Interim report for Second Quarter of financial year 2007/2008

Another strong quarter

Second Quarter (December 2007 – February 2008)

- KappAhl's net sales for the period (excluding VAT) amounted to MSEK 1,132 (1,088), an increase of 4.0 percent.
- Operating profit amounted to MSEK 118 (117). Operating profit in the previous year was affected positively by non-recurring items for an amount of MSEK 13. Excluding non-recurring items, profit increased by 13.5 percent.
- The gross margin amounted to 59.6 percent (57.7) and the operating margin was 10.4 percent (10.8).
- Profit after taxes amounted to MSEK 74 (338), which is equivalent to SEK 0.99 (4.50) per share. Profit after taxes in the previous year was positively affected by tax revenue of MSEK 270.
- Cash flow from operating activities totalled MSEK 183 (104).

First six months (September 2007 – February 2008)

- KappAhl's net sales for the period amounted to MSEK 2,379 (2,277), an increase of 4.5 percent.
- Operating profit amounted to MSEK 324 (303). Operating profit in the previous year was positively affected by non-recurring items for an amount of MSEK 13. Excluding non-recurring items, profit increased by 11.7 percent.
- The gross margin amounted to 61.9 percent (60.1) and the operating margin was 13.6 percent (13.3).
- Profit after taxes amounted to MSEK 212 (461), which is equivalent to SEK 2.83 (6.14) per share. Profit after taxes in the previous year was positively affected by tax revenue of MSEK 270.
- Cash flow from operating activities totalled MSEK 379 (313).

CEO's comments

Sales in December were weaker than expected. Despite this, successful efforts in the traditionally weaker months of January and February allowed us to deliver a strong second quarter. I am particularly proud of our strong gross margin – this is only achievable if the entire chain including purchases, logistics and sales, functions well. With contracts for 46 new stores, we also look forward to improved growth.

In summary, KappAhl is continuing with its strategy of constant improvements and we are now presenting our 23rd consecutive quarter with improved profit. This demonstrates that we have a strong concept and a solid business model.

Christian W. Jansson
CEO

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__KappAhl__ is a leading fashion chain with around 4,000 employees and nearly 300 stores in Sweden, Norway, Finland and Poland. KappAhl sells value-for-money fashion for many people – men, women and children – but focuses particularly on women from 30 to 50. All clothes are designed by in-house designers. In 1999, KappAhl was the first fashion chain in the world to be environmentally certified in line with international standards. The head office and distribution centre are located in Mölndal, on the outskirts of Göteborg. In the 12-month period that ended on 31 August 2007, KappAhl's net sales were SEK 4.5 billion and the operating profit was SEK 618 million. KappAhl is listed on the OMX Nordic Exchange Stockholm. Further information about the company is available at: __www.kappahl.com__ and financial information is available at: __www.kappahl.com/ir__.

Comments on the Second Quarter

Net sales and result

KappAhl's net sales for the period (excluding VAT) amounted to MSEK 1,132 (1,088), an increase of 4.0 percent. This growth is comprised of translation differences primarily against NOK +1,8 percent, new and closed stores +1.8 percent and the development of sales in comparable stores +0,4 percent.

Sales in December were weaker than expected whilst the rest of the quarter was satisfying.

Gross profit for the quarter totalled MSEK 675 (628), which is equivalent to a gross margin of 59.6 percent (57.7). The high gross margin level results from high full-price sales, which proves that it is considered an attractive selection. Furthermore, the development of the exchange rate of USD has been advantageous, although this is offset by the strengthening of several Asian currencies against USD.

Sales and administrative expenses amounted to MSEK 557(524) for the quarter (524). This increase is partially attributable to a larger number of stores compared with the previous year, and partly due to the exchange rate effects in the group consolidation process (primarily against NOK).

Operating profit was MSEK 118 (117), which is equivalent to an operating margin of 10.4 percent (10.8). Included in the previous year's operating profit was other operating income of MSEK 13, attributable to sales of store sites.

Depreciation according to plan amounted to MSEK 55 (49).

