



KappAhl

Q2 2005/06 Results Presentation

30 March, 2006

KappAhl

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Business highlights – Q2 2005/06

- Continued good business climate with positive development in all markets
 - Strong private spending levels
- KappAhl's offering has strong appeal as a Christmas gift destination for the whole family
- Strong development within children's business
- Discontinued cosmetics sales in Norway

Business highlights – Q2 2005/06 (cont'd)

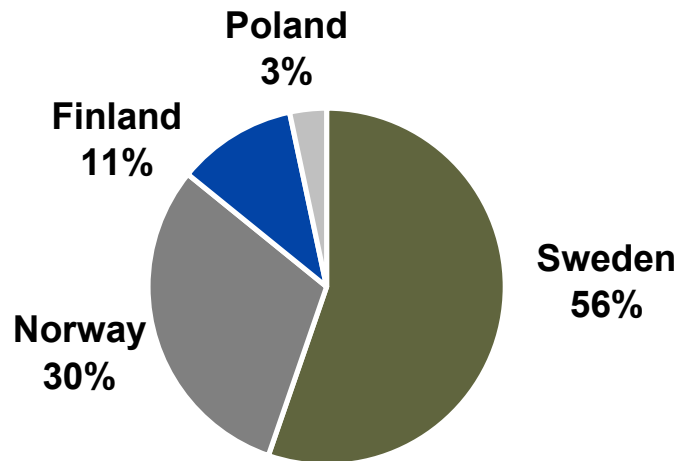
- Store expansion program on track with 15-20 stores annually for this and next year
 - 12 new stores opened during H1 2005/06, 1 closed
 - Target for full year 2005/06 is 20 openings and 3-4 closures
 - 10 new contracts signed in Q2, for a total of 28 planned new stores
- Successful IPO on the SSE with the first day of trading on 23 February

Financial highlights – Q2 2005/06

- Sales increased by 7.7% to SEK 1 026m (SEK 953m)
- Gross profit in the quarter was up by 13.7% to SEK 589m (SEK 518m)
 - Gross margin improved to 57.4% (54.4%)
- Operating profit increased by 39.7% to SEK 88m (SEK 63m)
 - Operating margin of 8.6% (6.6%)
- Net profit SEK 19m (SEK 45m) or SEK 0.25 per share (SEK 0.60)
 - Q2 2005/06 Net profit impacted by SEK 40m one-off IPO costs (SEK 20m) and refinancing (SEK 20m)
 - Positive tax impact in Q2 2004/05 due to adjustment of deferred tax

Sales breakdown

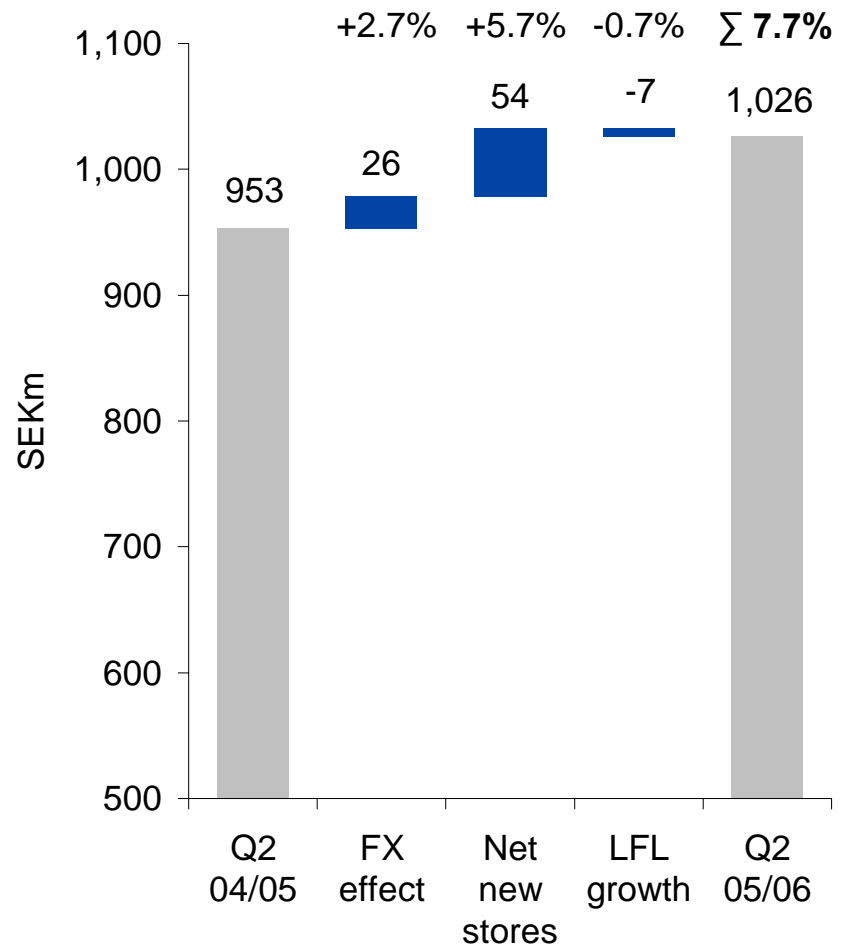
Sales per country				
SEKm	Q2	Q2	Growth	
	05/06	04/05	SEK	Loc. cur.
Sweden	567	552	2.8%	2.8%
Norway	312	275	13.7%	4.4%
Finland	113	100	12.4%	9.1%
Poland	34	26	29.3%	7.7%
Total	1,026	953	7.7%	



