

INTERIM REPORT

16 January 2013



• REPORT FOR FIRST QUARTER 2012/2013 •

Increased sales and strong gross margin – women's assortment back at a good sales level

	Quarter 1 (SEP-NOV)		
	2012/2013	2011/2012	Change
Net sales, SEK million	1 245	1 193	52
Operating profit excluding capital gain on real property, SEK million	104	16	88
Operating profit/loss, SEK million	181	16	165
Gross profit margin, %	63,3	58,4	
Operating margin excluding capital gain, %	8,3	1,3	
Profit after tax, SEK million	115	-11	126
Earnings per share, SEK (Note 1)	0,51	-0,04	
Cash flow from operating activities, SEK million	79	30	49

- Net sales increased by 4.4 per cent for the quarter. Of this, the increase in comparable stores was 3.0 per cent.
- Gross margin improved by 4.9 percentage points.
- Costs increased marginally, despite 14 more stores.
- Sale of real property led to a capital gain of SEK 77 million.
- Equity/assets ratio increased to 40.8 per cent, including the rights issue approved by the Annual General Meeting.

“It's a little too early to say this is a new positive trend for the company but it's quite clear there are strong signals indicating we are on the right path.”

Johan Åberg, President and CEO. Read the full CEO statement on the next page.

There will be a telephone conference and webcast for analysts, media and investors today at 9.00. To participate in the conference call +44 203 364 5371 about 5 minutes before the start. The telephone conference can also be followed via a webcast at www.kappahl.com/presentations, where the webcast will be saved for later viewing.

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KappAhl

• JOHAN ÅBERG, PRESIDENT AND CEO, ANSWERS QUESTIONS •



Johan Åberg
President and CEO

This has been a strong first quarter for KappAhl, is this a new positive trend for the company?

It is a great pleasure to be able to present a good report for our first quarter, September to November 2012. We have said all along that only in the autumn will we start to see the results of the action plan we have been working on in 2012. It's a little too early to say this is a new positive trend for the company but it's quite clear there are strong signals indicating we are on the right path.

You were working on an action plan in 2012, is that still relevant?

The plan contains a number of measures in priority areas to improve performance. Our offer has been a major focus, including assortment, stores and marketing. What we can note today is that the assortment, above all in the business area Women, is back at sound sales levels. The stores are also more inviting, clearer and more customer-oriented. Marketing with the new advertising concept "Hey, I like your Style!" has had a good response.

Other areas of the plan have focused on financial measures and there too we have had good results. We have kept down costs and we are improving our equity/assets ratio through selling real estate and through the rights issue approved by the shareholders at the annual general meeting.

Even though we have achieved much of the action plan, it is still relevant and we can now add further activities.

So what is your focus for this financial year?

We will continue to focus on the priority areas with the aim of improving performance.

It is important that we stay on the path we have staked out – and we now have gratifying confirmation that the measures we are implementing are having an effect. At the same time, we have respect for the situation we are in with an uncertain market ahead of us.

The information in this interim report is disclosed by KappAhl AB (publ) pursuant to the Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication on 16 January 2013 at 07.30 a.m.

KappAhl was established in 1953 and is a leading fashion chain soon with 400 stores and 4 500 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. KappAhl was the first fashion chain to achieve environmental certification in 1999. In the 2011/2012 financial year KappAhl's net sales were SEK 4.6 billion. KappAhl is listed on NASDAQ OMX Stockholm. More information can be found at www.kappahl.com.

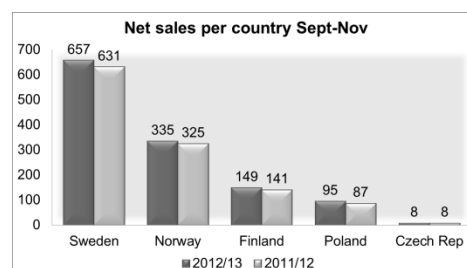
• COMMENTS ON THE FIRST QUARTER •

3.0 %

Sales in comparable stores

Net sales and profit

KappAhl's net sales for the quarter amounted to SEK 1,245 (1,193) million, an increase of 4.4 per cent. This is explained by: the effect of new and closed stores, +2.6 per cent; change in comparable stores, +3.0 per cent and translation differences totalling -1.2 per cent. Sales have improved, especially in the Woman range. The Child business area continued its strong development. These improvements are apparent through a positive sales trend in comparable stores in all countries.



