



## A GOOD QUARTER FOR KAPPAHL

*“KappAhl's third quarter is sound and showing a continuing positive progress. The sound result comes from our price strategy, with a focus on full price sales, and our amended campaign strategy. The summer range was well-received and sold well in the warm spring weeks...”*

Read the full CEO statement on the next page.

- Sale increased by 5.6 per cent in the quarter and by 1.1 per cent in September-May, compared with the previous year.
- The operating margin for the quarter was 8.6 (3.7) per cent and 7.2 (4.2) per cent for September-May.
- The second Hampton Republic 27 store opened in March in Gothenburg.
- The operating margin over the rolling twelve months is 6.6 (5.2) per cent.

	Third Quarter (March-May)			Nine months (Sep-May)		
	2015/2016	2014/2015	Change	2015/2016	2014/2015	Change
Net sales, SEK million	1 195	1 132	63	3 476	3 439	37
Operating profit/loss, SEK million	103	42	61	251	146	105
Gross margin, %	64,9	61,7	3,2	63,1	61,0	2,1
Operating margin, %	8,6	3,7	4,9	7,2	4,2	3,0
Profit after tax, SEK million	89	23	66,0	186	81,0	105,0
Earnings per share after dilution, SEK (Note 2)	1,16	0,30	0,86	2,42	1,06	1,36
Cash flow from operating activities, SEK million	202	194	8	307	357	-50

For further information

Danny Feltmann, President and CEO. Tel +46 31 771 56 61.

Anders Düring, Chief Financial Officer. Tel. +46 708 88 77 33.

Charlotte Högberg, Head Corporate Communications.

Tel. +46 704 715 631. Email [charlotte.hogberg@kappahl.com](mailto:charlotte.hogberg@kappahl.com).

## DANNY FELTMANN, CEO: A GOOD QUARTER FOR KAPPAHL

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*Danny Feltmann  
President and CEO*

**KappAhl's third quarter is sound and showing a continuing positive progress.** With a sales increase of 5.6 per cent and a gross margin of 64.9 (61.7) per cent, we delivered an operating margin that was improved by 4.9 percentage points. The sound result comes from our price strategy, with a focus on full price sales, and our amended campaign strategy.

The impact of the Norwegian krona is comparable with the previous two quarters. Our overhead expenses remain at a satisfactory level, with a cost increase in the third quarter compared with the previous year that is primarily due to planned costs for closing down stores in Poland.

All in all, for the first nine months of the year KappAhl delivers an operating margin over the rolling 12 months of 6.6 (5.2) per cent.

**The spring collections**, including Vintage Stories and Hampton Republic 27, as well as our other summer range, **were well-received and sold well** in the warm spring weeks. The strategic work on the range that has been continuing for some time could be discerned in the quarter and will be even more apparent to our customers in the autumn.

Investments in IT infrastructure continue, with a continued focus on digital services that connect with our physical stores. Upgrading of stores is continuing at a slightly slower tempo than in the previous year. We are still seeing sound results in stores converted to the new store concept.

Concept stores have continued to open according to plan. We opened another Hamilton Republic 27 store in Västra Frölunda outside Gothenburg in March. In total we now have three Newbie Stores and two Hamilton Republic 27 Stores. We will open about five of each concept before we evaluate any continued establishment.

**I am very proud that this year KappAhl has as much as 38 (24) per cent sustainable fashion labelling** in the range. Our textile collection is also bringing us towards a circular economy. In 2015 our customers contributed more than 100 tonnes of textiles, which exceeded expectations.

**In the near future we are focusing on continuing increased full price sales** as well as a good performance in the final quarter of 2015-2016. Long-term work is continuing in parallel. Over time we will further strengthen KappAhl with inspiring, personal and fully seamless purchasing experiences, regardless of whether the customer meeting is face-to-face or online. We are fired up, we have a good plan and the road ahead is increasingly clear.

Danny Feltmann  
President and Chief Executive Officer

## COMMENTS ON THE THIRD QUARTER

### 4.4%

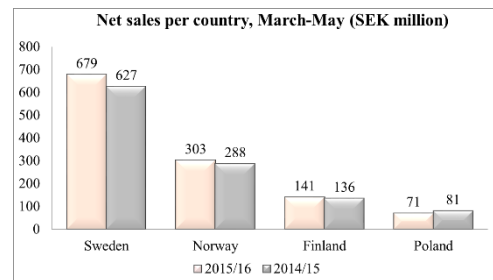
Sales in comparable stores

### 3.2%

Increased gross margin

### Net sales and profit

KappAhl's net sales for the quarter amounted to SEK 1,195 (1,132) million, an increase of 5.6 per cent. The development is explained by the effect of new and closed stores, 4.0 per cent, change in comparable stores, 4.4 per cent and translation differences in currencies totalling -2.8 per cent.



