Year-end report and interim report for the Fourth Quarter of financial year 2006/2007

KappAhl: A highly successful year

Fourth Quarter (June – August 2007)

- KappAhl's net sales for the period, excluding VAT, amounted to MSEK 1,090 (1,010), an increase of 7.9 percent.
- Operating profit amounted to MSEK 183 (173), an increase of 5,8 percent. Excluding the previous year's non-recurring item, profits improved by 24,5 percent.
- The gross margin was 62.2 percent (63.3 excluding one-off item 60.7) and the operating margin was 16,8 percent (17.1 excluding one-off item 14,6).
- Profit after taxes amounted to MSEK 119 (116), which is equivalent to SEK 1.59 (1.54) per share.
- Cash flow from continuing operations totalled MSEK 220 (117).

CEO's comments

Once again, we can present both the best quarter and the best year ever.

Our marketing campaign, focused around the concept You Look Great, has contributed to a positive sales development, with an increase for comparable stores slightly above the goals we set at the beginning of the year. We are very proud of the near 8 percent growth recorded for the quarter but most proud of the fact that customers appreciate our fashion.

We also have one of the industry's best gross margins and have improved this further. Our clear focus on continuous cost controls has contributed to our ability to keep cost increases on a lower level than sales growth. Taken together, this has contributed to further improved profits and the best fourth quarter ever.

In light of the strong development, the Board proposes doubling the dividend payment to SEK 5.00 per share.

Christian W. Jansson
President and CEO

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KappAhl is a leading Nordic fashion chain with approximately 270 stores in Sweden, Norway, Finland and Poland. We design, market and sell clothes for the entire family, but focus in particular on women between 30 and 50 years of age, shopping for the whole family. KappAhl's head office and distribution centre, which handles the distribution of goods to all stores, is located in Mölndal, just outside Gothenburg. KappAhl employs approximately 3,700 individuals, more than 90 percent of whom are women. During the financial year 2006/2007, KappAhl had sales of SEK 4.5 billion, with an operating profit of MSEK 618. KappAhl shares are listed on the Stockholm Stock Exchange. Further information about the company is available on **www.kappahl.com** and financial information is available on **www.kappahl.com/ir** .

Full-year (September 2006 – August 2007)

- KappAhl's net sales for the period, excluding VAT, amounted to MSEK 4,473 (4,217), an increase of 6.1 percent.
- Operating profit amounted to MSEK 618 (530), an increase of 16,6 percent.
- The gross margin was 61.1 percent (60.2) and the operating margin was 13,8 percent (12.6).
- Profit after taxes amounted to MSEK 659 (302), which is equivalent to SEK 8.78 (4.02) per share.
- Cash flow from continuing operations totalled MSEK 669 (481).
- 17 new stores have been opened and five have been closed.
- A dividend payment of SEK 5.00 (2.50) per share to be proposed.

Comments on the fourth quarter

Net sales and result for the fourth quarter

KappAhl's net sales for the period, excluding VAT, amounted to MSEK 1,090 (1,010), an increase of 7.9 percent. This increase is comprised of of exchange rate differences (primarily against Norwegian kronor), 0,2 percent,new and closed stores, 2.8 percent, and the development of sales in comparable stores, 4,9 percent.

The total increase in sales is primarily attributable to the very strong development of comparable stores. The opening of new stores also provides a solid contribution to the Group's growth.

Gross profit for the period totalled MSEK 678 (639), which is equivalent to a gross margin of 62.2 (63.3) percent, which shows that the Company continues to offer a very attractive range of goods which are appreciated by our customers. The previous year's gross margin was impacted positively by the successful resolution for the Company of a dispute in Norway regarding customs duty. Excluding this one-off item of MSEK 26, the previous year's gross margin was 60.7 percent.

Sales and administrative expenses amounted to MSEK 489(466) for the period. The increase in costs is significantly lower than the increase in sales, which has contributed to further improvement of profit.

Operating profit was MSEK 183 (173), which is equivalent to an operating margin of 16,8 percent (17.1). Excluding above mentioned one-off item of MSEK 26 the operating margin last year was 14,6 percent.

Depreciation according to plan amounted to MSEK 53 (50).

Net financial items for the period were MSEK -16 (-12) and profit after financial items MSEK 167 (161). Profit after estimated tax was MSEK 119 (116). Earnings per share after tax were 1.59 (1.54) for the period.

