



## IMPROVED PERFORMANCE

*“The 2016/2017 financial year was yet another step towards KappAhl’s financial targets – to achieve an operating margin of 10 per cent and a sales increase of 4 per cent over a business cycle.”*

*Read the CEO statement on the next page.*

- Sales in the quarter were unchanged, SEK 1,248 (1,248) million compared with the fourth quarter of the previous year and they increased by 4.1 per cent to SEK 4,916 (4,724) million during the year.
- The gross margin increased by 2.7 percentage points to 60.7 (58.0) per cent during the quarter and by 0.4 percentage points to 62.2 (61.8) per cent for the year.
- Investments increased to SEK 177 (120) million for the year.
- The operating margin for the quarter was 11.1 (7.9) per cent and 9.1 (7.4) per cent for the year.
- The Board of Directors proposes that a dividend of SEK 2.00 per share be distributed. In addition the Board of Directors proposes a distribution of assets of SEK 6.50 per share by means of a redemption procedure.

	Forth Quarter (June-Aug)			Twelve months (Sep-Aug)		
	2016/2017	2015/2016	Change	2016/2017	2015/2016	Change
Net sales, SEK million	1 248	1 248	0	4 916	4 724	192
Operating profit/loss, SEK million	139	99	40	448	350	98
Gross margin, %	60,7	58,0	2,7	62,2	61,8	0,4
Operating margin, %	11,1	7,9	3,2	9,1	7,4	1,7
Profit after tax, SEK million	141	59	82	364	245	119
Earnings per share, SEK	1,84	0,77	1,07	4,74	3,19	1,55
Cash flow from operating activities, SEK million	61	-3	64	572	304	268

For further information and images

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## DANNY FELTMANN, PRESIDENT: IMPROVED PERFORMANCE

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*Danny Feltmann*  
President and Chief  
Executive Officer

*KappAhl, founded in 1953 in Gothenburg, is one of the leading Nordic fashion chains with 370 KappAhl and Newbie stores in Sweden, Norway, Finland and Poland, as well as Shop Online.*

*Our mission is to offer value-for-money fashion of our own design with wide appeal. Today 53% of the company's products are sustainability labelled.*

*In 2016/2017 net sales were SEK 4.9 billion and the number of employees was about 4,000 in nine countries. KappAhl is listed on Nasdaq Stockholm.*

*More information at [www.kappahl.com](http://www.kappahl.com)*

The 2016/2017 financial year was yet another step towards KappAhl's financial targets – to achieve an operating margin of 10 per cent and a sales increase of 4 per cent over a business cycle. The operating margin for the year was 9.1 (7.4) per cent and sales increased by 4.1 per cent. An improved gross margin, leverage on costs and the restructuring programme in Poland are positive factors affecting the profit for the year.

**During the year several changes set in motion earlier have borne fruit.** These are mainly continued adjustments to the range, as well as price and campaign strategies that have had a positive impact on income and gross margin. Our cost control continues to be high. At the same time our positioning for the future has come more into focus and one sign of this is the almost 50 per cent increase in investments mainly consisting of store conversions and projects related to processes and IT compared with the previous year.

**Our efforts to strengthen customer relations** during the year gave our new range strategy Scandinavian Feminine for womenswear. Work on a strategy for menswear is in progress. Childrenswear is going strong. Four new KappAhl stores have opened, 21 have closed and 36 have been converted. Newbie Store is continuing to expand and at the end of August we had eleven stores on three out of four markets after the spring launch in Finland. A decision was made to expand Newbie Store to Poland and to a new market, the United Kingdom, in autumn 2017. We have also launched our popular club member app in Poland and it is now on all sales markets. We have also successfully launched a pilot project for Click&Collect and Shop Online in Store.

**In the fourth quarter the market was characterised by an increasing number of aggressive offers,** creating tough competition. Our strategy for maintaining sales at the best possible margins and achieving an improved inventory mix at the close of the quarter brought results; at the end of the quarter the inventory level was SEK 94 million (a reduction of 11,4 per cent) lower than at the close of the corresponding quarter in the previous year. Profit for the quarter also benefits from lower costs after the completed readjustment programme in Poland.

**Our ambitious sustainability work is continuing.** During the year we increased our share of sustainability labelled fashion to 53 (38) per cent. A relevant part is our investment in denim that is made of more sustainable cotton and has lower water and chemical use in the production process. During the year we presented Make it Feel Right, six films on sustainability aimed at guiding our customers to a more sustainable wardrobe. As one of the initiators of the successful industry initiative One Bag Habit we have drawn customers' attention to the need to reduce consumption of bags. More than half of our customers now refrain from buying a bag.