Gross profit for the quarter was SEK 775 (699) million, which corresponds to a gross margin of 64.9 (61.7) per cent. Changes in customer bonuses in Norway and Finland have affected the gross profit positively by SEK 9 million.

Selling and administrative expenses for the quarter were SEK 672 (658) million.

The operating profit was SEK 103 (42) million. This is equivalent to an operating margin of 8.6 (3.7) per cent.

Depreciation was SEK 31 (34) million.

Net financial income for the quarter was SEK 0 (-5) million. Profit/loss after financial items was SEK 103 (37) million and the profit/loss after estimated tax was SEK 89 (23) million. Earnings per share after dilution for the quarter were SEK 1.16 (0.30).

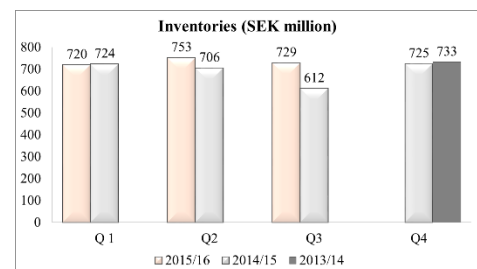
### Taxes

The Group has net deferred tax assets of SEK 11 (9) million and deferred tax liabilities of SEK 140 (74) million. The change in deferred taxes is mainly attributable to the relation between tax on profits for the year and the tax loss carry-forwards in Sweden that have been utilised. This results in a low tax rate in the quarter.

Deferred tax assets referring to losses in Poland and Finland are not currently measured.

### Inventories

At the close of the period inventories amounted to SEK 729 million (612), an increase of SEK 117 million compared with the previous year. The increase is due to incoming deliveries being brought forward compared with the previous year.



### Cash flow

KappAhl's cash flow from operating activities amounted to SEK 202 (194) million during the quarter and cash flow after investments amounted to SEK 187 (133) million. The change lies primarily in improved cash flow from operating activities and reduced investments during the quarter. Cash flow from investing activities was SEK -15 (-61) million, the difference compared with the third quarter of the previous year is mainly attributable to investments in the new store concept that were made in the previous year.

**95 MSEK**

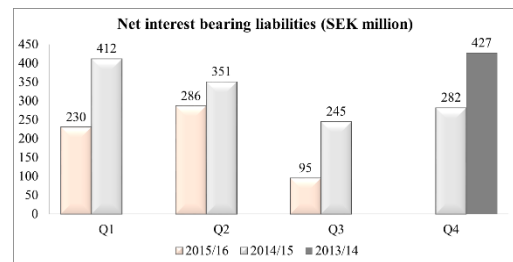
Net debt.

**57.3%**

Current equity/assets ratio

## Financing and liquidity

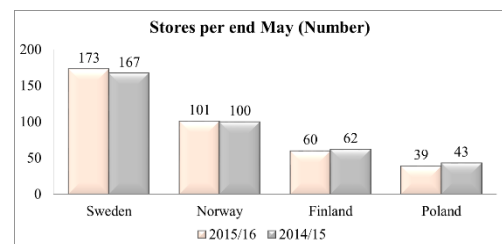
At the end of the period net interest-bearing liabilities amounted to SEK 95 (245) million. The net interest-bearing liabilities/EBITDA ratio was 0.2 at the close of the period, compared with 0.7 as at 31 May 2015. The equity/assets ratio increased to 57.3 (56.9) per cent.



Cash and cash equivalents amounted to SEK 364 (235) million as at 31 May 2016. At the period close there were unutilised credit facilities of about SEK 588 (600) million.

## Store network and expansion

At the close of the period the total number of stores was 373 (372). Of these, 173 were in Sweden, 101 in Norway, 60 in Finland and 39 in Poland. Four stores were opened during the quarter and two were closed.



The work of seeking attractive store locations in existing markets and expanding eCommerce is proceeding.

## Parent company

The Parent Company's net sales for the quarter were SEK 10 (5) million and profit after financial items was SEK -5 (-9) million. The parent company did not make any investments during the period.