4.9 %

Increased gross margin

Gross profit for the quarter was SEK 788 (697) million, which corresponds to a gross margin of 63.3 (58.4) per cent. A good balance in inventories combined with an improved range has resulted in a higher percentage of full price sales.

Selling and administrative expenses for the quarter increased by 0,4 per cent to a total of SEK 684 (681) million, despite an increased number of stores and general inflation. The savings that were launched in summer 2011 are still having an effect but the effect is diminishing in that we are now meeting the lower cost level established in the previous year. A refund for pension costs charged at too high an amount in previous years has had a positive effect on costs of SEK 5 million.

Operating profit excluding capital gain on real property was SEK 104 (16) million. This is equivalent to an operating margin of 8,3 (1.3) per cent. The company's property that houses the head office and distribution centre has been sold, resulting in a capital gain of SEK 77 million. At the same time a new 15-year tenancy agreement was signed. The date of possession was 23 November. The sale and tenancy agreement were on commercial terms.

Depreciation according to plan was SEK 35 (41) million.

Net financial income was SEK -43 (-26) million for the quarter. Since the company's debts were substantially reduced a surplus on interest swaps arose, which entailed an extra cost of SEK 6 million. Profit/loss after financial items was SEK 138 (-10) million and the profit/loss after estimated tax was SEK 115 (-11) million. Earnings per share for the quarter were SEK 0.51 (-0.04).

3.2 %

Inventories lower than last year

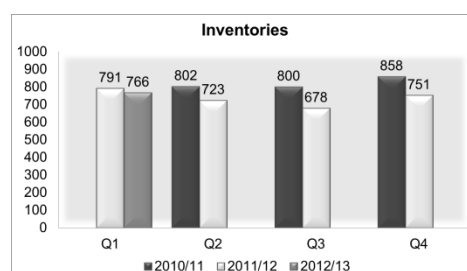
Taxes

In December the Riksdag voted to reduce the corporate tax rate in Sweden to 22 per cent. For the 2012/13 financial year the relevant tax rate in Sweden is 26.3 per cent, but in the event that deferred tax is expected to impact future tax assessment the tax rate will be 22 per cent. A preliminary estimate shows that deferred tax on the balance sheet will be affected negatively by a net amount of SEK 5 million, which will be charged to earnings in the second quarter.

Deferred tax assets on losses in Poland and the Czech Republic are not currently being capitalised, which has a negative effect on reported tax costs.

Inventories

At the close of the period inventories amounted to SEK 766 million, a decrease of SEK 25 million compared with the previous year. Overall, the size and composition of inventories are considered to be satisfactory.



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Investments

Investments of SEK 53 (50) million were made during the year, mainly in existing and newly opened stores.

Rights issue

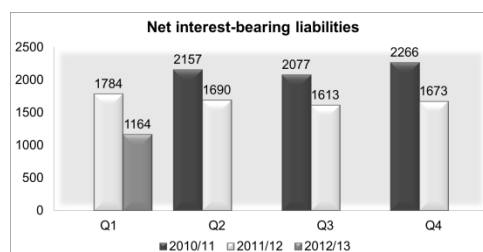
On 28 November the Annual General Meeting approved a rights issue of SEK 383 million. Subscription commitments and guarantees for the entire issue were already in place before the Annual General Meeting. At the time of publication of this report the entire issue has been paid in to the company.

Cash flow

KappAhl's cash flow from operating activities was SEK 79 million (30) and the cash flow after investments and sale of real property was SEK 509 (-55) million. The cash flow has been positively impacted by both the development of working capital and restrictive investment, as well as by the sale of real property.

Financing and liquidity

Total credit facilities amount to SEK 1,550 million. Interest expense for the current year is expected to be about 8 per cent, calculated on average interest-bearing debt. Next year interest expense is expected to fall below SEK 50 million



At the end of the period net interest-bearing liabilities amounted to SEK 1,164 million (1,784). The net interest-bearing liabilities/EBITDA ratio was 3.7 at the period close, compared with 6.0 as at 30 November 2011. The equity/assets ratio has increased to 40.8 % (26.9 %).

Cash and cash equivalents amounted to SEK 40 million (566) as at 30 November 2012. At the period close there were unutilised credit facilities of about SEK 300 (250) million.

