

Interim report for First Quarter of financial year 2007/2008

KappAhl: Operating margin strengthened further

First Quarter (September – November 2007)

- KappAhl's net sales for the period, excluding VAT, amounted to MSEK 1,247 (1,189), an increase of 4.9 percent.
- Operating profit amounted to MSEK 206 (186), an increase of 10.8 percent.
- The gross margin was 63.9 percent (62.2) and the operating margin was 16.5 percent (15.6).
- Profit after taxes amounted to MSEK 138 (123), which is equivalent to SEK 1.84 (1.64) per share.
- Cash flow from operating activities totalled MSEK 196 (209).

CEO's comments

For our first quarter, we are able to present both a strong gross margin and a strong operating margin of 16.5 percent. We are content, if not completely satisfied, with the development of sales during the quarter. The strengthening of the margins is satisfactory, at the same time as we had ambitions for stronger growth.

The expansion of stores is important and, during the quarter, we have opened eight new stores. There also exist contracts for 30 or so new stores for both the current year and future years. Most of the new stores for the current year will enter operation during the latter part of the year.

We continue to believe in the favourable development of private economy, which will naturally also benefit KappAhl's customer group.

Christian W. Jansson
CEO

For further information, please contact

Christian W. Jansson, CEO

Tel. +46 (0)70 995 02 01

Håkan Westin, Chief Financial Officer

Tel. +46 (0)70 471 56 64

KappAhl is a leading Nordic fashion chain with approximately 3,800 employees and close to 300 stores in Sweden, Norway, Finland and Poland. KappAhl designs, markets and sells value-for-money fashion with a wide appeal, and focuses in particular on women aged 30 to 50 with family. The head office and distribution centre are located in Mölndal, in the outskirts of Gothenburg. In the 12 month period that ended on 31 August 2007, KappAhl's net sales were SEK 4.5 billion and operating profit was SEK 618 million. KappAhl is listed on the OMX Nordic Exchange in Stockholm. Further information about the Company is available on www.kappahl.com and financial information is available on www.kappahl.com/ir.

Comments on the first quarter 2007/2008

Market

The GNP development appears positive in all countries in which KappAhl operates, in spite of the anxiety in the financial markets. Rising salaries bode well for a continued positive development in private consumption. This particularly applies to KappAhl's customer segment, which is generally not particularly affected by the situation in the financial markets.

Net sales and result for the first quarter

KappAhl's net sales for the period, excluding VAT, amounted to MSEK 1,247 (1,189), an increase of 4.9 percent. This increase is comprised of exchange rate differences (primarily against NOK) +2.1 percent, new and closed stores +1.2 percent and the development of sales in comparable stores +1.6 percent.

The development of sales from new stores is somewhat weaker than before due to fewer stores opening in the previous year and the opening of several stores close to the end of the quarter. The development of sales for comparable stores is stable, although somewhat below our long-term goals.

Gross profit for the period totalled MSEK 797 (740), which is equivalent to a gross margin of 63.9 percent (62.2). The high gross margin level is a result of a high level of full-price sales, which indicates that the range of goods is perceived as being attractive. In addition, the development of the US dollar has had a positive impact.

Sales and administrative expenses amounted to MSEK 591(554) for the period. This increase is attributable to the present existence of more stores than last year, as well as the slightly increased expenses for marketing. As a number of the new stores opened towards the end of the period, these have only contributed marginally to sales.

Operating profit was MSEK 206 (186), which is equivalent to an operating margin of 16.5 percent (15.6).

Depreciation according to plan amounted to MSEK 54 (48).

Net financial items for the period were MSEK -15 (-14) and profit after financial items MSEK 191 (172). Profit after estimated tax was MSEK 138 (123). Earnings per share after tax were 1.84 SEK (1.64) for the period.

Taxes

During the period, the tax rate has been calculated according to the tax rate applicable in each country. For the Group, this will be approximately 28 percent.