## COMMENTS ON THE NINE MONTH PERIOD

1.7%

Sales in comparable stores

0.5%

Reduced selling and administrative expenses

### Net sales and profit

KappAhl's net sales were SEK 3,476 (3,439) million for the nine-month period. This is an increase of 1.1 per cent compared with the previous year. This is explained by the effect of new and closed stores, 2.0 per cent; change in comparable stores, 1.7 per cent and currency translation differences, -2.5 per cent.

Gross profit for the period was SEK 2,193 (2,097) million, which corresponds to a gross margin of 63.1 (61.0) per cent.

Selling and administrative expenses for the period amounted to SEK 1,942 (1,951) million, which is a decrease of SEK 9 million, corresponding to 0.5 per cent.

The operating profit was SEK 251 (146) million. This is equivalent to an operating margin of 7.2 (4.2) per cent.

Depreciation was SEK 94 (99) million.

Net financial income was SEK -5 (-16) million for the nine-month period. The change in net financial income is due to better interest terms and lower costs of interest swaps compared with the previous year. Profit/loss after financial items was SEK 246 (130) million and the profit/loss after estimated tax was SEK 186 (81) million.

Earnings per share after dilution for the period were SEK 2.42 (1.06).

### Investments

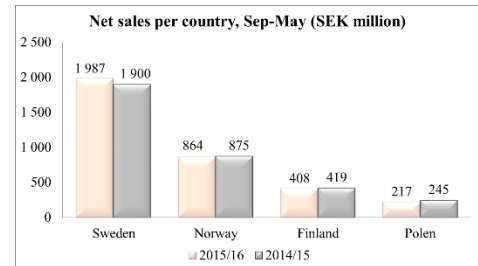
Investments of SEK 73 (144) million were made during the period, mainly in existing and newly opened stores and IT related investments.

### Cash flow

KappAhl's cash flow from operating activities amounted to SEK 307 (357) million in the nine-month period. The change is mainly in working capital, -3 (125) million. The cash flow from investing activities is SEK -73 (-144) million, which in the first place was affected by investments in the new store concept and IT related investments.

### Parent company

The Parent Company's net sales for the nine-month period were SEK 21 (15) million and profit after financial items was SEK -4 (-30) million. The parent company did not make any investments during the period.



## OTHER INFORMATION

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### **Related party transactions**

There were no transactions with related parties in the nine-month period.

### **Risks and uncertainties**

The most important strategic and operative risks that affect KappAhl's operations and industry are described in detail in the annual report for 2014/2015. The risks include competition in the fashion industry, economic fluctuations, fashion trends, store locations, store expansion and significant exchange rate fluctuations in currencies important for the company. 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 2014/2015, Note 18. The reported risks are otherwise deemed to be unchanged in all essentials.

### **Events after the balance sheet date**

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

The Board of Directors and President certify that the report gives a fair presentation of the Parent Company's and Group's operations, financial position and performance and describes material risks and uncertainties facing the Parent Company and the Group.

Mölnadal, 30 June 2016  
KappAhl AB (publ)

Anders Bülow, <i>Chairman of the Board</i>	Kicki Olivensjö, <i>Member</i>
Pia Rudengren, <i>Member</i>	Susanne Holmberg, <i>Member</i>
Christian W. Jansson, <i>Member</i>	Michael Bjerregaard Jensen, <i>Employee rep.</i>
Melinda Hedström, <i>Employee rep.</i>	Danny Feltmann, <i>President and CEO</i>

The information in this interim report is disclosed by KappAhl AB (publ) pursuant to the Securities Market Act and/or the Financial Instruments Trading Act. The information was released for public disclosure on 30 June 2016, at 07.30

### **Financial calendar**

Fourth quarter (June-August)	13 October 2016
First quarter 2016/2017 (September-November)	21 December 2016
Second quarter 2016/2017 (December-February)	6 April 2017
Third quarter 2016/2017 (March-May)	29 June 2017

### **Presentation of the report**

A presentation, which will also be made available via the web, will be held for analysts, media and investors today at 9.00. The webcast can be found via [www.kappahl.se/presentations](http://www.kappahl.se/presentations). To participate by telephone please call +46 8 5664 2690 about 5 minutes before the start.

