ANNUAL REPORT 2016

FOOTWAY GROUP AB (PUBL)

Contents

Footway facts

Footway is a Swedish e-commerce company founded in 2010 by Daniel Mühlbach, the Company's CEO. The Company sells shoes online and in physical outlets.

Footway was launched in Sweden in 2010 and then in Norway, Denmark and Finland in 2011. Footway also has had operations in Germany, the UK, Poland, the Netherlands, France, Austria and Switzerland since autumn 2016.

The extensive range of products includes more than 650 brands and over 30,000 styles.

Footway has grown rapidly – both organically and through acquisitions. In 2013 Footway acquired footwear retailers Heppo and Brandos. These acquisitions helped to further strengthen Footway's online sales platform. In 2015 the running shoe specialist RunForest was acquired to broaden Footway's expertise and offering in sports shoes.

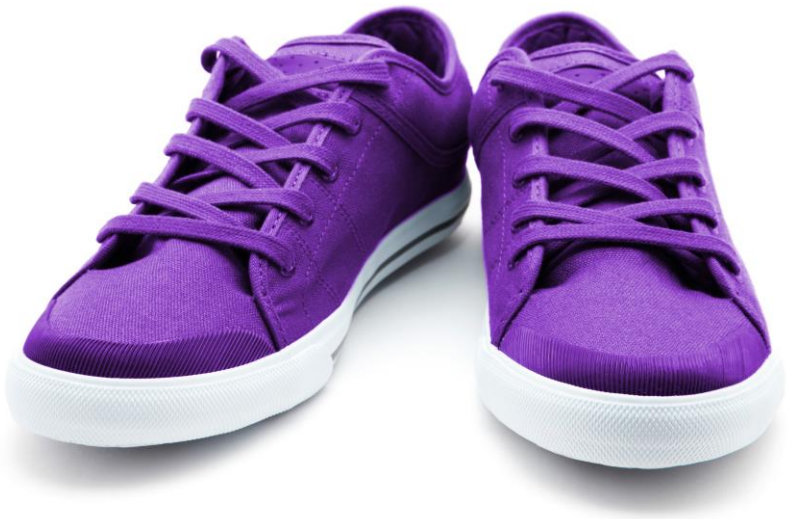
Footway has 35 employees working at the head office and the Footway Outlet in Kista. The Company warehouses its products with its logistics partner in Helsingborg.

Footway's principal owners are Daniel Mühlbach, Stiftelsen Industrifonden, eEquity AB, Northzone Ventures and M2 Capital Management AB.

Footway Group AB is a public company with preference shares listed on Nasdaq First North.

Footway's business concept, corporate culture and vision

- Footway's business concept is to make buying footwear simpler, more enjoyable and more convenient.
- Footway's corporate culture is based on the key words: customer, fun, friend and simplicity.
- Footway's vision is to create Europe's leading footwear store and consumer forum.



We focus on the customer

A global trend in the retail market is a power shift from the retailers to the consumers. Among other things, this trend is making customer satisfaction absolutely essential for companies who want to be successful in consumer markets.

With customer satisfaction as our lodestar here at Footway, we are always working to improve our customer offering to offer our customers the highest possible value. Our customer offering is multi-dimensional.

Footway's primary interface with visitors and customers is through our website. We are constantly working on simplifying the experience for visitors, customising page presentation and publishing relevant information that is easily accessible. Technical aspects, such as fast loading and making the site equally user-friendly on computers, tablet or smartphones, also play a crucial role in the quality of our customer encounters. We want our visitors to have an easy, fun and inspiring shopping experience.

A customer-driven range of footwear that includes popular brands and styles is key.

Ensuring that the terms we offer our customers are perceived as attractive – such as pricing, reliable, fast delivery and free shipping and returns – also significantly impacts customer satisfaction. Providing customer assistance in a fast and easy way has a great impact on customer satisfaction as well.

At Footway we want to help our customers in an individualised, knowledgeable and generous manner to optimise their experience. Understanding human behaviour and an ability to interpret and understand different people's needs are just as important as our product knowledge.

In order to constantly improve and adapt our customer offering we take a data-driven approach. To do this we are always analysing large amounts of data and using it to increase our understanding of our customers. We then use this information to further enhance our offering. Important data in this process includes information on purchases, returns and complaints, but also analysis of traffic on our website and how our visitors navigate the site. We also learn a lot in our direct encounters with customers via email, phone or on social media. Through data-driven cooperation with our suppliers, we are better able to successfully meet our customers' needs together.

We judge the degree of customer satisfaction success of our efforts to enhance our offering through ongoing follow-up processes. The feedback we get informs our future efforts. For the full year 2016 Footway had an NPS[1] of 80 and received a score of 9.5 out of 10 on Sweden's largest price comparison site.

The customer offering and customer satisfaction are closely linked and mutually reinforce one another. High customer satisfaction helps to drive both growth and profitability.

1 NPS (net promotor score) is a measure of loyalty and an analysis method that measures customer willingness to recommend. A NPS scale is -100 to +100. Studies show a clear link between a company's NPS and repurchase, growth and willingness to recommend. A clear link has also been identified between customer loyalty and financial success.

CEO comments

Dear shareholders, dear friends,

2016 was a year of many positive events and one in which we saw strong growth in the Company's sales and profits. Sales in 2016 amounted to SEK 344 million (260), an increase of 32%. EBITDA improved to SEK 20.8 million (6.6), an increase of 215%. The focus on customer satisfaction and simplicity – both for our customers and in our internal processes – paid off in positive development for 2016. Sales per employee increased to SEK 9.8 million (7.0).

Automation was a strong contributor to the year's profits. Over 90% of our marketing is now data-driven and automatic. The return on investments in marketing more than doubled during the year. The new marketing structures will also be a key factor for continued profitable growth in more markets.