- Growth during the second quarter driven by store expansion strategy
 - 18 new stores since Q2 2004/05: 4 Sweden, 6 in Norway, 5 in Finland, 3 in Poland
- Positive sales development in Sweden and Norway– both by existing and new stores
 - Discontinued cosmetics sales in Norway
- Sales growth in Finland driven by new stores
- 3 Polish underperforming stores continue to negatively impact the performance

Revenue growth composition

Q2 2005/06 vs. Q2 2004/05



- Continued favourable FX impact, mainly due to strong NOK
- Net new stores largest growth contributor with 5.7%
- LFL of -0.7% impacted by discontinued cosmetics sales in Norway
 - Q2 2005/06 SEK 27m (SEK 47m)
 - Gradual replacement of space with apparel sales

Profitability drivers

SEKm	Q2 (Dec-Feb)	
	05/06	04/05
Gross profit	589	518
<i>Gross margin</i>	57.4%	54.4%
Selling expenses	-472	-420
<i>% of sales</i>	46.0%	44.1%
Admin expenses	-29	-35
<i>% of sales</i>	2.8%	3.7%
EBITDA	129	101
<i>EBITDA margin</i>	12.6%	10.6%
Operating profit	88	63
<i>Operating margin</i>	8.6%	6.6%

- Continued focus on having the “right product”
 - Improved purchase prices
 - Higher sell through of full priced merchandise
 - More targeted mark down strategy
- Higher selling expenses due to 18 net new stores
- Fluctuations of administration expenses costs over the year

Income statement

Income statement SEKm	Q2 (Dec-Feb)		H1 (Sep-Feb)	
	05/06	04/05	05/06	04/05
Net sales	1,026	953	2,178	1,992
Cost of goods sold	-437	-435	-914	-875
Gross profit	589	518	1,264	1,117
Selling expenses	-472	-420	-959	-880
Administrative expenses	-29	-35	-68	-66
Operating profit	88	63	237	171
Financial income	2	2	3	4
Financial expense	-64	-25	-83	-31
Profit before tax	26	40	157	144
Tax expense	-7	5	-43	0
Net profit	19	45	114	144

Cash flow

Cash flow statement SEKm	Q2 05/06	H1 05/06
Cash flow from operations before working capital changes	56	206
Changes in working capital	64	75
Cash flow from operating activities	120	281
Cash flow investing activities	-66	-126
Cash flow after investments	54	155
Cash flow from financing activities	-46	-54
Change in revolving credit	-42	-131
Net cash flow for the period	-34	-30
Cash and bank balances at beginning of period	87	83
Cash and bank balances at end of period	53	53

Balance sheet highlights

- New financing in place since 9 March
 - Exceptional refinancing costs of SEK 20m
 - Based on current interest rates, estimated interest cost of 4% going forward
- Continued focus on working capital
 - Inventory reduced to SEK 498m as per 28 Feb 2006 compared to SEK 535m as per 28 Feb 2005, notwithstanding net increase of 18 stores
- Equity ratio of 14.2%, compared to 13.4% as per 30 Nov 2005
- Net interest bearing debt / EBITDA 2.5x

Key conclusions and outlook

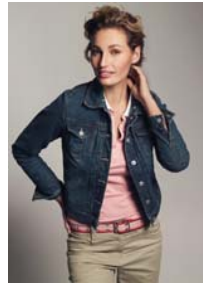
- Continued strong financial performance: Operating profits +40%
- Growth plan with store openings and refurbishments on track: Sales +7.7%

In focus going forward:

- Continued focus on top line growth
 - 8 new stores to be opened in H2 2005/06 to meet target of 15-20 net new stores for the year
 - Lease contracts signed for 28 new stores
 - On-going merchandising project to drive sell-through and support LFL
- Sustain gross margin levels
- Exploit operating leverage

KappAhl spring collection examples

Woman



Casual wear



Tailored clothing



Accessories



Evening wear



XLNT
from size 44/46



XLNT
from size 44/46



body zone



Creem
CLOSE TO YOU

Man



U.S. POLO ASSN.
SINCE 1890



MADISON AVENUE



REDWOOD
OUTDOOR • SPORTSWEAR



BZ BODY ZONE

Children



KappAhl



kaxs



Ldb INDUSTRIES



Disney