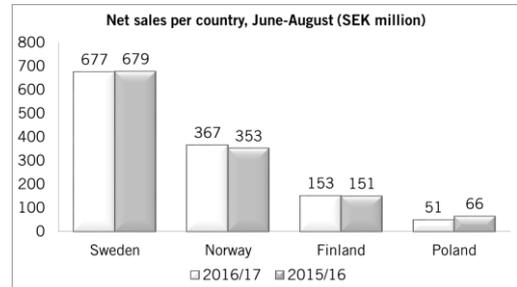
We have confirmation that our efforts are having an effect and our **development work is now continuing at a sustained pace.** The pace of investment will probably continue to be high as we adapt the store network and develop omni-channel services. The exciting expansion of Newbie Stores continues, in existing markets and to the United Kingdom. A guiding star in the ongoing work is the right fashion for our customer, when and how the customer chooses. **The goal is for KappAhl to be the first-hand choice.** thus laying the foundation for continued growth. We are continuing this journey with great enthusiasm.

Danny Feltmann  
President and Chief Executive Officer

## COMMENTS ON THE FOURTH QUARTER

### Net sales and profit

KappAhl's net sales for the quarter were SEK 1,248 (1,248) million. This is explained by the effect of new and closed stores, -0.6 per cent; change in comparable stores, -0.5 per cent; and currency translation differences totalling 1.0 per cent.



Gross profit for the quarter was SEK 757 (724) million, which corresponds to a gross margin of 60.7 (58.0) per cent.

Selling and administrative expenses for the quarter were SEK 618 (625) million.

The operating profit was SEK 139 (99) million, equivalent to an operating margin of 11.1 (7.9) per cent.

Depreciation according to plan was SEK 31 (37) million.

Net financial income was SEK -15 (-4) million for the quarter. Profit before tax was SEK 124 (95) million and profit after tax was SEK 141 (59) million. Earnings per share for the quarter were SEK 1.84 (0.77).

## 3.2%

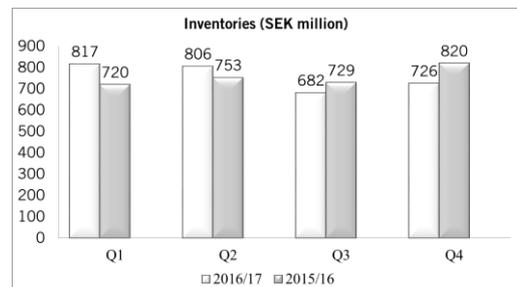
Increased operating margin

### Taxes

The Group has net deferred tax assets of SEK 58(30) million and deferred tax liabilities of SEK 148 (151) million. The change in deferred tax assets mainly refers to revaluation of tax losses in Finland.

### Inventories

At the close of the period inventories amounted to SEK 726 (820) million, a decrease of 11.5 per cent compared with the previous year. The decrease in inventories is mainly due to an increased inventory turnover rate.



### Cash flow

KappAhl's cash flow from operating activities before changes in working capital was SEK 159 (129) million. The improvement mainly refers to a higher operating profit. Cash flow from changes in working capital was SEK -98 (-132) million and has mainly been impacted by decreased inventories. The change in inventories is mainly related to an increased inventory turnover rate.

Cash flow from investing activities was SEK -35 (-47) million.

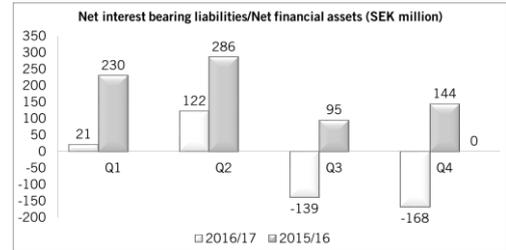
67.5%

Equity-assets ratio

## Financing and liquidity

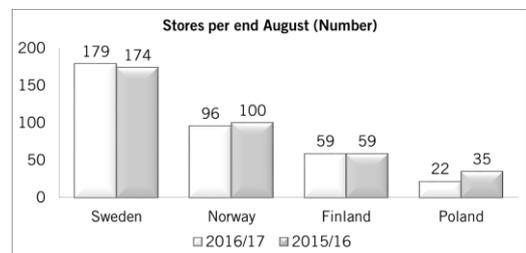
At the close of the period net financial assets amounted to SEK 168 million compared with net interest bearing liabilities of SEK 144 million in the previous year. Net financial assets/EBITDA amounted to -0.3 at the close of the period, compared with net interest-bearing liabilities/EBITDA of 0.3 as at 31 August 2016. The equity/assets ratio increased to 67.4 (58.1) per cent.

Cash and cash equivalents amounted to SEK 238 (314) million as at 31 August 2017. At the period close there were unutilised credit facilities of about SEK 975 (590) million.



