KappAhl

Report for the first six months of the financial year 2009/2010

Continuing positive trend

Second quarter (December 2009 - February 2010)

- KappAhl's net sales (excluding VAT) for the period amounted to SEK 1,256 (1,168) million, an increase of 7.5 per cent.
- The operating profit was SEK 76 (65) million.
- The gross margin was 57.7 (58.0) per cent and the operating margin was 6.1 (5.6) per cent.
- Profit after tax was SEK 34 (34) million, which is equivalent to SEK 0.45 (0.45) per share.
- Cash flow from operating activities was SEK 159 (133) million.

First six months (September 2009 - February 2010)

- KappAhl's net sales for the period amounted to SEK 2,600 (2,434) million, an increase of 6.8 per cent.
- The operating profit was SEK 283 (241) million.
- The gross margin was 61.5 (61.3) per cent and the operating margin was 10.9 (9.9) per cent.
- Profit after tax was SEK 212 (147) million, which is equivalent to SEK 2.83 (1.96) per share.
- Cash flow from operating activities was SEK 292 (260) million.

CEO's comments

During the quarter we have performed a good increase of the result. The period started off well but with a weaker sale of spring collections at the end. We can establish that the third quarter has started off much stronger than last year.

We have passed a milestone in the Group's development in that sales on a yearly basis now have reached 5 billion in the past year. It is particularly gratifying that growth is taking place with good profitability through retaining a strong gross profit in combination with cost control.

At the same time we see that we are mentioned more often in the fashion press, which is a proof that our concept is growing even stronger.

Christian W. Jansson, President and Chief Executive Officer

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KappAhl is a leading fashion chain with almost 350 stores and 4 300 employees in Sweden, Norway, Finland, Poland and the Czech Republic. KappAhl sells value-for-money fashion with a wide appeal – to women, men and children – and focuses in particular on women aged 30-50 with families. All clothes are from our own designers. In 1999 KappAhl was the first fashion chain to be environmentally certified. In the 2008/2009 financial year KappAhl's net sales were about SEK 5 billion and operating profit SEK 525 million. KappAhl is listed on Nasdaq OMX Stockholm. More information is available at www.kappahl.com.

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Comments on the second quarter

Net sales and results

KappAhl's net sales (excluding VAT) for the quarter amounted to SEK 1,256 (1,168) million, an increase of 7.5 per cent. The growth is explained by: the effect of new and closed stores, +6.4 per cent; change in comparable stores, +0.8 per cent and translation differences (mainly NOK and EUR) totalling +0.3 per cent.

Growth from new stores is sound, while sales trends in comparable stores are better than the previous quarter but still not entirely satisfactory. Poland has steadily continued to have the strongest development in comparable stores.

Gross profit for the quarter was SEK 725 (678) million, which corresponds to a gross margin of 57.7 (58.0) per cent. The gross margin was negatively affected by a weak exchange rate for the Swedish krona and a higher percentage of clearance sales, due among other things to the sale of new spring goods starting later than last year. The downturn was offset by a fall in purchase prices thanks to improved agreements with our suppliers.

Selling and administrative expenses for the quarter totalled SEK 649 (613) million. Through savings and strict cost control the cost share of sales has been cut.

The operating profit was SEK 76 (65) million, an increase of 16.9 per cent. This is equivalent to an operating margin of 6.1 (5.6) per cent.

Depreciation according to plan was SEK 59 (59) million.

Net financial income was SEK -22 (-18) million for the quarter. Profit after financial items was SEK 54 (47) million and the profit after estimated tax was SEK 34 (34) million. Earnings per share for the quarter were SEK 0.45 (0.45).

Store network

At the end of the period the total number of stores was 336 (305); 149 in Sweden, 95 in Norway, 55 in Finland, 36 in Poland and one in the Czech Republic. No new stores opened during the quarter. One store closed.

Cash flow

KappAhl's cash flow from operating activities amounted to SEK 159 (133) million in the quarter and cash flow after investments amounted to SEK 136 (71) million.