Cash flow

KappAhl's cash flow from continuing operations amounted to MSEK 220 (117) for the fourth quarter and cash flow after investments amounted to MSEK 153 (73).

Financing and liquidity

Net debt at the end of the period amounted MSEK 1,387 (1,605) and the equity/assets ratio was 28.0 (14.3) percent. The net interest-bearing liabilities/EBITDA ratio was 1.7 at the end of the period. At the time of the stock market quotation 18 months ago, this key ratio was approximately 3. The Group has thus achieved a significantly lower debt/equity ratio in a very short period of time.

Cash and cash equivalents totalled MSEK 60 (73) on 31 August 2007. In addition, there were unutilised credit facilities amounting to approximately MSEK 587 (420).

Offer to the shareholders in Lindex

KappAhl Holding AB (publ) has made a public offer per 13 August 2007 to tender all outstanding shares in AB Lindex (publ).

Comments on the full-year

Market

The Nordic countries are seeing a strong development in GNP compared with the rest of Europe. This has resulted in the strong development of private consumption and, consequently, the strong development of demand for clothing. Tax decreases in Sweden have also contributed to the increase in consumption.

Net sales

KappAhl's net sales for the period, excluding VAT, amounted to MSEK 4,473 (4,217), an increase of 6.1 percent. This increase is comprised of exchange rate differences (primarily against Norwegian kronor), -1.4 percent, new and closed stores, 3.9 percent and the development of sales in comparable stores, 3.6 percent. The previous year’s sales include sales of cosmetics worth MSEK 38.

Store network

KappAhl has opened 17 stores during the period. Four stores were opened in Sweden and in Norway, six in Finland and three in Poland. Three stores in Sweden and one each in Norway and Poland closed during the period. At the end of the period, the total number of stores was 272 (260). Of these, 131 were in Sweden, 84 in Norway, 42 in Finland and 15 in Poland.

Expansion

From now on, our aim is to increase the total number of stores by 20-25 per year. In the long term, KappAhl also plans the opening of stores in one further country.

In addition to the 272 stores that were in operation by 31 August 2007, there are contracts for an additional 33 new stores.

Inventory

At the end of the period, KappAhl’s inventory amounted to MSEK 606 (558). This increase is due to the opening of new stores and the increase of goods in transit. The inventory is well-balanced regarding both size and composition.

Investments

A total of MSEK 277 (225) has been invested during the financial year, the majority in stores. The investments are directed towards efforts to enhance customer experience in our stores. MSEK 54 of the investments refers to the corporate acquisition in the second quarter.

Cash flow

KappAhl's cash flow from continuing operations amounted to MSEK 669 (481) during the year and cash flow after investments amounted to MSEK 392 (256).

Financial position

The Group's financial position was strengthened greatly during the year. The net interest-bearing liabilities/EBITDA ratio improved to 1.7 (2.3).

Taxes

The tax rate for the whole year has been calculated at approximately 28 percent. In addition, there is a positive non-recurring effect of MSEK 269 from the corporate acquisition.

Transactions with related parties

There have been no significant transactions with related parties.

Parent Company

The Parent Company's net sales during the second quarter were MSEK 2 and profits after financial items amounted to MSEK 112. For the full-year, the profit after financial items amounted to MSEK 67. The Parent Company did not make any investments during the period.

Events following the end of the reporting period

As a result of KappAhl Holding AB's (publ) public offer per 13 August 2007 to tender all outstanding shares in AB Lindex (publ), an Extraordinary General Meeting was convened on 17 September 2007. The Meeting authorised the Board of Directors to resolve on a new share issue or a convertibles issue. This authorisation should only be used for the purpose of refinancing a portion of the loans for the completed offer. During the offer period, which expired on 27 September 2007, the offer received very limited acceptance by the shareholders of AB Lindex (publ). Consequently, as the condition of 90 percent acceptance has not been met, KappAhl Holding AB (publ) has decided to terminate the offer as per 1 October 2007. The cost for the project has been included in the fourth quarter 2006/2007.

Annual General Meeting

The Annual General Meeting will be held at the Company's headquarters in Mölndal on 17 December 2007. The Annual Report will be available via the Company's website approximately four weeks before the Annual General Meeting. The Board has assessed the company's position, needs for investment and result performance. After a total appraisal, the Board has decided to propose a dividend payment of SEK 5.00 (2.50) per share for the financial year 2006/2007.

