note 5 cont.

Of the salaries and remuneration paid to other employees in the Group, SEK 10 (7) million is for senior executives other than the Board of Directors and President.

### Severance pay

In the event of notice of termination from the employer, some senior executives have contracts that guarantee them the right to retain their salaries in full for 6–12 months. Retirement benefits are based on a general pension plan from 65 years of age.

### Benefits for senior executives

#### Remuneration and other benefits during the year

| SEK million   | 1/9/2014–31/8/2015         |                          |                 |             | 1/9/2013–31/8/2014         |                          |                 |             |
|---|----------------------------|--------------------------|-----------------|-------------|----------------------------|--------------------------|-----------------|-------------|
|   | Basic salary/<br>Board fee | Variable<br>remuneration | Pension<br>cost | Total       | Basic salary/<br>Board fee | Variable<br>remuneration | Pension<br>cost | Total       |
| Chairman of the Board Anders Bülow                          | 0.5                        | –                        | –               | 0.5         | 0.4                        | –                        | –               | 0.4         |
| Member of the Board Christian W. Jansson                    | 0.4                        | –                        | –               | 0.4         | 0.4                        | –                        | –               | 0.4         |
| Member of the Board Pia Rudengren<br>(from 1 December 2013) | 0.3                        | –                        | –               | 0.3         | 0.2                        | –                        | –               | 0.2         |
| Board member Amelia Adamo                                   | 0.2                        | –                        | –               | 0.2         | 0.2                        | –                        | –               | 0.2         |
| Board member Susanne Holmberg<br>(from 1 December 2014)     | 0.1                        | –                        | –               | 0.1         | –                          | –                        | –               | –           |
| Board member Paul Frankenius (to 30 June 2014)              | –                          | –                        | –               | –           | 0.1                        | –                        | –               | 0.1         |
| Board member Sonat Burman-Olsson<br>(to 30 November 2013)   | –                          | –                        | –               | –           | 0.1                        | –                        | –               | 0.1         |
| Other (5 board members)                                     | 0.1                        | –                        | –               | 0.1         | 0.1                        | –                        | –               | 0.1         |
| President/CEO Joahn Åberg (to 30 June 2015)*                | 10.9                       | –                        | 1.4             | 12.3        | 4.7                        | 0.8                      | 1.1             | 6.6         |
| Management Team (6 people)                                  | 10.1                       | –                        | 2.9             | 13.0        | 7.3                        | 1.9                      | 2.9             | 12.1        |
| <b>Total</b>  | <b>22.6</b>                | <b>–</b>                 | <b>4.3</b>      | <b>26.9</b> | <b>13.5</b>                | <b>2.7</b>               | <b>4.0</b>      | <b>20.2</b> |

\* Remuneration received during the year including reserved costs for severance pay corresponding to 18 months' salary in accordance with current terms of employment for the President/CEO.

### President's conditions of employment

In the event of notice of termination from the employer, the current President has a contract guaranteeing the right to retain full salary for 6 months and receive severance pay, less any salary from other employment. Retirement benefits are based on a general pension plan from 60 years of age.

### Other

For information on post-employment and other employee benefits, please see Note 15. For information on warrants to senior executives, please see page 6. KappAhl currently has no outstanding share-based incentive programmes.

## NOTE 6 Fees and remuneration to auditors

| SEK million                            | Group                 |                       | Parent company        |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014 | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014 |
| <i>Ernst &amp; Young AB</i>            |                       |                       |                       |                       |
| Audit assignments                      | 1.0                   | 1.0                   | 0.2                   | 0.1                   |
| Audit business in addition<br>to audit | 0.2                   | 0.2                   | 0.1                   | 0.1                   |
| Tax consultancy                        | 0.6                   | 0.2                   | 0.1                   | 0.2                   |
| Other services                         | 0.1                   | 0.3                   | –                     | –                     |
| <b>Total</b>                           | <b>1.9</b>            | <b>1.7</b>            | <b>0.4</b>            | <b>0.4</b>            |
| <i>Other auditors</i>                  |                       |                       |                       |                       |
| Audit assignments                      | 0.1                   | 0.1                   | –                     | –                     |
| Audit business in addition<br>to audit | 0.2                   | 0.0                   | –                     | –                     |
| Tax consultancy                        | 0.1                   | 0.1                   | –                     | 0.1                   |
| Other services                         | 0.1                   | 0.2                   | 0.2                   | 0.1                   |
| <b>Total</b>                           | <b>0.5</b>            | <b>0.4</b>            | <b>0.2</b>            | <b>0.2</b>            |

Audit assignments refer to the examination of the annual accounts, the accounting records and the administration by the Board of Directors and the President. Audit business in addition to the audit assignment entail other quality assurance services to be performed in accordance with statutes, articles of association, by-laws or agreement. The amount includes review of the interim report. Tax consultancy includes both advisory services and review of compliance in the area of taxation. Other services are other assignments.

## NOTE 7 Operating expenses

| Group<br>SEK million          | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014 |
|-------------------------------|-----------------------|-----------------------|
| Raw materials and consumables | 1,775.8               | 1,747.0               |
| Personnel costs               | 1,154.6               | 1,147.2               |
| Rental costs                  | 881.5                 | 918.2                 |
| Depreciation                  | 135.3                 | 128.5                 |
| Reversal of impairment losses | –11.4                 | –8.5                  |
| Other operating charges       | 454.6                 | 538.4                 |
| <b>Total</b>                  | <b>4,390.4</b>        | <b>4,470.8</b>        |

## NOTE 8 *Financial income and expense*

| Group   | 1/9/2014     | 1/9/2013     |
|---|--------------|--------------|
| SEK million   | 31/8/2015    | 31/8/2014    |
| <b>Loans and loan receivables</b>                                 |              |              |
| Interest income   | 0.7          | 0.4          |
| <b>Loans and loan receivables</b>                                 | <b>0.7</b>   | <b>0.4</b>   |
| <b>Financial liabilities recorded at amortised cost</b>           |              |              |
| Interest expense  | -16.9        | -30.7        |
| Other financial expenses  | -4.9         | -4.9         |
| <b>Financial liabilities recorded at amortised cost</b>           | <b>-21.8</b> | <b>-35.6</b> |
| <b>Financial liabilities at fair value through profit or loss</b> |              |              |
| Interest rate derivatives - ineffective hedging relationship      | -            | -32.5        |
| <b>Financial liabilities at fair value through profit or loss</b> | <b>-</b>     | <b>-32.5</b> |
| <b>Total net financial expense</b>                                | <b>-21.1</b> | <b>-67.7</b> |

| Parent company  | 1/9/2014     | 1/9/2013     |
|---|--------------|--------------|
| SEK million   | 31/8/2015    | 31/8/2014    |
| <b>Profit from participations in subsidiaries</b>                       |              |              |
| Dividends from subsidiaries   | 36.5         | 103.5        |
| Group contribution received   | 42.9         | 71.4         |
| <b>Profit from participations in subsidiaries</b>                       | <b>79.4</b>  | <b>174.9</b> |
| <b>Loans and loan receivables</b>                                       |              |              |
| Interest income   | 13.4         | 22.3         |
| <b>Loans and loan receivables</b>                                       | <b>13.4</b>  | <b>22.3</b>  |
| <b>Financial liabilities recorded at amortised cost</b>                 |              |              |
| Interest expense  | -38.2        | -54.6        |
| Other financial expenses  | -4.8         | -5.2         |
| <b>Financial liabilities recorded at amortised cost</b>                 | <b>-43.0</b> | <b>-59.8</b> |
| <b>Financial liabilities at fair value through profit or loss</b>       |              |              |
| Interest rate derivatives not part of an effective hedging relationship | -            | -32.5        |
| <b>Financial liabilities at fair value through profit or loss</b>       | <b>-</b>     | <b>-32.5</b> |
| <b>Total net financial expense</b>                                      | <b>49.8</b>  | <b>104.9</b> |

## NOTE 9 *Taxes*

### Reported in the income statement

| Group   | 1/9/2014     | 1/9/2013     |
|---|--------------|--------------|
| SEK million   | 31/8/2015    | 31/8/2014    |
| <b>Current tax expense (-)</b>                          |              |              |
| Current tax on profit for the year                      | -2.5         | -6.4         |
| Adjustment of tax relating to previous years            | -            | -0.5         |
| <b>Deferred tax expense (-) /tax credit (+)</b>         |              |              |
| Deferred tax relating to temporary differences          | -0.9         | -1.0         |
| Deferred tax in change in loss carry-forwards           | -61.9        | -64.6        |
| Other changes in deferred tax assets                    | -            | -2.6         |
| <b>Total reported tax in the Group</b>                  | <b>-65.3</b> | <b>-75.1</b> |
| <b>Tax reported in other comprehensive income</b>       |              |              |
| Cash flow hedges - value changes                        | 0.3          | -3.7         |
| Translation differences                                 | -4.2         | -1.7         |
| Actuarial gains/losses                                  | -4.6         | 4.7          |
| <b>Total tax reported in other comprehensive income</b> | <b>-8.5</b>  | <b>-0.7</b>  |

| Parent company  | 1/9/2014  | 1/9/2013    |
|---|-----------|-------------|
| SEK million   | 31/8/2015 | 31/8/2014   |
| <b>Current tax credit (+)</b>                           |           |             |
| Tax credit for the period                               | -         | -           |
| <b>Deferred tax expense (-) /tax credit (+)</b>         |           |             |
| Other changes in deferred tax assets                    | -         | -2.6        |
| <b>Total reported tax in the parent company</b>         | <b>-</b>  | <b>-2.6</b> |
| <b>Tax reported in other comprehensive income</b>       |           |             |
| Cash flow hedges - value changes                        | -         | -4.0        |
| <b>Total tax reported in other comprehensive income</b> | <b>-</b>  | <b>-4.0</b> |



**Note 9 cont.**

**Reconciliation of effective tax**

| Group<br>SEK million                                       | 1/9/2014<br>31/8/2015<br>(%) | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014<br>(%) | 1/9/2013<br>31/8/2014 |
|--|------------------------------|-----------------------|------------------------------|-----------------------|
| Profit/loss before tax                                     |                              | 176.7                 |                              | 204.4                 |
| Tax at effective tax rate for parent company               | -22.0                        | -38.9                 | -22.0                        | -45.0                 |
| Effect of other tax rates for foreign subsidiaries         | -2.6                         | -4.5                  | -2.6                         | -5.3                  |
| Expenses not deductible for tax purposes                   | -7.5                         | -13.3                 | -0.6                         | -1.3                  |
| Non-taxable revenue  | 0.2                          | 0.4                   | -                            | -                     |
| Notional interest referring to tax allocation reserve      | -                            | -                     | -0.1                         | -0.1                  |
| Utilisation of loss carry forwards not previously reported | 8.3                          | 14.7                  | -                            | -                     |
| Losses for which no loss carry-forwards have been reported | -13.4                        | -23.7                 | -9.9                         | -20.3                 |
| Adjustment of current tax for previous periods             | -                            | -                     | -1.5                         | -                     |
| <b>Effective tax</b>                                       | <b>-36.9</b>                 | <b>-65.3</b>          | <b>-36.7</b>                 | <b>-75.1</b>          |

| Parent company<br>SEK million                         | 1/9/2014<br>31/8/2015<br>(%) | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014<br>(%) | 1/9/2013<br>31/8/2014 |
|---|------------------------------|-----------------------|------------------------------|-----------------------|
| Profit/loss before tax                                |                              | 35.1                  |                              | 102.5                 |
| Tax at effective tax rate for parent company          | -22.0                        | -7.7                  | -22.0                        | -22.6                 |
| Non-taxable revenue                                   | 22.9                         | 8.0                   | 22.2                         | 22.8                  |
| Expenses not deductible for tax purposes              | -0.9                         | -0.3                  | -0.1                         | -0.1                  |
| Notional interest referring to tax allocation reserve | -                            | -                     | -0.1                         | -0.1                  |
| Adjustment of current tax for previous periods        | -                            | -                     | -2.5                         | -2.6                  |
| <b>Effective tax</b>                                  | <b>0.0</b>                   | <b>0.0</b>            | <b>-2.5</b>                  | <b>-2.6</b>           |

**Reported in the balance sheet**

**Deferred tax assets and liabilities**

| Group<br>SEK million                            | Net           |               |
|---|---------------|---------------|
|   | 31/8/2015     | 31/8/2014     |
| Carry-forward of unused tax losses              | 57.2          | 119.1         |
| Other tax-deductible temporary differences      | 64.6          | 71.4          |
| <b>Deferred tax assets</b>                      | <b>121.8</b>  | <b>190.5</b>  |
| Netting against deferred tax liability          | -110.9        | -168.1        |
| <b>Total deferred tax assets</b>                | <b>10.9</b>   | <b>22.4</b>   |
| Market value of derivatives                     | -3.3          | -3.5          |
| Accelerated depreciation on plant and equipment | -21.7         | -20.1         |
| Trademarks                                      | -134.2        | -134.2        |
| Other taxable temporary differences             | -40.7         | -39.6         |
| <b>Deferred tax liabilities</b>                 | <b>-199.9</b> | <b>-197.4</b> |
| Netting against deferred tax asset              | 110.9         | 168.1         |
| <b>Total deferred tax liability</b>             | <b>-89.0</b>  | <b>-29.3</b>  |

The tax loss carry-forwards are expected to be applied in their entirety against estimated future tax surpluses generated, which justifies the valuation of the loss carry-forwards on the balance sheet. Deferred tax assets and tax liabilities are offset when they refer to income tax debited by the same tax authority and when the Group intends to settle the tax on a net basis. Swedish taxes are thus netted against deferred tax assets of SEK 111 million. Deferred tax assets referring to loss carry-forwards are only recognised if it is probable that the deductions can be applied against future taxation. At the close of the financial year there were loss carry-forwards amounting to just over SEK 463 (476) million where deferred tax assets have not been taken into account. During the financial year loss carry forwards not reported previously were utilised as tax deductions in the group company, KappAhl Sverige AB, amounting to a tax base of SEK 14 million. These loss carry-forwards refer to the liquidated Czech subsidiary. Expiry periods of unutilised loss carry-forwards are shown in the table below.