Net financial items for the period were MSEK -15 (-23) and profit after financial items MSEK 103 (94). In the previous year, net financial items were negatively affected by the already accomplished company acquisitions (Simbel Investment AB and KappAhl Mölndal 2 AB). Profit after estimated tax was MSEK 74 (338). Included in the previous year's taxes was tax income of MSEK 270 attributable to deductions for losses. Earnings per share after tax were SEK 0.99 (4.50) for the period.

Store network

KappAhl has opened one store in Finland during the quarter. No stores have closed. At the end of the period, the total number of stores was 280 (268). Of these, 133 were in Sweden, 85 in Norway, 44 in Finland and 18 in Poland.

Cash flow

KappAhl's cash flow from continuing operations amounted to MSEK 183 (104) during the period, and cash flow after investments amounted to MSEK 137 (7).

Financing and liquidity

Total liabilities at the end of the period amounted to MSEK 1,771, compared with MSEK 1,559 as per 28 February 2007. This has been affected by a payment of MSEK 825 to the shareholders through a redemption of shares. At the end of the period, the equity/assets ratio was 8.5 percent, compared with 14.4 percent as per 28 February 2007. The net interest-bearing liabilities/EBITDA ratio was 2.1 at the end of the period.

Cash and cash equivalents totalled MSEK 36 on 29 February 2008. During the quarter, there was a refinancing of credits which resulted in improved loan conditions and interest conditions for the Group. At the end of the period there were unutilised credit facilities amounting to approximately MSEK 1,400.

Comments on the first six months

Market

There is a strong development of GNP in all the countries in which KappAhl operates, despite the turmoil in the financial markets. Increasing salaries and wages should pave the way for the continued development of private consumption. This is evident when it comes to KappAhl's customers, which are generally not particularly affected by what happens on the financial markets. In total, the growth in the retail trade has weakened somewhat compared to the very strong development in the previous year.

Net sales

KappAhl's net sales for the first half-year amounted to MSEK 2,379 (2,277), an increase of 4.5 percent. This increase is comprised of exchange rate differences (primarily against NOK) +2.2 percent, new and closed stores +1.1 percent and the development of sales in comparable stores +1.2 percent.

Expansion

The search for new retail sites continues according to plan. In addition to the 280 (268) stores which were operational as of 29 February this year, there are contracts for an additional 46 new stores. The aim is to increase the number of stores by 20-25 per year. Since several stores will be opened late in the year, the sales contribution from these will be approximately the same as the previous year.

Inventory

At the end of the period, KappAhl's inventory amounted to MSEK 562, an increase of MSEK 30 compared with the previous year. The increase is due to new stores, exchange rate differences (primarily against NOK) as well as gains in existing stores. Inventory is at satisfactory levels concerning both size and composition.

Investments

A total of MSEK 115 (147) has been invested since the beginning of the financial year, the majority in existing and newly-opened stores. Investments are directed towards efforts to enhance the customer experience in our stores.

Transactions with related parties

There have been no transactions with related parties.

Cash flow

KappAhl's cash flow from operating activities amounted to MSEK 379 (313) during the first half-year, and cash flow after investments amounted to MSEK 264 (166).

Taxes

The tax rate for the whole year has been calculated as approximately 28 percent.

The Parent Company

The Parent Company's net sales during the second quarter were MSEK 2 (1) and profits after financial items amounted to MSEK 102 (-24). The Parent Company did not make any investments during the period.

Upcoming financial reports

Third quarter (1 March – 31 May)	27 June 2008
Fourth quarter (1 June – 31 Aug)	30 September 2008

KappAhl Holding AB (publ) discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 07.30 on 2 April 2008.

The Board of Directors and Chief Executive Officer affirm that the half-yearly report gives a true and fair view of the Parent Company's and the Group's operations, financial position and result of operations and describes the material risks and uncertainties faced by the Parent Company and the Group.