34.8 %

Reduction in net debt compared with previous year

40.8 %

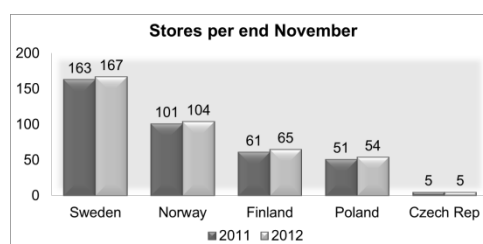
Current equity/assets ratio

Store network and expansion

At the end of the period the total number of stores was 395 (381). Of these, 167 are in Sweden, 104 in Norway, 65 in Finland, 54 in Poland and five in the Czech Republic. Ten stores have been opened and three were closed during the quarter. The online shop started last autumn in Sweden has gone well, both as regards direct sales and visitors to the company's website.

The work of finding attractive store sites is proceeding according to plan.

Apart from the stores in operation on 30 November this year there are currently contracts for 16 new stores. The long-term goal to increase the number of stores by 20 to 25 per year remains, but for this financial year the number of new stores is expected to be 13.



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Parent company

The Parent Company's net sales for the period were SEK 0 (0) million and profit after financial items was SEK 46 (16) million. The Parent Company did not make any investments during the period.

• OTHER INFORMATION •

Related party transactions

Apart from guarantees from Dutot Ltd, Jan Samuelson and Håkan Westin in connection with the rights issue there have been no related party transactions. Expenditure for these guarantees amounts to SEK 2.6 million.

Risks and uncertainties

Impairment testing of intangible assets has been carried out, which has not resulted in any change compared with the last annual accounts.

The most important strategic and operative risks that affect KappAhl's operations and industry are described in detail in the annual report for 2011/2012 and in the rights issue prospectus of autumn 2012. These include competition in the fashion industry, economic fluctuations, 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, 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 2011/2012, Note 19. The reported risks are considered to be substantially unchanged.

Financial calendar

Second quarter (Dec – Feb)	12 April 2013
Third quarter (Mar–May)	28 June 2013
Fourth quarter (Jun–Aug)	2 October 2013

This report has not been reviewed by the company's auditors.

Möln dal, 16 January 2013

KappAhl AB (publ)

Johan Åberg

President

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Group income statement - Summary (SEK million)	Q1	Q1	Sep-Nov	Sep-Nov	Latest
	2012/2013	2011/2012	2012/2013	2011/2012	12 months Dec-Nov
Net sales			1 245	1 193	4 639
Cost of goods sold			-457	-496	-1 949
Gross profit			788	697	2 690
Selling expenses			-650	-648	-2 529
Administrative expenses			-34	-33	-137
Övriga rörelseintäkter			77	-	77
Operating profit			181	16	101
Financial income			0	0	0
Financial expenses			-43	-26	-183
Profit after financial items			138	-10	-82
Tax			-23	-1	-16
Net profit			115	-11	-98
Profit attributable to parent company shareholders			115	-11	-98
Earnings per share , SEK	Note 1		0,51	-0,04	-0,33
Earnings per share after new share issue, SEK			0,26	-0,02	-0,22
Other comprehensive income					
Net Profit			115	-11	-98
Translationdifferences for the period			2	16	-27
Actuarial losses			-	-	-14
Change in fair value reserves			1	-18	21
Tax attributable to other comprehensive income			-1	5	4
Total other comprehensive income attributable to parent company shareholders			117	-8	-114
Group Balance Sheet - Summary (SEK million)			30-Nov-12	30-Nov-11	31-Aug-12
Tangible assets			488	1 002	883
Intangible assets*			1 345	1 337	1 347
Deferred tax assets			178	142	158
Inventories			766	791	751
Other operating receivables			123	242	118
Ongoing new share issue			383	-	-
Cash and cash equivalents			40	566	46
Total assets			3 323	4 080	3 303
Equity			1 357	1 099	866
Interest-bearing long-term liabilities			774	1 701	814
Non-interest-bearing long-term liabilities			45	16	8
Interest-bearing current liabilities			430	649	905
Non-interest-bearing current liabilities			717	615	710
Total equity and liabilities			3 323	4 080	3 303
*of which goodwill			696	696	696
*of which trademarks			610	610	610