**Expiry periods, unutilised loss carry-forwards**

| SEK million           | 31/8/2015    | 31/8/2014    |
|-----------------------|--------------|--------------|
| after 1 years         | 83.2         | 110.4        |
| after 2 years         | 108.4        | 80.4         |
| after 3 years         | 83.5         | 104.8        |
| after 4 years         | 63.7         | 87.2         |
| after 5 years         | 35.4         | 33.7         |
| after 6 years or more | 88.3         | 59.8         |
| <b>Total</b>          | <b>462.5</b> | <b>476.3</b> |

## NOTE 10 *Intangible assets*

| Group<br>SEK million                            | Computer software | Trademarks   | Tenancy rights | Goodwill     | Total          |
|---|-------------------|--------------|----------------|--------------|----------------|
| <b>Cost of acquisition</b>                      |                   |              |                |              |                |
| Opening balance, 1 September 2013               | 135.8             | 610.2        | 48.8           | 695.8        | 1,490.6        |
| Purchases                                       | 18.6              | –            | –              | –            | 18.6           |
| Sales/retirements                               | –0.1              | –            | –              | –            | –0.1           |
| Translation differences                         | –0.8              | –            | –              | –            | –0.8           |
| <b>Closing balance, 31 August 2014</b>          | <b>153.5</b>      | <b>610.2</b> | <b>48.8</b>    | <b>695.8</b> | <b>1,508.3</b> |
| Opening balance, 1 September 2014               | 153.5             | 610.2        | 48.8           | 695.8        | 1,508.3        |
| Purchases                                       | 18.0              | –            | –              | –            | 18.0           |
| Sales/retirements                               | 0.0               | –            | –              | –            | 0.0            |
| Translation differences                         | –0.6              | –            | –              | –            | –0.6           |
| <b>Closing balance, 31 August 2015</b>          | <b>170.9</b>      | <b>610.2</b> | <b>48.8</b>    | <b>695.8</b> | <b>1,525.7</b> |
| <b>Depreciation/amortization and impairment</b> |                   |              |                |              |                |
| Opening balance, 1 September 2013               | –104.2            | –0.2         | –48.6          | –            | –153.0         |
| Depreciation for the year                       | –9.8              | –            | –0.2           | –            | –10.0          |
| Sales/retirements                               | 0.1               | –            | –              | –            | 0.1            |
| Translation differences                         | –3.1              | –            | –              | –            | –3.1           |
| <b>Closing balance, 31 August 2014</b>          | <b>–117.0</b>     | <b>–0.2</b>  | <b>–48.8</b>   | <b>–</b>     | <b>–166.0</b>  |
| Opening balance, 1 September 2014               | –117.0            | –0.2         | –48.8          | –            | –166.0         |
| Depreciation for the year                       | –11.0             | –            | –              | –            | –11.0          |
| Sales/retirements                               | 0.0               | –            | –              | –            | 0.0            |
| Translation differences                         | 0.0               | –            | –              | –            | 0.0            |
| <b>Closing balance, 31 August 2015</b>          | <b>–128.0</b>     | <b>–0.2</b>  | <b>–48.8</b>   | <b>–</b>     | <b>–177.0</b>  |
| <b>Carrying amounts</b>                         | <b>42.9</b>       | <b>610.0</b> | <b>–</b>       | <b>695.8</b> | <b>1,348.7</b> |
| <b>As at 31 August 2014</b>                     | <b>36.5</b>       | <b>610.0</b> | <b>–</b>       | <b>695.8</b> | <b>1,342.3</b> |
| <b>As at 31 August 2015</b>                     | <b>42.9</b>       | <b>610.0</b> | <b>–</b>       | <b>695.8</b> | <b>1,348.7</b> |

### Depreciation/amortisation

Depreciation/amortisation is included in the following lines of the income statement

| SEK million             | Group                 |                       | Parent company        |                       |
|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                         | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014 | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014 |
| Administrative expenses | –7.9                  | –10.0                 | –                     | –                     |
| Selling expenses        | –3.1                  | –                     | –                     | –                     |
| <b>Total</b>            | <b>–11.0</b>          | <b>–10.0</b>          | <b>–</b>              | <b>–</b>              |

### Impairment tests for goodwill and trademark

An impairment test for goodwill is carried out every year as well as when there are indications of possible impairment. Impairment testing is carried out for the Group as a whole, as this is considered to be a cash generating unit. The recoverable amount for the cash generating unit is determined based on a value in use calculation. The calculations are based on estimated future cash flows for five years and then on discounted constant cash flows. For year one the calculation

is based on the approved budget. For subsequent periods the cash flow has been assumed on the basis of strategic plans for the operations and a general growth rate of 2 (2) per cent. A discount rate before tax of 9.5 (9.6) per cent has been used for the calculation. This was calculated from a weighted average cost of capital (WACC). Using the assumptions reported above the value in use exceeds the carrying amount for the cash generating unit.

| Important variables            | Method for estimating amounts   |
|--------------------------------|---|
| Market share and market growth | A cautious increase in sales at comparable stores is expected for the forecast period. The company opening new stores is a natural part of its goodwill and brand value.  |
| Gross margins                  | The gross margin is 60.1 (60.8) per cent, a deterioration compared with the previous year. However, we see the possibility of continued improvement. One of the drivers is a higher percentage of full-price sales.   |
| Expenses                       | Expenses are expected in principle to be at the current level.  |
| Discount rate                  | The discount rate corresponds to the Group's weighted average cost of capital (WACC) for required return on equity and the cost of external borrowing. The calculation of required return is based on risk-free interest of 0.7 (1.6) per cent and a risk premium of 8.8 (8.0) per cent. The discount rate is positively affected by the reduction in the company's net debt during the year. |

### Sensitivity analysis

A number of sensitivity analyses have been carried out to evaluate whether reasonable adverse changes could lead to impairment loss. The analysis has used variables that are important for the business. They are described above, as well as the methods chosen for estimating amounts. An increased discount rate, reduced long-term growth rate and reduced gross margin of one percentage point does not indicate any impairment loss. Neither does a deterioration in the above of two percentage points indicate any impairment loss.

## NOTE 11 *Property, plant and equipment*

| Group   | Land and buildings | Equipment, tools, fixtures and fittings | Total           |
|---|--------------------|---|-----------------|
| SEK million                                     |                    |   |                 |
| <b>Cost of acquisition</b>                      |                    |   |                 |
| Opening balance, 1 September 2013               | 15.0               | 2,171.1                                 | 2,186.1         |
| Purchases                                       | –                  | 79.5                                    | 79.5            |
| Sales/retirements                               | –                  | –198.9                                  | –198.9          |
| Translation differences                         | –                  | 65.0                                    | 65.0            |
| <b>Closing balance, 31 August 2014</b>          | <b>15.0</b>        | <b>2,116.7</b>                          | <b>2,131.7</b>  |
| Opening balance, 1 September 2014               | 15.0               | 2,116.7                                 | 2,131.7         |
| Purchases                                       | –                  | 180.5                                   | 180.5           |
| Sales/retirements                               | –                  | –56.9                                   | –56.9           |
| Translation differences                         | –                  | –37.0                                   | –37.0           |
| <b>Closing balance, 31 August 2015</b>          | <b>15.0</b>        | <b>2,203.3</b>                          | <b>2,218.3</b>  |
| <b>Depreciation/amortisation and impairment</b> |                    |   |                 |
| Opening balance, 1 September 2013               | –                  | –1,755.6                                | –1,755.6        |
| Depreciation for the year                       | –                  | –118.5                                  | –118.5          |
| Reversal of depreciation/amortisation           | –                  | 8.5                                     | 8.5             |
| Sales/retirements                               | –                  | 195.0                                   | 195.0           |
| Translation differences                         | –                  | –49.5                                   | –49.5           |
| <b>Closing balance, 31 August 2014</b>          | <b>–</b>           | <b>–1,720.1</b>                         | <b>–1,720.1</b> |
| Opening balance, 1 September 2014               | –                  | –1,720.1                                | –1,720.1        |
| Depreciation for the year                       | –                  | –124.3                                  | –124.3          |
| Reversal of depreciation/amortisation           | –                  | 11.4                                    | 11.4            |
| Sales/retirements                               | –                  | 42.4                                    | 42.4            |
| Translation differences                         | –                  | 31.7                                    | 31.7            |
| <b>Closing balance, 31 August 2015</b>          | <b>–</b>           | <b>–1,758.9</b>                         | <b>–1,758.9</b> |
| <b>Carrying amounts</b>                         | <b>15.0</b>        | <b>444.4</b>                            | <b>459.4</b>    |
| <b>As at 31 August 2014</b>                     | <b>15.0</b>        | <b>396.6</b>                            | <b>411.6</b>    |
| <b>As at 31 August 2015</b>                     | <b>15.0</b>        | <b>444.4</b>                            | <b>459.4</b>    |
| Carrying amounts                                |                    | 31/8/2015                               | 31/8/2014       |
| Land  |                    | 15.0                                    | 15.0            |
| <b>Total</b>                                    |                    | <b>15.0</b>                             | <b>15.0</b>     |

### Depreciation/impairment losses on property, plant and equipment

Depreciation/impairment losses are included in the following lines of the income statement.

| SEK million             | Group                 |                       | Parent company        |                       |
|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                         | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014 | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014 |
| Cost of goods sold      | –5.6                  | –4.9                  | –                     | –                     |
| Administrative expenses | –1.9                  | –2.5                  | –                     | –                     |
| Selling expenses        | –105.4                | –102.6                | –                     | –                     |
| <b>Total</b>            | <b>–112.9</b>         | <b>–110.0</b>         | <b>–</b>              | <b>–</b>              |

## NOTE 12 *Inventories*

| Group                            | 31/8/2015    | 31/8/2014    |
|----------------------------------|--------------|--------------|
| SEK million                      |              |              |
| Finished goods and trading goods | 725.2        | 733.1        |
| <b>Total</b>                     | <b>725.2</b> | <b>733.1</b> |

Inventories are reported according to the principles in Note 1.

## NOTE 13 *Prepaid expenses and accrued income*

| SEK million          | Group        |             | Parent company |            |
|----------------------|--------------|-------------|----------------|------------|
|                      | 31/8/2015    | 31/8/2014   | 31/8/2015      | 31/8/2014  |
| Prepaid rental costs | 67.6         | 74.3        | –              | –          |
| Other                | 34.2         | 21.4        | 0.9            | 0.7        |
| <b>Total</b>         | <b>101.8</b> | <b>95.7</b> | <b>0.9</b>     | <b>0.7</b> |

## NOTE 14 *Interest-bearing liabilities*

Information concerning the company's contractual terms and conditions regarding interest-bearing liabilities and the company's interest rate risk exposure can be found in Note 18.

| Group   | 31/8/2015    | 31/8/2014    |
|---|--------------|--------------|
| SEK million                                     |              |              |
| <b>Non-current liabilities</b>                  |              |              |
| Provisions for pensions and similar obligations | 48.0         | 53.5         |
| Bank loans                                      | 400.0        | –            |
| Bank overdraft facilities                       | –            | –            |
| <b>Total</b>                                    | <b>448.0</b> | <b>53.5</b>  |
| <b>Current liabilities</b>                      |              |              |
| Bank loans                                      | –            | 295.0        |
| Bank overdraft facilities                       | –            | 121.5        |
| Interest rate derivatives                       | 22.3         | 32.5         |
| <b>Total</b>                                    | <b>22.3</b>  | <b>449.0</b> |
| <b>Total</b>                                    | <b>470.3</b> | <b>502.5</b> |

| Parent company                 | 31/8/2015    | 31/8/2014    |
|--------------------------------|--------------|--------------|
| SEK million                    |              |              |
| <b>Non-current liabilities</b> |              |              |
| Bank loans                     | 400.0        | –            |
| Bank overdraft facilities      | –            | –            |
| <b>Total</b>                   | <b>400.0</b> | <b>–</b>     |
| <b>Current liabilities</b>     |              |              |
| Bank loans                     | –            | 295.0        |
| Bank overdraft facilities      | 314.1        | 518.9        |
| Interest rate derivatives      | 22.3         | 32.5         |
| <b>Total</b>                   | <b>336.4</b> | <b>846.4</b> |
| <b>Total</b>                   | <b>736.4</b> | <b>846.4</b> |

Long-term bank loans refer to new loans under a new banking agreement signed in autumn 2014. In the previous year bank loans were classified as current liabilities in pace with the expiry of the old banking agreement.

### TERMS AND CONDITIONS AND REPAYMENT PERIODS

Regarding repayment periods, please refer to Note 18 and pledged assets/terms and conditions, Note 21.

## NOTE 15 *Post-employment employee benefits*

The Group offers both defined contribution and defined benefit pension plans. In the case of the defined contribution plans, the Group's obligation is limited to fixed contributions that are paid to a separate legal entity. The Group's profits are charged as the benefits are earned. In the defined benefit plans, the Group's obligation is based on the employee's salary at the time he/she retires and the number of years of service. The Group stands the risk associated with payment of the pledged benefits.

### DEFINED BENEFIT PENSION PLANS

Defined benefit plans mainly include old-age pension and widow's pension where the employer normally has a commitment to pay a lifelong pension equivalent to a certain guaranteed percentage share of salary or a certain amount. The amount earned is based on years of employment. The employee must be signed up for the plan for a certain number of years to earn the right to full old-age pension. For each year the employee earns an increased pension right, which is recorded as pension earned during the period and increase in pension commitment.

In the balance sheet the difference between the present value of the obligations and the fair value of any plan assets is recorded as either a provision or a long-term financial asset.

Defined benefit plans are calculated according to the Projected Unit Credit Method. This method distributes the cost of pensions as the employees carry out services for the company that increase their right to future benefits. This calculation is performed annually by independent actuaries. The present value of the defined benefit obligation is determined through discounting estimated future cash flows using a market interest rate based on Swedish mortgage bonds with maturities comparable to the pension obligation in question.

### Pensions and other post-employment benefits

#### Defined benefit plans

| Group   | 1/9/2014    | 1/9/2013    |
|---|-------------|-------------|
| SEK million                                     | 31/8/2015   | 31/8/2014   |
| Present value of pension obligations            | 210.7       | 219.1       |
| Fair value of plan assets                       | –162.7      | –165.6      |
| <b>Net obligation for defined benefit plans</b> | <b>48.0</b> | <b>53.5</b> |

The net amount is reported in the following items on the balance sheet:

|                         |      |      |
|-------------------------|------|------|
| Provisions for pensions | 48.0 | 53.5 |
|-------------------------|------|------|

Expected return on plan assets is based on the same percentage rate as the discount rate on the pension obligation. The assumption also reflects the distribution of assets for each respective plan and the yield for each respective country.

Plan assets consist of the following:

| Sweden and Norway                                   | Sweden       |              | Norway     |            |
|---|--------------|--------------|------------|------------|
|   | 2015         | 2014         | 2015       | 2014       |
| Shares and funds (KappAhl AB (publ.) included at 0) | 45.8         | 50.0         | 0.3        | 0.2        |
| Debt securities                                     | 97.9         | 96.9         | 3.7        | 3.3        |
| Real property                                       | 14.2         | 14.5         | 0.7        | 0.6        |
| Other   | –            | –            | 0.1        | 0.1        |
| <b>Total</b>  | <b>157.9</b> | <b>161.4</b> | <b>4.8</b> | <b>4.2</b> |

### Change in present value of the obligation

| Group                                  | 31/8/2015    | 31/8/2014    |
|--|--------------|--------------|
| SEK million                            |              |              |
| Opening balance as at 1 September      | 219.1        | 198.7        |
| Benefits earned during the period      | 0.4          | 0.6          |
| Transfer of ITPK                       | –0.1         | –0.1         |
| Pension payments                       | –7.5         | –8.6         |
| Interest                               | 6.6          | 7.1          |
| Actuarial gains (-)/losses (+)         | –5.5         | 20.3         |
| Translation differences                | –2.3         | 1.1          |
| <b>Closing balance as at 31 August</b> | <b>210.7</b> | <b>219.1</b> |

**Note 15 cont.**

**Change in fair value of plan assets**

| Group<br>SEK million                   | 31/8/2015    | 31/8/2014    |
|--|--------------|--------------|
| Opening balance as at 1 September      | 165.6        | 158.4        |
| Yield on plan asset                    | 4.7          | 5.8          |
| Funds contributed                      | 1.3          | 1.4          |
| Reimbursement/pension payments         | -14.2        | -3.2         |
| Actuarial gains (-)/losses (+)         | 5.8          | 3.0          |
| Translation differences                | -0.5         | 0.2          |
| <b>Closing balance as at 31 August</b> | <b>162.7</b> | <b>165.6</b> |

The actuarial net gain of SEK 11.3 million consists of:

- gain due to experience adjustments of SEK 7.4 million
- loss due to effects of changed assumptions of SEK 3.9 million, of which SEK 0 refers to change in demographic assumptions.

**Cost reported in the income statement for defined benefit plans**

| Group<br>SEK million                          | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014 |
|---|-----------------------|-----------------------|
| Costs relating to service in current period   | 0.4                   | 0.6                   |
| Interest on obligation                        | 6.6                   | 7.1                   |
| Yield on plan assets                          | -4.7                  | -5.8                  |
| <b>Total net cost in the income statement</b> | <b>2.3</b>            | <b>1.9</b>            |

The group is expected to pay SEK 1.9 million to the defined benefit plans in the next financial year.