Upcoming financial reports

Report	*Date of publishing*
First quarter (1 Sep – 30 Nov)	17 December 2007
Second quarter (1 Dec – 28 Feb)	1 April 2008
Third quarter (1 March – 31 May)	27 June 2008
Fourth quarter (1 June – 31 Aug)	30 September 2008

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

Mölndal, 3 October 2007
KappAhl Holding AB (publ)

The Board of Directors

Consolidated income statement - Summary (SEK million)		Q4 2006/07	Q4 2005/06	Sept-Aug 2006/07	Sept-Aug 2005/06	Last 12 months Sept-Aug
Net sales		1 090	1 010	4 473	4 217	4 473
Cost of goods sold	Note 1	-412	-371	-1 738	-1 677	-1 738
Gross profit		**678**	**639**	**2 735**	**2 540**	**2 735**
Selling expenses		-456	-431	-1 985	-1 863	-1 985
Administrative expenses		-33	-35	-142	-147	-142
Other operating income	Note 2	0	0	16	0	16
Other operating costs		-6	0	-6	0	-6
Operating profit		**183**	**173**	**618**	**530**	**618**
Financial income		0	0	23	2	23
Financial expenses	Note 3	-16	-12	-97	-113	-97
Profit after financial items		**167**	**161**	**544**	**419**	**544**
Tax	Note 4	-48	-45	115	-117	115
Net profit		**119**	**116**	**659**	**302**	**659**
Earnings per share, SEK		1,59	1,54	8,78	4,02	8,78
Earnings per share after dilution, SEK		1,59	1,54	8,78	4,02	8,78

Consolidated Balance Sheet - Summary (SEK million)	31-Aug-07	31-Aug-06
Tangible fixed assets	685	662
Intangible fixed assets*	1 356	1 349
Deferred tax assets	363	133
Inventories	606	558
Other operating receivables	114	105
Cash and cash equivalents	60	73
Total assets	**3 184**	**2 880**
Equity	890	412
Interest-bearing long-term liabilities	1 261	1 371
Non-interest-bearing long-term liabilities	255	236
Interest-bearing current liabilities	186	307
Non-interest-bearing current liabilities	592	554
Total equity and liabilities	**3 184**	**2 880**
*of which goodwill	696	696
*of which trademarks	610	610

Consolidated cash flow statement - Summary (SEK million)	Q4 2006/07	Q4 2005/06	Sept-Aug 2006/07	Sept-Aug 2005/06
Cash flow from continuing operations before changes in working capital	**229**	**180**	**693**	**474**
Changes in working capital	-9	-63	-24	7
Cash flow from continuing operations	**220**	**117**	**669**	**481**
Cash flow from investment activities	-67	-44	-277	-225
Cash flow after investments	**153**	**73**	**392**	**256**
Change bank overdraft facility	-171	-39	-111	45
Dividend	0	0	-188	-169
Other from financial activities	-40	-70	-106	-142
Cash flow from financial activities	**-211**	**-109**	**-405**	**-266**
Cash flow for the period	**-58**	**-36**	**-13**	**-10**
Cash and cash equivalents at beginning of the period	**118**	**109**	**73**	**83**
Cash and cash equivalents at the end of the period	**60**	**73**	**60**	**73**

Specification of changes in the Group's equity	Sept-Aug 2006/07	Sept-Aug 2005/06
Opening equity	412	284
Translation differences for the period	10	-11
Change in fair value reserves	-3	-2
Dividend	-188	-169
New share issue	0	8
Profit for the period	659	302
Closing equity	**890**	**412**

Number of stores per country	31-Aug-06	30-Nov-06	28-Feb-07	31-May-07	31-Aug-07
Sweden	130	133	131	132	131
Norway	81	85	84	84	84
Finland	36	40	40	41	42
Poland	13	13	13	15	15
Total	**260**	**271**	**268**	**272**	**272**

Sales per country	Q4 2006/07	Q4 2005/06	Change SEK %	Change local currency %
Sweden	583	557	4,7%	4,7%
Norway	332	300	10,7%	13,5%
Finland	137	119	15,1%	16,1%
Poland	38	34	11,8%	17,6%
Total	**1 090**	**1 010**	**7,9%**	

Sales per country	Sept-Aug 2006/07	Sept-Aug 2005/06	Change SEK %	Change local currency %
Sweden	2 514	2 365	6,3%	6,3%
Norway	1 270	1 237	2,7%	7,2%
Finland	520	473	9,9%	11,5%
Poland	169	142	19,0%	19,3%
Total	**4 473**	**4 217**	**6,1%**	