The Company's financial position, measured as an equity/assets ratio of 69% (73) and available cash and cash equivalents of SEK 85.3 million (82.3), gives us a stable platform for continued expansion and growth.

Since 2011 Footway has sold products in the four Nordic countries. In the autumn we launched Footway in seven new markets: Germany, the UK, Poland, the Netherlands, France, Austria and Switzerland. The logistics for the new markets are handled from our central warehouse in Helsingborg and other functions are managed from the head office in Kista.

In August we moved our head office to the 31st floor in Victoria Tower. The team behind Footway is and will continue to be a critical success factor. With our new offices we are now also more competitive as an employer.

The substantial influx of new and satisfied customers in 2016, our strong financial position and our ongoing and successfully implemented automation processes enable me to look forward to 2017 with great expectations for Footway's continued success.

I would like to express my sincere gratitude to all of our customers, the Footway team and our partners.

We welcome you to visit footway.com or for a cup of coffee at our head office.

Daniel Mühlbach,
CEO, Footway Group AB (publ)

Important events in 2016

- Sales of SEK 344 m (260), an increase of 32%.
- EBITDA of SEK 20.8 million (6.6). The increase of 215% is strongly linked to the automated marketing structure implemented during the year.
- Available liquidity (including overdraft facilities) on the balance sheet date: SEK 85.3 million (82.3).
- In the second half of the year Footway was launched in seven new markets: Germany, the UK, Poland, the Netherlands, France, Austria and Switzerland.
- The Company's head office was moved to new premises in Victoria Tower in Kista.

Footway in numbers

Financial key ratios 2016

- Sales: SEK 344 million (260)
- Gross margin: 44.7% (47.5)
- EBITDA: SEK 20.8 million (6.6)
- EBITDA margin: 6.1% (2.5)
- Available liquidity (including overdraft facilities) on the balance sheet date: SEK 85.3 million (82.3)
- Cash flow for the year: SEK -17.3 million (17.6)
- Value of inventories: SEK 196 million (162)
- Sales per employee SEK 9.8 million (7.0)

Our customers

- Number of orders, full year: 572,334 (449,727)
- Percentage of women among Footway's customers: 70% (68)
- Age range of typical Footway customers: 36-45 (36-45)
- NPS[2] average for the full year: 80% (81)
- Score on Sweden's largest price comparison site[3]: 9.5/10 (9.4/10)

Our customer offering

- Number of brands: +650
- Number of models: +30,000
- Number of pairs of shoes in stock: +700,000
- Number of employees: 35 (37)

[2] NPS (net promotor score) is a measure of loyalty and an analysis method that measures customer willingness to recommend us. The NPS scale is -100 to +100. Studies show a clear link between a company's NPS and repurchase, growth and willingness to recommend. A clear link has also been identified between customer loyalty and financial success.

[3] www.prisjakt.nu

Share information and financial calendar

Marketplace

The Company's preference shares are listed on Nasdaq First North.

Share information

Preference share ticker: FOOT PREF
Preference share ISIN code: SE0007186176
Ordinary share ISIN code: SE0003695691
Number of ordinary shares: 61,061,465
Number of preference shares: 550,340

Certified Adviser

Erik Penser Bank AB is the Company's Certified Adviser.

Financial calendar

The Company's Annual General meeting. 9 May 2017 Interim Report January–June 2017: 31 August 2017 Interim Report July–December 2017: 31 March 2018

Dividends to shareholders holding preference shares

Record date	Dividend date
10 April 2017	13 April 2017
10 July 2017	13 July 2017
10 October 2017	13 October 2017
10 January 2017	15 January 2018
10 April 2018	13 April 2018

Contact information

Footway Group AB (publ)
Corporate registration number: 556818-4047

CEO Daniel Mühlbach:
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+46 (0)70 999 93 43

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Victoria Tower
Nolsögatan 3
164 40 Kista, Sweden

Postal address, head office:
Footway Group AB
Box 1292
164 29 Kista, Sweden

Telephone: +46 (0)20 12 12 11
email: oss@footway.se

Visiting address, outlet:
Vandagatan 3
164 74 Kista, Sweden

Opening hours, outlet:
Wednesday – Friday:
11 a.m. – 6 p.m.
Saturday – Sunday
11 a.m. – 4 p.m.
Monday – Tuesday: closed

Board of Director's Report

General information on operations

Footway is a Swedish e-commerce company founded in 2010 by Daniel Mühlbach, the Company's CEO. The Company sells footwear online and in physical outlets.

Footway was launched in Sweden in 2010 and then in Norway, Denmark and Finland in 2011. Footway has also had operations in Germany, the UK, Poland, the Netherlands, France, Austria and Switzerland since autumn 2016.

The extensive range of products includes more than 650 brands and over 30,000 styles.

Footway has grown rapidly – both organically and through acquisitions. In 2013 Footway acquired footwear retailers Heppo and Brandos. These acquisitions helped to further strengthen Footway's online sales platform. In 2015 the running shoe specialist RunForest was acquired to broaden Footway's expertise and offering in sports shoes.

Footway has 35 employees working at the head office and the outlet in Kista. The Company warehouses its products with a logistics partner in Helsingborg.

Footway's principal owners are Daniel Mühlbach, Stiftelsen Industrifonden, eEquity AB, Northzone Ventures and M2 Capital Management AB.

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To reduce the environmental impact of footwear consumption, Footway is partnered with the Salvation Army's Myrorna second-hand chain. Under this partnership Footway donates a percentage of the shoes that are returned from customers to Myrorna, which sells the shoes in its second-hand shops. Environmental impact is reduced as shoes that would otherwise be thrown away can be used instead.