Mölndal, 1 April 2008
KappAhl Holding AB (publ)

Finn Johnsson Chairman of the Board	Amelia Adamo Board member	Paul Frankenius Board member
Marie Matthiessen Employee representative	Jan Samuelson Board member	Pernilla Ström Board member

Rose-Marie Zell-Lindström
Employee representative

Christian W. Jansson
CEO

Consolidated income statement-Summary (SEK million)		Q2 2007/08	Q2 2006/07	Sept-Feb 2007/08	Sept-Feb 2006/07	Last 12 months March-Feb
Net sales		1,132	1,088	2,379	2,277	4,575
Cost of goods sold		-457	-460	-907	-909	-1,736
Gross profit		**675**	**628**	**1,472**	**1,368**	**2,839**
Selling expenses		-521	-488	-1,079	-1,001	-2,063
Administrative expenses	Note 1	-36	-36	-69	-77	-134
Other operating income	Note 2	-	13	-	13	3
Other operating costs		-	-	-	-	-6
Operating profit		**118**	**117**	**324**	**303**	**639**
Financial income		3	10	6	12	17
Financial expenses		-18	-33	-36	-49	-84
Profit after financial items		**103**	**94**	**294**	**266**	**572**
Tax	Note 3	-29	244	-82	195	-162
Net profit		**74**	**338**	**212**	**461**	**410**
Earnings per share, SEK		0.99	4.50	2.83	6.14	5.46
Earnings per share after dilution, SEK		0.99	4.50	2.83	6.14	5.46

Consolidated Balance Sheet-Summary (SEK million)		29 Feb 08	28 Feb 07	31 Aug 07
Tangible fixed assets		703	661	685
Intangible fixed assets*		1,345	1,347	1,356
Deferred tax assets		366	413	408
Inventories		562	532	606
Other operating receivables		103	110	97
Cash and cash equivalents	Note 4	36	1,676	60
Total assets		**3,115**	**4,739**	**3,212**
Equity		265	683	890
Interest-bearing long-term liabilities		1,206	1,308	1,261
Non-interest-bearing long-term liabilities		266	232	266
Interest-bearing current liabilities	Note 4	601	1,927	186
Non-interest-bearing current liabilities		777	589	609
Total equity and liabilities		**3,115**	**4,739**	**3,212**
*of which goodwill		696	696	696
*of which trademarks		610	610	610

Consolidated cash flow statement-Summary (SEK million)		Q2 2007/08	Q2 2006/07	Sept-Feb 2007/08	Sept-Feb 2006/07
Cash flow from continuing operations before changes in working capital		**139**	**146**	**366**	**331**
Changes in working capital		44	-42	13	-18
Cash flow from continuing operations		**183**	**104**	**379**	**313**
Cash flow from investment activities		-46	-97	-115	-147
Cash flow after investments		**137**	**7**	**264**	**166**
Change bank overdraft facility		723	158	648	59
Redemption of shares/Dividend		-825	-188	-825	-188
Other from financial activities	Note 4	-108	1,561	-111	1,556
Cash flow from financial activities		**-210**	**1,531**	**-288**	**1,427**
Cash flow for the period		**-73**	**1,538**	**-24**	**1,593**
Cash and cash equivalents at beginning of the period		**109**	**127**	**60**	**72**
Cash and cash equivalents at the end of the period		**36**	**1,665**	**36**	**1,665**

Specification of changes in the Group's equity	Sept-Feb 2007/08	Sept-Feb 2006/07
Opening equity	890	412
Translation differences for the period	-2	-2
Change in fair value reserves	-10	-
Redemption of shares	-825	-
Dividend	-	-188
Profit for the period	212	461
Closing equity	**265**	**683**

Number of stores per country	28 Feb 07	31 May 07	31 Aug 07	30 Nov 07	29 Feb 08
Sweden	131	132	131	133	133
Norway	84	84	84	85	85
Finland	40	41	42	43	44
Poland	13	15	15	18	18
Total	**268**	**272**	**272**	**279**	**280**

Sales per country	Q2 2007/08	Q2 2006/07	Change SEK %	Change local currency %
Sweden	614	614	0.0%	0.0%
Norway	320	307	4.2%	-0.8%
Finland	142	125	13.6%	15.5%
Poland	56	42	33.3%	19.2%
Total	**1,132**	**1,088**	**3.8%**	

Sales per country	Sept-Feb 2007/08	Sept-Feb 2006/07	Change SEK %	Change local currency %
Sweden	1,315	1,297	1.4%	1.4%
Norway	679	640	6.1%	0.0%
Finland	278	255	9.0%	7.4%
Poland	107	85	25.9%	16.2%
Total	**2,379**	**2,277**	**4.5%**	

