KappAhl

Report for the third quarter 2010/2011

Substantially improved cash flow despite weak market

Third quarter (March 2011 - May 2011)

- KappAhl's net sales for the period amounted to SEK 1,237 (1,221) million, an increase of 1.3 per cent.
- The operating profit was SEK 57 (112) million.
- The gross margin was 60.1 (64.6) per cent and the operating margin was 4.6 (9.2) per cent.
- Profit after tax was SEK 26 (65) million, which is equivalent to SEK 0.35 (0.87) per share.
- Cash flow from operating activities was SEK 139 (-7) million.

Nine months (September 2010 - May 2011)

- KappAhl's net sales for the period amounted to SEK 3,766 (3,821) million, a decrease of 1.4 per cent.
- The operating profit was SEK 219 (395) million.
- The gross margin was 60.4 (62.5) per cent and the operating margin was 5.8 (10.3) per cent.
- Profit after tax was SEK 122 (277) million, which is equivalent to SEK 1.63 (3.69) per share.
- Cash flow from operating activities was SEK 187 (285) million.

CEO's comments

The industry is affected by a weak market and the quarter was largely characterised by both our and our competitors' large inventories. Consequently, customers have had plenty of attractive offers to choose from. Increasing purchasing costs also had a negative effect on the gross margin.

In this difficult market we also see positive signs. Sales in comparable stores are better than in the first six months, though they are still not meeting our targets. We are now also starting to see light at the end of the tunnel as regards purchasing costs. The shortage of capacity among our suppliers is decreasing and we also see that cotton prices are falling, though from a high level.

KappAhl's concept of value-for-money fashion for our adult customers will hold its own well in future too, so we are confidently continuing with our long-term expansion. In autumn 2012 we will establish KappAhl in Austria, which will then be our sixth sales market.

Christian W. Jansson, President and Chief Executive Officer

Telephone conference for analysts and the media
A telephone conference will be held for analysts, media and investors, today at 10.30. To participate please call +46 (0)8 5051 3791 (Sweden) or +44 (0)20 7806 1966 (United Kingdom) about 5 minutes before the start and quote the code 9101144.

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***KappAhl** is a leading fashion chain with 367 stores and 4,800 employees in Sweden, Norway, Finland, Poland and the Czech Republic. KappAhl sells value-for-money fashion with a wide appeal – to women, men and children – and focuses in particular on women aged 30-50 with families. All clothes are from our own designers. In 1999 KappAhl was the first fashion chain to be environmentally certified.*

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Comments on the third quarter

Net sales and results

KappAhl's net sales for the quarter amounted to SEK 1,237 (1,221) million, an increase of 1.3 per cent. This is explained by: the effect of new and closed stores, +4.4 per cent; change in comparable stores, 0.0 per cent and translation differences totalling -3.1 per cent.

Growth from new stores is going to plan, which specifies a target interval of 4-6 per cent. In comparable stores development is strongest in Poland, but Norway and Finland have also developed well during the period.

Gross profit for the quarter was SEK 744 (789) million, which corresponds to a gross margin of 60.1 (64.6) per cent. The gross margin was negatively affected by the higher than normal percentage of clearance sales resulting from the winter's high stock level, and by higher purchasing costs. The increased purchasing costs are due to suppliers' shortage of capacity, rising raw materials costs and increasing payroll expenses. In the previous year the gross margin was unusually strong, which also affects the comparison between quarters.

Selling and administrative expenses for the quarter totalled SEK 687 (677) million, meaning that the costs are increasing more slowly than in the previous quarter. The increase is largely due to new stores.

The operating profit was SEK 57 (112) million, a decrease of 49 per cent. This is equivalent to an operating margin of 4.6 (9.2) per cent. The deterioration in profit is principally due to the gross margin.

Depreciation according to plan was SEK 52 (58) million.

Net financial income was SEK -22 (-24) million for the quarter. Profit after financial items was SEK 35 (88) million and the profit after estimated tax was SEK 26 (65) million. Earnings per share for the quarter were SEK 0.35 (0.87).

Other comprehensive income

Unrealised changes in the fair value of the Group's cash flow hedges are reported under 'Other comprehensive income'. The comprehensive income for the period was positively affected by SEK 18 million, referring to cash flow hedges, mainly attributable to the Group's hedging of future purchases in USD.