Significant events during the financial year

Sales and earnings

Net sales for the full year 2016 were SEK 343,948,000 (259,865,000), an increase of 32% compared to the previous year. The sales increase is a result of high customer satisfaction, efficient marketing and an optimised product mix.

Earnings at the EBITDA level were SEK 20,844,000 (6,606,000). The 215% increase is strongly linked to the automated marketing structure implemented during the year. Sales per employee increased by 39.9% to SEK 9,827,000 (7,023,000). The increase is mainly the result of internal efficiency improvement through automation and cost control.

Profit for the year was SEK 4,203,000 (-7,048,000).

Investments

Investments were made in 2016 in the amount of SEK 160,000.

The Norwegian company Brandos.no AS was acquired in September from Brandos AB for a consideration of SEK 110,000. A process has been initiated to merge the Group's Norwegian subsidiary Footway AS and Brandos.no AS.

The newly formed, wholly owned subsidiary Footway International AB was funded with share capital of SEK 50,000. The subsidiary consists of the operating entity which runs the operations in Germany, the UK, Poland, the Netherlands, France, Austria and Switzerland.

Cash flow and financial position

Cash flow from operating activities before changes in working capital: SEK 11,209,000 (-515,000).

Cash flow from operating activities:
SEK -11,623,000 (-74,568,000).

The increase in cash flow from operating activities is mainly attributable to the positive earnings growth in combination with a slower pace of inventory build-up than the previous year.

Cash flow for the period was SEK -17,316,000 (17,591,000).

Equity/assets ratio

The Group's equity/assets ratio as of the balance sheet date was 69% (73).

Available liquidity

Cash and bank balances as of the balance sheet date amounted to SEK 6,031,000 (22,310,000) and unutilised overdraft facilities amounted to SEK 79,310,000 (60,000,000), providing available liquidity of SEK 85,341,000 (82,311,000).

Voluntary liquidation of the wholly owned subsidiary Brandos AB

At the beginning of the financial year a decision was made to allow Brandos AB to go into voluntary liquidation. This decision has not had any impact on operating activities, but is a measure aimed at simplifying the Group structure and cutting administration costs. The voluntary liquidation was concluded in December 2016.

Financing

In 2016 Footway increased its overdraft facility with Danske Bank from SEK 60,000,000 to SEK 80,000,000.

Owners

Shares and shareholders

The Company's ownership structure is outlined in the table below. The principal owners are listed and the holdings of the other 31 shareholders are summarised under "Other."

Shareholders	% of capital 31 Dec 2016	% of votes 31 Dec 2016	% of capital 31 Dec 2015	% of votes 31 Dec 2015
eEquity AB	24.66	24.86	24.68	24.89
Stiftelsen Industrifonden	17.05	17.19	17.07	17.21
M2 Capital Management AB	16.01	15.92	16.03	15.94
Northzone Ventures VII L P	14.43	14.54	14.44	14.55
Daniel Mühlbach	12.46	12.53	12.47	12.54
Other	15.39	14.96	15.31	14.87
Total	**100.00**	**100.00**	**100.00**	**100.00**

The number of shareholders holding ordinary shares as of the balance sheet date was 36 (36). The number of ordinary shares as of balance sheet date was 61,061,465 (61,011,465) and the number of preference shares was 550,340 (550,340).

The Company has been registered with Euroclear since 2011.

Group structure

Company	Corp. reg. no.	Type	% owned
Footway Group AB	556818-4047	Parent	
Footway AB	556844-9051	Subsidiary	100.0
Footway AS	997244-397	Subsidiary	100.0
Footway OY	241799-22	Subsidiary	100.0
Footway APS	337685-16	Subsidiary	100.0
Footway International AB	556063-2377	Subsidiary	100.0
Brandos.no AS	993008-575	Subsidiary	100.0

Board of Directors and auditors

Fees

The 2016 Annual General Meeting decided that no fees will be paid to the members of the Board of Directors. However, the Chairman of the Board, Sanna Suvanto-Harsaae, will be paid a fee for the financial year of SEK 150,000, against an invoice issued to the Company.

The Annual General Meeting also decided that the auditor will be paid fees based on invoices issued.

Board members elected by the Annual General Meeting

Sanna Suvanto-Harsaae (born 1966)

Chairman of the Board since April 2015
Sanna Suvanto-Harsaae does not own any shares in Footway, but holds 300,000 warrants through companies.

Patrik Hedelin (born 1969)

Board member since 2011, previously Chairman of the Board from 2011 to April 2015. Patrik Hedelin owns shares in eEquity AB which in turn owns 15,196,408 shares in Footway.

Mia Arnhult (born 1969)

Board member since April 2014.
Mia Arnhult is a member of the board of M2 Capital Management AB which owns 9,716,583 shares in Footway.

Johan Englund (born 1963)

Board member since 2011
Johan Englund does not own any shares in Footway.

Daniel Mühlbach (born 1974)

Board member and CEO since 2010.
Daniel Mühlbach owns 7,655,646 shares and 595,000 warrants in Footway.

Deputy board members

Felix Erhardt
Tore Tolke

Auditors

The Annual General Meeting 2015 appointed Öhrlings PricewaterhouseCoopers AB as the Company's auditor with Arne Engvall as the auditor in charge.

The assignment mainly involves ongoing auditing, examination of the annual financial statements and accounting records and providing some accounting advice.