## Store network and expansion

At the close of the period the total number of stores was 356 (368). Of these, 179 were in Sweden, 96 in Norway, 59 in Finland and 22 in Poland. One store was 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

Parent company net sales for the quarter were SEK 10 (5) million and profit before tax was SEK -447 (15) million. Impairment losses of SEK 461 (0) million on investments in subsidiaries were recognised.

## COMMENTS ON THE FULL YEAR

### 1.6 %

Increased sales in comparable stores

### Net sales and profit

KappAhl's net sales were SEK 4,916 (4,724) million for the full year. This is an increase of 4.1 per cent compared with the previous year. This is explained by the effect of new and closed stores, 0.5 per cent; change in comparable stores,

1.6 per cent and currency translation differences, 2.0 per cent.

Gross profit for the full year was SEK 3,056 (2,918) million, which corresponds to a gross margin of 62.2 (61.8) per cent.

Selling and administrative expenses for the full year amounted to SEK 2,608 (2,568) million.

The operating profit was SEK 448 (350) million, equivalent to an operating margin of 9.1 (7.4) per cent.

Depreciation was SEK 124 (131) million.

Net financial income was SEK -21 (-9) million for the full year. The change in net financial income is mainly due to increased other financial expenses. Profit before tax was SEK 427 (341) million and profit after tax was SEK 364 (245) million.

Earnings per share for the full year were SEK 4.74 (3.19).



### Cash flow

KappAhl's cash flow from operating activities before changes in working capital was SEK 529 (439) million for the year. The improvement mainly refers to a higher operating profit. Cash flow from changes in working capital was SEK 43 (-135) million and has mainly been impacted by decreased inventories. The change in inventories is mainly related to an increased inventory turnover rate. Cash flow from investing activities was SEK -177 (-120) million. Cash flow from financing activities was SEK -471 (-58) million. The change in relation to the previous year was mainly attributable to amortisation of long-term debt and payment of a higher dividend than the previous year.

### Investments

Investments of SEK 177 (120) million were made during the period, mainly referring to investments in existing and newly opened stores and process and IT related investments.

### Parent company

Parent company net sales for the full year were SEK 30 (23) million and the pre-tax profit was SEK -415 (12) million. Impairment losses of SEK 461 (0) million on shares in subsidiaries were recognised.

## OTHER INFORMATION

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### Related party transactions

There were no transactions with related parties in the fourth quarter.

### 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 2015/2016. The risks include competition in the fashion industry, economic fluctuations, fashion trends, weather conditions, store locations, store expansion and significant exchange rate fluctuations in currencies important for the company. Moreover, the company has a customer-oriented business model where customer purchase patterns and behaviour are constantly analysed. 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 2015/2016, Note 18. The reported risks are otherwise deemed to be unchanged in all essentials.

### Post balance sheet events

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

### Annual General Meeting

The Annual General Meeting will be held at the company's head office in Mölndal on 5 December, at 10.00. The annual report will be available on the company's website on 8 November. The Board of Directors proposes that a dividend of SEK 2.00 per share be distributed as well as a further distribution of assets of SEK 6.50 per share by means of a redemption procedure.

This report has not been reviewed by the company's auditors. 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.

*Mölndal, 13 October 2017*

KappAhl AB (publ)

Anders Bülow, *Chairman*

Pia Rudengren

Susanne Holmberg

Göran Bille

Kicki Olivensjö

Cecilia Kocken

Melinda Hedström

Michael Bjerregaard Jensen

Danny Feltmann, *President and Chief Executive Officer*

*This information is information that KappAhl AB is obliged to disclose pursuant to the EU Market Abuse Regulation and the Securities Market Act. The information was released for public disclosure through the agency of President and CEO Danny Feltmann on 12 October 2017 at 07.30 CET.*

### Financial calendar

Annual General Meeting	5 December 2017	Second quarter 17/18 (Dec-Feb)	23 March 2018
First quarter 17/18 (Sept-Nov)	20 December 2017	Third quarter 17/18 (March-May)	27 June 2018

### Presentation of the report

A presentation of the report, which will also be made available via the web and as a telephone conference, will be given for analysts, media and investors today at 09.00 at Helio T-House Engelbrektsplan 1 in Stockholm. To notify attendance at the event please email [hearings@financialhearings.com](mailto:hearings@financialhearings.com). To participate by telephone please call +46 8 566 426 90 about 5 minutes before the start.