*KappAhl, founded in 1953 in Gothenburg, is one of the leading Nordic fashion chains with nearly 380 stores in Sweden, Norway, Finland and Poland. Our mission is to offer value-for-money fashion of our own design with wide appeal. About 38 per cent of the range has sustainable fashion labelling. In 2014/2015 sales were SEK 4.6 billion and the number of employees was about 4,000 in eight countries. KappAhl has been listed on Nasdaq Stockholm since 2006.*



## AUDITOR'S REVIEW REPORT

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*KappAhl AB (publ), corporate ID no 556661-2312*

### **Introduction**

We have reviewed the condensed interim financial statements (interim report) for KappAhl AB (publ) as at 31 May 2016 and the nine-month period then ended. The Board of Directors and the President/CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### **Focus and scope of the review**

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410 "*Review of Interim Financial Information performed by the Independent Auditor of the Entity*". A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards.

The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Therefore, the conclusion that is expressed on the basis of a review does not give the same level of assurance as a conclusion based on an audit.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act for the Group and, for the Parent Company, with the Annual Accounts Act.

Möln dal, 30 June 2016

Ernst & Young AB

Stefan Kylebäck  
Authorised Public Accountant

## CONSOLIDATED INCOME STATEMENT

Amounts in SEK million	Q3 2015/2016	Q3 2014/2015	Sep-May 2015/2016	Sep-May 2014/2015	Latest 12 months June-May
Net sales	1 195	1 132	3 476	3 439	4 625
Cost of goods sold	-420	-433	-1 283	-1 342	-1 773
<b>Gross profit</b>	<b>775</b>	<b>699</b>	<b>2 193</b>	<b>2 097</b>	<b>2 852</b>
Selling expenses	-614	-612	-1 781	-1 822	-2 344
Administrative expenses	-58	-45	-161	-129	-205
<b>Operating profit</b>	<b>103</b>	<b>42</b>	<b>251</b>	<b>146</b>	<b>303</b>
Financial income	0	0	0	0	1
Financial expenses	0	-5	-5	-16	-11
<b>Profit after financial items</b>	<b>103</b>	<b>37</b>	<b>246</b>	<b>130</b>	<b>293</b>
Taxes	-14	-14	-60	-49	-77
<b>Result for the period</b>	<b>89</b>	<b>23</b>	<b>186</b>	<b>81</b>	<b>216</b>
Profit attributable to parent company shareholders	<b>89</b>	<b>23</b>	<b>186</b>	<b>81</b>	<b>216</b>
Earnings per share before dilution, SEK	Note 2 1,16	0,30	2,42	1,07	2,81
Earnings per share after dilution, SEK	Note 2 1,16	0,30	2,42	1,06	2,81

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK million	Q3 2015/2016	Q3 2014/2015	Sep-May 2015/2016	Sep-May 2014/2015	Latest 12 months June-May
<b>Result for the period</b>	<b>89</b>	<b>23</b>	<b>186</b>	<b>81</b>	<b>216</b>
<b>Items not to be recognised in income</b>					
Actuarial gains/losses	-	-	-	-	20
Tax relating to actuarial gains/losses	-	-	-	-	-4
<b>Total items not to be recognised in income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16</b>
<b>Items to be recognised in income</b>					
Cash flow hedges – value change	-5	-22	-1	42	-28
Cash flow hedges returned to profit	-2	-3	-14	-16	-14
Translation differences for the period	2	-1	1	-2	-3
Tax attributable to other comprehensive income	1	5	3	-6	9
<b>Total items to be recognised in income</b>	<b>-4</b>	<b>-21</b>	<b>-11</b>	<b>18</b>	<b>-36</b>
<b>Total comprehensive income attributable to parent company's shareholders</b>	<b>85</b>	<b>2</b>	<b>175</b>	<b>99</b>	<b>196</b>



## CONSOLIDATED BALANCE SHEET

Amounts in SEK million	2016-May-31	2015-May-31	2015-Aug-31
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets*	1 353	1 344	1 349
Tangible assets	435	453	459
Financial assets**	11	9	11
<b>Total non-current assets</b>	<b>1 799</b>	<b>1 806</b>	<b>1 819</b>
<b>Current assets</b>			
Inventories	729	612	725
Other operating receivables	146	166	138
Cash and cash equivalents	364	235	188
<b>Total current assets</b>	<b>1 239</b>	<b>1 013</b>	<b>1 051</b>
<b>Total assets</b>	<b>3 038</b>	<b>2 819</b>	<b>2 870</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>1 742</b>	<b>1 604</b>	<b>1 625</b>
<b>Non-current liabilities</b>			
Interest-bearing long-term liabilities	447	453	448
Non-interest-bearing long-term liabilities***	140	74	89
<b>Total non-current liabilities</b>	<b>587</b>	<b>527</b>	<b>537</b>
<b>Current liabilities</b>			
Interest-bearing current liabilities	12	27	22
Non-interest-bearing current liabilities	697	661	686
<b>Total current liabilities</b>	<b>709</b>	<b>688</b>	<b>708</b>
<b>Total equity and liabilities</b>	<b>3 038</b>	<b>2 819</b>	<b>2 870</b>
*of which goodwill	696	696	696
*of which trademarks	610	610	610
**of which deferred tax asset	11	9	11
***of which deferred tax liabilities	140	74	89