The year in summary, Group

- Sales amounted to SEK 343,948,000 (259,865,000)
- EBITDA amounted to SEK 20,844,000 (6,606,000)
- Profit after financial items amounted to SEK 5,434,000 (-9,249,000)
- Profit for the year amounted to SEK 4,203,000 (-7,048,000)
- The equity/assets ratio as of 31 December was 69.4% (72.6)
- The average number of employees of the Group was 35 (37)
- Available liquidity (including overdraft facilities) on the balance sheet date: SEK 85,341,000 (82,311,000)
- In the second half of the year Footway was launched in seven new markets: Germany, the UK, Poland, the Netherlands, France, Austria and Switzerland
- The Company's head office was moved to Victoria Tower in Kista

Year over year comparison, Parent Company

	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Net sales	343,948	259,865	157,468	87,795	26,173	3,148
Operating profit before depreciation (EBITDA)	17,575	2,447	-22,859	-27,828	-23,848	-6,665
Total assets	288,262	294,434	197,024	217,655	41,818	37,657
Average number of employees	35	37	46	38	17	5
Equity/assets ratio, %	70	69	55	43	30	94

Events after the balance sheet date

Redemption of two warrant programmes for the Company's management and key individuals raised SEK 15.3 million for the Company.

Equity

Group	Share capital	Other capital	Retained losses	Non-controlling interests	Total
Equity, 31 December 2014	**5,149**	**232,273**	**-121,432**	**1,389**	**117,379**
New share issue	1,007	107,505			108,512
Costs, new share issue		-2,465			-2,465
Translation difference		-1,018			-1,018
Deferred tax effects		-347	-3,252		-3,599
Change in non-controlling interests				-1,389	-1,389
Profit for the year			-7,048		-7,048
Equity 31 Dec 2015	**6,156**	**335,948**	**-131,732**	**-**	**210,372**
New share issue	5	245			250
Translation difference			-158		-158
Dividends, preference shares			-6,605		-6,605
Change, warrants			37		37
Elimination, subsidiaries (Brandos)			-6,693		-6,693
Profit for the year			4,203		4,203
Equity 31 Dec 2016	**6,161**	**336,193**	**-140,948**	**-**	**201,406**

Parent Company	Share capital	Share premium reserve	Other non-restricted equity	Total equity
Equity, 31 December 2014	**5,149**	**224,626**	**-121,347**	**108,428**
New share issue	1,007	107,505		108,512
Costs, new share issue		-2,465		-2,465
Dividends, preference shares		-1,018		-1,018
Profit for the year			-10,425	-10,425
Equity 31 Dec 2015	**6,156**	**328,648**	**-131,772**	**203,032**
New share issue	5	245		250
Dividends, preference shares		-6,604		-6,604
Change, warrants		37		37
Profit for the year			3,748	3,748
Equity 31 Dec 2016	**6,161**	**322,326**	**-128,024**	**200,463**

The share capital consists of 61,061,465 (61,011,465) ordinary shares with a quota value of SEK 0.1 and 550,340 (550,340) preference shares with a quota value of 0.1.

Earnings per ordinary share, SEK

	2016	2015
Earnings per ordinary share before dilution	0.07	-0.12
Earnings per ordinary share after full dilution	0.07	-0.11

As of 31 December 2016 there were 3,345,000 (3,845,000) outstanding warrants with a subscription period from 23 February 2017 to 30 April 2019. The share capital can be increased by a maximum of 334,500 (384,500).

Proposed appropriation of the Company's profit or loss

The Board of Directors proposes that the non-restricted equity of SEK 194,302,000 be distributed as follows:

Dividend, (550,340 preference shares @ SEK 8 per share = SEK 4,402,720)	SEK 4,403,000
To be carried forward	SEK 189,899,000
Total	**SEK 194,302,000**

The dividend is for the Company's 550,340 preference shares in the amount of SEK 8 per share with a quarterly dividend of SEK 2 per preference share. The record dates are 10 July 2017, 10 October 2017, 10 January 2018 and 10 April 2018. The dividend will be paid out three days after the respective record date.

In the Board's opinion, the size of the Company's equity, including after the proposed dividend is paid out, is in reasonable proportion to the Parent Company's and the Group's operations and the risks associated with operating the Company. The Board has also determined that the proposed dividend is justifiable taking into account the requirements that the nature of the business and the Group's operations, scope and risks in relation to the size of the Parent Company's and the Group's equity as well as the Parent Company's and the Group's consolidation needs, liquidity and financial position in general.
All dividends are contingent upon approval by the shareholders' meeting and the availability of distributable funds.

The Company's equity/assets ratio is reduced by 1% based on the dividend.

For information on the Company's results reported in the accounts, financial position as of the closing day, and financing and capital procurement during the year, please refer to the financial statements.

Income statement – Group

Amounts in SEK 000s	Note	2016	2015
Operating income			
Net sales	3	343,948	259,865
Total		**343,948**	**259,865**
Operating expenses			
Goods for resale		-190,336	-136,436
Other external expenses	5.6	-111,146	-96,045
Personnel expenses	4	-21,622	-20,779
Operating profit before depreciation, amortisation and impairment losses		**20,844**	**6,605**
Depreciation/amortisation and impairment losses on property, plant and equipment and intangible non-current assets		-9,431	-10,734
Operating profit/loss		**11,413**	**-4,129**
Profit/loss from financial items			
Interest expense and similar profit/loss items	8	-5,979	-5,120
Profit/loss after financial items		**5,434**	**-9,249**
Tax on profit for the year		-1,231	2,201
Profit/loss for the year		**4,203**	**-7,048**
Equity attributable to owners of the parent		4,203	-7,048