Store network

At the end of the period the total number of stores was 367 (344); 159 in Sweden, 100 in Norway, 59 in Finland, 44 in Poland and five in the Czech Republic. A total of eigth stores were opened and one store was closed during the quarter.

Cash flow

KappAhl's cash flow from operating activities amounted to SEK 144 (-7) million during the quarter and cash flow after investments amounted to SEK 75 (-41) million. This is a substantial improvement compared with the previous year, which is due to better development of working capital.

Financing and liquidity

Interest-bearing net debt at the end of the period was SEK 2,077 million, compared with SEK 2,041 million as at 31 May 2010. Net interest-bearing debt/EBITDA was 3.5 at the end of the period as compared with 2.5 as at 31 May 2010. The equity/assets ratio fell to 16.0 per cent (18.9), mainly due to dividend paid during the year.

The property containing the company's distribution centre and head office represents a considerable part of the debt. The value of this property is estimated to be about SEK 550 million. Excluding this value, the net debt is SEK 1,527 million.

Cash and cash equivalents amounted to SEK 44 (16) million as at 31 May 2011. At the period close there were unutilised credit facilities of about SEK 500 (600) million.

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Comments on the first nine months

Market

In the last year the market for retail fashion has been weak. Disposable income has developed well, but consumers are adversely affected by rising energy prices and rising interest rates. Going forward, we see continued labour market improvement, which should be good for consumption and hence also for retail fashion.

Net sales

KappAhl's net sales for the nine-month period amounted to SEK 3,766 (3,821) million, a decrease of 1.4 per cent. This consists of: new and closed stores, +4.8 per cent; development of comparable stores, -2.6 per cent; and currency translation differences, -3.6 per cent.

Related party transactions

There were no transactions with related parties.

Cash flow

KappAhl's cash flow from operating activities in the first nine months amounted to SEK 187 (285) million and cash flow after investments amounted to SEK 26 (148) million.

Expansion

The work of finding new store sites is proceeding according to plan. Apart from the 367 (344) stores in operation on 31 May this year, there are at present contracts for 48 new stores. Under the new contracts, four stores will be opened in the fourth quarter and two will be closed. Thus the forecast is that the number of stores at the close of the financial year will be 369, which means an increase of 24 since the beginning of the year. The long–term goal to increase the number of stores by 20 to 25 per year still applies.

Inventories

At the close of the period inventories amounted to SEK 800 million, an increase of SEK 142 million compared with the previous year. The major part of the increase in inventories consists of goods in transit and new stores. In comparable stores the increase in inventories is about 8 per cent. All in all, the size and composition of inventories is regarded as unsatisfactory.

Investments

Investments of SEK 166 (137) million have been made in the first nine months, mainly referring to existing and newly opened stores. For the full year investments are expected to be about SEK 250 million.

Taxes

The tax cost for the financial year has been calculated in accordance with each country's tax rate. For the Group this is equivalent to about 26 per cent. The Group has deferred tax assets of SEK 365 million, referring to blocked loss carry-forwards that can partly start to be used from 2012/13.

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Risks and uncertainties

Purchase prices are rising sharply due to increasing cotton prices, higher wage costs and insufficient capacity. This will probably mean price increases for the customers but can also put pressure on the gross margin in the industry.

The most important strategic and operative risks that affect KappAhl's operations and industry are described in detail in the annual report for 2009/2010. They consist of such factors as competition in the fashion industry, changes in the economy, fashion trends, store locations and store expansion. The company's risk management is also described in the corporate governance report in the same annual report, under the section "Report on internal controls". The same applies to the Group's management of financial risks, which are described in the annual report for 2009/2010, Note 21. The reported risks are otherwise deemed to be unchanged in all essentials.

Parent company

The Parent Company's net sales for the period were SEK 15 (14) million and profit after financial items was SEK 289 (185) million. The financial items for the period consist of dividend received from subsidiaries totalling SEK 358 (254) million. The Parent Company did not make any investments during the year.

Upcoming reports

Fourth quarter (1 June–31 August)	30 September 2011
First quarter (1 September – 30 November)	21 December 2011

This report has not been audited by the company's auditor.

Mölndal, 23 June 2011
KappAhl AB (publ)

Christian W. Jansson
Chief Executive Officer

KappAhl AB (publ) discloses the information provided here pursuant to the Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication on 23 June 2011 at 07.30 a.m.