Financing and liquidity

Net debt at the end of the period was SEK 2,001 million, compared with SEK 2,225 million as at 28 February, 2009. Net interest-bearing debt/EBITDA was 2.5 at the end of the period, as compared with 2.8 as at 28 February 2009. Thus the financial position of the Group has been further strengthened, which is an explicit objective for the current financial year.

Cash and cash equivalents amounted to SEK 14 (15) million as at 28 February 2010. At the period close there were unutilised credit facilities of about SEK 600 (400) million.

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Comments on the first six months

Market
The recession has made consumers more careful, leading to an increase in savings. This has primarily affected more expensive capital goods, but retail fashion is also affected. There are now some positive signs in the economy, which may make consumers somewhat more optimistic, but at the same time unemployment is at a high level, which has a restraining effect.

Net sales
KappAhl's net sales for the first six months amounted to SEK 2,600 (2,434) million, an increase of 6.8 per cent. This consists of: new and closed stores, +6.2 per cent; development of comparable stores, -0.2 per cent; and translation differences (mainly EUR), +0.8 per cent.

Expansion
The work of finding new store sites is proceeding according to plan. Apart from the 336 (304) stores in operation on 28 February this year, there are at present contracts for 46 new stores, of which 17 in Poland. Of the new contracts, 8 new stores will open in the third quarter (March-May), and one in the fourth quarter. At the close of the financial year on 31 August the Group is expected to have 345 stores, i.e. an increase of 26 stores during the year. The long-term goal to increase the number of stores by 20 to 25 per year still applies.

Inventories
At the close of the period inventories amounted to SEK 620 million, an increase of SEK 35 million compared with the previous year. The entire increase is due to new stores. Overall, both the size and composition of inventories are deemed to be satisfactory.

Investments
Investments of SEK 103 (166) million were made in the first six months, mainly referring to existing and newly opened stores.

Related party transactions
There were no transactions with related parties.

Cash flow
KappAhl's cash flow from operating activities in the first six months amounted to SEK 292 (260) million and cash flow after investments amounted to SEK 189 (94) million.

Company acquisition
KappAhl acquired one company, consequently acquiring unused tax losses. It is estimated that these will be possible to use as of the 2014/2015 financial year. The acquisition had a positive net effect on the tax cost for the year and thereby on equity of about SEK 39 million. The acquired company is not currently in operation.

Taxes
The tax cost for the financial year has been calculated in accordance with each country's tax rate. For the Group this is equivalent to about 26 per cent. The positive tax effect of SEK 39 million resulting from the company acquisition described above is additional.

Risks and uncertainties

The economic situation has been improved though the strength of the recovery is difficult to estimate. Future increase of interest can impede development of consumption.

In other respects, the most important strategic and operative risks that affect KappAhl's operations and industry are described in detail in the annual report for 2008/2009. They consist of such factors as competition in the fashion industry, changes in the economy, fashion trends, store locations and store expansion. 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 2008/2009, note 22. The reported risks are otherwise deemed to be unchanged in all essentials.

Parent company

The Parent Company's net sales during the first six months were SEK 9 (9) million and profit after financial items was SEK 211 (373) million. Financial items for the current year include dividend received from subsidiaries totalling SEK 254 million. The Parent Company did not make any investments during the year.

Upcoming reports

Third quarter (1 March – 31 May)	23 June 2010
Fourth quarter (1 June – 31 August)	28 September 2010

The Board of Directors and the Chief Executive Officer affirm that the report provides a true and fair view of the Parent Company's and the Group's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the Group.

Mölndal, 22 March 2010
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 Chief Executive Officer

Review report

We have reviewed this report for the 6 months period 1 September 2009 to 28 February 2010 for KappAhl AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden, RS, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Gothenburg 22 March 2010