## CONSOLIDATED INCOME STATEMENT

Amounts in SEK million	Q4 2016/2017	Q4 2015/2016	Sep-Aug 2016/2017	Sep-Aug 2015/2016	Latest 12 months Sep-Aug
Net sales	1 248	1 248	4 916	4 724	4 916
Cost of goods sold	-491	-524	-1 860	-1 806	-1 860
<b>Gross profit</b>	<b>757</b>	<b>724</b>	<b>3 056</b>	<b>2 918</b>	<b>3 056</b>
Selling expenses	-568	-574	-2 403	-2 356	-2 403
Administrative expenses	-50	-51	-205	-212	-205
Other operating income	-	0	-	0	-
Other operating expenses	0	0	0	0	0
<b>Operating profit</b>	<b>139</b>	<b>99</b>	<b>448</b>	<b>350</b>	<b>448</b>
Financial income	0	1	1	1	1
Financial expenses	-15	-5	-22	-10	-22
<b>Total net financial expense</b>	<b>-15</b>	<b>-4</b>	<b>-21</b>	<b>-9</b>	<b>-21</b>
<b>Profit/loss before taxes</b>	<b>124</b>	<b>95</b>	<b>427</b>	<b>341</b>	<b>427</b>
Taxes	17	-36	-63	-96	-63
<b>Net profit/loss for the period</b>	<b>141</b>	<b>59</b>	<b>364</b>	<b>245</b>	<b>364</b>
Profit attributable to parent company shareholders	141	59	364	245	364
Earnings per share, SEK	Note 2 1,84	0,77	4,74	3,19	4,74

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK million	Q4 2016/2017	Q4 2015/2016	Sep-Aug 2016/2017	Sep-Aug 2015/2016	Latest 12 months Sep-Aug
<b>Net profit/loss for the period</b>	<b>141</b>	<b>59</b>	<b>364</b>	<b>245</b>	<b>364</b>
<b>Items not to be recognised in net profit for the year</b>					
Actuarial gains/losses	-2	-8	-2	-8	-2
Tax relating to actuarial gains/losses	-	2	-	2	-
<b>Total items not to be recognised in net profit for the year</b>	<b>-2</b>	<b>-6</b>	<b>-2</b>	<b>-6</b>	<b>-2</b>
<b>Items to be recognised in income</b>					
Cash flow hedges – value change	-27	10	-27	9	-27
Cash flow hedges returned to profit	0	-1	-9	-15	-9
Translation differences for the period	2	2	-1	3	-1
Tax attributable to other comprehensive income	6	-1	8	2	8
<b>Total items that have been reposted or may be reposted to the net profit for the year</b>	<b>-19</b>	<b>10</b>	<b>-29</b>	<b>-1</b>	<b>-29</b>
<b>Total comprehensive income attributable to parent company's shareholders</b>	<b>120</b>	<b>63</b>	<b>333</b>	<b>238</b>	<b>333</b>

## CONSOLIDATED BALANCE SHEET

Amounts in SEK million	2017-Aug-31	2016-Aug-31
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets*	1 369	1 351
Tangible assets	436	429
Deferred tax assets	58	30
<b>Total non-current assets</b>	<b>1 863</b>	<b>1 810</b>
<b>Current assets</b>		
Inventories	726	820
Other operating receivables	201	164
Cash and cash equivalents	238	314
<b>Total current assets</b>	<b>1 165</b>	<b>1 298</b>
<b>Total assets</b>	<b>3 028</b>	<b>3 108</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>2 042</b>	<b>1 805</b>
<b>Non-current liabilities</b>		
Interest-bearing long-term liabilities	45	448
Deferred tax liabilities	148	151
<b>Total non-current liabilities</b>	<b>193</b>	<b>599</b>
<b>Current liabilities</b>		
Interest-bearing current liabilities	25	10
Non-interest-bearing current liabilities	768	694
<b>Total current liabilities</b>	<b>793</b>	<b>704</b>
<b>Total equity and liabilities</b>	<b>3 028</b>	<b>3 108</b>
*of which goodwill	696	696
*of which trademarks	610	610

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK million	Q4 2016/2017	Q4 2015/2016	Sep-Aug 2016/2017	Sep-Aug 2015/2016
<b>Opening equity</b>	<b>1 922</b>	<b>1 742</b>	<b>1 805</b>	<b>1 625</b>
Net profit/loss for the year	141	59	364	245
<b>Other comprehensive income</b>				
Cash flow hedges - value changes	-27	10	-27	9
Cash flow hedges - recognized in income	0	-1	-9	-15
Year's translation differences	2	2	-1	3
Actuarial gains/losses	-2	-8	-2	-8
Tax attributable to item in other comprehensive income	6	1	8	4
<b>Total comprehensive income</b>	<b>120</b>	<b>63</b>	<b>333</b>	<b>238</b>
<b>Transactions with shareholders</b>				
Dividend	-	-	-96	-58
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-96</b>	<b>-58</b>
<b>Closing equity</b>	<b>2 042</b>	<b>1 805</b>	<b>2 042</b>	<b>1 805</b>

## CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK million	Q4 2016/2017	Q4 2015/2016	Sep-Aug 2016/2017	Sep-Aug 2015/2016
Cash flow from operating activities before changes in working capital	159	129	529	439
Changes in working capital	-98	-132	43	-135
<b>Cash flow from operating activities</b>	<b>61</b>	<b>-3</b>	<b>572</b>	<b>304</b>
Cash flow from investing activities	-35	-47	-177	-120
<b>Cash flow from investing activities</b>	<b>-35</b>	<b>-47</b>	<b>-177</b>	<b>-120</b>
Change in bank overdraft facility	7	-	-375	-
Dividend	-	-	-96	-58
<b>Cash flow from financing activities</b>	<b>7</b>	<b>-</b>	<b>-471</b>	<b>-58</b>
<b>Cash flow for the period</b>	<b>33</b>	<b>-50</b>	<b>-76</b>	<b>126</b>
Cash and cash equivalents at beginning of the period	205	364	314	188
<b>Cash and cash equivalents at the end of the period</b>	<b>238</b>	<b>314</b>	<b>238</b>	<b>314</b>

## PARENT COMPANY INCOME STATEMENT

Amounts in SEK million	Q4 2016/2017	Q4 2015/2016	Sep-Aug 2016/2017	Sep-Aug 2015/2016	Latest 12 months Sep-Aug
Net sales	10	5	30	23	30
<b>Gross profit</b>	<b>10</b>	<b>5</b>	<b>30</b>	<b>23</b>	<b>30</b>
Other operating charges	-9	-10	-37	-34	-37
<b>Operating profit</b>	<b>1</b>	<b>-5</b>	<b>-7</b>	<b>-11</b>	<b>-7</b>
Result from participations in group companies	-453	26	-404	39	-405
Financial income	1	5	4	13	8
Financial expenses	4	-11	-8	-29	-11
<b>Profit/loss before taxes</b>	<b>-447</b>	<b>15</b>	<b>-415</b>	<b>12</b>	<b>-415</b>
Taxes	-3	-3	1	0	1
<b>Net profit/loss for the period</b>	<b>-450</b>	<b>12</b>	<b>-414</b>	<b>12</b>	<b>-414</b>

## STATEMENT OF COMPREHENSIVE INCOME FOR THE PARENT COMPANY

Amounts in SEK million	Q4 2016/2017	Q4 2015/2016	Sep-Aug 2016/2017	Sep-Aug 2015/2016	Latest 12 months Sep-Aug
<b>Net profit/loss for the period</b>	<b>-450</b>	<b>12</b>	<b>-414</b>	<b>12</b>	<b>-414</b>
Items not to be recognised in net profit for the year	-	-	-	-	-
<b>Total items not to be recognised in net profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Items to be recognised in income	-	-	-	-	-
<b>Total items to be recognised in income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total other comprehensive income</b>	<b>-450</b>	<b>12</b>	<b>-414</b>	<b>12</b>	<b>-414</b>

## PARENT COMPANY BALANCE SHEET - SUMMARY

Amounts in SEK million	2017-Aug-31	2016-Aug-31
<b>ASSETS</b>		
<b>Non-current assets</b>		
Financial assets	2 711	3 144
Deferred tax assets	1	-
<b>Total non-current assets</b>	<b>2 712</b>	<b>3 144</b>
<b>Current assets</b>		
Other operating receivables	37	287
Cash and cash equivalents	16	3
<b>Total current assets</b>	<b>53</b>	<b>290</b>
<b>Total assets</b>	<b>2 765</b>	<b>3 434</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>1 961</b>	<b>2 471</b>
<b>Non-current liabilities</b>		
Interest-bearing long-term liabilities	-	400
<b>Total non-current liabilities</b>	<b>-</b>	<b>400</b>
<b>Current liabilities</b>		
Interest-bearing current liabilities	-	354
Non-interest-bearing current liabilities	804	209
<b>Total current liabilities</b>	<b>804</b>	<b>563</b>
<b>Total equity and liabilities</b>	<b>2 765</b>	<b>3 434</b>

## NOTES

### **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 2016. Several standards, interpretations and amendments have been published that are not yet in force or adopted by the EU.

IFRS 9 "Financial Instruments" will replace the current IAS 39 "Financial Instruments: Recognition and measurement". The company management assesses that application of IFRS 9 will impact the Group's financial statements. KappAhl has not yet finished analysing the consequences IFRS 9 will have for its own operations, but work is in progress. The standard is applicable to financial years starting on or after 1 January 2018.

IFRS 15 "Revenue from contracts with customers" will replace IAS 18 "Revenue" and IAS 11 "Construction contracts" and will come into force on 1 January 2018. The current assessment by the company's management is that the standard will not entail any material difference for the Group.

IFRS 16 "Leases" will replace IAS 17 "Leases". The standard comes into force on 1 January 2019 but early application is permitted. The company management assesses that the standard will have a material effect on the Group's reported assets and liabilities referring to the Group's tenancy agreements for premises, but has not yet quantified its effects. For further information please refer to the annual report.