Store network

KappAhl has opened eight new stores during the period. Two stores were opened in Sweden and in Norway, one store was opened in Finland, and three stores were opened in Poland. One store was closed in Norway. At the end of the period, the total number of stores was 279 (271). Of these, 133 were in Sweden, 85 in Norway, 43 in Finland and 18 in Poland.

Expansion

The search for new store sites continues according to plan. In addition to the 279 (271) stores which were in operation as of 30 November this year, there are contracts for an additional 34 new stores. Our goal is to increase the number of stores by 20-25 per

year. For the current year, the forecast stands at approximately 20 new stores. This is significantly more than in the previous year, but as a number of stores are opened late during the year, the contribution to sales of these stores will be approximately in line with the previous year.

Inventory

At the end of the period, KappAhl's inventory amounted to MSEK 656, an increase of MSEK 80 compared with the previous year. This increase is attributable to the opening of new stores, the increase of goods in transit, currency effects (primarily NOK) and comparable stores. The inventory is judged to be well-balanced regarding both size and composition.

Investments

Investments of MSEK 69 (50) have been made since the start of the financial year, the majority of which is attributable to investments in existing and new stores. The investments are directed towards efforts to enhance customer experience in the stores.

Transactions with related parties

There have been no significant transactions with related parties.

Cash flow

KappAhl's cash flow from continuing operations amounted to MSEK 196 (209) during the period, and cash flow after investments amounted to MSEK 127 (159).

Financing and liquidity

Net debt at the end of the period totalled MSEK 1,259, compared with MSEK 1,461 as per 30 November 2006. The equity/assets ratio was 31 percent at the end of the period, compared with 16 percent per 30 November 2006. The net interest-bearing liabilities/EBITDA ratio was 1.5 at the end of the period.

A new financing package has been negotiated with the banks. This will be utilised for the ongoing operations of the company, as well as for the redemption programme proposed by the annual general meeting.

Cash and cash equivalents totalled MSEK 109 on 30 November 2007, compared with MSEK 60 on 31 August 2007. In addition, there were unutilised credit facilities amounting to approximately MSEK 600.

Parent Company

The Parent Company's net sales during the first quarter were MSEK 2 (2) and profits after financial items amounted to MSEK -13 (-10). The Parent Company did not make any investments during the period.

Upcoming financial reports

<i>Report</i>	<i>Date of publishing</i>
Second quarter (1 Dec – 29 Feb)	2 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.

Möln dal, 17 December 2007
KappAhl Holding AB (publ)

The Board of Directors

Consolidated Income Statement - Summary (SEK million)	Sept-Nov 2007/08	Sept-Nov 2006/07	Last 12 months Dec-Nov
Net sales	1 247	1 189	4 531
Cost of goods sold	-450	-449	-1 739
Gross profit	797	740	2 792
Selling expenses	-558	-517	-2 026
Administrative expenses	-33	-37	-138
Other operating income	0	0	16
Other operating costs	0	0	-6
Operating profit	206	186	638
Financial income	3	2	24
Financial expenses	-18	-16	-99
Profit after financial items	191	172	563
Tax	-53	-49	111
Net profit	138	123	674
Earnings per share, SEK	1,84	1,64	8,98
Earnings per share after dilution, SEK	1,84	1,64	8,98

Consolidated Balance Sheet - Summary (SEK million)	30-Nov-07	30-Nov-06	31-Aug-07
Tangible fixed assets	706	665	685
Intangible fixed assets*	1 350	1 348	1 356
Deferred tax assets	407	129	408
Inventories	656	576	606
Other operating receivables	95	103	97
Cash and cash equivalents	109	127	60
Total assets	3 323	2 948	3 212
Equity	1 022	515	890
Interest-bearing long-term liabilities	1 257	1 366	1 261
Non-interest-bearing long-term liabilities	267	231	266
Interest-bearing current liabilities	111	222	186
Non-interest-bearing current liabilities	666	614	609
Total equity and liabilities	3 323	2 948	3 212
*of which goodwill	696	696	696
*of which trademarks	610	610	610