**The cost is reported on the following lines in the income statement:**

| Group<br>SEK million      | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014 |
|---------------------------|-----------------------|-----------------------|
| Cost of goods sold        | 0.0                   | 0.0                   |
| Selling expenses          | 0.4                   | 0.6                   |
| Financial income/expenses | 1.9                   | 1.3                   |
|                           | <b>2.3</b>            | <b>1.9</b>            |

**Amount reported in other comprehensive income**

|   |              |             |
|---|--------------|-------------|
| Actuarial gains (-)/losses (+)                                    | -11.3        | 17.3        |
| Return on plan assets excluding financial income/expense reported | -4.9         | -0.6        |
| <b>Amount reported in other comprehensive income</b>              | <b>-16.2</b> | <b>16.7</b> |

**Assumptions for defined benefit obligations**

Through its defined benefit pension plans the Group is exposed to a number of risks. The most material risks are described below:

Change in bond yield – a decrease in the interest on mortgage bonds will entail an increase in plan liabilities.

Life expectancy assumptions – the pension obligations mean that employees covered by the plan will receive the benefits throughout their lives, which means that longer life expectancy assumptions will result in higher pension provisions.

The average remaining term for the pension obligation is 23 years.

The remaining life expectancy for a 65 year-old woman is estimated to be 24 years and for a man 20 years.

The actuarial calculation of pension obligations and pension costs is based on the following assumptions:

| Sweden and Norway<br>Per cent | Sweden |      | Norway   |           |
|-------------------------------|--------|------|----------|-----------|
|                               | 2015   | 2014 | 2015     | 2014      |
| Discount rate as at 31 August | 2.85%  | 3.1% | 1.0–2.7% | 2.0–3.5%  |
| Future salary increases       | n/a    | n/a  | 2.75%    | 3.5%      |
| Future pension increases      | 1.5%   | 1.9% | 1.5–2.5% | 1.5–3.25% |
| Inflation                     | 1.5%   | 1.9% | -        | -         |
| Expected yield                | 2.85%  | 3.1% | 2.7%     | 3.5%      |

**Sensitivity analysis**

The following table presents possible changes in actuarial assumptions per accounting year-end, all other assumptions unchanged, and how they would affect the defined benefit obligation. The calculation of the present value of the obligation at the close of the period only includes the Swedish commitment.

**Present value of the obligation at the close of the period**

| SEK million                   | Increase to | Present value of obligation included in the Group's pension provision | Decrease to |
|-------------------------------|-------------|---|-------------|
| Discount rate<br>+/- 0.5%     | 205.8       | 187.3   | 171.1       |
| Inflation +/- 0.5%            | 170.9       | 187.3   | 205.8       |
| Life expectancy<br>+/- 1 year | 180.3       | 187.3   | 194.3       |

**DEFINED CONTRIBUTION PENSION PLANS**

The plans mainly cover old-age pension, disability pension and family pension. The premiums are paid continuously during the year by each group company to various insurance companies. The size of the premiums is based on salary. The pension costs for the period are included in the income statement and amount to SEK 34.1 (45.9) million.

For several of the Swedish group companies the commitments for old-age pension and disability pension for white-collar employees are safeguarded through insurance with Alecta. According to a statement by the Swedish Financial Reporting Board, UFR 3, this is a defined benefit plan covering several employers. The Group has not had access to information that makes it possible to report this plan as a defined benefit plan. Alecta does not have information on the earning breakdown between employers, for the majority of the earned pension benefits. In addition, there is no established regulatory framework for how any surplus or deficit that may arise should be handled. In the first instance, the losses are covered by Alecta's collective consolidation capital. Pension plans under ITP, which are safeguarded through insurance with Alecta, are therefore reported as defined contribution plans.

Alecta's surplus can be distributed to the policy holders and/or the insured. As at 30 June 2015 Alecta's surplus in the form of the collective consolidation level was 154 (147) per cent. The collective solvency level comprises the market value of Alecta's assets as a percentage of its insurance commitments calculated in accordance with Alecta's actuarial assumptions, which do not comply with IAS 19.

The year's contributions for pension insurance taken out with Alecta amount to SEK 11.4 (12.8) million. Expected charges in the next reporting period for insurance policies taken out with Alecta amount to SEK 11.5 million.

The Group's share of total savings premiums for the Alecta ITP 2 plan amounts to 0.037 (0.049) per cent. The Group's share of the total number of actively insured in the ITP 2 plan amounts to 0.065 (0.067) per cent.

## NOTE 16 *Other liabilities*

| Group                      |              |              |
|----------------------------|--------------|--------------|
| SEK million                | 31/8/2015    | 31/8/2014    |
| <b>Current liabilities</b> |              |              |
| Value added tax            | 53.4         | 50.0         |
| Liabilities to staff       | 33.5         | 33.5         |
| Gift vouchers              | 30.7         | 28.4         |
| Currency forwards          | 2.8          | 5.2          |
| Other                      | 3.2          | 4.7          |
| <b>Total</b>               | <b>123.6</b> | <b>121.8</b> |

### Liabilities falling due for payment more than five years after the balance sheet date

A certain portion of the gift vouchers' liability for the Swedish operating subsidiary is spread over more than five years because the gift vouchers are valid for ten years.

## NOTE 18 *Financial risks and financial policy*

In its business activities, the Group is exposed to different types of financial risk. Financial risk refers to fluctuations in the company's earnings and cash flow as a result of changes in foreign exchange rates, interest rates, refinancing and credit risks.

Management of the Group's financial risk is concentrated to a central financing department. This department applies the financial policy adopted by the Board of Directors. The Board of Directors has appointed an Audit Committee, whose responsibilities include overseeing the formulation of and compliance with the financial policy and, if necessary, proposing changes to the Board.

The Group's finance department is responsible for raising capital, liquidity management, currency exposure and interest rate risk management. The responsibility applies to both the parent company and the Group as a whole. The finance department is also responsible for financial policy issues and acts as an internal bank for the Group's subsidiaries. The overall objective of the finance department is to provide cost-effective financing and to minimise the negative effects of market fluctuation on the Group's profit.

### Capital structure

By achieving an appropriate balance between equity and loan financing, flexibility for the Group is ensured, allowing investments in the business and retaining controlled cost of capital.

The company normally has a positive cash flow, partly due to positive earnings and working capital in the operations that is relatively low. This means that the company's expansion only requires a limited increase in working capital. Moreover, the company's profile and emphasis also means that the company should be able to stay relatively stable. In view of this, the Company's financing to some extent consists of borrowed capital. The objective is that interest-bearing net debt is not to exceed, other than temporarily, three times the EBITDA. The Group's financial targets have not been changed compared with the previous year. During the financial year the Group reduced its interest-bearing debt by SEK 33 million, mainly through positive cash flow.

| SEK million  | 2014/2015  | 2013/2014  |
|--|------------|------------|
| Interest-bearing debt                              | 470        | 503        |
| Cash/bank  | -188       | -43        |
| <b>Net interest-bearing debt</b>                   | <b>282</b> | <b>460</b> |
| EBITDA   | 333        | 400        |
| Non-recurring items – severance payment, President | 10         | -          |
| Non-recurring items – closure of stores            | -          | 23         |
| <b>Adjusted EBITDA</b>                             | <b>343</b> | <b>423</b> |
| Interest-bearing liability/Adjusted EBITDA         | 0.8        | 1.1        |

### Financing risk and liquidity risk

Liquidity risk is defined as the risk of not being able to meet payment obligations due to insufficient liquidity or difficulties in obtaining financing (financing risk).

## NOTE 17 *Accrued expenses and deferred income*

| SEK million          | Group        |              | Parent company |             |
|----------------------|--------------|--------------|----------------|-------------|
|                      | 31/8/2015    | 31/8/2014    | 31/8/2015      | 31/8/2014   |
| Liabilities to staff | 164.7        | 157.6        | 14.5           | 7.2         |
| Financial expenses   | 0.3          | 5.6          | 0.3            | 5.4         |
| Customer bonus       | 64.2         | 47.9         | -              | -           |
| Rent                 | 17.3         | 21.7         | -              | -           |
| Other                | 49.0         | 58.2         | 0.6            | 0.9         |
| <b>Total</b>         | <b>295.5</b> | <b>291.0</b> | <b>15.4</b>    | <b>13.5</b> |

At present the Group has a credit agreement with two Swedish banks for operational financing.

A three-year credit agreement was signed in October 2014 with the company's banks, which runs until October 2017.

The terms and conditions of the loans are linked with a number of agreed covenants.

- Interest-bearing liabilities/Adjusted EBITDA
- Adjusted EBITDA/net financial income

All covenants were met during the financial year. Shares in subsidiaries were also pledged as security for the loans.

### Interest-bearing debt and maturity structure

KappAhl has assurances of credit totalling SEK 1,000 (1,068) million, of which SEK 422 (449) million had been utilised at the close of the financial year. The financial cost in the coming year is expected to be considerably lower. Interest rates are based on 3-month Stibor plus a fixed margin varying on the basis of the outcome of interest-bearing debt/ adjusted EBITDA. The margin is determined quarterly.

### Loan maturity structure

| Year           | SEK million  |
|----------------|--------------|
| 2015/2016      | -            |
| 2016/2017      | -            |
| 2017 and later | 1,000        |
| <b>Total</b>   | <b>1,000</b> |

### Interest rate risk

Interest rate risk may consist of changes in fair value, price risk, changes in cash flow and cash flow risk. A significant factor that can change interest rate risk is the interest rate adjustment period. Management of the Group's interest exposure is a centralised function, which means that the central finance department is responsible for identifying and managing this type of exposure.

Under the financial policy, approximately 75 per cent of the company's loans maturing more than one year in the future are subject to interest rate hedging. Derivatives, such as interest swaps, are used to manage interest rate risk. The company uses hedge accounting when there is an effective connection between secured loans and interest swaps; see also Note 1 Accounting Policies.

As at 31 August 2015, the company had interest swaps with a contractual value of SEK 600 (800) million. The net fair value of the swaps was SEK -22 (-33) million, consisting of assets of SEK 0 (0) million and liabilities of SEK 22 (33) million, which are recorded in the item 'Other current liabilities'.

Existing interest swaps are not part of an effective hedging relationship. In the previous financial year a transfer of SEK 33 million was made between other comprehensive income and the income statement.

## Note 18 cont.

Total financial expense, including interest swaps, amounted to about SEK 21 (68) million for the financial year, which corresponds to around 0.5 (1.5) per cent of the Group's costs. A change in the interest rate level of one percentage point would have an impact on the annual interest expense of about SEK 5 (5) million, all other variables being constant.

### Credit risk

#### Credit risk associated with financial activities

Financial risk management involves exposure to credit risk. This is mainly in the form of counterparty risk in connection with receivables from banks and other counterparties that arise when derivatives are purchased. The financial policy specifies that only internationally reputable banks may be used.

#### Credit risk associated with trade receivables

Since the Group is engaged essentially in cash sales to its customers, the credit risk associated with trade receivables is minimal.

### Currency risk

The Group is exposed to various types of foreign currency risk since it has operations in several different countries and since much of the Group's purchasing is transacted in foreign currencies. Since the Group makes its purchases primarily in USD, currency exposure is also greatest in that currency. A change of 5 per cent in USD against SEK means, before and after taking into account currency hedging, an impact on purchasing costs of SEK 78 (67) million and SEK 24 (10) million. The Group also has a substantial exposure through the surplus liquidity generated from the Norwegian company and transferred to the Swedish company, which before and after taking into account currency hedging would generate a foreign exchange effect of SEK 27 (23) million and SEK 11 (3) million if there was a 5 per cent change in the NOK/SEK exchange rate. To hedge this exchange effect the Group enters into currency forwards. Currency forwards in USD, NOK and PLN are used.

#### Transaction exposure

The Group has income and expenses in a number of currencies. Thus KappAhl is exposed to exchange rate fluctuations. This exchange risk is called transaction exposure and affects the Group's operating profit. The financial policy sets the parameters for managing this risk and this involves hedging the flows up to nine months. The Group's inflows and outflows of different currencies meet in Sweden, which means that the Group's transaction exposure can most simply be illustrated through the currency flows in Sweden.

| Currency | 1/9/2014–31/8/2015 |        | 1/9/2013–31/8/2014 |        |
|----------|--------------------|--------|--------------------|--------|
|          | Outflow            | Inflow | Outflow            | Inflow |
| USD m    | 172                | –      | 185                | –      |
| EUR m    | 27                 | 25     | 28                 | 31     |
| NOK m    | –                  | 496    | –                  | 426    |
| PLN m    | –                  | 58     | –                  | 63     |

#### Forward contracts

The table below shows a summary of outstanding forward exchange contracts by currency pair as at 31 August 2015. They all mature within one year.

| Currency pair<br>Sells/buys | Book and fair value |      | Nominal amount |      | Average remaining term<br>in months. |      |
|-----------------------------|---------------------|------|----------------|------|--------------------------------------|------|
|                             | 2015                | 2014 | 2015           | 2014 | 2015                                 | 2014 |
| SEK/USD                     | 7                   | 14   | 403            | 651  | 5                                    | 6    |
| NOK/USD                     | –                   | 2    | –              | 417  | –                                    | 5    |
| NOK/SEK                     | 8                   | –    | 114            | –    | 2                                    | –    |
| PLN/SEK                     | –                   | –1   | 17             | 112  | 1                                    | 5    |

All changes in the value of derivatives are recognised initially via 'Other comprehensive income' in equity as a hedging reserve. Fair value is reposted via other comprehensive income from the hedging reserve to the income statement when hedged transactions take place. As at the closing date forward contracts with a

positive market value amount to SEK 18 (21) million, which is reported under 'Other current receivables'. Forward contracts with a negative market value amount to SEK 3 (5) million, which is reported under 'Other current liabilities'. Of the forward contracts completed during the year, proceeds of SEK 16 (19) million were reposted from other comprehensive income to the income statement, as hedged transactions had taken place for these contracts.

### Translation exposure

KappAhl uses Swedish kronor for its income statement and balance sheet. Parts of the Group use other currencies for their accounts, which means that KappAhl's consolidated profit/loss and equity are exposed to exchange rate fluctuations. This type of currency risk is called translation exposure and is not hedged.

### The Group's net foreign assets are distributed among the following currencies:

| Group<br>Currency | 31/8/2015                 | 31/8/2014                 |
|-------------------|---------------------------|---------------------------|
|                   | Amounts in<br>SEK million | Amounts in<br>SEK million |
| NOK               | 194                       | 238                       |
| EUR               | 43                        | 38                        |
| PLN               | 40                        | 59                        |
| HKD               | 8                         | 6                         |

### FAIR VALUE

The carrying amount of financial assets and liabilities in the balance sheet is in line with fair value. The table below shows the items in the balance sheet in which the financial instrument accounting policies are applied.