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, currency derivatives and interest rate derivatives. The carrying amounts of trade receivables and trade payables are considered to represent a reasonable estimate of their fair values. Group loans are measured at amortised cost.

#### **Fair value hierarchy:**

The Group holds financial instruments in the form of interest rate derivatives and currency derivatives that are recorded at fair value in the balance sheet. Fair value measurement of currency forwards is based on published forward rates on an active market. Measurement of currency options is based on observable data such as risk-free interest and volatility. Measurement of interest swaps is based on forward rates derived from observed yield curves. The derivatives are recognised at fair value based on level 2 inputs in the fair value hierarchy.

The Group uses the following hierarchy to classify the instruments on the basis of the valuation technique:

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

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 -27 (9) million for currency forwards, SEK -2 (0) million for currency options and SEK -0 (-10) million for interest swaps. The Group hedges currency flows in USD using currency derivatives with maturities of up to 6 months.

## NUMBER OF STORES PER COUNTRY

	2017-Aug-31	2017-May-31	2017-Feb-28	2016-Nov-30	2016-Aug-31
Sweden	179	178	176	176	174
Norway	96	97	98	101	100
Finland	59	59	58	59	59
Poland	22	23	25	32	35
<b>Total</b>	<b>356</b>	<b>357</b>	<b>357</b>	<b>368</b>	<b>368</b>

## SALES PER COUNTRY

Amounts in SEK million	Q4 2016/2017	Q4 2015/2016	Change SEK %	Change local currency %
Sweden	677	679	-0,3%	-0,3%
Norway	367	352	4,3%	2,3%
Finland	153	151	1,3%	-1,1%
Poland	51	66	-22,7%	-26,0%
<b>Total</b>	<b>1 248</b>	<b>1 248</b>	<b>-0,1%</b>	<b>-</b>

Amounts in SEK million	Sep-Aug 2016/2017	Sep-Aug 2015/2016	Change SEK %	Change local currency %
Sweden	2 760	2 666	3,5%	3,5%
Norway	1 333	1 216	9,6%	4,0%
Finland	584	559	4,5%	1,4%
Poland	239	282	-15,2%	-18,6%
<b>Total</b>	<b>4 916</b>	<b>4 724</b>	<b>4,1%</b>	<b>-</b>

## GEOGRAFIC REPORTING

Amounts in SEK million	Net sales Q4 2016/2017	Net sales Q4 2015/2016	Operating income Q4 2016/2017	Operating income Q4 2015/2016
Nordic countries	1 197	1 182	142	122
Other	51	66	-3	-23
<b>Total</b>	<b>1 248</b>	<b>1 248</b>	<b>139</b>	<b>99</b>

Amounts in SEK million	Net sales Sep-Aug 2016/2017	Net sales Sep-Aug 2015/2016	Operating income Sep-Aug 2016/2017	Operating income Sep-Aug 2015/2016
Nordic countries	4 677	4 441	481	440
Other	239	282	-33	-90
<b>Total</b>	<b>4 916</b>	<b>4 724</b>	<b>448</b>	<b>350</b>

## QUARTERLY INCOME STATEMENT

Amounts in SEK million	2016/2017				2015/2016				2014/2015				2013/2014				2012/2013			
	Q1	Q2	Q3	Q4																
Net sales	1 261	1 189	1 217	1 248	1 165	1 116	1 195	1 248	1 174	1 133	1 132	1 149	1 243	1 114	1 201	1 185	1 245	1 148	1 210	1 148
Cost of goods sold	-437	-489	-442	-491	-401	-462	-420	-524	-431	-478	-433	-490	-456	-471	-448	-482	-457	-516	-470	-494
<b>Gross profit</b>	<b>824</b>	<b>700</b>	<b>775</b>	<b>757</b>	<b>764</b>	<b>654</b>	<b>775</b>	<b>724</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>
Selling expenses	-626	-602	-606	-568	-597	-570	-614	-574	-606	-604	-612	-563	-651	-603	-617	-598	-650	-636	-627	-575
Administrative expenses	-54	-51	-50	-50	-50	-53	-58	-51	-42	-42	-45	-44	-37	-37	-35	-36	-34	-31	-49	-36
Other operating income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	77	-1	-	-
<b>Operating profit</b>	<b>144</b>	<b>47</b>	<b>119</b>	<b>139</b>	<b>117</b>	<b>31</b>	<b>103</b>	<b>99</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>
Financial income	4	4	0	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0
Financial expenses	-5	0	-9	-15	-2	-2	0	-5	-8	-3	-5	-6	-12	-8	-38	-10	-43	-17	-21	-7
<b>Total net financial expense</b>	<b>-1</b>	<b>4</b>	<b>-9</b>	<b>-15</b>	<b>-2</b>	<b>-2</b>	<b>0</b>	<b>-4</b>	<b>-8</b>	<b>-3</b>	<b>-5</b>	<b>-5</b>	<b>-12</b>	<b>-8</b>	<b>-38</b>	<b>-10</b>	<b>-43</b>	<b>-17</b>	<b>-21</b>	<b>-7</b>
<b>Profit/loss before taxes</b>	<b>143</b>	<b>51</b>	<b>110</b>	<b>124</b>	<b>115</b>	<b>29</b>	<b>103</b>	<b>95</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>
Taxes	-36	-17	-29	17	-32	-15	-14	-36	-26	-9	-14	-17	-25	-2	-21	-27	-23	-11	-11	-29
<b>Net profit</b>	<b>107</b>	<b>34</b>	<b>81</b>	<b>141</b>	<b>83</b>	<b>14</b>	<b>89</b>	<b>59</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>7</b>
Operating margin	11,4%	4,0%	9,8%	11,1%	10,0%	2,8%	8,6%	7,9%	8,1%	0,8%	3,7%	4,5%	8,0%	0,3%	8,4%	5,8%	8,3%*	-3,1%	5,3%	3,7%
Earnings per share, SEK	1,39	0,44	1,05	1,84	1,08	0,18	1,16	0,77	0,81	-0,04	0,30	0,39	0,83	-0,09	0,56	0,42	2,35	-0,85	0,43	0,09
Number of stores	368	357	357	356	373	370	373	368	377	373	372	368	389	379	378	377	395	391	392	390