Balance sheet – Group

Amounts in SEK 000s	Note	31 Dec 2016	31 Dec 2015
ASSETS	2		
Non-current assets			
Intangible non-current assets			
Goodwill	10	48,354	64,443
Other intangible non-current assets	9	452	460
		48,806	**64,903**
Property, plant and equipment			
Machinery and other technical equipment	11	820	1,292
		820	**1,292**
Financial non-current assets			
Deferred tax assets	13	23,268	24,326
		23,268	**24,326**
Total non-current assets		**72,894**	**90,521**
Current assets			
Inventories		**196,061**	**162,480**
Current receivables			
Other current receivables		10,745	7,932
Prepaid expenses and accrued income	14	4,407	6,565
		15,152	**14,497**
Cash and bank balances	16	**6,031**	**22,310**
Total current assets		**217,244**	**199,287**
TOTAL ASSETS		**290,138**	**289,808**

Equity and liabilities – Group

	Note	31 Dec 2016	31 Dec 2015
EQUITY			
Share capital		6,161	6,156
Retained earnings including profit for the year		195,245	204,216
Total equity		**201,406**	**210,372**
LIABILITIES			
Non-current liabilities			
Other liabilities to credit institutions	15	4,483	6,591
		4,483	**6,591**
Current liabilities			
Trade payables		41,638	38,667
Other current liabilities	15.16	14,310	5,053
Accrued expenses and deferred income	17	28,301	29,125
		84,249	**72,845**
Total liabilities		**88,732**	**79,436**
TOTAL EQUITY AND LIABILITIES		**290,138**	**289,808**

Statement of cash flows – Group

Amounts in SEK 000s	Note	1 Jan 2016 31 Dec	1 Jan 2015 31 Dec
Operating activities			
Profit after financial items		5,434	-9,249
Adjustments for non-cash items, etc.	19	5,775	8,837
		11,209	**-412**
Tax paid		-	-103
Cash flow from operating activities before changes in working capital		**11,209**	**-515**
Cash flow from changes in working capital			
Increase(-)/Decrease(+) in inventories		-33,581	-79,329
Increase(-)/Decrease(+) in operating receivables		-655	-4,546
Increase(-)/Decrease(+) in operating liabilities		11,404	9,822
Cash flow from operating activities		**-11,623**	**-74,568**
Investing activities			
Acquisition of subsidiaries		-160	-2,641
Acquisition of intangible non-current assets		-	-785
Divestment of intangible non-current assets		-	-997
Divestment of financial assets		-	172
Cash flow from investing activities		**-160**	**-4,251**
Financing activities			
Warrants redeemed		37	-
New share issue		250	108,512
Issue costs		-	-2,466
Borrowings	16	690	-
Amortisation of loan liabilities		-2,108	-8,618
Dividends paid to Parent Company shareholders		-4,402	-1,018
Cash flow from financing activities		**-5,533**	**96,410**
Cash flow for the year		**-17,316**	**17,591**
Cash and cash equivalents at beginning of year		**22,311**	**4,996**
Total cash flow		-17,316	17,591
Exchange differences in cash and cash equivalents		1,036	-276
Cash and cash equivalents at year end		**6,031**	**22,311**

Income statement – Parent Company

Amounts in SEK 000s	Note	2016	2015
Operating income			
Net sales	3	343,948	259,865
		343,948	**259,865**
Operating expenses			
Goods for resale		-190,336	-135,907
Other external expenses		-114,415	-100,560
Personnel expenses	4	-21,622	-20,951
Depreciation/amortisation and impairment losses on property, intangible non-current assets		-9,431	-9,474
Operating profit/loss		**8,144**	**-7,027**
Profit/loss from financial items			
Profit from interests in Group companies	7	-	-2,229
Interest income and similar profit/loss items	-	-	13
Interest expense and similar profit/loss items	8	-5,426	-4,958
Profit/loss after financial items		**2,718**	**-14,201**
Group contributions	7	2,088	1,472
Profit/loss before tax		**4,806**	**-12,729**
Tax on profit for the year		-1,058	2,304
Profit/loss for the year		**3,748**	**-10,425**

Balance sheet – Parent Company

Amounts in SEK 000s	Note	31 Dec 2016	31 Dec 2015
ASSETS	2		
Non-current assets			
Intangible non-current assets			
Goodwill	10	48,354	57,305
Other intangible non-current assets	9	452	460
		48,806	**57,765**
Property, plant and equipment			
Machinery and other technical equipment	11	820	1,292
		820	**1,292**
Financial non-current assets			
Interests in Group companies	12	718	12,060
Deferred tax assets	13	23,268	24,326
		23,986	**36,386**
Total non-current assets		**73,612**	**95,443**
Current assets			
Inventories		**196,061**	**162,480**
Current receivables			
Receivables from Group companies		-	1,602
Other receivables		9,368	7,350
Prepaid expenses and accrued income	14	4,409	6,087
		13,777	**15,039**
Cash and bank balances	16	**4,812**	**21,472**
Total current assets		**214,650**	**198,991**
TOTAL ASSETS		**288,262**	**294,434**

Equity and liabilities – Parent Company

EQUITY	Note	31 Dec 2016	31 Dec 2015
Restricted equity			
Share capital (61,611,805 shares)		6,161	6,156
		6,161	**6,156**
Non-restricted equity			
Share premium reserve		329,626	328,648
Retained earnings or losses		-139,072	-121,347
Profit for the year		3,748	-10,425
		194,302	**196,876**
Total equity		**200,463**	**203,032**
LIABILITIES			
Non-current liabilities			
Other liabilities to credit institutions	15	4,483	6,552
Total non-current liabilities		**4,483**	**6,552**
Current liabilities			
Liabilities till Group companies		3,930	13,649
Trade payables		41,638	38,667
Other current liabilities	15.16	9,468	3,651
Accrued expenses and deferred income	17	28,280	28,883
Total current liabilities		**83,316**	**84,850**
TOTAL EQUITY AND LIABILITIES		**288,262**	**294,434**