PricewaterhouseCoopers AB

Bror Frid
Authorised Public Accountant

Group income statement - Summary (SEK million)	Q2 2009/10	Q2 2008/09	Sep-Feb 2009/10	Sep-Feb 2008/09	Latest 12 months Mar-Feb
Net sales	1 256	1 168	2 600	2 434	5 032
Cost of goods sold	-531	-490	-1 001	-942	-1 952
Gross profit	**725**	**678**	**1 599**	**1 492**	**3 080**
Selling expenses	-615	-574	-1 245	-1 179	-2 381
Administrative expenses	-34	-39	-71	-72	-131
Operating profit	**76**	**65**	**283**	**241**	**568**
Financial income	1	3	1	6	1
Financial expenses	-23	-21	-41	-43	-87
Profit after financial items	**54**	**47**	**243**	**204**	**482**
Tax*	-20	-13	-31	-57	-102
Net profit	**34**	**34**	**212**	**147**	**380**
Profit attributable to parent company shareholders	**34**	**34**	**212**	**147**	**380**
Earnings per share before and after dilution, SEK	0,45	0,45	2,83	1,96	5,06
Other comprehensive income					
Net Profit	34	34	212	147	-
Translationdifferences for the period	-5	13	0	14	-
Change in fair value reserves	29	-127	44	-40	-
Total other comprehensive income attributable to parent company shareholders	**58**	**-80**	**256**	**121**	**-**

* Deferred tax credit 39 MSEK referring to loss carry forwards in acquired companie

Group Balance Sheet - Summary (SEK million)	28 Feb 10	28 Feb 09	31 Aug 09
Tangible assets	1 045	1 084	1 060
Intangible assets*	1 330	1 341	1 340
Deferred tax assets	125	117	87
Inventories	620	585	736
Other operating receivables	160	247	109
Cash and cash equivalents	14	15	21
Total assets	**3 294**	**3 389**	**3 353**
Equity	541	314	379
Interest-bearing long-term liabilities	1 825	2 130	2 121
Non-interest-bearing long-term liabilities	11	26	7
Interest-bearing current liabilities	190	110	0
Non-interest-bearing current liabilities	727	809	846
Total equity and liabilities	**3 294**	**3 389**	**3 353**
*of which goodwill	696	696	696
*of which trademarks	610	610	610

Group cash flow statement - Summary (SEK million)	Q2 2009/10	Q2 2008/09	Sep-Feb 2009/10	Sep-Feb 2008/09
Cash flow from operating activities before changes in working capital	**57**	**94**	**281**	**288**
Changes in working capital	102	39	11	-28
Cash flow from operating activities	**159**	**133**	**292**	**260**
Cash flow from investing activities	-23	-62	-103	-166
Cash flow after investments	**136**	**71**	**189**	**94**
Change in bank overdraft facility	-46	258	-102	227
Dividend	-94	-338	-94	-338
Cash flow from financing activities	**-140**	**-80**	**-196**	**-111**
Cash flow for the period	**-4**	**-9**	**-7**	**-17**
Cash and cash equivalents at beginning of the period	**18**	**24**	**21**	**32**
Cash and cash equivalents at the end of the period	**14**	**15**	**14**	**15**

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Specification of changes in the Group's equity	Q2 2009/10	Q2 2008/09	Sep-Feb 2009/10	Sep-Feb 2008/09
Opening equity	577	732	379	531
Dividend	-94	-338	-94	-338
Total comprehensive income	58	-80	256	121
Closing equity	**541**	**314**	**541**	**314**

Number of stores per country	28 Feb 09	31 May 09	31 Aug 09	30 Nov 09	28 Feb 09
Sweden	140	145	144	150	149
Norway	88	91	92	95	95
Finland	51	53	53	55	55
Poland	26	29	30	36	36
Czech Republic	-	-	-	1	1
Total	**305**	**318**	**319**	**337**	**336**

Sales per country	Q2 2009/10	Q2 2008/09	Change SEK %	Change local currency %
Sweden	648	615	5,4%	5,4%
Norway	356	326	9,2%	6,2%
Finland	170	165	3,0%	9,2%
Poland	81	62	30,6%	29,6%
Czech Republic	1	-	-	-
Total	**1 256**	**1 168**	**7,5%**	**-**

Sales per country	Sep-Feb 2009/10	Sep-Feb 2008/09	Change SEK %	Change local currency %
Sweden	1365	1 315	3,8%	3,8%
Norway	732	666	9,9%	5,7%
Finland	336	318	5,7%	6,4%
Poland	164	135	21,5%	29,7%
Czech Republic	3	-	-	-
Total	**2 600**	**2 434**	**6,8%**	**-**