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Group income statement - Summary (SEK million)		Q3 2010/11	Q3 2009/10	Sep-May 2010/11	Sep-May 2009/10	Latest 12 months Jun-May
Net sales		1 237	1 221	3 766	3 821	5 056
Cost of goods sold		-493	-432	-1 492	-1 433	-2 013
Gross profit		**744**	**789**	**2 274**	**2 388**	**3 043**
Selling expenses		-651	-639	-1 944	-1 884	-2 527
Administrative expenses		-36	-38	-111	-109	-141
Operating profit		**57**	**112**	**219**	**395**	**375**
Financial income		0	0	0	1	0
Financial expenses		-22	-24	-54	-65	-78
Profit after financial items		**35**	**88**	**165**	**331**	**297**
Tax	Note 1	-9	-23	-43	-54	-50
Net profit		**26**	**65**	**122**	**277**	**247**
Profit attributable to parent company shareholders		**26**	**65**	**122**	**277**	**247**
Earnings per share before and after dilution, SEK		0,35	0,87	1,63	3,69	3,29
Other comprehensive income						
Net Profit		26	65	122	277	-
Translationdifferences for the period		-3	0	-31	0	-
Actuarial losses		-	-	-	-	-
Change in fair value reserves		18	46	-47	106	-
Tax attributable to other comprehensive income		-7	-12	10	-28	-
Total other comprehensive income attributable to parent company shareholders		**34**	**99**	**54**	**355**	**-**

Group Balance Sheet - Summary (SEK million)	31-May-11	31-May-10	31-Aug-10
Tangible assets	995	1 022	1 006
Intangible assets*	1 330	1 329	1 329
Deferred tax assets	142	124	156
Inventories	800	658	703
Other operating receivables	143	232	139
Cash and cash equivalents	44	16	26
Total assets	**3 454**	**3 381**	**3 359**
Equity	553	640	743
Interest-bearing long-term liabilities	2 121	2 049	1 878
Non-interest-bearing long-term liabilities	0	23	18
Interest-bearing current liabilities	0	8	14
Non-interest-bearing current liabilities	780	661	706
Total equity and liabilities	**3 454**	**3 381**	**3 359**
*of which goodwill	696	696	696
*of which trademarks	610	610	610

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Group cash flow statement - Summary (SEK million)	Q3 2010/11	Q3 2009/10	Sep-May 2010/11	Sep-May 2009/10
Cash flow from operating activities before changes in working capital	**40**	**101**	**214**	**382**
Changes in working capital	104	-108	-22	-97
Cash flow from operating activities	**144**	**-7**	**192**	**285**
Cash flow from investing activities	-69	-34	-166	-137
Cash flow after investments	**75**	**-41**	**26**	**148**
Change in bank overdraft facility	-56	43	236	-59
Dividend	0	0	-244	-94
Cash flow from financing activities	**-56**	**43**	**-8**	**-153**
Cash flow for the period	**19**	**2**	**18**	**-5**
Cash and cash equivalents at beginning of the period	**25**	**14**	**26**	**21**
Cash and cash equivalents at the end of the period	**44**	**16**	**44**	**16**

Specification of changes in the Group's equity	Q3 2010/11	Q3 2009/10	Sep-May 2010/11	Sep-May 2009/10
Opening equity	519	541	743	379
Dividend	0	0	-244	-94
Total comprehensive income	34	99	54	355
Closing equity	**553**	**640**	**553**	**640**

Number of stores per country	31-May-10	31-Aug-10	30-Nov-10	28-Feb-11	31-May-11
Sweden	153	153	157	157	159
Norway	95	95	99	99	100
Finland	56	56	58	58	59
Poland	39	40	43	43	44
Czech Republic	1	1	3	3	5
Total	**344**	**345**	**360**	**360**	**367**

Sales per country	Q3 2010/11	Q3 2009/10	Change SEK %	Change local currency %
Sweden	658	660	-0,3%	-0,3%
Norway	329	322	2,2%	9,1%
Finland	154	155	-0,6%	7,4%
Poland	89	82	8,5%	18,7%
Czech Republic	6	2	200,0%	270,9%
Total	**1 237**	**1 221**	**1,3%**	**-**

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Sales per country	Sep-May 2010/11	Sep-May 2009/10	Change SEK %	Change local currency %
Sweden	2023	2 025	-0,1%	-0,1%
Norway	1000	1 054	-5,1%	1,6%
Finland	451	491	-8,1%	2,1%
Poland	277	246	12,6%	21,7%
Czech Republic	14	5	180,0%	203,2%
Total	**3 766**	**3 821**	**-1,4%**	**-**