\* excl. sales of property

## YEARLY INCOME STATEMENT

Amounts in SEK million	Sep-Aug 2016/2017	Sep-Aug 2015/2016	Sep-Aug 2014/2015	Sep-Aug 2013/2014	Sep-Aug 2012/2013
Net sales	4 916	4 724	4 588	4 743	4 751
Cost of goods sold	-1 860	-1 806	-1 832	-1 857	-1 937
<b>Gross profit</b>	<b>3 056</b>	<b>2 918</b>	<b>2 756</b>	<b>2 886</b>	<b>2 814</b>
Selling expenses	-2 403	-2 356	-2 385	-2 469	-2 488
Administrative expenses	-205	-212	-173	-145	-150
Other operating income	1)	-	-	-	76
<b>Operating profit</b>	<b>448</b>	<b>350</b>	<b>198</b>	<b>272</b>	<b>252</b>
Financial income	1	1	1	0	1
Financial expenses	-22	-10	-22	-68	-88
<b>Total net financial expense</b>	<b>-21</b>	<b>-9</b>	<b>-21</b>	<b>-68</b>	<b>-87</b>
<b>Profit/loss before taxes</b>	<b>427</b>	<b>341</b>	<b>177</b>	<b>204</b>	<b>165</b>
Taxes	-63	-96	-66	-75	-74
<b>Net profit/loss for the year</b>	<b>364</b>	<b>245</b>	<b>111</b>	<b>129</b>	<b>91</b>
Operating margin	9,1%	7,4%	4,3%	5,7%	5,3%
Earnings per share after dilution, SEK	Note 2	4,74	3,19	1,45	1,32

1) Capital gain sale of property Q1 2012/13

## DEFINITIONS

Some information in this report used by company management and analysts to assess the Group's development has not been prepared in accordance with IFRS.

The company management considers that this information makes it easier for investors to analyse the Group's performance and financial structure. Investors should regard this information as a complement to rather than a replacement for financial reporting in accordance with IFRS.