Consolidated Cash Flow Statement - Summary (SEK million)	Sept-Nov 2007/08	Sept-Nov 2006/07
Cash flow from continuing operations before changes in working capital	227	185
Changes in working capital	-31	24
Cash flow from continuing operations	196	209
Cash flow from investment activities	-69	-50
Cash flow after investments	127	159
Change bank overdraft facility	-75	-99
Dividend	0	0
Other from financial activities	-3	-5
Cash flow from financial activities	-78	-104
Cash flow for the period	49	55
Cash and cash equivalents at beginning of the period	60	72
Cash and cash equivalents at the end of the period	109	127

Specification of changes in the Group's equity	Sept-Nov 2007/08	Sept-Nov 2006/07
Opening equity	890	412
Translation differences for the period	-4	-10
Change in fair value reserves	-2	-10
Profit for the period	138	123
Closing equity	1 022	515

Number of stores per country	30-Nov-06	28-Feb-07	31-May-07	31-Aug-07	30-Nov-07
Sweden	133	131	132	131	133
Norway	85	84	84	84	85
Finland	40	40	41	42	43
Poland	13	13	15	15	18
Total	271	268	272	272	279

Sales per country	Sept-Nov 2007/08	Sept-Nov 2006/07	Change SEK %	Change local currency %
Sweden	701	683	2,6%	2,6%
Norway	359	333	7,8%	0,8%
Finland	137	130	5,4%	4,7%
Poland	51	43	18,6%	13,2%
Total	1 247	1 189	4,9%	

Segment reporting	Net sales Sept-Nov 2007/08	Net sales Sept-Nov 2006/07	Operating income Sept-Nov 2007/08	Operating income Sept-Nov 2006/07
Nordic countries	1 197	1 146	201	181
Poland	51	43	5	5
Total	1 247	1 189	206	186

Quarterly income statement (SEK million)	Q2 Dec-Feb 2005/06 (1)	Q3 Mar-May 2005/06	Q4 June-Aug 2005/06	Q1 Sept-Nov 2006/07 (1)	Q2 Dec-Feb 2006/07 (1)	Q3 Mar-May 2006/07	Q4 June-Aug 2006/07	Q1 Sept-Nov 2007/08
Net sales	1 026	1 029	1 010	1 189	1 088	1 106	1 090	1 247
Cost of goods sold	-437	-392	-371	-449	-460	-417	-412	-450
Gross profit	589	637	639	740	628	689	678	797
Selling expenses	-468	-477	-431	-517	-484	-528	-456	-558
Administrative expenses	-33	-40	-35	-37	-40	-32	-33	-33
Other operating income	0	0	0	0	13	3	0	0
Other operating costs	0	0	0	0	0	0	-6	0
Operating profit	88	120	173	186	117	132	183	206
Financial income	1	0	0	2	10	11	0	3
Financial expenses	-64	-18	-12	-16	-33	-32	-16	-18
Profit after financial items	25	102	161	172	94	111	167	191
Tax	-7	-29	-45	-49	244	-32	-48	-53
Net profit	18	73	116	123	338	79	119	138

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

Parent Company Income Statement - Summary (SEK million)	Sept-Nov 2007/08	Sept-Nov 2006/07	Last 12 months Dec-Nov
Net sales	2	2	7
Cost of goods sold	0	0	0
Gross profit	2	2	7
Selling expenses	0	0	0
Administrative expenses	-3	-2	-12
Other operating income	0	0	0
Operating profit	-1	0	-5
Result from participations in group companies	0	0	131
Financial income	3	0	5
Financial expenses	-15	-10	-67
Profit after financial items	-13	-10	64
Tax	0	0	18
Net profit	-13	-10	82

Parent company Balance Sheet - Summary (SEK million)	30-Nov-07	30-Nov-06	31-Aug-07
Materiella anläggningstillgångar	0	0	0
Immateriella anläggningstillgångar	0	0	0
Shares in group companies	2 882	2 971	2 882
Deferred tax assets	0	0	0
Other operating receivables	19	202	752
Likvida medel		0	0
Total assets	2 901	3 173	3 634
Equity	1 561	1 164	1 575
Interest-bearing long-term liabilities	1 049	1 144	1 049
Deferred tax liability	1	2	1
Current liabilities*	258	743	908
Bank overdraft facilities	32	120	101
Total equity and liabilities	2 901	3 173	3 634