Geografic reporting	Net sales Q2 2009/10	Net sales Q2 2008/09	Operating income Q2 2009/10	Operating income Q2 2008/09
Nordic countries	1 173	1 106	126	108
Other	82	62	-8	1
Intercompany expenses*	-	-	-42	-44
Total	**1 256**	**1 168**	**76**	**65**

* See below

Geografic reporting	Net sales Sep-Feb 2009/10	Net sales Sep-Feb 2008/09	Operating income Sep-Feb 2009/10	Operating income Sep-Feb 2008/09
Nordic countries	2 432	2299	378	325
Other	167	135	-8	3
Intercompany expenses*	-	-	-87	-87
Total	**2 600**	**2 434**	**283**	**241**

* See below

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Quarterly income statement (SEK million)		Q3 Mar-May 2005/06	Q4 Jun-Aug 2005/06	Q1 Sep-Nov 2006/07	Q2 Dec-Feb 2006/07	Q3 Mar-May 2006/07	Q4 Jun-Aug 2006/07	Q1 Sep-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	1)	-40	-35	-37	-40	-32	-33	-33	-36
Other operating income	2)	-	-	-	13	3	-	-	-
Other operating expenses		-	-	-	-	-	-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	3)	-29	-45	-49	244	-32	-48	-53	-29
Net profit		**73**	**116**	**123**	**338**	**79**	**119**	**138**	**74**
Operating margin		11,7%	17,1%	15,6%	10,8%	11,9%	16,8%	16,5%	10,4%
Earnings per share, SEK		0,97	1,54	1,64	4,50	1,05	1,59	1,84	0,99

1) Reclassification of SEK 4 million between Selling expenses and Administrative expenses in Q1 and Q2 2006/07.

2) Compensation for vacating a store site in Q2 och Q3 2006/07

3) Deferred tax credit 270 MSEK referring to loss carry forwards in acquired companies, period Dec-Feb 2006/07

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Quarterly income statement (SEK million)		Q3 Mar-May 2007/08	Q4 Jun-Aug 2007/08	Q1 Sep-Nov 2008/09	Q2 Dec-Feb 2008/09	Q3 Mar-May 2008/09	Q4 Jun-Aug 2008/09	Q1 Sep–Nov 2009/10	Q2 Dec-Feb 2009/10
Net sales		1 140	1 103	1 266	1 168	1 206	1 226	1 344	1 256
Cost of goods sold		-413	-420	-452	-490	-478	-473	-470	-531
Gross profit		**727**	**683**	**814**	**678**	**728**	**753**	**874**	**725**
Selling expenses	4)	-547	-480	-605	-574	-587	-549	-630	-615
Administrative expenses		-35	-32	-33	-39	-32	-28	-37	-34
Other operating income	5)	-	11	-	-	-	-	-	-
Other operating expenses		-	-	-	-	-	-	-	-
Operating profit		**145**	**182**	**176**	**65**	**109**	**176**	**207**	**76**
Financial income	6)	21	0	0	1	0	0	0	1
Financial expenses		-18	-26	-19	-19	-23	-23	-18	-23
Profit after financial items		**148**	**156**	**157**	**47**	**86**	**153**	**189**	**54**
Tax		-36	-43	-44	-13	-24	-47	-11	-20
Net profit		**112**	**113**	**113**	**34**	**62**	**106**	**178**	**34**
Operating margin		12,7%	16,5%	13,9%	5,6%	9,0%	14,4%	15,4%	6,1%
Earnings per share, SEK		1,49	1,51	1,51	0,45	0,83	1,41	2,37	0,45

4) Change in pension solution for employees in Q4 2007/08 SEK 20 million.