## DEFINITIONS

Key figures and ratios	Definition/calculation	Purpose
<b>Margins</b>		
Gross margin	Gross profit as a percentage of net sales	Gross margin is used to measure profitability of goods distribution
Operating margin	Operating profit as a percentage of net sales	Operating margin is used to measure operative profitability
<b>Return</b>		
Return on equity	12-month rolling profit for the period as a percentage of average equity	This key ratio shows return on owners' invested capital from the point of view of the owners
Return on capital employed	12-months rolling operating profit plus financial income as a percentage of capital employed	This key ratio is the central measure of return on all capital used in the business
<b>Capital structure</b>		
Net interest-bearing liabilities	Interest-bearing liabilities minus cash and cash equivalents	Used to measure the capacity for repaying interest-bearing liabilities with available cash and cash equivalents if these fell due on the date of the calculation
Net interest-bearing liabilities/EBITDA (multiple)	Net interest bearing liabilities / EBITDA for immediately preceding twelve-month period	Net debt / EBITDA gives an estimate of the company's capacity to pay its interest bearing liabilities
Equity-assets ratio	Equity / balance sheet total at the close of the period	This key ratio shows financial risk, expressed as the proportion of total capital that is financed by the owners
Average equity	Equity at the close of the period and equity at the close of the period of comparison in the previous year, divided by two	Average equity is used when calculating the key ratio return on equity
Capital employed	Balance sheet total less non-interest bearing debt including deferred tax liabilities at the close of the period and for the period of comparison in the previous	Capital employed measures the use of capital and effectiveness
<b>Data per share</b>		
Equity per share	Equity / number of shares	Equity per share measures the company's net value per share and determines whether a company increases the shareholders' wealth over time
Earnings per share	Profit after tax / average number of shares	This key ratio is used to assess the development of the investment from the point of view of the owners
Earnings per share after dilution	Profits after tax / average number of shares after full dilution	This key ratio is used to assess the development of the investment from the point of view of the owners
<b>Other definitions</b>		
Gross profit	Net sales less cost of goods sold	Gross profit is used to measure profitability of goods distribution
Operating profit (EBIT)	Profit before net financial income and income tax (EBIT= earnings before interest and taxes)	This key ratio makes it possible to compare profitability regardless of corporate tax rate and independent of the company's financing structure
Operating profit (EBITDA)	Operating profit before amortisation and impairment (EBITA = earnings before interest, tax, depreciation and amortisation)	This key ratio is used to measure cash flow from operating activities, regardless of the effects of financing and valuation of non-current assets
Sales in comparable stores	Change in sales in comparable units (on a like-for-like basis) after adjustment for opened/closed stores and foreign exchange effects	This key ratio makes it possible to analyse sales excluding opened/closes stores and foreign exchange effects
Interest coverage ratio (multiple)	Operating profit plus interest income / interest expense, for the preceding twelve—month period	This key ratio shows the company's capacity to cover its financial expenses
Overhead expenses as a percentage of sales	Selling expenses and administration expenses / Net sales	The key ratio shows shows the realiton of the company's overhead expenses to sales

## KEY RATIOS

	Q4 2016/2017	Q4 2015/2016	Sep-Aug 2016/2017	Sep-Aug 2015/2016	Latest 12 months Sep-Aug
Earnings per share, SEK	1,84	0,77	4,74	3,19	4,74
Total depreciation	31	37	124	131	124
Operating result (EBIT)	139	99	448	350	448
Gross margin	60,7%	58,0%	62,2%	61,8%	62,2%
Operating margin	11,1%	7,9%	9,1%	7,4%	9,1%
Interest coverage ratio	-	-	20,4	35,1	20,4
Net interest-bearing liabilities	-168	144	-168	144	-168
Net interest-bearing liabilities/EBITDA	-	-	-0,3	0,3	-0,3
Equity/assets ratio	67,4%	58,1%	67,4%	58,1%	67,4%
Equity per share, SEK	26,58	23,50	26,58	23,50	26,58
Return on equity	-	-	18,9%	14,3%	18,9%
Return on capital employed	-	-	19,2%	16,1%	19,2%
Number of shares	76 820 380	76 820 380	76 820 380	76 820 380	76 820 380

## KAPPAHL'S 20 LARGEST SHAREHOLDERS, 31 AUGUST 2017

	Number of shares	Percentage of shares and votes 2017-May-31	Change compared with 2017-Feb-28
Mellby Gård AB	18 759 875	24,42	3 000 000
Swedbank Robur fonder	4 554 828	5,93	0
Handelsbanken fonder	3 587 851	4,67	4 593
Fidelity Funds - Nordic Fund	3 311 004	4,31	618 535
MSIL IPB Client Account	1 614 668	2,10	51 313
SEB Investment Management	1 466 299	1,91	38 957
State street Bank	1 426 932	1,86	268 922
CBNY-DFA-INT SML CAP V	1 415 666	1,84	0
CBLDN-OM GLBAL Investors Series PLC	1 333 200	1,74	11 458
Livförsäkringsbolaget Skandia ÖMS	1 206 315	1,57	0
Nordea Livförsäkring Sverige AB	1 078 600	1,40	192 330
Försäkringsaktiebolaget, Avanza Pension	1 054 995	1,37	-10 354
BNYMSANV RE GCLB RE BNY GCM CLIENT	968 139	1,26	-25 370
BNYMSANV RE GCLB RE BNY GCM CLIENT	912 570	1,19	769 323
Nordea Investment Funds	883 529	1,15	102 335
CBNY-Norges Bank	852 036	1,11	-23 732
DB LDN GPF CLT OMNI FULL TAX	808 084	1,05	78 300
JP Morgan Bank Luxembourg S.A.	690 021	0,90	-306 348
JP Morgan Securities LLC, W9	640 469	0,83	-333 000
Tredje AP-Fonden	580 488	0,76	-96 211
Other	29 674 811	38,63	-4 341 051
<b>Total</b>	<b>76 820 380</b>	<b>100,00</b>	<b>0,00</b>