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Group cash flow statement - Summary (SEK million)	Q1 2012/2013	Q1 2011/2012	Sep-Nov 2012/2013	Sep-Nov 2011/2012
Cash flow from operating activities before changes in working capital			79	30
Changes in working capital			-4	-35
Cash flow from operating activities			75	-5
Sale of property			487	-
Cash flow from investing activities			-53	-50
Cash flow after investments			509	-55
Change in bank overdraft facility			-515	47
New share issue			-	535
Cash flow from financing activities			-515	582
Cash flow for the period			-6	527
Cash and cash equivalents at beginning of the period			46	39
Cash and cash equivalents at the end of the period			40	566
Specification of changes in the Group's equity				
		Q1	Sep-Nov	Sep-Nov
	2012/2013	2011/2012	2012/2013	2011/2012
Opening equity			866	520
New share issue - after issue expenses and tax			374	587
Total comprehensive income			117	-8
Closing equity			1 357	1 099

Number of stores per country	30-Nov-11	29-Feb-12	31-May-12	31-Aug-12	30-Nov-12
Sweden	163	163	164	165	167
Norway	101	101	102	103	104
Finland	61	61	62	62	65
Poland	51	51	53	53	54
Czech Republic	5	5	5	5	5
Total	381	381	386	388	395

Sales per country (SEK million)	Sep-Nov 2012/2013	Sep-Nov 2011/2012	Change SEK %	Change local currency %
Sweden	657	631	4,1%	4,1%
Norway	335	325	3,1%	4,6%
Finland	149	141	5,7%	12,5%
Poland	95	87	9,2%	8,8%
Czech Republic	8	8	0,0%	5,0%
Total	1 245	1 192	4,4%	-

Geografic reporting (SEK million)	Net sales Sep-Nov 2012/2013	Net sales Sep-Nov 2011/2012	Operating income Sep-Nov 2012/2013	Operating income Sep-Nov 2011/2012
Nordic countries	1142	1097	165	78
Other	103	95	-19	-22
Intercompany expenses	-	-	35	-40
Total	1 245	1 192	181	16

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Quarterly income statement (SEK million)	2009/2010				2010/2011				2011/2012				2012/2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net sales	1 344	1 256	1 221	1 290	1 341	1 188	1 237	1 208	1 193	1 119	1 146	1 129	1 245
Cost of goods sold	-470	-531	-432	-521	-491	-508	-493	-556	-496	-538	-469	-485	-457
Gross profit	874	725	789	769	850	680	744	652	697	581	677	644	788
Selling expenses	-630	-615	-639	-583	-669	-624	-651	-616	-648	-685	-615	-579	-650
Administrative expenses	-37	-34	-38	-30	-35	-40	-36	-33	-33	-34	-33	-36	-34
Other operating income	-	-	-	-	-	-	-	-	-	-	-	-	77
Operating profit	207	76	112	156	146	16	57	3	16	-138	29	29	181
Financial income	0	1	0	0	0	0	0	1	0	0	0	0	0
Financial expenses	-18	-23	-24	-24	-17	-15	-22	-18	-26	-47	-34	-59	-43
Profit after financial items	189	54	88	132	129	1	35	-14	-10	-185	-5	-30	138
Tax	-11	-20	-23	-7	-34	0	-9	-40	-1	22	-5	-10	-23
Net profit	178	34	65	125	95	1	26	-54	-11	-163	-10	-40	115
Operating margin	15,4%	6,1%	9,2%	12,1%	10,9%	1,3%	4,6%	0,2%	1,3%	-12,3%	2,5%	2,6%	8,3% *
Earnings per share, SEK	1,30	0,25	0,48	0,91	0,69	0,01	0,19	-0,39	-0,08	-0,55	-0,03	-0,14	0,51
Number of stores	337	336	344	345	360	360	367	369	381	381	386	388	395