Segment reporting	Net sales Sept-Feb 2007/08	Net sales Sept-Feb 2006/07	Operating income Sept-Feb 2007/08	Operating income Sept-Feb 2006/07
Nordic countries	2,272	2,192	316	295
Poland	107	85	8	8
Total	**2,379**	**2,277**	**324**	**303**

Quarterly income statement (SEK million)	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	Q2 Dec-Feb 2007/08
Net sales	1,029	1,010	1,189	1,088	1,106	1,090	1,247	1,132
Cost of goods sold	-392	-371	-449	-460	-417	-412	-450	-457
Gross profit	**637**	**639**	**740**	**628**	**689**	**678**	**797**	**675**
Selling expenses	-477	-431	-517	-484	-528	-456	-558	-521
Administrative expenses	-40	-35	-37	-40	-32	-33	-33	-36
Other operating income	-	-	-	13	3	-	-	-
Other operating costs	-	-	-	-	-	-6	-	-
Operating profit	**120**	**173**	**186**	**117**	**132**	**183**	**206**	**118**
Financial income	0	0	2	10	11	0	3	3
Financial expenses	-18	-12	-16	-33	-32	-16	-18	-18
Profit after financial items	**102**	**161**	**172**	**94**	**111**	**167**	**191**	**103**
Tax	-29	-45	-49	244	-32	-48	-53	-29
Net profit	**73**	**116**	**123**	**338**	**79**	**119**	**138**	**74**

Parent company income statement - Summary (SEK million)	Q2 2007/08	Q2 2006/07	Sept-Feb 2007/08	Sept-Feb 2006/07	Last 12 months March-Feb
Net sales	2	1	4	3	8
Cost of goods sold	-	-	-	-	-
Gross profit	**2**	**1**	**4**	**3**	**8**
Selling expenses	-	-	-	-	-
Administrative expenses	-1	-3	-4	-5	-10
Other operating income	-	-	-	-	-
Operating profit	**1**	**-2**	**0**	**-2**	**-2**
Result from participations in group companies	139	0	139	0	270
Financial income	0	0	3	0	5
Financial expenses	-38	-22	-53	-32	-83
Profit after financial items	**102**	**-24**	**89**	**-34**	**190**
Tax	10	7	14	10	23
Net profit	**112**	**-17**	**103**	**-24**	**213**

Parent company Balance Sheet - Summary (SEK million)	29-Feb-08	28-Feb-07	31-Aug-07
Tangible fixed assets	-	-	-
Intangible fixed assets*	-	-	-
Shares in group companies	2 840	2 971	2 882
Deferred tax assets	15	10	-
Other operating receivables	196	20	752
Cash and cash equivalents	-	-	-
Total assets	**3 051**	**3 001**	**3 634**
Equity	849	971	1 575
Interest-bearing long-term liabilities	1 000	1 088	1 049
Deferred tax liability	-	1	1
Current liabilities*	6	56	908
Bank overdraft facilities	1 196	885	101
Total equity and liabilities	**3 051**	**3 001**	**3 634**

* MSEK 0 (56) is liabilities to credit institutions.