Segment reporting	Net sales Sept-Aug 2006/07	Net sales Sept-Aug 2005/06	Operating income Sept-Aug 2006/07	Operating income Sept-Aug 2005/06
Nordic countries	4 304	4075	614	524
Poland	169	142	10	6
Total	**4 473**	**4 217**	**624**	**530**

Quarterly income statement (SEK million)	Q1 Sept–Nov 2005/06	Q2 Dec–Feb 2005/06 1)	Q3 March-May 2005/06	Q4 June-Aug 2005/06	Q1 Sept-Nov 2006/07	Q2 Dec-Feb 2006/07	Q3 March-May 2006/07	Q4 June-Aug 2006/07
Net sales	1 152	1 026	1 029	1 010	1 189	1 088	1 106	1 090
Cost of goods sold	-477	-437	-392	-371	-449	-460	-417	-412
Gross profit	**675**	**589**	**637**	**639**	**740**	**628**	**689**	**678**
Selling expenses	-487	-468	-477	-431	-513	-488	-528	-456
Administrative expenses	-39	-33	-40	-35	-41	-36	-32	-33
Other operating income	0	0	0	0	0	13	3	0
Other operating costs	0	0	0	0	0	0	0	-6
Operating profit	**149**	**88**	**120**	**173**	**186**	**117**	**132**	**183**
Financial income	1	1	0	0	2	10	11	0
Financial expenses	-19	-64	-18	-12	-16	-33	-32	-16
Profit after financial items	**131**	**25**	**102**	**161**	**172**	**94**	**111**	**167**
Tax	-36	-7	-29	-45	-49	244	-32	-48
Net profit	**95**	**18**	**73**	**116**	**123**	**338**	**79**	**119**

1) Reclassification of 4 between selling expenses and administrative expenses.

Parent company income statement - Summary (SEK million)	Q4 2006/07	Q4 2005/06	Sept-Aug 2006/07	Sept-Aug 2005/06	Last 12 months Sept-Aug
Net sales	2	15	7	15	7
Cost of goods sold	0	0	0	0	0
Gross profit	**2**	**15**	**7**	**15**	**7**
Administrative expenses	-9	-2	-11	-8	-11
Operating profit	**-7**	**13**	**-4**	**7**	**-4**
Result from participations in group companies	131	0	131	0	131
Financial income	2	0	2	0	2
Financial expenses	-14	-30	-62	-113	-62
Profit after financial items	**112**	**-17**	**67**	**-106**	**67**
Tax	8	0	18	30	18
Net profit	**120**	**-17**	**85**	**-76**	**85**

Parent company Balance Sheet - Summary (SEK million)	31-Aug-07	31-Aug-06
Shares in group companies	2 882	2 971
Deferred tax assets	0	1
Other operating receivables	293	215
Total assets	**3 175**	**3 187**
Equity	1 116	1 174
Interest-bearing long-term liabilities	1 049	1 144
Deferred tax liability	1	3
Current liabilities**	908	648
Bank overdraft facilities	101	218
Total equity and liabilities	**3 175**	**3 187**

