

Year-end report and interim report for the Fourth Quarter of financial year 2007/2008

Another good year – continued expansion

Fourth Quarter (June – August 2008)

- KappAhl's net sales for the period (excluding VAT) amounted to MSEK 1,103 (1,090), an increase of 1.2 percent.
- Operating profit amounted to MSEK 182 (183). Operating profit in the current period has been affected positively by non-recurring items in an amount of MSEK 31. Operating profit in the same period previous year was affected negatively by non-recurring items in an amount of MSEK 6.
- The gross margin amounted to 61.9 (62.2) percent and the operating margin was 16.5 (16.8) percent.
- Profit after taxes amounted to MSEK 113 (119), which is equivalent to SEK 1.51 (1.59) per share.
- Cash flow from operating activities totalled MSEK 130 (220).

Full-year (September 2007 – August 2008)

- KappAhl's net sales for the period amounted to MSEK 4,622 (4,473), an increase of 3.3 percent.
- Operating profit amounted to MSEK 651 (618). Operating profit in the current year has been affected positively by non-recurring items in an amount of MSEK 31. Operating profit in the previous year was affected positively by non-recurring items in an amount of MSEK 10.
- The gross margin amounted to 62.4 (61.1) percent and the operating margin was 14.1 (13.8) percent.
- Profit after taxes amounted to MSEK 437 (659), which is equivalent to SEK 5.82 (8.78) per share. Profit after taxes in the previous year was positively affected by tax revenue of MSEK 269.
- Cash flow from operating activities amounted to MSEK 730 (669).
- The Board of Directors proposes to pay a dividend of SEK 4.50 per share.

CEO's comments



Christian W. Jansson
CEO

KappAhl can now put another good year behind itself, and this in a fashion market with slightly weaker demand, particularly during the spring and summer. Our ability to demonstrate a steady development in such a market is highly encouraging. In order to maintain profitable growth, KappAhl is investing in expansion and now has contracts for 57 new stores, at the same time as we are evaluating the opening of stores in a fifth country. KappAhl has a strong range, which appeals to our customers in all countries.

However, global financial uncertainty may lead to caution in both the short and medium term on the part of our customers. This makes it difficult to assess the near future, at the same time as these conditions could also bring new business opportunities for operations of our type, as KappAhl's chosen customer groups

generally have comparatively small loans and their consumer margins are not dependent on the stock exchange.

We have one of the industry's best gross margins, with continued improvement during the full year and stability in the last quarter.

In consideration of the above and in accordance with KappAhl's dividend policy, the Board of Directors proposes to pay a dividend of SEK 4.50 per share.

For further information, please contact

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KappAhl Holding AB (publ) discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 07.30 on 29 September 2008.

About KappAhl

KappAhl is a leading fashion chain with around 4,000 employees and nearly 300 stores in Sweden, Norway, Finland and Poland. KappAhl sells value-for-money fashion to a number of target groups - men, women and children - but focuses particularly on women between 30 and 50. All clothes are designed by in-house designers. In 1999, KappAhl was the first fashion chain in the world to be environmentally certified in line with international standards. The head office and distribution centre are located in Mölndal, in the outskirts of Gothenburg. In the 12-month period that ended on 31 August 2008, KappAhl's net sales were SEK 4.6 billion and operating profit was SEK 651 million. KappAhl is listed on the OMX Nordic Exchange, Stockholm. Further information about the company is available at www.kappahl.com. Financial information is available at www.kappahl.com/ir.

Comments on the Fourth Quarter

Net sales

KappAhl's Net sales for the quarter (excluding VAT) amounted to MSEK 1,103 (1,090), an increase of 1.2 percent. Of net sales growth, translation differences (primarily against NOK and PLN) accounted for a total of 1.0 percent and new and closed stores accounted for 3.2 percent. Growth in net sales in terms of sales in comparable stores was at -3.0 percent.

Trade in infrequently purchased goods is negatively affected by two factors, the downturn in the business cycle and rising interest rates and food and energy prices, which are taking a greater share of consumption. This primarily affects more expensive consumer durables, but the fashion industry is also affected. Net sales in terms of sales in comparable stores should be seen in light of the fact that a +4.9 percent increase was reported in the previous year's fourth quarter.

Gross profit for the quarter totalled MSEK 683 (678), which is equivalent to a gross margin of 61.9 (62.2) percent. The development of the exchange rate against the USD has been advantageous, although this has partially been offset by the strengthening of several Asian currencies and local inflation in the company's producing countries. All in all, these effects have largely cancelled each other out.