Statement of cash flows – Parent Company

Amounts in SEK 000s	Note	1 Jan 2016 31 Dec	1 Jan 2015 31 Dec
Operating activities			
Profit after financial items		2,718	-14,200
Adjustments for non-cash items, etc.	19	17,164	11,805
		19,882	-2,395
Tax paid		-	-103
Cash flow from operating activities before changes in working capital		**19,882**	**-2,498**
Cash flow from changes in working capital			
Increase(-)/Decrease(+) in inventories		-33,581	-79,329
Increase(-)/Decrease(+) in operating receivables		1,262	-5,758
Increase(-)/Decrease(+) in operating liabilities		-918	12,327
Cash flow from operating activities		**-13,355**	**-75,258**
Investing activities			
Acquisition of subsidiaries		-160	-2,641
Acquisition of intangible non-current assets		-	-785
Divestment of intangible non-current assets		-	-997
Cash flow from investing activities		**-160**	**-4,423**
Financing activities			
Warrants redeemed		37	-
New share issue		250	108,512
Issue costs		-	-2,466
Group contributions received		1,472	846
Borrowings	16	690	-
Amortisation of loan liabilities		-2,069	-8,618
Dividends paid to Parent Company shareholders		-4,402	-1,018
Cash flow from financing activities		**-4,022**	**97,256**
Cash flow for the year		**-17,537**	**17,575**
Cash and cash equivalents at beginning of year		**21,471**	**4,172**
Total cash flow		-17,537	17,575
Exchange differences in cash and cash equivalents		878	-276
Cash and cash equivalents at year end		**4,812**	**21,471**

Notes

Note 1 Accounting principles

General accounting principles

The consolidated and annual financial statements have been prepared according to the Annual Accounts Act and the Swedish Accounting Standards Board (BRN) general guidelines on annual and consolidated financial statements, BFNAR 2012:1 (tier K3).
The accounting principles are the same as those applied in the year-end financial statements for the period 1 January 2015–31 December 2015.

Consolidated financial statements

Footway Group AB (publ) prepares consolidated financial statements. At the end of the financial year all subsidiaries were wholly owned and consolidated in the consolidated financial statements. See also Note 12.

The consolidated year-end financial statements were prepared in accordance with the purchase accounting method. The acquisition date is the date on which the controlling interest is transferred. Identifiable assets that are taken over in connection with an acquisition are measured at fair value on the acquisition date. Goodwill consists of the difference between the net asset value of the acquired assets and cost. Intra-Group transactions are eliminated in their entirety.

Foreign currencies

Receivables and liabilities in foreign currencies are valued at the closing day exchange rate. Transactions in foreign currencies are translated at the spot rate on the transaction day. Gains and losses in operating receivables and liabilities are reported net in other operating income or other operating expenses.

The exchange rates below have been used in the preparation of the consolidated financial statements:

Currency K	Balance sheet date	Annual average
NO	1.054	1.020
EUR	9.567	9.471
DKK	1.287	1.273

Revenue

Sales of goods are reported upon delivery of the product to the customer according to the conditions of sale. Sales are reported net after VAT, discounts and any exchange rate differences for sales in foreign currencies. At the end of the financial year a reserve was made for anticipated returns based on the Company's assessment of the percentage of returns on the reported sales. See also Note 17 Accrued expenses and deferred income.

Warrants

Footway has three incentive schemes aimed at members of the Board, senior executives, key individuals and partners of the Company.

Warrants issued in 2016 have been recognised against the share premium reserve in equity.

Property, plant and equipment and intangible non-current assets

Property, plant and equipment and intangible non-current assets are recognised at cost less depreciation/amortization. Depreciation and amortisation take place systematically over the estimated economic life of the asset. When a property, plant or equipment asset's depreciable value is established, the asset's residual value is taken into account.

The following depreciation/amortisation schedule is applied:

Equipment, tools and installations	5 years
Goodwill	5–10 years

If a property, plant or equipment asset or an intangible non-current asset has a lower value that its carrying amount, the asset is written down to the lower value if it can be assumed that the value reduction is permanent.

Financial non-current assets

Income tax

Deferred tax assets relating to tax loss carryforwards or future tax deductions are recognised to the extent it is considered probably that the deduction will be able to be applied against surpluses in future tax years.

Current tax and changes in deferred tax are recognized in the income statement unless the tax relates to an event or transaction that is reported directly in equity. In such cases the tax effect is recognised in equity.

Shares and interests in subsidiaries

Shares and interests in subsidiaries are recognised at cost after deduction of any impairment losses. Cost includes the consideration paid for the shares as well as acquisition costs. Any infusion of capital and Group contributions are added to cost when they are provided. Dividends from subsidiaries are recognised as income.

Inventories

Inventories are valued at the lower of cost and net realisable value. The accounting principle applied for the cost of inventories involves the moving average method. The Company applies a model to manage inventory obsolescence using impairment indicators. See also Note 2.

Equity

Equity is divided into restricted and non-restricted equity for the Parent Company, in accordance with the Annual Accounts Act categorisation. For the Group, the division is different in accordance with the K3 tier for financial reporting.

Receivables

Receivables due later than 12 months from the balance sheet date are recognised as non-current assets and others as current assets. Receivables are recognised at the amount which, after individual assessment, is expected to be paid.

Loan liabilities and trade payables

Loan liabilities and trade payables are initially recognised at cost after the deduction of transaction costs. If the carrying amount is different from the amount to be repaid upon maturity, the difference accrues with interest over the remaining lifetime of the loan applying the effective interest rate for the instrument. Using this method the carrying amount upon maturity is the same as the amount to be repaid.

Statement of cash flows

The cash flow statements for the Group and the Parent Company are prepared according to the indirect method.