Classification of financial assets and liabilities in the balance sheet is shown below.

| Assets on the balance sheet, SEK million | 31/8/2015    | 31/8/2014   |
|--|--------------|-------------|
| <b>Loans and receivables</b>             |              |             |
| Trade receivables                        | 1.5          | 4.9         |
| Cash and cash equivalents                | 188.3        | 43.4        |
| <b>Loans and receivables</b>             | <b>189.8</b> | <b>48.3</b> |
| Currency derivatives                     | 17.8         | 20.9        |
| <b>Total</b>                             | <b>207.6</b> | <b>69.2</b> |

| Liabilities on the balance sheet, SEK million                 | 31/8/2015    | 31/8/2014    |
|---|--------------|--------------|
| <b>Other financial liabilities recorded at amortised cost</b> |              |              |
| Long-term interest-bearing liabilities                        | 448.0        | 53.5         |
| Short-term interest-bearing liabilities                       | –            | 416.5        |
| Trade creditors   | 258.9        | 233.5        |
| <b>Other financial liabilities recorded at amortised cost</b> | <b>706.9</b> | <b>703.5</b> |

| Financial liabilities at fair value through profit or loss        | 31/8/2015    | 31/8/2014    |
|---|--------------|--------------|
| Interest rate derivatives   | 22.3         | 32.5         |
| Currency derivatives  | 2.8          | 5.2          |
| <b>Financial liabilities at fair value through profit or loss</b> | <b>25.1</b>  | <b>37.7</b>  |
| <b>Total</b>  | <b>732.0</b> | <b>741.2</b> |

**Note 18 cont.****Fair value hierarchy:**

The Group holds financial instruments in the form of interest rate derivatives and currency forwards that are recorded at fair value in the balance sheet. Fair value measurement of currency forwards is based on published forward rates on an active market. Measurement of interest swaps is based on forward rates derived from observed yield curves. The Group uses the following hierarchy to classify the instruments on the basis of the valuation technique:

1. Quoted prices (unadjusted) on active markets for identical assets or liabilities
2. Other inputs than the quoted prices included in Level 1, that are observable for the asset or liability either direct (i.e. as prices) or indirect (i.e. derived from prices)
3. Inputs for the asset or liability in question that are not based on observable market data (non-observable inputs)

| 2014/2015   | Value | Level 1 | Level 2 | Level 3 | 2013/2014   | Value | Level 1 | Level 2 | Level 3 |
|---|-------|---------|---------|---------|---|-------|---------|---------|---------|
| <b>Assets</b>   |       |         |         |         | <b>Assets</b>   |       |         |         |         |
| Financial assets at fair value via profit or loss:      |       |         |         |         | Financial assets at fair value via profit or loss:      |       |         |         |         |
| Currency forwards                                       | 18    |         | 18      | –       | Currency forwards                                       | 21    |         | 21      | –       |
| Interest swaps  | –     |         | –       | –       | Interest swaps  | –     |         | –       | –       |
| <b>Liabilities</b>                                      |       |         |         |         | <b>Liabilities</b>                                      |       |         |         |         |
| Financial liabilities at fair value via profit or loss: |       |         |         |         | Financial liabilities at fair value via profit or loss: |       |         |         |         |
| Currency forwards                                       | 3     |         | 3       | –       | Currency forwards                                       | 5     |         | 5       | –       |
| Interest swaps  | 22    |         | 22      | –       | Interest swaps  | 32    |         | 32      | –       |

No transfers have been made between levels during the financial year.

No transfers have been made between levels during the financial year.

**Maturity analysis of financial liabilities**

The maturity analysis below is based on discounted cash flows and includes interest and amortisation. In the analysis the interest rate level on the balance sheet date has also been assumed for future interest payments.

**Maturities of the Group's financial liabilities**

| SEK million                              | 0–3 months |           | 4–12 months |           | 1–2 years |           | 2–3 years |           | 3–4 years |           | More than 4 years |           | Total contracted cash flow |           |
|--|------------|-----------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------------|-----------|----------------------------|-----------|
|  | 2014/2015  | 2013/2014 | 2014/2015   | 2013/2014 | 2014/2015 | 2013/2014 | 2014/2015 | 2013/2014 | 2014/2015 | 2013/2014 | 2014/2015         | 2013/2014 | 2014/2015                  | 2013/2014 |
| Bank loans and bank overdraft facilities | 0          | 427       | 0           | –         | 0         | –         | 282       | –         | –         | –         | –                 | –         | 282                        | 427       |
| Interest                                 | 6          | 4         | 13          | –         | 14        | –         | 1         | –         | –         | –         | –                 | –         | 34                         | 4         |
| Trade payables                           | 259        | 233       | –           | –         | –         | –         | –         | –         | –         | –         | –                 | –         | 259                        | 233       |
| Forward exchange contracts inflow        | 196        | 330       | 345         | 873       | –         | –         | –         | –         | –         | –         | –                 | –         | 541                        | 1,203     |
| Forward exchange contracts outflow       | 184        | 322       | 342         | 860       | –         | –         | –         | –         | –         | –         | –                 | –         | 526                        | 1,182     |

**NOTE 19 Operating leases**

| Group<br>SEK million   | Annual cost  |              | Future lease charges and rental costs |                |              |
|------------------------|--------------|--------------|---------------------------------------|----------------|--------------|
|                        | 2014/2015    | 2013/2014    | Years 1                               | 2–5            | 5–           |
| Tenancy agreement      | 652.2        | 654.4        | 677.3                                 | 1,610.7        | 427.5        |
| Vehicles and equipment | 3.2          | 2.8          | 2.4                                   | 2.0            | –            |
| <b>Total</b>           | <b>655.4</b> | <b>657.2</b> | <b>679.7</b>                          | <b>1,611.9</b> | <b>427.5</b> |

The operating profit has been charged with SEK 652 (654) million referring to costs of rented store premises. Of this, the fixed rent is SEK 620 (627) million and the turnover based rent is SEK 32 (27) million.

The Parent Company has no lease agreements.



## NOTE 20 *Capital commitments*

### Group

There were no material capital commitments as at 31/8 2015.

## NOTE 21 *Pledged assets and contingent liabilities*

| SEK million                         | Group      |            | Parent company |             |
|-------------------------------------|------------|------------|----------------|-------------|
|                                     | 31/8/2015  | 31/8/2014  | 31/8/2015      | 31/8/2014   |
| <b>Pledged assets</b>               |            |            |                |             |
| Floating charges                    | 218.6      | 214.8      | Inga           | Inga        |
| Shares in subsidiaries              | 2,214.1    | 2,072.5    | 3,106.2        | 3,049.3     |
| Trademarks                          | 610.0      | 610.0      | None           | None        |
| Total pledged assets                | 3,042.7    | 2,897.3    | 3,106.2        | 3,049.3     |
| <b>Contingent liabilities</b>       |            |            |                |             |
| Guarantee commitments, FPG/PRI      | 0.5        | 0.5        | None           | None        |
| <b>Total contingent liabilities</b> | <b>0.5</b> | <b>0.5</b> | <b>None</b>    | <b>None</b> |

See Note 2 for a description and assessment of a dispute concerning customs duty in Norway.

## NOTE 23 *Participations in group companies*

| SEK million                                    | 31/8/2015      | 31/8/2014      |
|--|----------------|----------------|
| Opening book value                             | 3,049.3        | 2,913.2        |
| Unconditional shareholders' contributions paid | 56.9           | 136.1          |
| <b>Total</b>                                   | <b>3,106.2</b> | <b>3,049.3</b> |

### Specification of the parent company's and the Group's holdings in Group companies

| Subsidiary / Corporate identity number / Country       | Number of shares | Voting rights, % | 31/8/2015       | 31/8/2014       |
|--|------------------|------------------|-----------------|-----------------|
|  |                  |                  | Carrying amount | Carrying amount |
| KappAhl Sverige AB, 556060-4158, Sweden                | 60,000           | 100.0            | 1,351.6         | 1,351.6         |
| KappAhl AS, 947659138, Norway                          | 41,749           | 100.0            | 1,269.1         | 1,269.1         |
| KappAhl OY, 07585064, Finland                          | 200              | 100.0            | 485.5           | 428.6           |
| KappAhl Fastigheter AB, 556750-5481, Sweden            | 1,000            | 100.0            | -               | -               |
| Indirectly owned via KappAhl OY                        |                  |                  |                 |                 |
| KappAhl Åland AB, 1737564-2, Mariehamn                 | 100              | 100.0            | -               | -               |
| Indirectly owned (via KappAhl Sverige AB)              |                  |                  |                 |                 |
| KappAhl Polska Sp.zo.o, 526-22-60-963, Poland          | 51,004           | 100.0            | -               | -               |
| KappAhl Czech Republic s.r.o, 26447142, Czech Republic | 10,000           | 100.0            | -               | -               |
| KappAhl Far East Ltd, 438724, Hong Kong                | 10,000           | 100.0            | -               | -               |
| KappAhl i Mölndal AB, 556714-1444, Sweden              | 1,000            | 100.0            | -               | -               |
| KappAhl Mode Holding AB, 556545-0037, Sweden           | 186,872,155      | 100.0            | -               | -               |
| KappAhl Fashion Holding AB, 556541-5980, Sweden        | 10,000           | 100.0            | -               | -               |
| <b>Total</b>   |                  |                  | <b>3,106.2</b>  | <b>3,049.3</b>  |

No book value is stated for the companies not directly owned by the Parent Company.

## NOTE 22 *Related parties*

The parent company has a related party relationship with the subsidiary KappAhl Sverige AB. The parent company performs services for KappAhl Sweden AB amounting to SEK 25 (19) million. There are also related party relationships with key personnel in senior positions. Information is given in Note 5 Employees and staff costs.

Apart from the information above there were no transactions with related parties.

## NOTE 24 *Cash Flow Statement*

The cash flow statement was prepared using the indirect method.

### Interest paid

| SEK million       | Group                 |                       | Parent company        |                       |
|-------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                   | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014 | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014 |
| Interest received | 0.7                   | 0.4                   | 13.4                  | 22.3                  |
| Interest paid     | -22.1                 | -31.5                 | -43.4                 | -60.3                 |
| <b>Total</b>      | <b>-21.4</b>          | <b>-31.1</b>          | <b>-30.0</b>          | <b>-38.0</b>          |

The parent company has paid a shareholder's contribution of SEK 57 million. These were still outstanding as at 31/8 2015.

### Adjustments for non-cash items

| SEK million   | Group                 |                       | Parent company        |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014 | 1/9/2014<br>31/8/2015 | 1/9/2013<br>31/8/2014 |
| Depreciation/<br>amortisation of<br>non-current assets                | 135.3                 | 128.5                 | -                     | -                     |
| Reversal of<br>depreciation/<br>amortisation of<br>non-current assets | -11.4                 | -8.5                  | -                     | -                     |
| Capital gains/losses<br>on sale/retirement of<br>non-current assets   | 14.6                  | -                     | -                     | -                     |
| Provisions for pensions   | 15.2                  | -8.2                  | -                     | -                     |
| Dividend received   | -                     | -                     | -36.5                 | -103.5                |
| Group contribution<br>received  | -                     | -                     | -42.9                 | -71.4                 |
| Other adjustments   | -0.6                  | -4.7                  | -                     | -8.0                  |
| <b>Total</b>  | <b>153.1</b>          | <b>107.1</b>          | <b>-79.4</b>          | <b>-182.9</b>         |

## NOTE 25 *Parent company details*

KappAhl AB is a Swedish limited company with the corporate identity number 556661-2312 and its registered office in Mölndal.

The address of the head office is Box 303, SE 431 24 Mölndal.

The consolidated accounts for 2014/2015 consist of the parent company and its subsidiaries, collectively referred to as the Group.

The Board of Directors and President certify that the Annual Report has been prepared in accordance with generally accepted accounting principles, provides a true and fair view of the parent company's financial position and results of operations, and that the administration report provides a fair review of the development of the parent company's operations, financial position and results of operations and describes material risks and uncertainties facing the parent company. The Board of Directors and the President also certify that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU, give a true and fair view of the Group's financial position and results of operations, and that the Group administration report provides a fair review of the development of the Group's operations, financial position and results of operations and also describes material risks and uncertainties facing the Group. The financial statements were approved for publication by the parent company's Board of Directors on 28 October 2015. The income statements and balance sheets will be presented to the Annual General Meeting on 2 December 2015.

Mölnådal, 28 October 2015

Anders Bülow  
*Chairman*

Amelia Adamo  
*Board Member*

Pia Rudengren  
*Board Member*

Christian W. Jansson  
*Board Member*

Susanne Holmberg  
*Board Member*

Melinda Hedström  
*Employee representative*

Michael Bjerregaard Jensen  
*Employee representative*

Anders Düring  
*President*

Our auditor's report was issued on 28 October 2015

Ernst & Young AB

Stefan Kylebäck  
*Authorized public accountant*

# AUDITOR'S REPORT

To the Annual General Meeting of the Shareholders of KappAhl AB (publ),  
corporate identity number 556661-2312

## REPORT ON THE ANNUAL ACCOUNTS AND THE CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of KappAhl AB (publ) for the financial year 1 September 2014 to 31 August 2015.

### Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as at 31 August 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated

accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as at 31 August 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the Annual General Meeting adopt the income statement and balance sheet for the parent company and the Group.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of KappAhl AB (publ) for the financial year ended 31 August 2015.

### Responsibilities of the Board of Directors and President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

### Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for my our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine whether any member of the Board of Directors or the President is liable to the company. We 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinions

We recommend to the Annual General Meeting that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Gothenburg, 28 October 2015

Ernst & Young AB

Stefan Kylebäck  
Authorised Public Accountant

# MATERIALITY ANALYSIS

In spring 2015 we carried out a materiality analysis to update and fine-tune the priorities of our most important sustainability issues. This is in line with the new version of the GRI's guidelines, G4, where the stakeholder perspective has gained further weight when prioritising important issues.

## STAKEHOLDER DIALOGUE

We have an ongoing stakeholder dialogue with customers, employees, suppliers, students and interest organisations. These stakeholders influence our activities while at the same time being influenced by them. The dialogue is conducted in a number of different ways depending on the type of occasion for dialogue and information needs. For example, we conduct annual customer and employee surveys and have a questionnaire on the website that customers, students and other stakeholders use regularly. We also have regular contacts with journalists via our communication department.

In spring 2015 we conducted an in-depth dialogue with stakeholders that are well-informed concerning sustainability issues and our industry. Eight representatives from interest organisations, the research sphere, investors, brand experts and employees were invited through in-depth interviews to give their view of the sustainability issues that are most important for KappAhl and where in our value chain the impact is greatest on people

and the environment. We also discussed opportunities and challenges going forward, as well as stakeholders' confidence in us in relation to our environmental and social responsibility.

## BASIS FOR ANALYSIS

By compiling conclusions from existing stakeholder dialogues, such as employee surveys, customer surveys and market surveys, and conducting in-depth interviews with people with expertise in sustainability issues and our industry, we obtained a good basis for analysis.

There is relative consensus among the stakeholders on our most important issues in the area of sustainability. They mainly concern the following points.

### Most important issues

- Working conditions and human rights at suppliers
- Environmental impact at suppliers, with special focus on chemicals
- Climate impact and how it is distributed in the value chain
- Sustainable products including environment, quality and safety
- Textile recycling
- Sustainability communication to customers

## CONTACT

Please contact us if you want to discuss or have questions about our sustainability work, financial information or anything else.

KappAhl AB, P O Box 303, SE 431 24 Mölndal  
Telephone: +46 (0)31 - 771 55 00

Please email us via the contact form at [www.kappahl.com/contact](http://www.kappahl.com/contact)  
or email [info\\_se@kappahl.com](mailto:info_se@kappahl.com)

**Also important issues**

- Ethical marketing
- Internal working conditions
- Anti-corruption
- Discrimination and diversity

The results of the materiality analysis will form the basis in developing our sustainability strategy as well as our sustainability communication. Our ambition and hope is that this year's Annual Report and sustainability reporting closely matches the expectations of our stakeholders.

# GRI INDEX

KappAhl's sustainability reporting is based on the Global Reporting Initiative (GRI) Guidelines, version G4, Core level. An outline is presented below of the compulsory GRI indicators and the aspects and performance indicators relevant to the business that KappAhl has decided to report. The page references specify where information about the respective indicator can be read.

In 2015 a materiality analysis was conducted which forms the basis of the content selection in the reporting. Further information on the GRI and a full description of guidelines and indicators can be found at [www.global-reporting.org](http://www.global-reporting.org)

KappAhl's sustainability report is published annually and the last report was published in November 2014.