Geografic reporting	Net sales Q3 2010/11	Net sales Q3 2009/10	Operating income Q3 2010/11	Operating income Q3 2009/10
Nordic countries	1 142	1 137	115	170
Other	95	84	-13	-13
Intercompany expenses	-	-	-45	-45
Total	**1 237**	**1 221**	**57**	**112**

Geografic reporting	Net sales Sep-May 2010/11	Net sales Sep-May 2009/10	Operating income Sep-May 2010/11	Operating income Sep-May 2009/10
Nordic countries	3475	3570	388	548
Other	291	251	-33	-21
Intercompany expenses	-	-	-136	-132
Total	**3 766**	**3 821**	**219**	**395**

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Quarterly income statement (SEK million)		Q4 Jun-Aug 2006/07	Q1 Sep-Nov 2007/08	Q2 Dec-Feb 2007/08	Q3 Mar-May 2007/08	Q4 Jun-Aug 2007/08	Q1 Sep-Nov 2008/09	Q2 Dec-Feb 2008/09	Q3 Mar-May 2008/09
Net sales		1 090	1 247	1 132	1 140	1 103	1 266	1 168	1 206
Cost of goods sold		-412	-450	-457	-413	-420	-452	-490	-478
Gross profit		**678**	**797**	**675**	**727**	**683**	**814**	**678**	**728**
Selling expenses	5)	-456	-558	-521	-547	-480	-605	-574	-587
Administrative expenses		-33	-33	-36	-35	-32	-33	-39	-32
Other operating income	6)	-	-	-	-	11	-	-	-
Other operating expenses		-6	-	-	-	-	-	-	-
Operating profit		**183**	**206**	**118**	**145**	**182**	**176**	**65**	**109**
Financial income	4)	0	3	3	21	0	0	1	0
Financial expenses		-16	-18	-18	-18	-26	-19	-19	-23
Profit after financial items		**167**	**191**	**103**	**148**	**156**	**157**	**47**	**86**
Tax		-48	-53	-29	-36	-43	-44	-13	-24
Net profit		**119**	**138**	**74**	**112**	**113**	**113**	**34**	**62**
Operating margin		16,8%	16,5%	10,4%	12,7%	16,5%	13,9%	5,6%	9,0%
Earnings per share, SEK		1,59	1,84	0,99	1,49	1,51	1,51	0,45	0,83

4) After acquired the properties in which the distribution centre and head office are located a finance lease was terminated and gave a positive effect on financial income 23 MSEK in Q3 2007/08

5) Change in pension solution for employees in Q4 2007/08 SEK 20 million.

6) Compensation for vacating a store site in Q4 2007/08

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Quarterly income statement (SEK million)	Q4 Jun-Aug 2008/09	Q1 Sep–Nov 2009/10	Q2 Dec-Feb 2009/10	Q3 Mar-May 2009/10	Q4 Jun-Aug 2009/10	Q1 Sep-Nov 2010/11	Q2 Dec-Feb 2010/11	Q3 Mar-May 2010/11
Net sales	1 226	1 344	1 256	1 221	1 290	1 341	1 188	1 237
Cost of goods sold	-473	-470	-531	-432	-521	-491	-508	-493
Gross profit	**753**	**874**	**725**	**789**	**769**	**850**	**680**	**744**
Selling expenses	-549	-630	-615	-639	-583	-669	-624	-651
Administrative expenses	-28	-37	-34	-38	-30	-35	-40	-36
Other operating income	-	-	-	-	-	-	-	-
Other operating expenses	-	-	-	-	-	-	-	-
Operating profit	**176**	**207**	**76**	**112**	**156**	**146**	**16**	**57**
Financial income	0	0	1	0	0	0	0	0
Financial expenses	-23	-18	-23	-24	-24	-17	-15	-22
Profit after financial items	**153**	**189**	**54**	**88**	**132**	**129**	**1**	**35**
Tax	-47	-11	-20	-23	-7	-34	0	-9
Net profit	**106**	**178**	**34**	**65**	**125**	**95**	**1**	**26**
Operating margin	14,4%	15,4%	6,1%	9,2%	12,1%	10,9%	1,3%	4,6%
Earnings per share, SEK	1,41	2,37	0,45	0,87	1,67	1,27	0,01	0,35