Earnings per share

The item earnings per share before dilution is calculated as profit for the period divided by the average number of shares outstanding during the period. Earnings per share after dilution is calculated as profit for the period divided by the average number of shares outstanding adjusted for the number of outstanding warrants.

Key ratios

Equity/assets ratio is calculated as total equity in relation to the balance sheet total.

Parent Company accounting principles

The accounting principles applied for the Parent Company that do not apply to the Group are presented below. The same principles are otherwise used where applicable for the Parent Company as those presented above for the Group.

Leases

All leases where the Company is the lessee are recognised as operating leases (rental agreements), regardless of whether the agreement is financial or operational. Lease fees are recognised on a straight-line basis over the lease term.

Year-end appropriations

Group contributions are recognised as year-end appropriations.

Note 2 Estimates and assessments

When measuring goodwill items an assessment is made of the discounted cash flows the respective item gives rise to. The assessment is based on a market plan produced by the Company for the respective market and brand.
The amortisation period for goodwill linked to the acquisition of Brandos has been set by the Company at 10 years. In the Company's assessment the acquisition will generate cash flows during the period with a good margin.

The Company makes regular assessments of inventory obsolescence. The inventories are assigned a depreciation percentage based on when the products are delivered to the warehouse and reflecting the lower of cost and net realisable value for the entire inventory. The assessment is made based on an analysis of how the products have performed and the amount of time they will remain among inventories.

Valuations of shares in subsidiaries are made on an ongoing basis and do not exceed the Parent Company's portion of the subsidiary's equity. All of the Parent Company's holdings in other companies are considered subsidiaries as the ownership share in all cases exceeds 50%.

The deferred tax assets have been recognised as financial non-current assets as the Company has made the assessment that the loss carryforwards will be deducted from planned surpluses in future tax years.

Note 3 Net sales by operating segment and geographical market

	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Net sales by operating segment				
Sale of goods for resale	343,948	259,865	343,948	259,865
Net sales by geographical market				
Sweden	230,172	169,888	230,172	169,888
Norway	61,958	49,136	61,958	49,136
Denmark	17,336	15,378	17,336	15,378
Finland	34,482	25,463	34,482	25,463
Total	**343,948**	**259,865**	**343,948**	**259,865**

Note 4 Employees, personnel expenses and fees for the Boards of Directors

Average number of employees of the Parent Company	2016	2015
Women	17	19
Men	18	18
Total	**35**	**37**

Salaries, other remuneration and social security expenses, including pension costs		
Parent Company		
Salaries and other remuneration for the CEO	1,307	1,224
Salaries and other remuneration for other employees	14,946	14,921
Social security expenses	4,717	4,805
(of which pension costs for the CEO)	220	204
(of which pension costs for other employees)	822	772
Total	**20,970**	**20,951**

All employees are employed by the Swedish Parent Company.
The CEO's employment contract stipulates entitlement to severance pay of 12 monthly salaries.

Board members

Parent Company	2016	2015
Board members on the balance sheet date		
Women	2	2
Men	3	4
Total	**5**	**6**

Note 5 Auditor's fees and compensation for expenses

	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
PwC				
Audit fees	600	811	600	660
Tax consultation	34	74	34	74
Other services	29	140	29	138
Total	**663**	**1,025**	**663**	**872**

Note 6 Operating leases

	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Contractual minimum future lease fees for non-cancellable contracts maturing for payment:				
Within one year	2,841	1,608	2,841	1,608
Between one and five years	7,845	4,021	7,845	4,021
Total	**10,686**	**5,629**	**10,686**	**5,629**

Note 7 Profit/loss from interests in Group companies

	2016	2015
Group contributions	2,088	1,472
Impairment losses	-	-2,229
Total	**2,088**	**-757**

Note 8 Interest expense and similar profit/loss items

	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Interest expense	1,711	1,307	1,711	1,298
Net exchange rate differences	4,250	2,883	3,697	2,824
Other	18	975	18	836
Total	**5,979**	**5,165**	**5,426**	**4,958**

Note 9 Concessions, patents, licences, trademarks

	Group 31 Dec 2016	Group 31 Dec 2015	Parent Company 31 Dec 2016	Parent Company 31 Dec 2015
Accumulated cost:				
At beginning of year	460	-	460	-
New acquisitions	-	460	-	460
At year end	**460**	**460**	**460**	**460**
Accumulated amortisation according to plan:				
At beginning of year	-	-	-	-
Amortisation for the year according to plan	-8	-	-8	-
At year end	**-8**	**-**	**-8**	**-**
Carrying amount at year end	**452**	**460**	**452**	**460**

Note 10 Goodwill

	Group 31 Dec 2016	Group 31 Dec 2015	Parent Company 31 Dec 2016	Parent Company 31 Dec 2015
Accumulated cost:				
At beginning of year	86,790	86,465	74,188	73,863
New acquisitions	-	325	-	325
Divestment and closure of operations	-12,602		-	
At year end	**74,188**	**86,790**	**74,188**	**74,188**
Accumulated amortisation according to plan:				
At beginning of year	-22,347	-12,147	-16,883	-7,943
Divestment and closure of operations	5,464			
Amortisation for the year according to plan	-8,951	-10,200	-8,951	-8,940
At year end	**-25,834**	**-22,347**	**-25,834**	**-16,883**
Carrying amount at year end	**48,354**	**64,443**	**48,354**	**57,305**

Note 11 Machinery and other technical equipment

	Group 31 Dec 2016	Group 31 Dec 2015	Parent Company 31 Dec 2016	Parent Company 31 Dec 2015
Accumulated cost:				
At beginning of year	2,645	1,648	2,645	1,648
New acquisitions	-	997	-	997
At year end	**2,645**	**2,645**	**2,645**	**2,645**
Accumulated depreciation according to plan:				
At beginning of year	-1,353	-819	-1,353	-819
Depreciation for the year	-472	-534	-472	-534
At year end	**-1,825**	**-1,353**	**-1,825**	**-1,353**
Carrying amount at year end	**820**	**1,292**	**820**	**1,292**

Note 12 Interests in Group companies

	31 Dec 2016	31 Dec 2015
Accumulated cost:		
At beginning of year	12,060	11,648
Acquisitions	160	2,641
Divestments	-11,502	-
Reclassification	-	-2,229
Carrying amount at year end	**718**	**12,060**

Specification of the Parent Company's and the Group's holdings in Group companies

The percentage of capital held is the same as the percentage of votes for the total number of shares held.