## GRI STANDARD DISCLOSURES

| <i>GRI indicator</i>                              | <i>Description</i>   | <i>Page reference</i>  |
|---|--|--|
| <b>STRATEGY AND ANALYSIS</b>                      |  |  |
| G4-1  | Statement from the President.  | 11–12  |
| <b>ORGANISATIONAL PROFILE</b>                     |  |  |
| G4-3  | Name of the organisation.  | Annual Report, part 1, front page.   |
| G4-4  | Primary brands, products and services.   | Annual Report part 1, inside flap and pages 18–19.                               |
| G4-5  | Location of organisation's headquarters.   | Annual Report, part 1, page 43.  |
| G4-6  | Countries where the organisation operates.   | Annual Report, part 1, page 43.  |
| G4-7  | Nature of ownership and legal form.  | Annual Report, part 2, page 6.   |
| G4-8  | Markets served.  | Annual Report part 1, page 43 and 19   |
| G4-9  | Scale of the reporting organisation.   | Annual Report part 1, flap and page 17.<br>Annual Report part 2, page 10 and 12. |
| G4-10   | Total number of employees by form of employment, employment contract, temporary positions, seasonal variations, gender and region.               | Annual Report part 1, page 14 and 43. Annual Report part 2, GRI note G4-10.      |
| G4-11   | Percentage of total employees covered by collective bargaining agreements.   | Annual Report part 2, GRI note G4-11.  |
| G4-12   | The organisation's supply chain.   | Annual Report, part 1, page 17, page 24 and page 26-27.                          |
| G4-13   | Significant changes during the reporting period.   | Annual Report, part 1, page 24 and page 28, page 37.                             |
| G4-14   | The organisation's application of the precautionary principle.   | Annual Report, part 1, page 28.  |
| G4-15   | Externally developed economic, environmental and social principles, or other initiatives to which the organisation subscribes.                   | Annual Report, part 1, pages 24, 26-30, 32, 36 and 41.                           |
| G4-16   | The organisation's memberships.  | Annual Report part 2, GRI note G4-16.  |
| <b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b> |  |  |
| G4-17   | Entities included in the organisation's consolidated financial statements and whether any entity is not covered by the sustainability reporting. | Annual Report, part 2, page 6.   |
| G4-18   | Process for defining the report content and the Aspect Boundaries.   | Annual Report, part 2, page 40.  |
| G4-19   | Material Aspects identified in the process for defining report content.  | Annual Report, part 2, page 40.  |
| G4-20   | Boundary within the organisation for each material Aspect.   | Annual Report, part 1, page 17.<br>Annual Report, part 2, page 40.               |
| G4-21   | Boundary outside the organisation for each material Aspect.  | Annual Report, part 1, page 17.<br>Annual Report, part 2, page 40.               |
| G4-22   | Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement.                  | Annual Report part 2, GRI note G4-22.  |
| G4-23   | Significant changes from previous reporting periods in the Scope and Aspect Boundaries.  | Annual Report part 2, page 40 and GRI note G4-23.                                |

| <b>GRI indicator</b>          | <b>Description</b>  | <b>Page reference</b>  |
|-------------------------------|---|--|
| <b>STAKEHOLDER ENGAGEMENT</b> |   |  |
| G4-24                         | List of stakeholder groups engaged by the organisation.   | Annual Report, part 2, page 40.  |
| G4-25                         | Basis for identification and selection of stakeholders with whom to engage.                       | Annual Report, part 2, page 40.  |
| G4-26                         | Approach to stakeholder engagement.   | Annual Report, part 1, page 40. Annual Report, part 2, page 40.                |
| G4-27                         | Key topics and concerns that have been raised through stakeholder engagement.                     | Annual Report, part 2, page 40.  |
| <b>REPORT PROFILE</b>         |   |  |
| G4-28                         | Reporting period.   | Annual Report, part 1, inside flap.  |
| G4-29                         | Date of most recent previous report.  | Annual Report, part 1, inside flap.  |
| G4-30                         | Reporting cycle.  | Annual Report, part 1, inside flap.  |
| G4-31                         | Contact point for questions regarding the report or its contents.                                 | Annual Report, part 1, next to last page.<br>Annual Report, part 2, last page. |
| G4-32                         | The 'in accordance' option the organisation has chosen.   | Annual Report, part 1, inside flap.  |
| G4-33                         | Policy with regard to seeking external assurance for the report.                                  | Annual Report, part 1, inside flap.  |
| <b>GOVERNANCE</b>             |   |  |
| G4-34                         | Corporate Governance.   | Annual Report, part 2, page 51.  |
| <b>ETHICS AND INTEGRITY</b>   |   |  |
| G4-56                         | The organisation's values, principles, standards and norms of behaviour such as codes of conduct. | Annual Report part 1, page 14 and 31.<br>Annual Report part 2, GRI note G4-56. |

#### NOTE G4-10

There are some seasonal variations during the year as regards needs for employees and hours in stores. This is mainly during Christmas trading, when there is a greater need. During the summer holiday period we employ extra staff to cover needs.

|  | 2013/2014 | 2014/2015 |
|--|-----------|-----------|
| Average age, Group, years                    | 36.18     | 35.8      |
| Staff turnover, Group, %                     | 10.6      | 10.5      |
| Employees on full-time contracts, Group, %   | n/a       | 31.8      |
| Employees on full-time contracts, Sweden, %  | n/a       | 33.0      |
| Employees on part-time contracts, Sweden, %  | n/a       | 67.0      |
| Employees on full-time contracts, Norway, %  | n/a       | 18.0      |
| Employees on part-time contracts, Norway, %  | n/a       | 82.0      |
| Employees on full-time contracts, Finland, % | n/a       | 20.0      |
| Employees on part-time contracts, Finland, % | n/a       | 80.0      |
| Employees on full-time contracts, Poland, %  | n/a       | 77.0      |
| Employees on part-time contracts, Poland, %  | n/a       | 23.0      |

#### NOTE G4-11

KappAhl in Sweden and Finland are covered by collective agreements. In Norway collective agreements are applied for all employees. In all, these employees constitute 82.2 per cent of all employees in the Group.

#### NOTE G4-16

KappAhl is a member of the Accord on Fire and Building Safety in Bangladesh, the Better Cotton Initiative (BCI), Business for Social Responsibility (BSR), the Clean Shipping Network, the Nordic Chemicals Group, Partnership for Cleaner Textile (PaCT), the Sweden Textile Water Initiative (STWI) and the Textiles for Recycling Initiative (T4RI).

#### NOTE G4-22

No change.

#### NOTE G4-23

In 2014–2015 KappAhl changed from G3.1 to G4 Core, in its reporting under the GRI guidelines. This is in line with our ambition to create increased transparency and knowledge.

#### NOTE G4-56

This text supplements the texts on our corporate culture and code of conduct in part 1 of the Annual Report. Everyone who works at KappAhl is given a presentation of our ethical guidelines and what they entail. An important purpose is to create clarity and simplify decisions for all employees concerning our approach on important issues. In that way we can more easily avoid corruption, conflicts of interest and unethical business practices in other respects.

To clarify our approach in relation to our suppliers we have our code of conduct, which covers our expectations and requirements as regards social, environmental and ethical behaviour. The code of conduct is included as a clause in every business relation with suppliers and is binding, even in the relation between our suppliers and their sub-contractors. To follow up the work with our sub-contractors' suppliers we belong to organisations that carry out this type of initiative on a large scale. These include the Better Cotton Initiative and the Accord on Fire and Building Safety in Bangladesh as well as the Clean Shipping Network.



# GRI G4 DMA

Under the GRI G4 guidelines it is possible in “Disclosures on Management Approach (DMA)” to describe why some sustainability aspects are identified as material for the organisation and how the organisation works on governance and follow-up for

material aspects. We have based our work on what is material for us on the basis of the materiality analysis as regards identifying sustainability aspects and which indicators are relevant.

| <i>Performance indicators</i>                   |  | <i>Reference/Information</i>  |
|---|--|---|
| <b>ECONOMIC</b>                                 |  |   |
| <b>INDIRECT ECONOMIC IMPACTS</b>                |  |   |
| DMA   | Guidance for: Indirect economic impacts  | Annual Report part 1, page 27 and 45. Annual Report, part 2, GRI note DMA Guidance for: Indirect economic impacts.  |
| EC8   | Significant indirect economic impacts, including the extent of impacts.  | Annual Report, part 1, pages 26-29. Annual Report part 2, GRI note EC8.   |
| <b>ENVIRONMENTAL</b>                            |  |   |
| <b>MATERIALS</b>                                |  |   |
| DMA   | Guidance for: Materials used   | Annual Report, part 1, pages 18, 21, 24, 26 and 45. Annual Report, part 2, GRI note DMA Guidance for: Materials used.   |
| EN2   | Percentage of materials used that are recycled input materials   | Annual Report part 2, GRI note EN2.   |
| <b>EMISSIONS</b>                                |  |   |
| DMA   | Guidance for: Emissions to air and water and waste   | Annual Report, part 1, pages 24, 27–28, 31–32, 40–41 and 45. Annual Report, part 2, GRI note DMA Guidance for: Emissions to air and water and waste.  |
| EN15  | Direct greenhouse gas emissions (scope 1)  | Annual Report part 2, GRI note EN15.  |
| EN16  | Energy indirect greenhouse gas emissions (scope 2)   | Annual Report part 2, GRI note EN16.  |
| EN17  | Other indirect greenhouse gas emissions (scope 3)  | Annual Report part 2, GRI note EN17.  |
| <b>PRODUCTS AND SERVICES</b>                    |  |   |
| DMA   | Guidance for: Products and services  | Annual Report, part 1, pages 18, 21, 24, 26 and 45. Annual Report, part 2, GRI note DMA Guidance for: Products and services.  |
| EN27  | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.   | Annual Report, part 1, pages 18, 21, 26-27, 40 and 41. Annual Report part 2, GRI note EN27.   |
| <b>SUPPLIER ENVIRONMENTAL ASSESSMENT</b>        |  |   |
| DMA   | Guidance for: Supplier environmental assessment  | Annual Report, part 1, pages 24-25, 31 and 45. Annual Report, part 2, GRI note DMA Guidance for: Supplier environmental assessment.   |
| EN32  | Percentage of new suppliers that were screened using environmental criteria  | Annual Report, part 1, pages 24, 27 and 31. Annual Report part 2, GRI note EN32.  |
| EN33  | Significant actual and potential negative environmental impacts in the supply chain and actions taken  | Annual Report part 1, pages 24, 26-28 Annual Report part 2, GRI note EN33.  |
| <b>LABOUR PRACTICES AND DECENT WORK</b>         |  |   |
| <b>DIVERSITY AND EQUAL OPPORTUNITY</b>          |  |   |
| DMA   | Guidance for: Diversity and equal opportunity  | Annual Report, part 2, GRI note DMA Guidance for: Diversity and equal opportunity.  |
| LA12  | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity | Annual Report, part 1, page 14. Annual Report part 2, page 56-58 and GRI note LA12. The age distribution (>30, 30-50, <50) is unfortunately not possible to obtain with the current HR system. Consequently it is not included. |
| <b>SUPPLIER ASSESSMENT FOR LABOUR PRACTICES</b> |  |   |
| DMA   | Guidance for: Supplier assessment for labour practices   | Annual Report, part 1, pages 24-25, 30-31 and 45. Annual Report, part 2, GRI note DMA Guidance for: Supplier assessment for labour practices.   |

| <i>Performance indicators</i>           |   | <i>Reference/Information</i>   |
|---|---|--|
| LA14                                    | Percentage of new suppliers that were screened using labour practices criteria  | Annual Report, part 1, pages 24, 27 and 31. Annual Report part 2, GRI note LA14.   |
| LA15                                    | Significant actual and potential negative impacts for labour practices in the supply chain and actions taken  | Annual Report part 1, pages 24, 28, 30-31. Annual Report, part 2, GRI note LA15.   |
| <b>HUMAN RIGHTS</b>                     |   |  |
| <b>INVESTMENT</b>                       |   |  |
| DMA                                     | Guidance for: Investment and procurement practices  | Annual Report, part 2, GRI note DMA Guidance for: Investment and procurement practices.  |
| HR1                                     | Percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening  | Annual Report part 2, GRI note HR1.  |
| <b>NON-DISCRIMINATION</b>               |   |  |
| DMA                                     | Guidance for: Non-discrimination  | Annual Report, part 2, GRI note DMA Guidance for: Non-discrimination.  |
| HR4                                     | Total number of incidents of discrimination and corrective actions taken  | Annual Report part 2, GRI note HR4.  |
| <b>CHILD LABOUR</b>                     |   |  |
| DMA                                     | Guidance for: Child labour  | Annual Report, part 1, pages 24, 31 and 45. Annual Report, part 2, GRI note DMA Guidance for: Child labour.                        |
| HR5                                     | Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour   | Annual Report part 1, page 24 and 28. Annual Report part 2, GRI note HR5.  |
| <b>SUPPLIER HUMAN RIGHTS ASSESSMENT</b> |   |  |
| DMA                                     | Guidance for: Supplier human rights assessment  | Annual Report, part 1, pages 24-25, 31 and 45. Annual Report, part 2, GRI note DMA Guidance for: Supplier human rights assessment. |
| HR10                                    | Percentage of new suppliers that were screened using human rights criteria  | Annual Report, part 1, pages 24, 27 and 31. Annual Report part 2, GRI note HR10.   |
| HR11                                    | Significant actual and potential negative impacts for human rights in the supply chain and actions taken  | Annual Report, part 1, pages 24, 28-29 and 31. Annual Report part 2, GRI note HR11.  |
| <b>SOCIETY</b>                          |   |  |
| <b>ANTI-CORRUPTION</b>                  |   |  |
| DMA                                     | Guidance for: Corruption  | Annual Report, part 1, page 31. Annual Report, part 2, GRI note DMA Guidance for: Corruption.                                      |
| SO4                                     | Communication and training on the organisation's anti-corruption policies and procedures.   | Annual Report part 2, GRI note SO4.  |
| SO5                                     | Confirmed incidents of corruption and actions taken   | Annual Report part 2, GRI note SO5.  |
| <b>PRODUCT RESPONSIBILITY</b>           |   |  |
| <b>CUSTOMER HEALTH AND SAFETY</b>       |   |  |
| DMA                                     | Guidance for: Customer health and safety  | Annual Report, part 1, pages 18, 27, 28 and 45. Annual Report, part 2, GRI note DMA Guidance for: Customer health and safety.      |
| PR1                                     | Percentage of significant product and service categories for which health and safety impacts are assessed for improvement   | Annual Report part 2, GRI note PR1.  |
| PR2                                     | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle  | Annual Report part 2, GRI note PR2.  |
| <b>ASPEKT MARKETING COMMUNICATIONS</b>  |   |  |
| DMA                                     | Guidance for: Market communication  | Annual Report, part 1, page 37. Annual Report, part 2, GRI note DMA Guidance for: Market communication.                            |
| PR7                                     | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship. The information is given broken down by the effect of the non-compliance | Annual Report, part 1, page 37.  |

**GRI note DMA Guidance for: Indirect economic impacts**

KappAhl wants to contribute to the development of a sustainable society in countries where we operate and we want the human rights of people whose work contributes to our operations to be respected.

The sustainability strategy and our code of conduct, which is binding, is of great significance in steering our initiatives.

Working for fair wages at our suppliers in the countries of production is important for the factory workers, their families and thus also for us. Consequently we impose requirements that suppliers and sub-contractors must pay at least the minimum wage or on a level with prevailing industry standard, whichever is higher. The amount should be sufficient to cover the basic needs of the employee and his or her family, as well as some surplus on top of that. Wages and overtime pay and any bonus or piece-work based payments should be paid directly to the employee on time and in full. Suppliers or sub-contractors should give their employees paid sick leave, maternal leave, holiday leave and holidays as required by law or current industry standard, whichever is higher.

We also focus on strengthening women's development, through knowledge and education, which is done for example through the training centre for vulnerable women in Bangladesh. We also participate in the Hunger project, which also contributes to educating children and strengthening their development. Our training initiatives via the Better Cotton Initiative, BCI, make an extremely positive contribution to development of local communities.