Sales and administrative expenses amounted to MSEK 512 (489) for the quarter. This increase is partially attributable to a larger number of stores, compared with the previous year, and partly due to the exchange rate effects in the consolidated accounts (primarily against NOK). Sales and administrative expenses for the year include a positive, non-recurring item, in an amount of MSEK 20, due to a reduction of pension commitments in connection with a change of pension solutions in Sweden.

Operating profit was MSEK 182 (183), which is equivalent to an operating margin of 16.5 (16.8) percent. Operating profit in the current year has been affected positively by MSEK 11 attributable to disposals of store sites. Profit for the previous year was affected negatively by MSEK 6 attributable to costs connected with the Lindex bid.

Depreciation according to plan amounted to MSEK 58 (53).

Net financial income/expense was MSEK -26 (-16) for the quarter and profit after financial items was MSEK 156 (167). Profit after taxes amounted to MSEK 113 (119). Earnings per share for the quarter were SEK 1.51 (1.59).

Store network

KappAhl has opened eight new stores during the quarter and closed two. At the end of the period, the total number of stores was 291 (272). Of these, 138 were in Sweden, 87 in Norway, 46 in Finland and 20 in Poland.

Cash flow

KappAhl's cash flow from continuing operations amounted to MSEK 221 (136) during the quarter, and cash flow after investments amounted to MSEK 82 (153).

Financing and liquidity

Total liabilities at the end of the period amounted to MSEK 1,979, compared with MSEK 1,387 as per 31 August 2007. Not including operating activities, total liabilities have been impacted by the redemption of shares in an amount of MSEK 825 and by an amount of MSEK 289 due to the purchase of the real estate

used for the distribution centre and head office. At the end of the period, the equity/assets ratio was 16.4 percent, compared with 28.0 percent as per 31 August 2007. The net interest-bearing liabilities/EBITDA ratio was 2.3 (1.7) at the end of the period.

Cash and cash equivalents totalled MSEK 32 on 31 August 2008. At the end of the period, there were unutilised credit facilities amounting to approximately MSEK 1,100.

Comments on the full-year

Market

During the spring and summer, we have experienced a clear decline in the state of the market, together with weakened statistics for fashion sales. However, it should be noted that the forecasted development of private consumption for those countries in which KappAhl is active is stronger than the average figure for Europe. Furthermore, KappAhl's chosen customer groups are not normally significantly affected by developments on the financial markets as these groups have comparatively small loans and investments in shares. Sharply increasing food and energy prices are providing cause for concern as regards consumer margins, but we consider that we are well-positioned to meet a weaker market.

Net sales

KappAhl's net sales during the financial year amounted to MSEK 4,622 (4,473), an increase of 3.3 percent. This increase is comprised of exchange rate differences (primarily against NOK) 1.8 percent, new and closed stores 1.9 percent and the development of sales in comparable stores -0.4 percent.

External conditions during the full year have been significantly less favourable than in the previous year. Despite this, we can report an increase in profits once non-recurring effects are excluded. This indicates that KappAhl has a strong business concept and remains relatively stable, even in a more competitive market.

Expansion

The search for new retail sites continues according to plan. In addition to the 291 (272) stores which were operational as of 31 August this year, there are contracts for an additional 57 new stores, of which 24 are in Poland. Of the new contracts, 15 stores will be opened during the first quarter and approximately 30 during the full year 2008/2009. Two to four stores will be closed during the year. The long-term aim of increasing the number of stores by 20 to 25 per year remains.

Inventories

At the end of the period, KappAhl's inventory amounted to MSEK 622, an increase of MSEK 16 compared with the previous year. Measured in local currency, the inventory level per store is slightly lower than in the previous year. Inventory is deemed to be at satisfactory levels as regards both size and composition.

Investments

A total of MSEK 692 (277) has been invested during the financial year. Of the year's increase, MSEK 462 refers to the acquired real estate in Mölndal, used for the head office and distribution centre, which was previously reported as a financial leasing. The major portion of the remaining amount consists of investments in existing and newly-opened stores.

Transactions with related parties

There have been no transactions with related parties.

Cash flow

KappAhl's cash flow from operating activities amounted to MSEK 730 (669) for the full year, and cash flow after investments amounted to MSEK 38 (392).

Taxes

The tax rate for the entire year has been calculated as approximately 27 percent, while income tax paid is estimated at approximately 15 percent, primarily through the utilisation of loss carry-forward.

Parent Company

The Parent Company's net sales during the year were MSEK 7 (7) and profit after financial items amounted to MSEK 45 (67). The Parent Company did not make any investments during the year.