Subsidiary / Corp. reg. no./ Registered office	**No. of shares**	**% of shares**	**Carrying amount**
Footway AB, 556844-9051, Stockholm	500	100	50
Footway AS, 997244397, Oslo	101	100	440
Footway APS, 0033768516, Copenhagen	100	100	45
Footway OY, 2417992-2, Helsinki	1,000	100	23
Brandos.no AS, 993008575, Oslo	1,000	100	110
Footway International AB, 559063-2377, Stockholm	500	100	50
Total share capital			**718**

Note 13 Deferred tax

Group – 31 Dec 2016	Deferred tax assets	Deferred tax liabilities	Net
From previous financial years	24,326	-	24,326
Current financial year	-1,058	-	-1,058
	23,268	**-**	**23,268**

Group – 31 Dec 2015	Deferred tax assets	Deferred tax liabilities	Net
From previous financial years	22,022	-	22,022
Current financial year	2,304	-	2,304
	24,326	-	**24,326**

Parent Company – 31 Dec 2016	Deferred tax assets	Deferred tax liabilities	Net
From previous financial years	24,326	-	24,326
Current financial year	-1,058	-	-1,058
	23,268	**-**	**23,268**

Parent Company – 31 Dec 2015	Deferred tax assets	Deferred tax liabilities	Net
From previous financial years	22,022	-	22,022
Current financial year	2,304	-	2,304
	24,326	**-**	**24,326**

The Company's past loss carryforwards have given rise to deferred tax assets. The tax portion of the loss carryforwards has been recognised as a financial non-current asset. The portion pertaining to the current year's tax losses has been recognised as a tax expense. Tax losses pertaining to the 2013 financial year and earlier were recognised in the 2014 financial year directly in equity.

Note 14 Prepaid expenses and accrued income

	Group 31 Dec 2016	Group 31 Dec 2015	Parent Company 31 Dec 2016	Parent Company 31 Dec 2015
Advances to suppliers	2,475	5,281	2,475	4,803
Prepaid rent	443	412	443	412
Other items	1,489	872	1,491	872
Total	**4,407**	**6,565**	**4,409**	**6,087**

Note 15 Other liabilities to credit institutions

	Group 31 Dec 2016	Group 31 Dec 2015	Parent Company 31 Dec 2016	Parent Company 31 Dec 2015
Maturity date, within one year of the balance sheet date	2,069	2,069	2,069	2,069
Maturity date, 1–5 years from the balance sheet date	4,483	6,591	4,483	6,552
Total	**6,5**	**8,660**	**6,552**	**8,621**

Note 16 Overdraft facility

	Group 31 Dec 2016	Group 31 Dec 2015	Parent Company 31 Dec 2016	Parent Company 31 Dec 2015
Granted credit limit	80,000	60,000	80,000	60,000
Portion utilised	-690	-60,000	-690	-60,000
Available credit	**79,310**	**-**	**79,310**	**-**

Note 17 Accrued expenses and deferred income

	Group 31 Dec 2016	Group 31 Dec 2015	Parent Company 31 Dec 2016	Parent Company 31 Dec 2015
Accrued holiday pay	1,519	1,485	1,519	1,48
Accrued social security contributions	887	966	887	966
Deferred income, included anticipated returns	15,972	18,316	15,972	18,31
Accrued marketing expenses	4,862	5,137	4,862	5,13
Other items	5,061	3,221	5,040	2,97
Total	**28,301**	**29,125**	**28,280**	**28,88**

Note 18 Pledged assets and contingent liabilities

	Group 31 Dec 2016	Group 31 Dec 2015	Parent Company 31 Dec 2016	Parent Company 31 Dec 2015
Floating charge	89,750	73,500	89,750	73,500
Other pledged assets	601	-	601	-
Total pledged assets	**90,351**	**73,500**	**90,351**	**73,500**
Contingent liabilities	**-**	**-**	**-**	**-**

Note 19 Other disclosures for the cash flow statement

	1 Jan 2016 31 Dec 2016
Adiustment for non-cash items etc.	
Group	
Depreciation and amortisation	9,431
Capital gains/losses on elimination of subsidiaries	-4,809
Change in amount of deferred tax	1,058
Other items not affecting cash flow	95
Total	**5,775**
Parent Company	
Depreciation and amortisation	9,431
Capital gains/losses on sale of operations/subsidiaries	6,693
Change in value of financial instruments	1,058
Other items not affecting cash flow	-18
Total	**17,164**

Signatures

The income statements and balance sheets will be submitted to the Annual General Meeting on 9 May 2017

for adoption.

Stockholm 21 March 2017

Sanna Suvanto-Harsaae
Chairman of the Board

Daniel Mühlbach
CEO & Board member

Patrik Hedelin
Board member

Mia Arnhult
Board member

Johan Englund
Board member

Our audit report was submitted on 30 March 2017 Öhrlings PricewaterhouseCoopers

Arne Engvall
Authorised Public