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK million	Q3 2015/2016	Q3 2014/2015	Sep-May 2015/2016	Sep-May 2014/2015	Sep-Aug 2014/2015
Opening equity	1 657	1 602	1 625	1 510	1 510
Dividend	-	-	-58	-56	-56
Employee Incentive Program	-	-	-	51	51
Total comprehensive income	85	2	175	99	120
<b>Closing equity</b>	<b>1 742</b>	<b>1 604</b>	<b>1 742</b>	<b>1 604</b>	<b>1 625</b>

## CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK million	Q3 2015/2016	Q3 2014/2015	Sep-May 2015/2016	Sep-May 2014/2015
<b>Cash flow from operating activities before changes in working capital</b>	<b>126</b>	<b>66</b>	<b>310</b>	<b>232</b>
Changes in working capital	76	128	-3	125
<b>Cash flow from operating activities</b>	<b>202</b>	<b>194</b>	<b>307</b>	<b>357</b>
Cash flow from investing activities	-15	-61	-73	-144
<b>Cash flow from investing activities</b>	<b>-15</b>	<b>-61</b>	<b>-73</b>	<b>-144</b>
Change in bank overdraft facility	-	-36	0	-16
Dividend	-	-	-58	-56
Employee Incentive Program	-	-	0	51
<b>Cash flow from financing activities</b>	<b>0</b>	<b>-36</b>	<b>-58</b>	<b>-21</b>
<b>Cash flow for the period</b>	<b>188</b>	<b>97</b>	<b>176</b>	<b>192</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>176</b>	<b>138</b>	<b>188</b>	<b>43</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>364</b>	<b>235</b>	<b>364</b>	<b>235</b>

## NUMBER OF STORES PER COUNTRY

	2016-May-31	2016-Feb-29	2015-Nov-30	2015-Aug-31	2015-May-31
Sweden	173	171	170	167	167
Norway	101	101	101	100	100
Finland	60	59	61	61	62
Poland	39	39	41	40	43
<b>Total</b>	<b>373</b>	<b>370</b>	<b>373</b>	<b>368</b>	<b>372</b>

## SALES PER COUNTRY

Amounts in SEK million	Q3 2015/2016	Q3 2014/2015	Change SEK %	Change local currency %
Sweden	679	627	8,4%	8,4%
Norway	303	288	5,1%	15,6%
Finland	141	136	4,0%	4,3%
Poland	71	81	-11,7%	-5,8%
<b>Total</b>	<b>1 195</b>	<b>1 132</b>	<b>5,6%</b>	<b>-</b>

Amounts in SEK million	Sep-May 2015/2016	Sep-May 2014/2015	Change SEK %	Change local currency %
Sweden	1 987	1 900	4,6%	4,6%
Norway	864	875	-1,3%	8,5%
Finland	408	419	-2,7%	-2,8%
Poland	217	245	-11,4%	-8,2%
<b>Total</b>	<b>3 476</b>	<b>3 439</b>	<b>1,1%</b>	<b>-</b>

## GEOGRAFIC REPORTING

Amounts in SEK million	Net sales Q3 2015/2016	Net sales Q3 2014/2015	Operating income Q3 2015/2016	Operating income Q3 2014/2015
Nordic countries	1 124	1 051	139	57
Other	71	81	-36	-15
<b>Total</b>	<b>1 195</b>	<b>1 132</b>	<b>103</b>	<b>42</b>

Amounts in SEK million	Net sales Sep-May 2015/2016	Net sales Sep-May 2014/2015	Operating income Sep-May 2015/2016	Operating income Sep-May 2014/2015
Nordic countries	3 259	3 194	317	198
Other	217	245	-66	-52
<b>Total</b>	<b>3 476</b>	<b>3 439</b>	<b>251</b>	<b>146</b>