5) Compensation for vacating a store site in Q4 2007/08

6) After acquired the properties in which the distribution centre and head office are located a finance lease was terminated and gave a positive effect on financial income 23 MSEK in Q3 2007/08

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Yearly income statement (SEK million)		Sep-Aug 2005/06	Sep-Aug 2006/07	Sep-Aug 2007/08	Sep-Aug 2008/09
Net sales		4 217	4 473	4 622	4 866
Cost of goods sold		-1 677	-1 738	-1 740	-1 893
Gross profit		**2 540**	**2 735**	**2 882**	**2 973**
Selling expenses	4)	-1 863	-1 985	-2 106	-2 315
Administrative expenses	1)	-147	-142	-136	-132
Other operating income	2, 5)	-	16	11	-
Other operating expenses		-	-6	-	-
Operating profit		**530**	**618**	**651**	**526**
Financial income	6)	2	23	27	1
Financial expenses		-113	-97	-80	-84
Profit after financial items		**419**	**544**	**598**	**443**
Tax	3)	-117	115	-162	-128
Net profit		**302**	**659**	**436**	**315**
Operating margin		12,6%	13,8%	14,1%	10,8%
Earnings per share, SEK		4,02	8,78	5,81	4,20

1-6) See above

Parent company income statement - Summary (SEK million)	Q2 2009/10	Q2 2008/09	Sep-Feb 2009/10	Sep-Feb 2008/09	Latest 12 months Mar-Feb
Net sales	4	9	9	9	20
Cost of goods sold	-	-	-	-	-
Gross profit	**4**	**9**	**9**	**9**	**20**
Selling expenses	-	-	-	-	-
Administrative expenses	-8	-8	-15	-14	-31
Other operating income	-	-	-	-	-
Operating profit	**-4**	**1**	**-6**	**-5**	**-11**
Result from participations in group companies	0	426	254	426	680
Financial income	1	1	1	4	2
Financial expenses	-21	-30	-38	-52	-84
Profit after financial items	**-24**	**398**	**211**	**373**	**587**
Appropriations	0	-	0	-	-8
Resultat after appropriations	**-24**	**398**	**211**	**373**	**579**
Tax	0	15	0	15	31
Net profit	**-24**	**413**	**211**	**388**	**610**

Parent company Balance Sheet - Summary (SEK million)	28 Feb 10	28 Feb 09	31 Aug 09
Financial assets	3 144	3 144	3 284
Deferred tax assets	17	43	17
Other operating receivables	27	306	298
Cash and cash equivalents	-	-	-
Total assets	**3 188**	**3 493**	**3 599**
Equity	1 063	866	945
Untaxed reserves	8	-	8
Interest-bearing long-term liabilities	1 857	2 409	2 559
Deferred tax liabilities	-	3	-
Interest-bearing current liabilities	177	109	-
Non-interest-bearing current liabilities	83	106	87
Total equity and liabilities	**3 188**	**3 493**	**3 599**

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Key ratios	Q2 2009/10	Q2 2008/09	Sep-Feb 2009/10	Sep-Feb 2008/09	Latest 12 months Mar-Feb
Growth in sales	7,5%	3,2%	6,8%	2,3%	7,6%
Earnings per share, SEK	0,45	0,45	2,83	1,96	5,06
Total depreciation/amortisation	59	59	119	116	237
Operating result (EBIT)	76	65	283	241	568
Gross margin	57,7%	58,0%	61,5%	61,3%	61,2%
Operating margin	6,1%	5,6%	10,9%	9,9%	11,3%
Interest coverage ratio	-	-	-	-	6,5
Net interest-bearing liabilities	2 001	2 225	2 001	2 225	2 001
Net interest-bearing liabilities/EBITDA	-	-	2,5	2,8	2,5
Equity/assets ratio	16,4%	9,3%	16,4%	9,3%	16,4%
Equity per share, SEK	7,21	4,18	7,21	4,18	7,21
Equity per share after dilution, SEK	7,21	4,18	7,21	4,18	7,21
Return on equity			-	-	88,9%
Return on capital employed			-	-	22,3%
Number of shares after dilution	75 040 000	75 040 000	75 040 000	75 040 000	75 040 000

Definitions	
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
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
EBITDA	Operating profit before depreciation / amortisation
Equity/assets ratio	Equity divided by balance sheet total
Equity per share	Equity / average number of shares
Return on equity	Net result in per centage of equity
Return on capital employed	Operating prifit/loss plus financial income in percentage of capital
Capital employed	Balance sheet total less non interest bearing deferred tax liability.