Events following the end of the reporting period

The government has proposed that corporation tax in Sweden be lowered from 28 percent to 26.3 percent. For KappAhl, this will affect the tax cost in Sweden as of 1 September 2009. However, this change in the tax rate will not have any significant impact on the company's calculation of deferred tax.

Annual General Meeting

The Annual General Meeting will be held at the company's head office in Mölndal on 17 December 2008. The annual report will be available via the company's website at the start of November. The Board of Directors has resolved to submit a proposal regarding a dividend payment of SEK 4.50 per share to the Annual General Meeting.

Upcoming financial reports

First quarter (1 Sept – 30 Nov) and Annual General Meeting	17 December 2008
Second quarter (1 Dec – 28 Feb)	1 April 2009
Third quarter (1 March – 31 May)	25 June 2009
Fourth quarter (1 June – 31 Aug)	30 September 2009

This report has not been the subject of an audit by the company's auditors.

KappAhl Holding AB (publ) discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 07.30 on 29 September 2008.

The Chief Executive Officer affirms that this report gives a true and fair view of the Parent Company's and the Group's operations, financial position and results of operations and describes the material risks and uncertainties faced by the Parent Company and the Group.

Mölndal, 29 September 2008
KappAhl Holding AB (publ)

Christian W. Jansson
CEO

Consolidated income statement - Summary (SEK million)	Q4	Q4	Sept-Aug	Sept-Aug	Last 12
	2007/08	2006/07	2007/08	2006/07	months Sept-Aug
Net sales	1 103	1 090	4 622	4 473	4 622
Cost of goods sold	-420	-412	-1 740	-1 738	-1 740
Gross profit	683	678	2 882	2 735	2 882
Selling expenses	Not 1 -480	-456	-2 106	-1 985	-2 106
Administrative expenses	Not 2 -32	-33	-136	-142	-136
Other operating income	11	0	11	16	11
Other operating costs	-	-6	-	-6	-
Operating profit	182	183	651	618	651
Financial income	0	0	27	23	27
Financial expenses	-26	-16	-80	-97	-80
Profit after financial items	156	167	598	544	598
Tax	Not 3 -43	-48	-161	115	-161
Net profit	113	119	437	659	437
Earnings per share, SEK	1,51	1,59	5,82	8,78	5,82
Earnings per share after dilution, SEK	1,51	1,59	5,82	8,78	5,82

Consolidated Balance Sheet - Summary (SEK million)	31-Aug-08		31-Aug-07	
	Tangible fixed assets	Not 4	1 032	685
Intangible fixed assets*		1 344	1 356	
Deferred tax assets	Not 6	71	408	
Inventories		622	606	
Other operating receivables		146	97	
Cash and cash equivalents		32	60	
Total assets		3 247	3 212	
Equity		532	890	
Interest-bearing long-term liabilities		1 229	1 261	
Non-interest-bearing long-term liabilities	Not 6	16	266	
Interest-bearing current liabilities		782	186	
Non-interest-bearing current liabilities		688	609	
Total equity and liabilities		3 247	3 212	
*of which goodwill		696	696	
*of which trademarks		610	610	

Consolidated cash flow statement - Summary (SEK million)	Q4	Q4	Sept-Aug	Sept-Aug
	2007/08	2006/07	2007/08	2006/07
Cash flow from continuing operations before changes in working capital	165	229	687	693
Changes in working capital	-35	-9	43	-24
Cash flow from continuing operations	130	220	730	669
Cash flow from investment activities	Not 4 -48	-67	-692	-277
Cash flow after investments	82	153	38	392
Change bank overdraft facility	-32	-171	782	-111
Redemption of shares/Dividend	0	0	-825	-188
Other from financial activities	-50	-40	-23	-106
Cash flow from financial activities	-82	-211	-66	-405
Cash flow for the period	0	-58	-28	-13
Cash and cash equivalents at beginning of the period	32	118	60	73
Cash and cash equivalents at the end of the period	32	60	32	60

Specification of changes in the Group's equity	Sept-Aug 2007/08	Sept-Aug 2006/07
Opening equity	890	412
Translation differences for the period	5	10
Change in fair value reserves	25	-3
Redemption of shares	-825	-
Dividend	-	-188
Profit for the period	437	659
Closing equity	532	890

Number of stores per country	31-Aug-07	30-Nov-07	29-Feb-08	31-May-08	31-aug-08
Sweden	131	133	133	135	138
Norway	84	85	85	86	87
Finland	42	43	44	45	46
Poland	15	18	18	19	20
Total	272	279	280	285	291