## QUARTERLY INCOME STATEMENT

Amounts in SEK million	2015/2016			2014/2015				2013/2014				2012/2013				2011/2012			
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	1 165	1 116	1 195	1 174	1 133	1 132	1 149	1 243	1 114	1 201	1 185	1 245	1 148	1 210	1 148	1 193	1 119	1 146	1 129
Cost of goods sold	-401	-462	-420	-431	-478	-433	-490	-456	-471	-448	-482	-457	-516	-470	-494	-496	-538	-469	-485
<b>Gross profit</b>	<b>764</b>	<b>654</b>	<b>775</b>	<b>743</b>	<b>655</b>	<b>699</b>	<b>659</b>	<b>787</b>	<b>643</b>	<b>753</b>	<b>703</b>	<b>788</b>	<b>632</b>	<b>740</b>	<b>654</b>	<b>697</b>	<b>581</b>	<b>677</b>	<b>644</b>
Selling expenses	-597	-570	-614	-606	-604	-612	-563	-651	-603	-617	-598	-650	-636	-627	-575	-648	-685	-615	-579
Administrative expenses	-50	-53	-58	-42	-42	-45	-44	-37	-37	-35	-36	-34	-31	-49	-36	-33	-34	-33	-36
Other operating income	-	-	-	0	0	0	0	0	0	0	0	77	-1	0	0	-	-	-	-
<b>Operating profit</b>	<b>117</b>	<b>31</b>	<b>103</b>	<b>95</b>	<b>9</b>	<b>42</b>	<b>52</b>	<b>99</b>	<b>3</b>	<b>101</b>	<b>69</b>	<b>181</b>	<b>-36</b>	<b>64</b>	<b>43</b>	<b>16</b>	<b>-138</b>	<b>29</b>	<b>29</b>
Financial income	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0
Financial expenses	-2	-2	0	-8	-3	-5	-6	-12	-8	-38	-10	-43	-17	-21	-7	-26	-47	-34	-59
<b>Profit after financial items</b>	<b>115</b>	<b>29</b>	<b>103</b>	<b>87</b>	<b>6</b>	<b>37</b>	<b>47</b>	<b>87</b>	<b>-5</b>	<b>63</b>	<b>59</b>	<b>138</b>	<b>-53</b>	<b>43</b>	<b>36</b>	<b>-10</b>	<b>-185</b>	<b>-5</b>	<b>-30</b>
Taxes	-32	-15	-14	-26	-9	-14	-17	-25	-2	-21	-27	-23	-11	-11	-3	-1	22	-5	-10
<b>Net profit</b>	<b>83</b>	<b>14</b>	<b>89</b>	<b>61</b>	<b>-3</b>	<b>23</b>	<b>30</b>	<b>62</b>	<b>-7</b>	<b>42</b>	<b>32</b>	<b>115</b>	<b>-64</b>	<b>32</b>	<b>33</b>	<b>-11</b>	<b>-163</b>	<b>-10</b>	<b>-40</b>
Operating margin	10,0%	2,8%	8,6%	8,1%	0,8%	3,7%	4,5%	8,0%	0,3%	8,4%	5,8%	8,3%*	-3,1%	5,3%	3,7%	1,3%	-12,3%	2,5%	2,6%
Earnings per share after dilution, SEK	1,08	0,18	1,16	0,81	-0,04	0,30	0,39	0,83	-0,09	0,56	0,42	2,35	-0,85	0,43	0,09	-0,49	-3,33	-1,46	-0,82
Number of stores	373	370	373	377	373	372	368	389	379	378	377	395	391	392	390	381	381	386	388

\* excl. sales of property

## YEARLY INCOME STATEMENT

Amounts in SEK million	Sep-Aug 2014/2015	Sep-Aug 2013/2014	Sep-Aug 2012/2013	Sep-Aug 2011/2012	Sep-Aug 2010/2011
Net sales	4 588	4 743	4 751	4 587	4 974
Cost of goods sold	-1 832	-1 857	-1 937	-1 988	-2 048
<b>Gross profit</b>	<b>2 756</b>	<b>2 886</b>	<b>2 814</b>	<b>2 599</b>	<b>2 926</b>
Selling expenses	-2 385	-2 469	-2 488	-2 527	-2 560
Administrative expenses	-173	-145	-150	-136	-144
Other operating income	1)	-	76	-	-
<b>Operating profit</b>	<b>198</b>	<b>272</b>	<b>252</b>	<b>-64</b>	<b>222</b>
Financial income	1	0	1	0	1
Financial expenses	-22	-68	-88	-166	-72
<b>Profit after financial items</b>	<b>177</b>	<b>204</b>	<b>165</b>	<b>-230</b>	<b>151</b>
Taxes	-66	-75	-74	6	-83
<b>Net profit</b>	<b>111</b>	<b>129</b>	<b>91</b>	<b>-224</b>	<b>68</b>
Operating margin	4,3%	5,7%	5,3%	-1,4%	4,5%
Earnings per share, SEK	Note 2	1,45	1,71	1,32	-5,30