KappAhl's 20 largest shareholders, 28 Feb 2010	Number of shares	Percentage of shares and votes	Change compared with 30 Nov 2009
Christian W. Jansson	12 214 700	16,28	-
Paul Frankenius	12 167 000	16,21	-
JP MORGAN CHASE BANK, W9	2 229 473	2,97	-1 496 501
SVENSKA HANDELSBANKEN CLIENTS ACC:3	1 587 400	2,12	-577 323
NORDEA SVERIGEFONDEN	1 016 913	1,36	-1 000 925
NORDEA BANK NORGE NOMINEE	1 010 200	1,35	-647 200
DIDNER & GERGE AKTIEFOND	850 000	1,13	-619 031
AVANZA PENSION	809 961	1,08	-379 717
PLACERINGSFOND NORDEA, GARANTI	805 890	1,07	-229 320
OMNIBUS ACCOUNT W FD: OM80	730 336	0,97	-301 822
NORDEA ALLEMANSFOND ALFA	715 935	0,95	-284 065
FONDITA NORDIC SMALL CAP	700 000	0,93	-246 999
NORTHERN TRUST COMPANY, THE, W9	678 895	0,90	-254 733
JP MORGAN BANK	674 004	0,90	-175 996
SWEDBANK ROBUR SMÅBOLAGSFOND EUROPA	657 400	0,88	-133 552
Andra AP-fonden	647 738	0,86	-43 152
GOVERNMENT OF NORWAY	625 472	0,83	41 172
SWEDBANK ROBUR SVERIGEFOND MEGA	617 525	0,82	81 546
LÄNSFÖRSÄKRINGAR SMÅBOLAGSFOND	595 883	0,79	87 165
DIDNER & GERGE SMÅBOLAG	595 178	0,79	107 258
Övriga ägare	35 110 097	46,79	6 073 195
Total	**75 040 000**	**100,00**	**-**

Accounting policies

The Group applies International Financial Reporting Standards, IFRS, adopted by the European Commission. The accounting policies are unchanged in comparison with the latest annual accounts as at 31 August 2009, apart from what is stated above.

IFRS 8 (Operating Segments) and the amendments to IAS 1 (Presentation of Financial Statements), which came into force for financial years commencing after 1 January 2009, will be applied as of the 2009/2010 financial year. As far as KappAhl is concerned, application of IFRS 8 has meant that the Group's reportable segments have been changed where, after aggregation of identified operating segments under IFRS 8, paragraph 12, the Group as a whole constitutes an operating segment.

The amendment to IAS 1 has meant a change in how financial statements are to be drawn up. KappAhl has opted to present the Group's comprehensive income divided up into two reports; an income statement and a report of other comprehensive income. In other respects the accounting policies are unchanged in comparison with the annual report for 2008/2009.

The amendment to IFRS 3 – Business combinations – is applied by KappAhl as of the 2009/2010 financial year. For KappAhl the amended standard has meant that costs associated with acquisitions of subsidiaries do not constitute part of the cost of acquisition but are recognised as an expense in the income statement in their entirety.

Acquisition of subsidiaries

In September KappAhl acquired 100 per cent of stock and votes in subsidiary KappAhl Mode Holding AB. The purchase price was SEK 160 million. Real value of the company net assets at the date of acquisition was SEK 199 million, of which SEK 49 million was deferred tax assets. The acquired company is not currently in operation.

Costs in relation to the acquisition was SEK 1 million and has charged administration costs on the income statement for the period of this report.

After admission the possibilities for the subsidiary to use the loss carry-forwards have been reviewed. The loss-carry forwards amounting SEK 188 million is estimated to be used from the 2014/2015 financial year, which has resulted in that further SEK 39 million has been accounted for as an income tax recoverable and a deferred tax revenue in the income statement for the period of this report.

This report has been prepared in accordance with IAS 34. For the Parent Company the report is presented in accordance with the Swedish Annual Accounts Act and recommendation RFR 2.1 of the Swedish Financial Reporting Board.

The company has no outstanding convertible debt instruments or warrants.