Sales per country	Q4 2007/08	Q4 2006/07	Change SEK %	Change local currency %
Sweden	573	583	-1,7%	-1,7%
Norway	328	332	-1,2%	-2,5%
Finland	143	137	4,4%	3,2%
Poland	59	38	55,3%	33,2%
Total	1 103	1 090	1,2%	

Sales per country	Sept-Aug 2007/08	Sept-Aug 2006/07	Change SEK %	Change local currency %
Sweden	2 520	2 514	0,2%	0,2%
Norway	1 314	1 270	3,5%	-0,7%
Finland	559	520	7,5%	5,8%
Poland	229	169	35,5%	21,8%
Total	4 622	4 473	3,2%	

Segment reporting	Net sales Q4 2007/08	Net sales Q4 2006/07	Operating income Q4 2007/08	Operating income Q4 2006/07
Nordic countries	1 044	1 052	181	180
Poland	59	38	1	3

Segment reporting	Net sales Sept-Aug 2007/08	Net sales Sept-Aug 2006/07	Operating income Sept-Aug 2007/08	Operating income Sept-Aug 2006/07
Nordic countries	4 393	4304	640	605
Poland	229	169	11	13
Total	4 622	4 473	651	618

Quarterly income statement (SEK million)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Sept-Nov 2006/07 1)	Dec-Feb 2006/07 1)	Mar-May 2006/07	June-Aug 2006/07	Sept-Nov 2007/08	Dec-Feb 2007/08	Mar-May 2007/08	June-Aug 2007/08
Net sales	1 189	1 088	1 106	1 090	1 247	1 132	1 140	1 103
Cost of goods sold	-449	-460	-417	-412	-450	-457	-413	-420
Gross profit	740	628	689	678	797	675	727	683
Selling expenses	-517	-484	-528	-456	-558	-521	-547	-480
Administrative expenses	-37	-40	-32	-33	-33	-36	-35	-32
Other operating income	-	13	3	-	-	-	-	11
Other operating costs	-	-	-	-6	-	-	-	-
Operating profit	186	117	132	183	206	118	145	182
Financial income	2	10	11	0	3	3	21	0
Financial expenses	-16	-33	-32	-16	-18	-18	-21	-23
Profit after financial items	172	94	111	167	191	103	145	159
Tax	Not 5	-49	244	-32	-48	-53	-29	-36
Net profit	123	338	79	119	138	74	109	116

1) Reclassification of 4 SEK million between Selling expenses and Administrative expenses.

Parent company income statement - Summary (SEK million)	Q4	Q4	Sept-Aug	Sept-Aug	Last 12
	2007/08	2006/07	2007/08	2006/07	months Sept-Aug
Net sales	2	2	7	7	7
Cost of goods sold	-	0	-	-	-
Gross profit	2	2	7	7	7
Selling expenses	-	-	-	-	-
Administrative expenses	-2	-9	-8	-11	-8
Other operating income	-	-	-	-	-
Operating profit	0	-7	-1	-4	-1
Result from participations in group companies	0	131	139	131	139
Financial income	1	2	6	2	6
Financial expenses	-27	-14	-99	-62	-99
Profit after financial items	-26	112	45	67	45
Tax	12	8	26	18	26
Net profit	-14	120	71	85	71

Parent company Balance Sheet - Summary (SEK million)	31-Aug-08	31-Aug-07
	Materiella anläggningstillgångar	-
Financial fixed assets	3 403	2 882
Deferred tax assets	-	-
Varulager	-	-
Other operating receivables	29	293
Cash and cash equivalents	-	-
Total assets	3 432	3 175
Equity	902	1 116
Interest-bearing long-term liabilities	1 726	1 049
Deferred tax liabilities	6	1
Interest-bearing current liabilities	789	908
Non-interest-bearing current liabilities	9	101
Total equity and liabilities	3 432	3 175

Key ratios	Q4	Q4	Sept-Aug	Sept-Aug	Last 12
	2007/08	2006/07	2007/08	2006/07	months Sept-Aug
Growth in sales	1,2%	7,9%	3,3%	6,1%	3,3%
Earnings per share, SEK	1,51	1,59	5,82	8,78	5,82
Total depreciation/amortisation	58	53	221	200	221
Operating result (EBIT)	182	183	651	618	651
Gross margin	61,9%	62,2%	62,4%	61,1%	62,4%
Operating margin	16,5%	16,8%	14,1%	13,8%	14,1%
Interest coverage ratio	-	-	-	-	8,48
Net interest-bearing liabilities	1 979	1 387	1 979	1 387	1 979
Net interest-bearing liabilities/EBITDA	-	-	2,27	1,70	2,27
Equity/assets ratio	16,4%	28,0%	16,4%	28,0%	16,4%
Equity per share, SEK	7,09	11,86	7,09	11,86	7,09
Equity per share after dilution, SEK	7,09	11,86	7,09	11,86	7,09
Number of shares at the end of the period	75 040 000	75 040 000	75 040 000	75 040 000	75 040 000
Number of shares after dilution	75 040 000	75 040 000	75 040 000	75 040 000	75 040 000