Key ratios	Q2 2007/08	Q2 2006/07	Sept-Feb 2007/08	Sept-Feb 2006/07	Last 12 months March-Feb
Growth in sales	4,0%	6,0%	4,5%	4,5%	4,5%
Earnings per share, SEK	0,99	4,50	2,83	6,14	5,46
Total depreciation/amortisation	55	49	109	97	212
Operating result (EBIT)	118	117	324	303	639
Gross margin	59,6%	57,7%	61,9%	60,1%	62,1%
Operating margin	10,4%	10,8%	13,6%	13,3%	14,0%
Interest coverage ratio	-	-	-	-	7,81
Net interest-bearing liabilities	1 771	1 559	1 771	1 559	1 771
Net interest-bearing liabilities/EBITDA	-	-	-	-	2,08
Equity/assets ratio	8,5%	14,4%	8,5%	14,4%	8,5%
Equity per share, SEK	3,53	9,10	3,53	9,10	3,53
Equity per share after dilution, SEK	3,53	9,10	3,53	9,10	3,53
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
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, 29 Feb 2008	Number of shares	Percent of shares and votes	Change compared to 30 Nov 2007
Pegatro Limited	22,511,000	30.00	0
Morgan Stanley & Co Inc, W9	3,514,329	4.68	444,729
Catella Fondförvaltning	2,678,200	3.57	1,300,200
US Residents Omnibus Lending A/C	2,268,380	3.02	361,180
State Street Bank	2,013,749	2.68	-1,499,993
Svenska Handelsbanken Clients ACC:3	1,987,200	2.65	-11,600
SEB Inve stment Management	1,646,100	2.19	-45,700
Nordea Bank Norge Nominee	1,235,200	1.65	1,235,000
Fortis Banque Luxembourg S.A.	1,146,502	1.53	-309,682
Swedbank Robur fonder	1,143,101	1.52	333,573
Nordea fonder incl Luxemburg	964,762	1.29	-225,614
Livförsäkringsaktiebolaget Skandia	823,350	1.10	0
Didner & Gerge Aktiefond	799,000	1.06	19,000
JP Morgan Chase Bank, W9	750,582	1.00	-252,159
Stiftelsen Vin & Sprithistoriska, Museet	700,000	0.93	100,000
Aktia Sparbank	660,000	0.88	45,000
Riksbankens Jubileumsfond	650,000	0.87	250,000
Catella Kapitalförvaltning	624,400	0.83	624,400
Northen Trust Company, The, W9	622,003	0.83	-37,539
Awake Swedish Equity Fund	600,000	0.80	0
Other shareholders	27,702,142	36.92	-2,330,795
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 2007

This report has been prepared in accordance with IAS34: 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 Sales expenses and Administrative expenses. Refers to Sept-Feb 2006/2007.

Note 2

In the income statement for "Sept-Feb 2006/2007" income regarding the sales of two retail locations is included.

Note 3

In the income statement for "Sept-Feb 2006/2007" deferred tax revenue of MSEK 270 has been recorded regarding loss carried forward in acquired companies.

Note 4

In the balance sheet for the corresponding annual account in the previous year, 28 February 2007 acquired assets and liabilities are included in the form of cash and cash equivalents with respect to interest-bearing current liabilities, which amounted to MSEK 1,622. This item also had an effect on cash flow from financing activities for the second quarter 2006/2007.

Risks and uncertainties

The most essential strategic and operative risks affecting KappAhl's operations and industry are described in detail in the annual report for 2006/2007. This is comprised, among other things, of competition within the fashion industry, fashion trends, store location and store expansion. The Company's risk management is also described in the corporate governance report in the same annual report included in the section "Report on internal control". The same applies to the Group's management of financial risks, which are accounted for in the annual report for 2006/2007, Note 23. The recorded risks in all material aspects, are considered unchanged and therefore, are not further accounted for here.

Review report

We have carried out a review of the report for KappAhl Holding AB for the six month period 1 September 2007 to 29 February 2008. The preparation and true and fair presentation of this interim financial information, in accordance with IAS 34 and the Swedish Annual Accounts Act, is the responsibility of the board of directors and the managing director. Our responsibility is to express a conclusion on the interim financial information based on our review.

We conducted our review in accordance with the Swedish Standard on Review Engagements (SÖG) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review includes making enquiries, primarily of persons responsible for financial and accounting matters, carrying out an analytical examination, and implementing other audit checks. A review has a different emphasis and is significantly less extensive compared with the emphasis and extend of an audit in accordance with auditing standards in Sweden, RS, and generally accepted auditing standards. The audit checks implemented in a review do not enable us to acquire such assurance that we become aware of all important circumstances which would have been identified if an audit had been carried out. The expressed conclusion based on a review, therefore does not have the assurance of an expressed conclusion based on an audit.

Based on our review, no circumstances have emerged which give us reason to consider that the Interim report is not, in all material aspects, prepared on the part of the Group, in accordance with IAS 34 and the Swedish Annual Accounts Act, and on the part of the Parent Company, in accordance with the Swedish Annual Accounts Act.

Göteborg, 1 April 2008

PricewaterhouseCoopers AB

Bror Frid

Authorised Public Accountant