1) Capital gain sale of property Q1 2012/13

## PARENT COMPANY INCOME STATEMENT

Amounts in SEK million	Q3 2015/2016	Q3 2014/2015	Sep-May 2015/2016	Sep-May 2014/2015	Latest 12 months June-May
Net sales	10	5	21	15	31
<b>Gross profit</b>	<b>10</b>	<b>5</b>	<b>21</b>	<b>15</b>	<b>31</b>
Other operating charges	-12	-7	-27	-22	-44
<b>Operating profit</b>	<b>-2</b>	<b>-2</b>	<b>-6</b>	<b>-7</b>	<b>-13</b>
Result from participations in group companies	-	-	13	-	92
Financial income	4	4	7	10	10
Financial expenses	-7	-11	-18	-33	-28
<b>Profit after financial items</b>	<b>-5</b>	<b>-9</b>	<b>-4</b>	<b>-30</b>	<b>61</b>
Appropriations	-	-	-	-	-
<b>Profit after appropriations</b>	<b>-5</b>	<b>-9</b>	<b>-4</b>	<b>-30</b>	<b>61</b>
Taxes	1	2	3	7	-4
<b>Net profit</b>	<b>-4</b>	<b>-7</b>	<b>-1</b>	<b>-23</b>	<b>57</b>

## STATEMENT OF COMPREHENSIVE INCOME FOR THE PARENT COMPANY

Amounts in SEK million	Q3 2015/2016	Q3 2014/2015	Sep-May 2015/2016	Sep-May 2014/2015	Latest 12 months June-May
<b>Net profit/loss for the period</b>	<b>-4</b>	<b>-7</b>	<b>-1</b>	<b>-23</b>	<b>57</b>
<b>Items not to be recognised in income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total items not to be recognised in income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Items to be recognised in income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total items to be recognised in income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total other comprehensive income</b>	<b>-4</b>	<b>-7</b>	<b>-1</b>	<b>-23</b>	<b>57</b>

## PARENT COMPANY BALANCE SHEET

Amounts in SEK million	2016-May-31	2015-May-31	2015-Aug-31
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial assets	3 143	3 049	3 106
Deferred tax assets	4	7	-
<b>Total non-current assets</b>	<b>3 147</b>	<b>3 056</b>	<b>3 106</b>
<b>Current assets</b>			
Other operating receivables	255	285	282
Cash and cash equivalents	3	185	38
<b>Total current assets</b>	<b>258</b>	<b>470</b>	<b>320</b>
<b>Total assets</b>	<b>3 405</b>	<b>3 526</b>	<b>3 426</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>2 459</b>	<b>2 459</b>	<b>2 517</b>
<b>Total non-current liabilities</b>	<b>400</b>	<b>400</b>	<b>400</b>
<b>Current liabilities</b>			
Interest-bearing current liabilities	339	564	336
Non-interest-bearing current liabilities	207	103	173
<b>Total current liabilities</b>	<b>546</b>	<b>667</b>	<b>509</b>
<b>Total equity and liabilities</b>	<b>3 405</b>	<b>3 526</b>	<b>3 426</b>

## KEY RATIOS

		Q3 2015/2016	Q3 2014/2015	Sep-May 2015/2016	Sep-May 2014/2015	Latest 12 months June-May
Growth in sales		5,6%	-5,7%	1,1%	-3,3%	0,0%
Earnings per share before dilution, SEK	Note 2	1,16	0,30	2,42	1,07	2,81
Earnings per share after dilution, SEK	Note 2	1,16	0,30	2,42	1,06	2,81
Total depreciation/amortisation		31	34	94	99	130
Operating result (EBIT)		103	42	251	146	303
Gross margin		64,9%	61,7%	63,1%	61,0%	61,7%
Operating margin		8,6%	3,7%	7,2%	4,2%	6,6%
Operating margin excluding non-recurring items, %		8,6%	3,7%	7,2%	4,2%	6,8%
Interest coverage ratio		-	-	27,6	8,3	27,6
Net interest-bearing liabilities		95	245	95	245	95
Net interest-bearing liabilities/EBITDA		-	-	0,2	0,7	0,2
Equity/assets ratio		57,3%	56,9%	57,3%	56,9%	57,3%
Equity per share before dilution, SEK		22,68	21,15	22,68	21,15	22,68
Equity per share after dilution, SEK		22,68	21,07	22,68	21,07	22,68
Return on equity		-	-	-	-	12,4%
Return on capital employed		-	-	-	-	13,8%
Number of shares before dilution		76 820 380	76 820 380	76 820 380	75 831 280	76 820 380
Number of shares after dilution		76 820 380	76 820 380	76 820 380	76 121 210	76 820 380