**GRI note EC8: Significant indirect economic impacts, including the extent of impacts**

|   | 2013/2014 | 2014/2015 |
|---|-----------|-----------|
| Funds raised for BRIS (Children's Rights in Society) from sales in Swedish stores, SEK    | 872,865   | 1,524,700 |
| Funds raised for Kors på Halsen (Cross Your Heart) from sales in Norwegian stores, SEK    | 354,837   | 485,170   |
| Funds raised for the Manneheim League for Child Welfare from sales in Finnish stores, SEK | 160,793   | 220,481   |
| Funds raised for Nobody's Children from sales in Polish stores, SEK                       | 84,140    | 130,874   |
| Funds raised from Wear, Love and Give Back for training centre, EUR                       | n/a       | 777       |
| Funds donated to other charities, SEK   | 358,600   | 286,700   |

**GRI note DMA Guidance for: Materials used**

Sustainable design for us includes the choice of material, developing basic garments of high quality with a good fit and long life and in the framework of a circular economy. Sustainable design also means that the garments should be safe in terms of chemicals and child safety.

The correct choice of material and resource-effective production are of great importance in creating a long-term sustainable environment and long-term secure supply of the material we require.

The sustainability strategy, our code of conduct, which is binding, and the guidelines for production and products, are of great significance in steering our initiatives.

One concrete target in the area is that we are to have 100 per cent sustainably grown cotton by 2020. Today we have 24 per cent (19) and 24 (19) percent of our garments are sustainability labelled.

For the purpose of increasing this percentage we are involved in the Better Cotton Initiative, BCI, for example.

We support research projects for more effective recycling of old textiles. In addition we offer textile collecting in all Swedish stores. The goal is to extend this to all stores in 2015 and 2016.

**GRI note EC2: Percentage of materials used that are recycled input materials**

|  | 2014/2015 |
|--|-----------|
| Organic cotton as percentage of sustainability labelling       | 38.6%     |
| Organic wool as percentage of sustainability labelling         | 0.0%      |
| Better Cotton as percentage of sustainability labelling        | 8.0%      |
| Lyocell as percentage of sustainability labelling              | 1.3%      |
| Organic linen as percentage of sustainability labelling        | 0.2%      |
| Recycled polyester as percentage of sustainability labelling   | 0.5%      |
| Recycled polyamide as percentage of sustainability labelling   | 0.1%      |
| Öko-Tex as percentage of sustainability labelling              | 43.6%     |
| Mixed organic cotton as percentage of sustainability labelling | 3.2%      |
| Mixed better cotton as percentage of sustainability labelling  | 4.3%      |

**GRI note DMA Guidance for: Emissions to air and water and waste**

KappAhl aims to be climate neutral in 2020. The purpose is to safeguard our climate and thereby contribute to long-term sustainable development for us and society as a whole. Our sustainability strategy, with concrete focus areas and activities, constitutes a central policy instrument to achieve this.

Part of the work is to survey the climate impact in our value chain and its various links. This year we conducted a climate analysis, which we describe in part 1 of the Annual Report.

To better understand how and where emissions of greenhouse gases arise the GHG protocol (greenhouse gas protocol) is a good standard to follow as it aims to include the total climate impact of the business for a full year. This can be compared with a lifecycle analysis, which concentrates on the climate impact over the life cycle of a garment.

A GHG analysis gives a good basis for creating an action plan that will effectively reduce emissions from our operations.

Our emissions are reported broken down into three scopes (1-3), where scope 1 is the direct emissions, scope 2 the indirect emissions for producing purchased energy and scope 3 is other indirect emissions. For operations like KappAhl's a relatively large part of the emissions are at the supplier stage, but also when using (e.g. washing) the clothes. Consequently it is crucial to include emissions in scope 3 to gain an understanding of KappAhl's total climate impact.

The distribution of emissions through the value chain from design to consumption is as follows for 2014/2015:

|            | Total emissions (tonnes CO <sub>2</sub> e) | Percentage of total | Components  |
|------------|--|---------------------|---|
| Design     | 1,572                                      | 0.4%                | Business travel, IT material  |
| Production | 199,524                                    | 45.4%               | Raw materials, manufacturing  |
| Logistics  | 32,849                                     | 7.5%                | Transport, electricity and waste from head office and distribution centre |
| Sales      | 32,964                                     | 7.5%                | Heating, electricity and waste from stores. Refrigerants, commuter travel |
| Consumers  | 172,776                                    | 39.3%               | Washing, drying, ironing. Travel to and from stores, waste                |

Calculations and reports of emissions have been made in accordance with the Greenhouse Gas Protocol's "Corporate accounting and reporting standard" and "Corporate value chain (Scope 3) accounting and reporting Standard".

**GRI notes EN15, EN16, EN17: Direct greenhouse gas emissions (scope 1), Energy indirect greenhouse gas emissions (scope 2), Other indirect greenhouse gas emissions (scope 3)**

| Scope 1                      | Scope 2                  | Scope 3                   |
|------------------------------|--------------------------|---------------------------|
| 160 tonnes CO <sub>2</sub> e | 26,842 CO <sub>2</sub> e | 412,683 CO <sub>2</sub> e |

*Direct Greenhouse Gas Emissions (Scope 1):*

Company cars and private cars used for business: Calculated on the basis of mileage in service. Emissions include carbon dioxide, nitrous oxide and methane. Emission factor for Swedish cars 1–3 years old.

*Energy Indirect Greenhouse Gas Emissions (Scope 2):*

Electricity consumption: Measured or estimated consumption in offices and stores. Emissions include carbon dioxide, nitrous oxide and methane.

District heating: measured for head office and distribution centre. Emissions include carbon dioxide, nitrous oxide and methane.

*Other Indirect Greenhouse Gas Emissions (Scope 3):*

Categories assessed as material for KappAhl:

Category 1 Purchased goods and services: Cultivation or production of raw materials (apart from clothing material also hangers, packaging, bags, store fittings and IT) and manufacture. The distribution of total raw material consumption was calculated on the basis of data on distribution of garments sold and on raw materials used per garment. Emission factors are taken from the MSI/Higg index. Emissions for manufacture are estimated on the basis of a number of studies made. Emissions include carbon dioxide, nitrous oxide and methane.

Category 3 Fuel and energy related activities: Emissions on extracting, refining and distribution of the fuels used in company cars and private cars used for business as well as electricity and district heating production plants from which KappAhl purchases its electricity and district heating. Emissions include carbon dioxide, nitrous oxide and methane.

Category 4 Purchased transportation and distribution (upstream): Emissions include both emissions from the vehicle and on extraction, refining and distribution of used fuel for goods transportation purchased by KappAhl. RFI 2,7 is used for air transport. Emissions include carbon dioxide, nitrous oxide and methane.

Category 5 Waste generated in operations: Emissions cover waste generated at the head office, the distribution centre and stores. Emissions include carbon dioxide, nitrous oxide and methane.

Category 6 Business travel (excluding reporting in scope 1): Sources of emissions included are air travel, taxi travel, hotel nights and train travel on business. Air travel and train travel are based on data from the travel agency, while taxi travel and hotel nights are estimated. Emissions include carbon dioxide, nitrous oxide and methane.

Category 7 Employee commuting: Covers both staff at head office and store staff. Estimated distribution of travel is taken from studies on commuting in small towns and urban areas. Emissions include carbon dioxide, nitrous oxide and methane.

Category 8 Leased assets (upstream, lessee): Refrigerant leakage from landlords' cooling system. The leakage is estimated on the basis of key figures for a number of large property companies and restated as carbon dioxide equivalents.

Category 9 Purchased transportation and distribution (downstream): Covers travel to and from the store for visitors to KappAhl's stores. Based on measured number of visitors and distribution of typical journeys for urban areas and small towns. Emissions include carbon dioxide, nitrous oxide and methane.

Category 11 Use of sold products: Covers washing, drying and ironing. The temperature at which the garment should be washed is taken into account. Emissions for energy use for these activities take into account the country to which the garment is sold. Emissions include carbon dioxide, nitrous oxide and methane.

Category 12 End-of-life treatment of sold products: Covers handling of end-of-life products. Emissions include carbon dioxide, nitrous oxide and methane.

**GRI note DMA Guidance for: Products and services**

Sustainable design for us includes the choice of material, developing basic garments of high quality with a good fit and long life and in the framework of a circular economy. Sustainable design also means that the garments should be safe in terms of chemicals and child safety.

The correct choice of material and resource-effective production are of great importance in creating a long-term sustainable environment and long-term secure supply of the material we require.

The sustainability strategy, our code of conduct, which is binding, and the guidelines for production and products, are of great significance in steering our initiatives.

A concrete target in the area is that we are to have 100 per cent sustainable design as well as training in sustainability for the design and purchasing department.

**GRI note EN27: Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.**

A total of 38 tonnes of textiles were collected in Swedish stores during the year, contributing to more effective handling of resources. According to figures from our partner I:Collect in 2014 textiles collected from consumers in Sweden were sorted as follows: 54 per cent to re-use, 44 per cent to recycling and 2 per cent to energy recycling.

**GRI note DMA Guidance for: Supplier environmental assessment**

All suppliers' production units are to be inspected before production starts. Another important purpose is to identify whether the production unit is suitable for KappAhl at all.

There are still large resource-saving improvement opportunities on a broad front at the production stage, which is shown for example in our description of the work with PaCT and SWAR in part 1 of the Annual Report. We check and support the improvement process at follow-up visits. If required improvements are not implemented it has an impact on the business relationship, for example in the form of a temporary suspension of orders or discontinued partnership.

The most common non-conformances are that the factories have not obtained or renewed statutory permits, licenses and registration applicable to their operations.

**GRI note EN32: Percentage of new suppliers that were screened using environmental criteria**

All production units are checked before production is allowed. As regards agents that for example manufacture under licence, we inspect their production units in high-risk countries (according to the World Bank Worldwide Governance Indicators and Disney's definition) when a certain number of orders or order value has been reached. The number of agents' production units in high-risk countries during the year was 67, of which 20 were inspected, constituting about 30 per cent.

**GRI note EN33: Significant actual and potential negative environmental impacts in the supply chain and actions taken**

The use of water, chemicals and energy in production are the most important areas linked to negative environmental impacts in the supply chain. There are large resource-saving improvement opportunities on a broad front, which is shown for example in our description of the work with PaCT and SWAR in part 1 of the Annual Report.

During the year we have not discontinued partnership with any supplier as a result of environmental non-conformances.

**GRI note DMA Guidance for: Diversity and equal opportunity**

KappAhl has a diversity policy that aims to make our position on the matter clear and support the active promotion of an equal opportunity workplace, with equal opportunities and the same conditions for all employees, regardless of gender, ethnicity, religion or other belief, disability, sexual orientation or age.

This is important for creating an attractive workplace sought after by new employees and where existing employees want to stay. This means that we do not tolerate any form of discrimination, harassment or victimisation of any kind.

We also have a gender equality policy, which can make our position on the matter clear and support the active promotion of an equal opportunity workplace, with equal opportunities and the same conditions for all employees, regardless of gender. This is to actively utilise the qualities an equal gender distribution contributes.

KappAhl actively seeks to utilise the qualities that gender equality and ethnic and cultural diversity contribute. We endeavour to be free from discrimination in all our recruitment. All vacancies are advertised on our own website as well as the Swedish Employment Service website. In our advertisements and on our website we include a text stating that we aim to have discrimination free recruit-

ment and to utilise the qualities that gender equality and ethnic and cultural diversity bring. We do not differentiate between individuals who apply to work for us. Our objective is to employ the candidate that best meets the requirements of the job, taking skills into account. We want everyone who considers that they meet the skills requirements in our advertisements to feel welcome to apply.

The responsibility for planning, management and follow-up of diversity and gender equality work rests with each manager.

**GRI note LA12: Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity**

|   | 2013/2014 | 2014/2015 |
|---|-----------|-----------|
| Employees born outside Sweden, %                          | 14.5      | 15        |
| Employees with one or more parents born outside Sweden, % | 27.5      | 28        |
| Members of management born outside Sweden, %              | 0         | 0         |
| Board members born outside Sweden, %                      | 1         | 0         |

**GRI note DMA Guidance for: Supplier assessment for labour practices**

Policy is based on our sustainability strategy and code of conduct, which is binding on suppliers.

New suppliers undergo an introduction that includes our requirements and expectations regarding cooperation, transparency and routine improvements.

All new suppliers and factories are inspected before they can be approved for placing orders. There is no target for the number of suppliers to be followed up on an annual basis. This is due to existing and planned placing of orders, previously identified problems or problems common in the country. The most common non-conformances with the code of conduct concern working hours and remuneration.

**GRI note LA14: Percentage of new suppliers that were screened using labour practices criteria**

All new suppliers are inspected before production is allowed. As regards agents that for example manufacture under licence, we inspect their production units in high-risk countries (according to the World Bank Worldwide Governance Indicators and Disney's definition) when a certain number of orders or order value has been reached. The number of agents' production units in high-risk countries during the year was 67, of which 20 were inspected, constituting about 30 per cent.

**GRI note LA15: Significant actual and potential negative impacts for labour practices in the supply chain and actions taken**

During the year partnership has been discontinued with the following suppliers, due to non-compliance with the code of conduct and failure to implement necessary improvements.

**India**

Supplier 1: The supplier did not make the necessary improvements concerning employees' wages and employment contracts.

Supplier 2: The supplier was not willing to make improvements concerning employees' wages.

**China**

Six production units were closed in China because they did not meet requirements concerning fire safety and minimum wages.

**Bangladesh**

Supplier 1: Lack of understanding of requirements and thereby unwilling to make permanent improvements.

Supplier 2: Unwillingness to make permanent improvements.

**GRI note DMA Guidance for: Investment and procurement practices**

For KappAhl it is important to ensure that our investments are long-term sustainable, on the basis of an economic, social, environmental and ethical perspective.

Here our sustainability strategy and code of conduct are important policy instruments. Before we decide to start production in a new country inspections are carried out. Otherwise no production may start. In addition every supplier must comply with our code of conduct, which is binding and constitutes a clause in every procurement and contract.

**GRI note EC1: Percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening**

All our investments and procurements affecting suppliers of our products are subject to our code of conduct.

As regards major investments, which will have a significant effect on our financial structure, our code of conduct is followed. During the year we completed a procurement which follows from the upgrading of our store concept, which is our largest investment ever. Parts of the fittings are purchased from China. Here too, as in all other cases, the code of conduct is binding and constitutes a clause in the contract.

**GRI note DMA Guidance for: Non-discrimination**

KappAhl is to actively promote an equal opportunity workplace, with equal opportunities and the same conditions for all employees, regardless of gender, ethnicity, religion or other faith, disability or sexual orientation. We must create an attractive workplace sought after by new employees and where existing employees want to stay.

This means for example that we do not tolerate any form of discrimination, victimisation or harassment of any kind. All employees and managers at KappAhl have a joint responsibility for a work environment free of all forms of bullying and victimisation. Victimisation is any form of behaviour that can be perceived as derogatory by an individual.

Our sustainability strategy, diversity policy and action plan for bullying or victimisation and our annual employee survey constitute important policy and follow-up instruments in work on these issues.

The responsibility for planning, management and follow-up of the anti-discrimination work rests with each manager.

**GRI note EC4: Total number of incidents of discrimination and corrective actions taken**

Every employee has the possibility of reporting events that are perceived as discriminating and derogatory in the annual employee survey, or to the HR department or immediate superior where necessary.

The number of reported cases of derogatory behaviour and discrimination has decreased compared to the previous year (see table). All cases of bullying or victimisation at KappAhl are followed up by the HR person responsible and must be treated promptly and confidentially. It is important for all organisation and work planning that a good atmosphere is created, with functioning standards, so that victimisation does not arise. Managers and supervisory staff play key roles in terms of shaping the atmosphere and the standards that are to prevail at the company. The managers concerned are to be informed and parties involved have their say before any decision to act is taken. It is important to take into account and act in accordance with the wishes of the victim.

| Reported cases according to the annual employee survey  | 2013/2014 | 2014/2015 |
|---|-----------|-----------|
| Number of employees who state that they have been harassed at their workplace due to gender (sexual harassment).        | 8         | 5         |
| Number of employees who state that they have been harassed at their workplace due to ethnicity, religion or other faith | 15        | 10        |
| Number of employees who state that they have been victimised (bullied), in word or deed, due to sexual orientation      | 3         | 0         |
| Number of employees who state that at their workplace some form of victimisation (bullying) exists, in word or deed     | 102       | 89        |

**GRI note DMA Guidance for: Child labour**

Binding requirements are imposed on our suppliers via our code of conduct. We are clear in our minimum age requirements and require and check that production units have copies of their employees' identification documents.