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

Key ratios	Sept-Nov 2007/08	Sept-Nov 2006/07	Last 12 months Dec-Nov
Growth in sales	4,9%	3,2%	4,9%
Earnings per share, SEK	1,84	1,64	8,98
Total depreciation/amortisation	54	48	206
EBITA	206	186	638
Gross margin	63,9%	62,2%	61,6%
Operating margin	16,5%	15,6%	14,1%
EBITA margin	16,5%	15,6%	14,1%
Interest coverage ratio	-	-	6,69
Net interest-bearing liabilities	1 259	1 461	1 259
Net interest-bearing liabilities/EBITDA	-	-	1,49
Equity/assets ratio	30,8%	17,5%	30,8%
Equity per share, SEK	13,62	6,86	13,62
Equity per share after dilution, SEK	13,62	6,86	13,62
Number of shares at the end of the period	75 040 000	75 040 000	75 040 000
Number of shares after dilution	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, 30 Nov 2007	Number of shares	Percent of shares and votes	Change compared to 31 Aug 2007
PEGATRO LIMITED	22 511 000	30,00	0
State street Bank	3 513 742	4,68	872 977
MORGAN STANLEY & CO INC, W9	3 069 600	4,09	-617 299
JP MORGAN CHASE BANK, W9	2 728 728	3,64	1 315 112
SVENSKA HANDELSBANKEN CLIENTS ACC:3	1 998 800	2,66	179 000
US RESIDENTS OMNIBUS LENDING A/C	1 907 200	2,54	148 940
SEB Investment Management	1 691 800	2,25	-203 100
FORTIS BANQUE LUXEMBOURG S.A.	1 456 184	1,94	-931 661
BT PENSION SCHEME	1 387 700	1,85	0
Catella Fondförvaltning	1 378 000	1,84	-399 000
Nordea fonder incl Luxemburg	1 190 376	1,59	-1 104 819
JP MORGAN CHASE BK, W9	1 002 741	1,34	999 023
DRKW SECURITIES LIMITED, DRKWSL (UK)	1 000 000	1,33	1 000 000
FGCS NV RE DUTCH RESIDENTS	950 836	1,27	912 933
LIVFÖRSÄKRINGSAKTIEBOLAGET	823 350	1,10	-793 900
Swedbank Robur Fonder	809 528	1,08	-1 052 853
DIDNER & GERGE AKTIEFOND	780 000	1,04	606 600
NORTHERN TRUST COMPANY, THE, W9	659 542	0,88	-70 000
AKTIA SPARBANK	615 000	0,82	5 000
AWAKE SWEDISH EQUITY FUND	600 000	0,80	-25 000
Other owners	24 965 873	33,26	-841 953
Total	75 040 000	100,0	0

Accounting principles

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

This report has been prepared in accordance with IAS 34: Interim Reporting. For the Parent Company, the report is presented in accordance with the Swedish Annual Accounts Act and Financial Accounting Standards Council recommendation RR32.

The Company has no outstanding convertible loans or warrants.

Note 1

Reclassification of MSEK 4 between Selling Expenses and Administrative Expenses. This refers to the income statement "Sept-Nov 2006/2007" and "Last 12 months Dec-Nov".

Note 2

In the income statement, the figures in the column entitled "Last 12 months Dec-Nov" include income attributable to the sale of two store premises.

Note 3

In the income statement, the figures in the column entitled "Last 12 months Dec-Nov" include income of MSEK 269 attributable to loss carry forward in acquired companies.

Risks and uncertainties

The most significant strategic and operational risks affecting KappAhl's operations and industry are described in detail in the Annual Report for 2006/2007. The Company's management of risks is further described in the corporate governance report in the same Annual Report in the section "Report on internal control". The same applies to the Group's management of financial risks, which are described in the Annual Report for 2006/2007, Note 23. The risks described are judged to remain essentially unchanged and, consequently, are not further described here.