## DEFINITIONS

Earnings per share	Profit after tax / 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 average equity
Return on capital employed	Operating profit/loss plus financial income in percentage of capital employed
Capital employed	Balance sheet total less non interest bearing deferred tax liability



## KAPPAHL'S 20 LARGEST SHAREHOLDERS, 31 MAY 2016

	Number of shares	Percentage of shares and votes 2016-May-31	Change compared with 2016-Feb-29
Mellby Gård AB	15 759 875	20,52	0
Handelsbanken fonder	5 153 158	6,71	19 501
Swedbank Robur fonder	4 002 768	5,21	8 000
Fidelity Funds - Nordic Fund	2 589 167	3,37	0
Lannebo fonder	2 471 227	3,22	79 957
Catella Fondförvaltning	2 016 099	2,62	2 800
Fjärde AP-fonden	1 993 393	2,59	0
Försäkringsaktiebolaget, Avanza Pension	1 808 038	2,35	-9 732
CBNY-Norges Bank	1 673 581	2,18	535
State street Bank	1 236 839	1,61	472 123
CBNY-DFA-INT SML CAP V	971 444	1,26	60 539
Liv & Pension, Nordea	935 476	1,22	-48 000
SEB S.A. Client Assets UCITS.	730 000	0,95	730 000
Robur Försäkring	720 467	0,94	81 355
Goldman Sachs International LTD, W8IM Y	640 211	0,83	-22 336
Tredje AP-fonden	606 688	0,79	0
Euroclear Bank S.A/N.V, W8-IM Y	602 180	0,78	36 853
Nordnet Pensionsförsäkring AB	595 009	0,77	47 551
Morgan Stanley and CO LLC, W9	578 132	0,75	285 456
BNYMSANV RE GCLB RE Barclays Capita	568 271	0,74	32 455
Övriga	31 168 357	40,59	-1 777 057
<b>Total</b>	<b>76 820 380</b>	<b>100,00</b>	<b>0,00</b>

## OTHER REMARKS

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### **Note 1 Accounting policies**

The Group applies International Financial Reporting Standards, IFRS, as adopted by the EU.

The accounting policies applied are consistent with what is stated in the annual report of 31 August 2015. A number of new standards and amendments of interpretations of existing standards came into force during the previous financial year. None of these is deemed to have any material effect on the Group's financial statements. The assessment includes IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of interests in other entities" and IFRIC 21 "Levies". For further information, please refer to the annual report. In January 2016 the IASB published a new standard on leases, IFRS 16 "Leases". It will replace IAS 17, "Leases". The standard is applicable on and after 1 January 2019 but early application is permitted. The Group has not yet applied the standard and not yet evaluated its effects.

This report was prepared in accordance with IAS 34. The report for the parent company was prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2, Accounting for Legal Entities.

KappAhl currently has no outstanding share-based incentive programmes.

### **Note 2 Calculation of earnings per share**

Earnings per share is restated for comparison periods. The number of shares has been adjusted to allow for the effect of the rights issue and reverse split of shares as well as redemption of warrants.

### **Note 3 Financial assets and liabilities measured at fair value**

The Group's financial instruments consist of trade receivables, other receivables, cash and cash equivalents, trade payables, interest-bearing liabilities and currency and interest derivatives. The derivatives are recognised at fair value based on level 2 inputs in the fair value hierarchy. The carrying amounts of trade receivables and trade payables represent a reasonable estimate of their fair values. Group loans are measured at amortised cost.

The Group uses derivative financial instruments to manage interest rate and currency risks. Hedge accounting is applied when there is an effective link between hedged flows and derivative financial instruments. The fair value of financial derivative instruments was SEK -1 (42) million for currency forwards and SEK -12 (-27) million for interest swaps. The Group hedges currency flows in USD, NOK and PLN for which currency forwards have maturities of up to 9 months.