** MSEK 56 (56) is liabilities to credit institutions.

Key ratios	Q4 2006/07	Q4 2005/06	Sept-Aug 2006/07	Sept-Aug 2005/06	Last 12 months Sept-Aug
Growth in sales	7,9%	2,3%	6,1%	6,9%	6,1%
Earnings per share, SEK	1,59	1,54	8,78	4,02	8,78
Total depreciation/amortisation	53	50	200	177	200
EBITA	183	173	618	530	618
Gross margin	62,2%	63,3%	61,1%	60,2%	61,1%
Operating margin	16,8%	17,1%	13,8%	12,6%	13,8%
EBITA margin	16,8%	17,1%	13,8%	12,6%	13,8%
Interest coverage ratio	-	-	6,61	4,71	6,61
Net interest-bearing liabilities	1 387	1 605	1 387	1 605	1 387
Net interest-bearing liabilities/EBITDA	-	-	1,70	2,27	1,70
Equity/assets ratio	28,0%	14,3%	28,0%	14,3%	28,0%
Equity per share, SEK	11,86	5,49	11,86	5,49	11,86
Equity per share after dilution, SEK	11,86	5,49	11,86	5,49	11,86
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
EBITA	Operating profit before amortisation of intangible fixed assets
EBITDA	Operating profit before depreciation / amortisation
Average number of employees	Average number of employees converted to full-time employees
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 Aug 2007	Number of shares	Percent of shares and votes	Change compared to 31 May 2007
PEGATRO LIMITED	22 511 000	30,00	0
MORGAN STANLEY & CO INC, W9	3 686 899	4,91	-2 081 918
State street Bank	2 640 765	3,52	284 652
FORTIS BANQUE LUXEMBOURG S.A.	2 387 845	3,18	105 323
Nordea fonder inkl Luxemburg	2 295 195	3,06	720 541
SEB Investment Management	1 894 900	2,53	776 700
Swedbank Robur Fonder	1 862 381	2,48	-903 721
SVENSKA HANDELSBANKEN CLIENTS ACC:3	1 819 800	2,43	1 819 800
Catella Fondförvaltning	1 777 000	2,37	540 700
US RESIDENTS OMNIBUS LENDING A/C	1 758 260	2,34	38 470
LIVFÖRSÄKRINGSAKTIEBOLAGET	1 617 250	2,16	198 100
JP MORGAN CHASE BANK, W9	1 413 616	1,88	-50 194
BT PENSION SCHEME	1 387 700	1,85	210 000
NORDEA BANK FINLAND ABP	1 031 100	1,37	576 400
NORDEA BANK AB (NDS)	974 371	1,30	974 371
TROSSAMFUNDET SVENSKA KYRKAN	810 000	1,08	360 000
NORTHERN TRUST COMPANY, THE, W9	729 542	0,97	-18 057
FORWARD INTL SMALL COMPANIES FUND	700 548	0,93	170 300
FJÄRDE AP-FONDEN	694 200	0,93	-12 700
AWAKE SWEDISH EQUITY FUND	625 000	0,83	175 000
Other owners	22 422 628	29,88	-3 883 767
Total	**75 040 000**	**100,0**	**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 2006.

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 Financial Accounting Standards Council recommendation RR32.

The company has no outstanding convertible loans or warrants.

Note 1

In the income statement for "Sept-Aug 2005/06", the figures in the column entitled "Cost of goods sold" report financial expenses including a non-recurring revenue stemming from the successful outcome for the company of a dispute in Norway concerning customs duties. A reserve amounting to MSEK 21 has thereby been released.

Note 2

Refers to the selling of the premises of two stores.

Note 3

In the income statement, the figures in the column entitled "Sept-Aug 2005/06", report financial expenses including a non-recurring expense totalling MSEK 40 (MSEK 20 for the listing of the company and costs for restructuring the Group's finances of MSEK 20).

Note 4

During the period “Sept-Aug 2006/07”, a revenue of MSEK 269 attributable to a deduction for loss in an acquired company has been reported.

Acquisition of companies

In December 2006, KappAhl acquired 100% of the shares in two companies for a total purchase price of MSEK 1,671. The fair value of the acquired assets and liabilities amounted to MSEK 1,671 net, including a deferred tax asset of MSEK 49. In addition, a fiscal deficit of MSEK 1,140 was received. This is deemed to be available for utilisation as from the financial year 2012/2013. The acquired companies have no operations. The acquisition has brought a positive net effect on the reported tax and equity for the year of MSEK 269, due to the revaluation of existing loss carry forward in the semi-annual financial statement.

During the third quarter, the two companies were merged in the acquiring company.

Risks and uncertainty factors

The most significant risks affecting KappAhl's operations and the industry are briefly described below. A more thorough description of risks and uncertainty factors will be included in the annual report. The company's management of risks is further described in the corporate governance report in the annual report for 2005/2006 in the section "Report on internal control".

Strategic and operative risks

- Tough competition among fashion chains regarding both range and markets
- Identification and adaptation of constantly shifting fashion trends and customers' wishes.
- Upgrade and expansion of the store network requires significant annual investments in order to be able to support the Group's long-term, strategic goals.
- The rapid expansion of stores may be impeded by a lack of access to suitable store locations.
- Costly commercials and advertising in order to increase sales volumes and to maintain and improve the strength of the trademark.

Financial risks

- Currency exposure includes both purchase of goods and sales on international markets.
- As the Group has a significant amount of borrowing, both liquidity and interest rate risks are significant.

Refer otherwise to a detailed description of the Group's management of financial risk in the Annual Report for 2005/2006, Note 23. The reported risks are assessed to be unchanged in all essential ways.