We also work to survey and exert influence further down the value chain, through our membership of the Better Cotton Initiative (BCI) and Business for Social Responsibility (BSR).

**GRI note EC5: Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour**

The risk of child labour is generally greatest in areas with neglected education systems and poverty, where children never start education, or finish school early to contribute to the family's livelihood. From KappAhl's perspective this risk arises relatively speaking in production of raw materials, fabrics and production in the Asian production countries.

We are clear in our requirements in the area, via the code of conduct, and carry out regular inspections and follow-up visits. KappAhl also works lower down the value chain via the Better Cotton Initiative (BCI) and Business for Social Responsibility (BSR).

During the year one case of child labour was discovered, in Zhengzhou in the Chinese province of Zhejiang.

**GRI note DMA Guidance for: Supplier human rights assessment**

Policy is based on our sustainability strategy and code of conduct, which is binding on suppliers.

New suppliers undergo an introduction that includes our requirements and expectations regarding cooperation, transparency and routine improvements.

All suppliers' production units are to be inspected before production starts. The purpose is to identify any non-conformances with legislation or code of conduct, as well as to initiate improvement measures as regards environment, social issues and ethics.

We check and support the improvement process at follow-up visits. If required improvements are not implemented it has an impact on the business relationship, for example in the form of a temporary suspension of orders or discontinued partnership.

**GRI note HR10: Percentage of new suppliers that were screened using human rights criteria**

All new suppliers are inspected before production is allowed. As regards agents that for example manufacture under licence, we inspect their production units in high-risk countries (according to the World Bank Worldwide Governance Indicators and Disney's definition) when a certain number of orders or order value has been reached. The number of agents' production units in high-risk countries during the year was 67, of which 20 were inspected, constituting about 30 per cent.

**GRI note HR11: Significant actual and potential negative impacts for human rights in the supply chain and actions taken**

The most common identified non-conformances with the code of conduct concern working hours and remuneration.

**GRI note DMA Guidance for: Corruption**

There are risks of improper conduct at all stages of the value chain. KappAhl's work to reduce this risk includes both employees and suppliers. All new employees at KappAhl are informed of our ethical guidelines and their implications. In relation to the suppliers KappAhl's ethics policy is regulated through the agreements signed. Follow-up is in connection with follow-up of the code of conduct.

An important purpose of our ethical guidelines and our ethics policy is to create clarity and simplify decisions for both employees and suppliers. In that way we can more easily avoid corruption, conflicts of interest and unethical business practices in other respects. We have a well-developed system making it simple to report any improper conduct in relation to our ethical guidelines to the HR and security department or the immediate superior.

**GRI note EC4: Communication and training on the organisation's anti-corruption policies and procedures.**

All employees must read our ethical guidelines. People in positions of responsibility must also sign the document. Suppliers are informed at the time of signing agreements, through KappAhl's ethics policy. In addition the suppliers are informed and trained on a regular basis in connection with the work on the code of conduct.

**GRI note EC5: Confirmed incidents of corruption and actions taken**

It is highly unusual for us to identify cases of fraud either in relation to our employees or suppliers. During the year nothing has been reported.

**GRI note DMA Guidance for: Customer health and safety**

It is of the greatest importance to KappAhl that our customers' health is not negatively affected by the goods we offer. Consequently we lay great emphasis on ensuring high safety of the garments, for example as regards chemicals to avoid allergic reactions and loose parts, to avoid suffocation in children. Evaluation of the garments is made throughout the process from design to sale and follow-up. The greatest focus is put on the design and production phase, to avoid problems at a later stage.

**GRI note EC1: Percentage of significant product and service categories for which health and safety impacts are assessed for improvement**

5 per cent of our articles are evaluated with regard to health through our spot check programme for chemicals, No Risk. All articles are tested for quality.

**GRI note EC2: Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle**

KappAhl has not recalled any products during the year due to chemicals, unsafe children's garments or garments not compliant with environmental labelling requirements.

**GRI note DMA Guidance for: Market communication**

For KappAhl it is important to stand for sound ideals and ethically sound marketing, so as to contribute to long-term sustainable ideals and sound ethics in society. This also affects our credibility as a company and brand in relation to our stakeholders.

Ahead of every important marketing campaign a process is implemented to ensure that the contents reflect well our brand and our ideals. Here the brand platform is a central policy instrument. In the same way campaigns are evaluated after completion. We also interview customers, to learn how they regard our marketing.





# CORPORATE GOVERNANCE REPORT

KappAhl AB (publ) is a public Swedish limited company listed on NASDAQ Stockholm. Corporate governance of KappAhl is based on laws, listing agreements, guidelines and good business practices. This corporate governance report has been drawn up in accordance with the Swedish Code of Corporate Governance ("the Code", available via [www.bolagsstyrning.se](http://www.bolagsstyrning.se)) and Chapter 6, Sections 6-9 of the Annual Accounts Act and Chapter 9, Section 31 of the Companies Act and refers to the 2014/2015 financial year. The auditor has stated that the corporate governance report has been prepared and that disclosures under Chapter 6, Section 6, second paragraph, points 2-6 of the Annual Accounts Act (for example the most important elements of the company's internal control and risk management systems in connection with financial reporting) are consistent with the other parts of the Annual Report. KappAhl's Articles of Association and other further information concerning corporate governance at KappAhl is available at [www.kappahl.com/ir](http://www.kappahl.com/ir).

## APPLICATION OF THE SWEDISH CODE OF CORPORATE GOVERNANCE

KappAhl's corporate governance follows the Code and is thus based on principles that follow from law, listing agreements, guidelines and good business practice. During the financial year the company has not infringed any rules applicable to the stock exchange where the company's shares are traded or breached good practice on the stock market.

## SHARES AND SHAREHOLDERS ETC.

On 31 August 2015 the share capital of KappAhl was SEK 65,846,040 divided between 76,820,380 shares. All shares are of the same class, entitling shareholders to the same rights in terms of the company's assets, profits and dividends. According to Euroclear's share register KappAhl had about 15,700 shareholders on 31 August 2015. The shareholder with a direct or indirect holding representing more than 10 per cent of the voting power on 31 August 2015 was Mellby Gård AB. The ten largest shareholders as at 31 August 2015 are listed in the Administration Report on page 6.

## GENERAL MEETING OF SHAREHOLDERS

KappAhl's highest decision-making body is the General Meeting of shareholders. Notice to attend the Annual General Meeting, as well as notice to attend the Extraordinary General Meeting, which is to deal with the amendment of the Articles of Association, will be given no earlier than six weeks and no later than four weeks before the Meeting. The Annual General Meeting is held within six months of the close of the financial year. All shareholders listed in the share register and who have issued notice of attendance in time have the right to attend and vote at the Meeting. There is no limit to the number of votes each shareholder may cast. A proxy may represent shareholders who are unable to attend.

The most recent General Meeting, which was the Annual General Meeting, was held on 3 December 2014 in Mölndal. The minutes of the Annual General Meeting can be found on KappAhl's website. Resolutions included re-election of Amelia Adamo,

Anders Bülow, Christian W. Jansson and Pia Rudengren as members of the Board of Directors. Susanne Holmberg was elected as a new board member and Anders Bülow was re-elected as the Chairman of the Board. The next Annual General Meeting will be held at 10.00 on 2 December 2015 at Idrottsvägen 14 in Mölndal. A shareholder wishing to have a matter brought before the Annual General Meeting can send a written request to: KappAhl AB, Attention: Chairman of the Board, PO Box 303, 431 24 Mölndal. The request must reach the Board of Directors at least seven weeks prior to the Meeting or in good time that the item, if necessary, can be included in the notice to attend the Meeting.

## NOMINATIONS COMMITTEE

### Election of the Board of Directors

The Annual General Meeting set out instructions and a formal work plan for the Nominations Committee. Under the instructions four ordinary members are to be appointed by the four largest shareholders in the company. The Chairman of the Board of Directors will then contact the four largest shareholders and be co-opted to the committee. The composition of the Nominations Committee for the Annual General Meeting on 2 December 2015 was published on the company's website before 2 June 2015. Rune Andersson (appointed by Mellby Gård AB), Marianne Nilsson (appointed by Swedbank Robur Fonder AB), Elisabet Jamal Bergström (appointed by Handelsbanken Fonder AB) and Göran Espelund (appointed by Lannebo Fonder AB) sit on the Nominations Committee. Anders Bülow, Chairman of the Board, has been co-opted to the Nominations Committee. The Nominations Committee represented, on 30 September 2015, about 38 per cent of the shareholders' votes.

The Nominations Committee held its inaugural meeting on 26 June 2015, at which time Rune Andersson was elected as the Committee chairman. The Committee will present its proposals in connection with the notice to attend the Annual General Meeting. Shareholders who wish to submit proposals to the Nominations Committee are referred to our website.

In the event of a material change in ownership among the largest shareholders taking place earlier than seven weeks prior to the Annual General Meeting, and one shareholder having become one of the four largest shareholders after this material change in ownership, the Nominations Committee shall contact the shareholder and offer this shareholder a place on the Nominations Committee, either by resolving that this shareholder shall replace the smallest shareholder after the change or by resolving to increase the Nominations Committee to include one more member. After resolution in accordance with the previous sentence the incoming member shall participate and the member appointed by the smallest shareholder shall not participate.

The Nominations Committee assesses, in light of the Group's needs, what skills and qualities the members of the Board of Directors should possess. The aim is to create a suitable composition of the Board of Directors and for its members' pooled skills and experience to provide a broad base that is appropriate from the point of view of KappAhl's current phase and market situation.



The Committee will also keep itself up to date with general developments in fee and remuneration matters in Swedish listed companies. In the 2014/2015 financial year the Chairman of the Board, Anders Bülow, commissioned an individual assessment of the work of the Board and its committees. The result has been presented to the Nominations Committee.

The Nominations Committee has made the assessment that no members of the current Board, apart from Christian W. Jansson and Anders Bülow, are dependent in relation to the company or its major shareholders. Ahead of the Annual General Meeting on 2 December 2015 the Nominations Committee will make its proposals for the chairman of the Meeting, number of Board members, Chairman of the Board, auditor, other AGM elected members and instructions for next year's Nominations Committee. The Nominations Committee will also submit its proposals on fees and remuneration. No separate remuneration has been paid by the company to the members of the Nominations Committee for its work.

#### Election of auditor

At the 2014 Annual General Meeting (and the 2013 Annual General Meeting) Ernst & Young AB was elected as auditors, with authorised public accountant Stefan Kylebäck as auditor in charge, for the period up to the next Annual General Meeting. Ernst & Young AB have reported their findings from the auditing assignment to the Audit Committee and the Board of Directors. Within the framework of the audit assignments mentioned, the annual accounts, the accounting records and the administration of the Chief Executive Officer were examined. In addition to the auditing assignment, which is remunerated in accordance with normal standard charges and the principle of a fixed account, during the financial year Ernst & Young sold services to the company for around SEK 0.7 million, of which most relates to tax consultations and additional accountancy issues.

## BOARD OF DIRECTORS

### General

The Board of Directors is responsible for the company's administration of its affairs and organisation. Five ordinary members were elected to the Board of Directors at the Annual General Meeting in December 2014. The Board of Directors also includes two trade union representative members, each with a personal deputy. Jonas Frii, member of the Swedish Bar Association, was secretary to the Board of Directors. There are no special provisions in the articles of association concerning the appointment or removal of members of the Board. Since the Annual General Meeting on 3 December 2014 up to 31 August 2015 the Board of Directors held six meetings, all of which were minuted.

Four of these meetings were ordinary meetings. After 31 August 2008 the Board held three meetings, on 7 September 2015 and 7 October 2015. Members' attendance at the respective meetings appears in the table below:

The President, the Chief Financial Officer and in some cases other members of the management made presentations at the Board meetings. Remuneration and other benefits to the Board of Directors of KappAhl are presented in Note 5 on page 26. Board members' shareholdings in KappAhl are presented on page 57. Information on the Board Members' other elected positions can be found on the same page. More information is available at: [www.kappahl.com/ir](http://www.kappahl.com/ir).

### Work of the Board of Directors

Between each Annual General Meeting the Board of Directors shall hold four to six ordinary meetings. These meetings normally take place in person at the head office in Mölndal. Extra meetings may also be arranged in the form of telephone conferences. The Chairman leads and organises the work of the Board of Directors. Prior to each meeting, a proposed agenda and relevant documents are sent out. The Chairman in consultation with the CEO draws

|                            | Inaugural<br>Board meeting<br>No. 2014:09<br>3 Dec 2014 | Ordinary<br>Board meeting<br>No. 2015:01<br>13 Jan 2015 | Ordinary<br>Board meeting<br>No. 2015:02<br>15 April 2015 | Ordinary<br>Board meeting<br>No. 2015:03<br>7 May 2015 | Ordinary<br>Board meeting<br>No. 2015:04<br>22 June, 2015 | Extraordinary<br>Board meeting<br>No. 2015:05<br>30 June, 2015 | Extraordinary<br>Board meeting<br>No. 2015:06<br>7 Sep 2015 | Ordinary<br>Board meeting<br>No. 2015:07<br>7 Oct 2015 |
|----------------------------|---|---|---|--|---|--|---|--|
| Anders Bülow               | Yes   | Yes   | Yes   | Yes  | Yes   | Yes  | Yes   | Yes  |
| Amelia Adamo               | Yes   | Yes   | –   | Yes  | Yes   | Yes  | Yes   | Yes  |
| Susanne Holmberg           | Yes   | Yes   | Yes   | Yes  | Yes   | Yes  | Yes   | Yes  |
| Marie Matthiessen          | Yes   | Yes   | Yes   | Yes  | Yes   | Yes  | Yes   | Yes  |
| Jonas Frii                 | Yes   | Yes   | Yes   | –  | Yes   | Yes  | Yes   | Yes  |
| Melinda Hedström           | Yes   | Yes   | Yes   | Yes  | Yes   | Yes  | Yes   | Yes  |
| Christian W. Jansson       | Yes   | Yes   | Yes   | Yes  | Yes   | Yes  | Yes   | Yes  |
| Johan Åberg                | –   | Yes   | Yes   | Yes  | Yes   | –  | –   | –  |
| Michael Bjerregaard Jensen | Yes   | Yes   | Yes   | Yes  | Yes   | Yes  | Yes   | Yes  |
| Pia Rudengren              | Yes   | Yes   | Yes   | Yes  | Yes   | Yes  | Yes   | Yes  |
| Anders Düring              | –   | Yes   | Yes   | Yes  | Yes   | –  | Yes   | Yes  |
| Marie-Louise Jansson Bring | Yes   | Yes   | Yes   | Yes  | Yes   | Yes  | Yes   | Yes  |

up the proposed agenda. Matters are presented at meetings for information, discussion or decision. Decisions are made after discussion and after all members present have had an opportunity to express their views. The broad experience of members in various areas often leads to an open and constructive discussion. Open questions are followed up continually. The Board of Directors has not divided responsibilities among members other than as provided by the Board's and the Committees' rules of procedure. These rules of procedure were established at the inaugural board meeting on 3 December 2014 and are revised annually. They stipulate the division of assignments between Chairman, Board members and committees. The rules of procedure stipulate for example which matters must be dealt with at each ordinary meeting. At each ordinary meeting, reports from the Audit Committee and Remuneration Committee, and a report from senior executives are presented and decisions are made on establishments and investments. Among the more important matters dealt with by the Board during the year were discussions on financing, investments and an action programme. In addition, the President issues a regular memorandum describing operations and the market situation. The purpose is to keep the Board of Directors informed about the development of the company's business so that the Board of Directors can make well-informed decisions. Once a year the Board of Directors evaluates the work of the Chief Executive Officer. No senior executives are present at this evaluation. The Board of

Directors assures the quality of financial reporting through its own work, through the preparatory work of the Audit Committee and through contacts with the auditor. On the instructions of the Board of Directors the Audit Committee also met with the auditor without the presence of management in connection with the reporting of the audit findings.