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Yearly income statement (SEK million)		Sep-Aug 2005/06	Sep-Aug 2006/07	Sep-Aug 2007/08	Sep-Aug 2008/09	Sep-Aug 2009/10
Net sales		4 217	4 473	4 622	4 866	5 111
Cost of goods sold		-1 677	-1 738	-1 740	-1 893	-1 954
Gross profit		**2 540**	**2 735**	**2 882**	**2 973**	**3 157**
Selling expenses	5)	-1 863	-1 985	-2 106	-2 315	-2 467
Administrative expenses	1)	-147	-142	-136	-132	-139
Other operating income	2, 6)	-	16	11	-	-
Other operating expenses		-	-6	-	-	-
Operating profit		**530**	**618**	**651**	**526**	**551**
Financial income	4)	2	23	27	1	1
Financial expenses		-113	-97	-80	-84	-89
Profit after financial items		**419**	**544**	**598**	**443**	**463**
Tax	3)	-117	115	-162	-128	-61
Net profit		**302**	**659**	**436**	**315**	**402**
Operating margin		12,6%	13,8%	14,1%	10,8%	10,8%
Earnings per share, SEK		4,02	8,78	5,81	4,20	5,36

1) Reclassification of SEK 4 million between Selling expenses and Administrative expenses in Q1 and Q2 2006/07.

2) Compensation for vacating a store site in Q2 och Q3 2006/07

3) Deferred tax credit 270 MSEK referring to loss carry forwards in acquired companies 2006/07 and 107 MSEK 2009/10.

4-6) See above

Parent company income statement - Summary (SEK million)	Q3 2010/11	Q3 2009/10	Sep-May 2010/11	Sep-May 2009/10	Latest 12 months Jun-May
Net sales	4	5	15	14	19
Cost of goods sold	-	-	-	-	-
Gross profit	**4**	**5**	**15**	**14**	**19**
Administrative expenses	-4	-7	-28	-22	-33
Operating profit	**0**	**-2**	**-13**	**-8**	**-14**
Result from participations in group companies	275	0	358	254	358
Financial income	0	0	2	1	1
Financial expenses	-20	-24	-58	-62	-75
Profit after financial items	**255**	**-26**	**289**	**185**	**270**
Resultat after appropriations	**255**	**-26**	**289**	**185**	**270**
Tax	0	0	0	0	23
Net profit	**255**	**-26**	**289**	**185**	**293**

Parent company Balance Sheet - Summary (SEK million)	31-May 2011	31-May-2010	31-Aug-10
Tangible assets	-	-	-
Financial assets	3 144	3 144	3 144
Deferred tax assets	7	17	17
Other operating receivables	379	27	116
Cash and cash equivalents	-	-	-
Total assets	**3 530**	**3 188**	**3 277**
Equity	1 178	1 036	1 106
Untaxed reserves	8	8	8
Interest-bearing long-term liabilities	2 299	2 062	2 083
Deferred tax liabilities	-	-	-
Interest-bearing current liabilities	-	-	-
Non-interest-bearing current liabilities	45	82	80
Total equity and liabilities	**3 530**	**3 188**	**3 277**

Key ratios	Q3 2010/11	Q3 2009/10	Sep-May 2010/11	Sep-May 2009/10	Latest 12 months Jun-May
Growth in sales	1,3%	1,2%	-1,4%	5,0%	0,2%
Earnings per share, SEK	0,35	0,87	1,63	3,69	3,29
Total depreciation/amortisation	52	58	159	177	216
Operating result (EBIT)	57	112	219	395	375
Gross margin	60,1%	64,6%	60,4%	62,5%	60,2%
Operating margin	4,6%	9,2%	5,8%	10,3%	7,4%
Interest coverage ratio	-	-	-	-	4,8
Net interest-bearing liabilities	2 077	2 041	2 077	2 041	2 077
Net interest-bearing liabilities, excl. Buildings					1 527
Net interest-bearing liabilities/EBITDA	-	-	3,5	2,5	3,5
Equity/assets ratio	16,0%	18,9%	16,0%	18,9%	16,0%
Equity per share, SEK	7,37	8,53	7,37	8,53	7,37
Equity per share after dilution, SEK	7,37	8,53	7,37	8,53	7,37
Return on equity	-	-	-	-	41,4%
Return on capital employed	-	-	-	-	14,0%
Number of shares after dilution	75 040 000	75 040 000	75 040 000	75 040 000	75 040 000