Definitions

Equity/assets ratio	Equity divided by balance sheet total
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
Equity per share	Equity / average number of shares
EBITDA	Operating profit before depreciation / amortisation
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

KappAhl's 20 largest shareholders, 31 August 2008	Number of shares	Percent of shares and votes	Change compared to 31 May 2008
PEGATRO LIMITED	22 511 000	30,00	0
Catella Fondförvaltning	3 883 700	5,18	577 309
Swedbank Robur fonder	3 279 021	4,37	30 003
MORGAN STANLEY & CO INC, W9	3 207 410	4,27	-33 284
State street Bank	2 133 802	2,84	182 459
SEB Investment Management	2 057 010	2,74	200
SVENSKA HANDELSBANKEN CLIENTS ACC:3	2 005 000	2,67	-123 400
AKTIA SPARBANK	1 410 000	1,88	0
JP MORGAN CHASE BANK, W9	1 390 524	1,85	368 983
Handelsbanken fonder inkl XACT	1 040 928	1,39	595 016
US RESIDENTS OMNIBUS LENDING A/C	1 000 000	1,33	-1 193 400
MELLONS US TAX EXEMPT ACCOUNT	932 940	1,24	222 345
SEB Fondinvest	862 040	1,15	-4 200
STIFTELSEN VIN & SPRITHISTORISKA, MUSEET	820 000	1,09	120 000
FORWARD INTL SMALL COMPANIES FUND	796 947	1,06	42 320
RIKSBANKENS JUBILEUMSFOND	773 400	1,03	0
Carnegie fonder	766 200	1,02	240 200
DIDNER & GEORGE AKTIEFOND	739 000	0,98	0
LIVFÖRSÄKRINGSBOLAGET	698 350	0,93	0
AWAKE SWEDISH EQUITY FUND	625 000	0,83	125 000
Övriga ägare	24 107 728	32,15	-1 149 551
Summa	75 040 000	100,00	0

Accounting principles

The Group applies the International Financial Reporting Standards, IFRS, adopted by the European Commission. The accounting principles remain unchanged in comparison with those applied in the annual accounts for the financial year ending 31 August 2007.

This report has been prepared in accordance with IAS 34: Interim Reporting. For the Parent Company, the report is presented in accordance with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation RFR 2.1.

The Company has no outstanding convertible loans or warrants.

Note 1

Due to the restructuring of pension solutions for the employees in the Swedish operations, a positive non-recurring accounting effect of MSEK 20 has impacted pension expenses, which are included in selling expenses.

Note 2

A reclassification of MSEK 4 between selling expenses and administrative expenses took place in September-August 2006/2007.

Note 3

In the Fourth Quarter, the result of a compensation of MSEK 11 for leaving one store site has been included. In the income statement for "Sept-Aug 2006/2007", revenue regarding the sale of two store premises is included.

Note 4

During the financial year 2007/2008, the Group purchased the real estate used for the distribution centre and the head office, via two new companies. As a consequence of this acquisition, a financial lease contract has been terminated. This has entailed a positive effect on financial income of a total of MSEK 23 through the settlement of the financial liability.

Note 5

In the income statement for "Sept-Aug 2006/2007", deferred tax revenue of MSEK 269 has been recorded regarding loss carried forward in acquired companies.

Note 6

A set-off of MSEK 274 has been carried out between deferred tax liabilities and deferred tax assets for taxes pertaining to the Swedish tax units.

Risks and uncertainties

The most essential strategic and operative risks affecting KappAhl's operations and industry are described in detail in the annual report for 2006/2007. They are comprised, among other things, of competition within the fashion industry, fashion trends, store location and store expansion. The company's risk management is also described in the corporate governance report in the same annual report, included in the section "Report on Internal Control". The same applies to the Group's management of financial risks, which are accounted for in the annual report for 2006/2007, Note 23. The recorded risks, in all material aspects, are considered unchanged and, therefore, are not further accounted for here. An updated description will be presented in the annual report to be prepared for 2007/2008.