**Members of the Board of Directors**

KappAhl's Board of Directors comprises seven members, including the Chairman, employee representatives and two deputies. The presentation of the Board members on page 57 includes information on their elected positions and relevant shareholdings. More information is available at: [www.kappahl.com/ir](http://www.kappahl.com/ir).

**REMUNERATION COMMITTEE**

The Remuneration Committee was appointed by the Board of Directors at its inaugural meeting. Until the Annual General Meeting on 2 December 2015 the Committee consists of Christian W. Jansson (chair), Susanne Holmberg and Anders Bülow. The Remuneration Committee prepares questions about the remuneration and other terms and conditions of employment for senior executives and about bonus outcome for management and any share-based bonus programmes. The Committee has held four meetings during the year, which all members attended, to review bonus outcomes and terms of employment among other things.



The Committee works according to written rules of procedure stipulated by the Board of Directors. The committee does not have the authority to make decisions, other than as part of the remuneration policy adopted by the Annual General Meeting on 3 December 2014 for senior executives. The adopted policy means, among other things, that senior executives shall be offered a fixed salary that is market-related and based on responsibility and conduct. Salaries shall be set for the calendar year, and a senior executive may, from time to time, be offered a bonus of a maximum of 50 per cent of fixed salary. Any bonuses shall primarily be based on the operating profits of the KappAhl Group. Senior executives and the company must both observe a period of six months' notice of termination. The remuneration policy is reviewed annually and is presented to the Annual General Meeting for approval.

#### **AUDIT COMMITTEE**

At its inaugural meeting the Board of Directors shall also appoint the Audit Committee. Until the Annual General Meeting on 2 December 2015 the Committee consists of Pia Rudengren (chair), Anders Bülow and Christian W. Jansson. In the opinion of the Board of Directors, which is shared by the Nominations Committee, Ria Rudengren and Anders Bülow are independent in relation to the company and its senior executives, Pia Rudengren and Christian W. Jansson are independent in relation to major shareholders, and the members meet the necessary qualification requirements in accounting and auditing. The Audit Committee must, without affecting the Board of Director's responsibilities and tasks in other respects, monitor the financial reporting by the company and the effectiveness of the company's internal controls with regard to financial reporting. The Committee has, in conjunction with the submission of the audit report, met with the auditors without the CEO or other senior executive being present. In 2014/2015 committee work included preparing issues concerning interim reports, foreign currency issues and internal financial control. Since the Annual General Meeting on 3 December 2014 up to 31 August 2015 the committee held five meetings, all of which were minuted. The Committee subsequently held one other meeting. The Board's secretary is also the secretary of the Audit Committee. The Committee works according to written rules of procedure stipulated by the Board of Directors. The Committee minutes are distributed to the Board of Directors and reporting is at each Board meeting.

#### **OFFER COMMITTEE**

During the 2013/2014 financial year an Offer Committee was set up with the main duty of preparing questions concerning KappAhl's offer to the market. During the 2014/2015 financial year the Offer Committee consisted of members of the Board Amelia Adamo and Susanne Holmberg (chair). The President, Vice President of marketing and Vice President of assortment and design were co-opted to the Committee. The members of the Committee receive an amount corresponding to SEK 1,500 per hour excluding value added tax in remuneration.

#### **MANAGEMENT TEAM**

KappAhl's Management Team and its shareholdings are presented on page 58 and at [www.kappahl.com/ir](http://www.kappahl.com/ir).

#### **REPORT ON INTERNAL CONTROLS**

Responsibility for internal control is regulated in the Swedish Companies Act and the Swedish Code of Corporate Governance.

#### **CONTROL ENVIRONMENT**

The control environment is the foundation of internal control. KappAhl's control environment includes organisational structure, instructions, policies, guidelines, reporting and defined areas of responsibility. The Board of Directors has the overall responsibility for internal control in relation to financial reporting. The Board of Directors has adopted written rules of procedure that clarify the responsibility of the Board of Directors and regulates the Board and its committees' internal division of duties. The Board of Directors has appointed an Audit Committee whose main task is to monitor the company's financial reporting and effectiveness of the company's internal control, internal audit and risk management. The Board of Directors has also drawn up instructions for the President and for financial reporting to the Board of KappAhl.

The Group's Chief Financial Officer reports the results of his or her work on internal control to the Audit Committee. The result of the Audit Committee's work in the form of observations, recommendations and proposed decisions and measures are reported regularly to the Board.

#### **INTERNAL CONTROL RELATING TO FINANCIAL REPORTING**

Internal control relating to financial reporting is part of total internal control in KappAhl, whose process proceeds from the business model. Internal control relating to financial reporting aims at providing reasonable assurance concerning the reliability of the external financial reporting in the form of interim reports, annual reports and year-end bulletins and that the external financial reporting is prepared in accordance with law, applicable accounting standards and other requirements of listed companies.

#### **RISK ASSESSMENT**

KappAhl's risk assessment relating to financial reporting aims to identify and evaluate the most significant risks that affect internal control referring to financial reporting in the Group's companies, business areas and processes. The most significant risks identified in the Group's work on internal control relating to financial reporting are managed through internal control structures that are essentially based on exception reporting from established objectives or norms, for example for hedging or inventory valuation.

#### **INFORMATION AND COMMUNICATION**

Internal information and communication is about creating awareness among the Group's employees about external and internal

policy instruments, including authorisation and responsibility. Information on internal policy instruments for financial reporting are available to all employees concerned. Important tools for this are KappAhl's intranet and training.

#### **ACTIVITIES 2014/2015**

During the year operations have had a major focus on efforts aimed at taking KappAhl into the future. This has included a rapid rollout of a new store concept, increased digital presence, improved logistics flow and clarification of the brand. Concrete events arising from these efforts have been the conversion of 27

stores, launching online shopping in Norway and Finland and the introduction of more effective logistics throughout the value chain. In Poland measures to reverse the negative trend have been accelerated.

#### **INTERNAL AUDIT**

To date, KappAhl has not considered it necessary to establish a specific internal audit function but there is renewed discussion of the matter. The assessment has been so far that the existing control environment is sufficient to achieve the same purpose as a separate internal audit function.

Mölnadal den 28 October 2015

Anders Bülow  
*Chairman*

Amelia Adamo  
*Board Member*

Pia Rudengren  
*Board Member*

Christian W. Jansson  
*Board Member*

Susanne Holmberg  
*Board Member*

Michael Bjerregaard Jensen  
*Employee representative*

Melinda Hedström  
*Employee representative*

## **STATEMENT BY THE AUDITOR ON THE CORPORATE GOVERNANCE REPORT**

**To the Annual General Meeting of the Shareholders of KappAhl AB (publ), corporate identity number 556661-2312**

The Board of Directors is responsible for the corporate governance report for the financial year 1 September 2014 to 31 August 2015 on pages 51–55 and for its preparation in accordance with the Annual Accounts Act.

We have read the corporate governance report and based on that reading and our knowledge of the company and the Group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

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

Göteborg, 28 October 2015

Ernst & Young AB

Stefan Kylebäck  
*Authorised public accountant*



*1. Anders Bülow 2. **Amelia Adamo** 3. Susanne Holmberg 4. **Christian W Jansson** 5. Pia Rudengren 6. **Michael Bjerregaard Jensen** 7. Melinda Hedström 8. Marie-Louise Jansson Bring 9. **Marie Matthiessen***

# BOARD OF DIRECTORS

## **ANDERS BÜLOW**

Born 1953. Anders Bülow has been Chairman of the Board of KappAhl since 2012.

Chairman of the Board of Duni AB since 2009 and member of the board of MellbyGård AB as well as chairman of the board and member of the board of companies wholly or partly owned by MellbyGård. Anders Bülow holds a B.Sc. in business administration from Stockholm University.

Shareholding: 35,000 shares through a company.

## **AMELIA ADAMO**

Born 1947. Amelia Adamo has been a member of the board of KappAhl since 2004. Amelia is senior publisher of Bonnier Tidskrifter and founded the magazines Amelia, Tara and M-magasin, where she is also editor in chief. Amelia, who has won the Swedish "Great Journalist Award" twice, was formerly the editor in chief of the magazines Amelia and Vecko-Revyn and acting chief editor of the evening daily Aftonbladet. She is also a member of the board of Bonnier Tidskrifter AB and SSRS Holding AB. Amelia Adamo holds a B.A. in social sciences from the University of Stockholm.

Shareholding: 0 shares.

## **SUSANNE HOLMBERG**

Born 1961. Susanne Holmberg has been a member of the board of KappAhl since 2014. Susanne is a consultant and was previously head of the business area Food Dry & Frozen goods for Coop Sverige AB. She has also worked in Axstores AB (formerly Ählensgruppen AB) as purchasing director for the areas Fashion, Beauty, Home, Media, Pharmacy and Ählens Far East. Susanne Holmberg also has experience of directorships in Ählens AB, Kicks Kosmetikkedjan AB, Lagerhaus AB and Designtorget AB. Susanne Holmberg holds a B.Sc. in Business Administration from the University of Uppsala.

Shareholding: 0 shares

## **CHRISTIAN W. JANSSON**

Born 1949. Christian W. Jansson has been a member of the board of KappAhl since 2011. Before that Christian was President and Chief Executive Officer of KappAhl in 2002–2011 and Chairman of the Board in 2011–2012. He is also chairman of the board of Apoteket AB, Enzymatica AB, Vivoline Medical AB and managing director and member of the board of Europris AS.

Christian W. Jansson holds an M.Sc. in Business Administration and an honorary doctorate in economics from the University of Lund.

Shareholding: 0 shares.

## **PIA RUDENGREN**

Born 1965. Pia Rudengren has been a member of the board of KappAhl since 2013. She is also member of the board and chair of Social Initiative AB and member of the board of Duni AB, Swedbank AB and Tikkurila Oyj. Pia Rudengren has previously held senior positions in Investor AB and W Capital Management AB, among others. Pia Rudengren has a M.Sc. in Business Administration from the Stockholm School of Economics.

Shareholding: 4,000 shares.

## **MICHAEL BJERREGAARD JENSEN**

Born 1954. Michael Bjerregaard Jensen has been a member and employee representative on the board of KappAhl since 2013. He works as a store manager at KappAhl. Michael Bjerregaard Jensen has participated in a training programme for board members held by Nasdaq Stockholm.

Shareholding: 0 shares.

## **MELINDA HEDSTRÖM**

Born 1966. Melinda Hedström has been a member and employee representative on the board of KappAhl since 2011. She works as a sales representative at KappAhl. Melinda Hedström has participated in a training programme for board members held by Nasdaq Stockholm.

Shareholding: 0 shares.

## **MARIE-LOUISE JANSSON BRING**

Born 1957. Marie-Louise Jansson Bring has been a deputy board member and employee representative on the board of KappAhl since 2014. She works as a store manager at KappAhl. Marie-Louise Jansson Bring has participated in a training programme for board members held by Nasdaq Stockholm.

Shareholding: 5,000 shares.

## **MARIE MATTHIESSEN**

Born 1965. Marie Matthiessen has been a deputy board member and employee representative on the board of KappAhl since 2008. She works as a sales representative at KappAhl. Marie Matthiessen has participated in a training programme for board members held by Nasdaq Stockholm.

Shareholding: 0 shares.

# MANAGEMENT

## ANDERS DÜRING

Born 1965. President and Chief Executive Officer and Chief Financial Officer. Employed since 2013. Anders has a Master's degree from the School of Economics and Commercial Law at Gothenburg University. Shareholding: 0 shares



## KAJSA RÄFTEGÅRD

Born 1965. Vice President, Human Resources and Communication. Employed since 1995. Kajsa has a B.Sc. in Social Work from the University of Gothenburg. Shareholding: 134,666 shares



## CARINA LADOW

Born 1957. Vice President, Assortment and Design. Employed since 1993. Member of the board of Scorett. Shareholding: 125,000 shares



## CAMILLA WERNLUND

Born 1971. Vice President, Sales. Employed since 2011. Camilla has a degree in economics and marketing. Shareholding: 27,000 shares



## MARI SVENSSON

Born 1963. Vice President, Purchasing and Logistics. Employed since 2000. Mari holds an MSc in Business Administration from the School of Business, Economics and Law at the University of Gothenburg. Shareholding: 141,646 shares



## JOAKIM HOLMSTRAND

Born 1959. Vice President, Marketing. Employed since 2014. Graduate of the IHM Business School. Member of the board of the Swedish Trade Federation organisation Svensk Handel Stil. Shareholding: 10,000 shares



*1. Anders Düring 2. Kajsa Räftegård 3. Carina Ladow 4. Camilla Wernlund 5. Mari Svensson 6. Joakim Holmstrand*

# ANNUAL GENERAL MEETING 2015

The Annual General Meeting of KappAhl AB (publ) will be held on Wednesday 2 December 2015 at 10.00 at KappAhl's head office in Mölndal, Idrottsvägen 14.

## RIGHT TO PARTICIPATE

Shareholders wishing to participate in the Annual General Meeting must be registered in the share register kept by Euroclear Sweden AB no later than Thursday, 26 November 2015, and have given notice of their attendance and that of any advisers by the same date, preferably before 12.00, via email to [stamma@kappahl.com](mailto:stamma@kappahl.com). Notification of participation can also be given by telephone on +46 31 771 55 00, by fax on +46 31 771 58 15, or by post to KappAhl AB, Annual General Meeting, Box 303, SE 431 24 Mölndal, Sweden.

The notification must state the name, address, telephone number, corporate or personal identity number and registered shareholding.

Any powers of attorney must be in writing and be submitted no later than, but preferably before, the Annual General Meeting. A natural person

representing a legal person shall also submit a certified copy of the certificate of registration. The period of validity of the power of attorney may be a maximum of five years from its date of issue. KappAhl will provide a form for a power of attorney on request and the form is also available from KappAhl's website [www.kappahl.com/ir](http://www.kappahl.com/ir).

Shareholders whose shares are registered in the name of a nominee through a bank's trust department or a private securities dealer must temporarily register the shares in their own name to be entitled to participate in the Meeting. This temporary registration of ownership must have been completed by Thursday 26 November 2015. This means that the shareholder must notify the nominee of this well in advance of that date.

A complete notice to attend the Annual General Meeting will be published separately and in accordance with the provisions of the Articles of Association.

We look forward to seeing you!

## FINANCIAL CALENDAR

|                              |                  |
|------------------------------|------------------|
| Annual general meeting       | December 2, 2015 |
| First quarter (Sep-Nov)      | January 20 2016  |
| Second quarter (Dec-Feb)     | April 14, 2016   |
| Third quarter (March-May)    | 30 June, 2016    |
| Fourth quarter (June-August) | October 13, 2016 |

An updated financial calendar is published regularly at [www.kappahl.com/ir](http://www.kappahl.com/ir)

KappAhl's Annual Report part 1 in Swedish and English will be sent to shareholders and other stakeholders who so request. An order can be made via [www.kappahl.com/ir](http://www.kappahl.com/ir). Part 2 of KappAhl's Annual Report is available for download from the website.

## MORE ABOUT KAPPAHL

Would you like to read more about our fiscal year 2014-2015? See part I of our Annual Report. You will find it at [www.kappahl.com/ir](http://www.kappahl.com/ir)





KappAhl AB, P O Box 303, SE 431 24 Mölndal  
Telephone: +46 (0)31 - 771 55 00

Please contact us via the form at  
[www.kappahl.com/contact](http://www.kappahl.com/contact) or  
via [info\\_se@kappahl.com](mailto:info_se@kappahl.com)

# KappAhl

[kappahl.com](http://kappahl.com)