Definitions	
Earnings per share	Income after tax divided by average number of shares
Earnings per share after dilution	Profit after tax / average number of shares after full dilution
Interest coverage ratio	EBITDA / Net interest income excluding one-off items, for the previous twelve-month period
Net interest-bearing liabilities	Interest-bearing liabilities less liquid funds
Net interest-bearing liabilities/EBITDA	Net interest-bearing liabilities / EBITDA for the previous twelve-month period
EBITDA	Operating profit before depreciation / amortisation
Equity/assets ratio	Equity divided by balance sheet total
Equity per share	Equity / average number of shares
Return on equity	Net result in per centage of equity
Return on capital employed	Operating prifit/loss plus financial income in percentage of capital employed
Capital employed	Balance sheet total less non interest bearing deferred tax liability.

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KappAhl's 20 largest shareholders, May 31-st 2011	Number of shares	Percentage of shares and votes	Change compared with 28 February 2011
Christian W. Jansson via bolag	12 214 700	16,28	0
Swedbank Robur fonder	3 969 824	5,29	580 973
Skandia fonder	3 075 027	4,10	-72 260
Carlson fonder AB	2 285 817	3,05	-761 356
SVENSKA HANDELSBANKEN CLIENTS ACC:3	2 113 674	2,82	90 000
SVENSKT NÄRINGSLIV	2 100 000	2,80	0
AVANZA PENSION	2 079 309	2,77	504 194
SHB: ODIN SVERIGE AKSJEFONDET	2 016 132	2,69	1 012 641
Nordea Investment Funds	1 412 496	1,88	343 556
ROBUR FÖRSÄKRING AB	1 389 263	1,85	48 068
AWILCO INVEST AS	1 356 000	1,81	0
JPM CHASE NA	1 158 400	1,54	-47 962
Länsförsäkringar fondförvaltning AB	1 052 137	1,40	0
NORDNET PENSIONSFÖRSÄKRING AB	803 485	1,07	164 833
State street Bank	767 987	1,02	649 148
BANQUE ÖHMAN S.A.	662 000	0,88	20 000
Catella Fondförvaltning	637 085	0,85	286 135
JP MORGAN BANK	633 000	0,84	0
SHB: ODIN SVERIGE II AKSJEFONDET	559 900	0,75	276 000
FÖRSÄKRINGS AB SKANDIA	541 964	0,72	136 042
Other	34 211 800	45,59	-3 230 012
Total	**75 040 000**	**100,00**	**-**

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Accounting policies

The Group applies International Financial Reporting Standards, IFRS, adopted by the European Commission. The accounting policies are unchanged in comparison with the latest annual accounts as at 31 August 2010.

This report has been prepared in accordance with IAS 34. For the Parent Company the report is presented in accordance with the Swedish Annual Accounts Act and recommendation RFR 2 of the Swedish Financial Reporting Board.

The company has no outstanding convertible debt instruments or warrants.

Note 1
Acquisition of subsidiaries

In September 2009, 100 % of the shares and votes in KappAhl Mode Holding AB was acquired. The purchase price was SEK 160 million. The fair value of the company's net assets at the time of acquisition was SEK 199 million, of which SEK 10 million was a deferred tax asset. The acquired company is not in operation.

Costs in connection with the acquisition amounted to SEK 1 million and were charged to administrative expenses in the income statement in the first quarter 2009/2010.

After the date of access the subsidiary's possibilities of using existing loss carry-forwards were reviewed. It is estimated that from the 2014/2015 income year it will be possible to use the entire loss carry-forward of SEK 188 million, resulting in the reporting of an additional SEK 39 million as a deferred tax asset and as a deferred tax credit in the first quarter of 2009/2010.

In June 2010, 100 % of the shares and votes in KappAhl Fashion Holding AB was acquired. The purchase price was SEK 113 million. The fair value of the company's net assets at the time of acquisition was SEK 158 million, of which SEK 13 million was a deferred tax asset. The acquired company is not in operation.

Costs in connection with the acquisition amounted to SEK 2 million and were charged to administrative expenses in the income statement in the fourth quarter 2009/2010.

After the date of access the subsidiary's possibilities of using existing loss carry-forwards were reviewed. It is estimated that from the 2015/2016 income year it will be possible to use the entire loss carry-forward of SEK 225 million, resulting in the reporting of an additional SEK 45 million as a deferred tax asset and as a deferred tax credit in the fourth quarter of 2009/2010.