* excl. sales of property

Yearly income statement (SEK million)	Sep-Aug 2007/08	Sep-Aug 2008/09	Sep-Aug 2009/10	Sep-Aug 2010/11	Sep-Aug 2011/12
Net sales	4 622	4 866	5 111	4 974	4 587
Cost of goods sold	-1 740	-1 893	-1 954	-2 048	-1 988
Gross profit	2 882	2 973	3 157	2 926	2 599
Selling expenses	3) -2 106	-2 315	-2 467	-2 560	-2 527
Administrative expenses	-136	-132	-139	-144	-136
Other operating income	4) 11	-	-	-	-
Operating profit	651	526	551	222	-64
Financial income	2) 27	1	1	1	0
Financial expenses	-80	-84	-89	-72	-166
Profit after financial items	598	443	463	151	-230
Tax	1) -162	-128	-61	-83	6
Net profit	436	315	402	68	-224
Operating margin	14,1%	10,8%	10,8%	4,5%	-1,4%
Earnings per share, SEK	Note 1 3,18	2,30	2,93	0,50	-1,15

1) Deferred tax credit SEK 107 million 2009/10

2) 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 SEK 23 million in Q3

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

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

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Parent company income statement - Summary (SEK million)	Q1	Q1	Sep-Nov	Sep-Nov	Latest
	2012/2013	2011/2012	2012/2013	2011/2012	12 months Dec-Nov
Net sales			0	0	22
Cost of goods sold			-	-	-
Gross profit			0	0	22
Selling expenses			94	-	94
Administrative expenses			-6	-8	-43
Operating profit			88	-8	73
Result from participations in group companies			-	43	172
Financial income			0	9	12
Financial expenses			-42	-28	-175
Profit after financial items			46	16	82
Resultat after appropriations			46	16	82
Tax			13	-4	15
Net profit			59	12	97

Parent company Balance Sheet - Summary (SEK million)	30-Nov-12	30-Nov-11	31-Aug-12
Tangible assets	-	-	-
Financial assets	2 876	3 218	3 180
Deferred tax assets	27	14	15
Other operating receivables	5	76	337
Ongoing new share issue	383	-	-
Cash and cash equivalents	513	622	0
Total assets	3 804	3 930	3 532
Equity	2 306	1 831	1 873
Untaxed reserves	8	8	8
Interest-bearing long-term liabilities	717	1 415	638
Deferred tax liabilities	12	-	-
Interest-bearing current liabilities	430	600	905
Non-interest-bearing current liabilities	331	76	108
Total equity and liabilities	3 804	3 930	3 532

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Key ratios		Q1	Q1	Sep-Nov	Sep-Nov	Latest
		2012/2013	2011/2012	2012/2013	2011/2012	12 months Dec-Nov
Growth in sales				4,4%	-11,0%	-3,9%
Earnings per share, SEK	Note 1			0,51	-0,04	-0,33
Total depreciation/amortisation				35	41	214
Operating result (EBIT)				181	16	101
Gross margin				63,3%	58,4%	58,0%
Operating margin				8,3% *	1,3%	2,2%
Interest coverage ratio				0,6	1,1	0,6
Net interest-bearing liabilities				1 164	1 784	1 164
Net interest-bearing liabilities, excl. Buildings				3,7	6,0	3,7
				40,8%	26,9%	40,8%
Equity/assets ratio				6,03	4,88	6,03
Equity per share, SEK				3,01	2,44	3,01
Equity per share after dilution, SEK				-	-	-8,0%
Return on equity				-	-	3,4%
Number of shares				225 120 000	225 120 000	225 120 000
Earnings per share after new share issue, SEK				450 240 000	450 240 000	450 240 000

* Excl. Sales of property

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 profit/loss plus financial income in percentage of capital employed
Capital employed	Balance sheet total less non interest bearing deferred tax liability.

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KappAhl's 20 largest shareholders, 30-Nov-2012	Number of shares	Percentage of shares and votes compared with	
		30-Nov-2012	31-Aug-2012
DUTOT LIMITED	36 644 100	16,28	0
MELLBY GÅRD AB	27 252 659	12,11	0
NORDEA BANK NORGE NOMINEE	12 660 415	5,62	0
Swedbank Robur fonder	12 059 528	5,36	796 100
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	8 470 147	3,76	-1 018 027
SVENSKT NÄRINGSLIV	7 000 000	3,11	0
ROBUR FÖRSÄKRING	4 233 008	1,88	63 220
NORDNET PENSIONS FÖRSÄKRING AB	3 178 379	1,41	5 390
S-KON FASTIGHETER AB	2 600 000	1,15	450 000
LÄNSFÖRSÄKRINGAR JÖNKÖPING	2 283 334	1,01	570 818
Catella Fondförvaltning	2 140 000	0,95	83 100
JPM CHASE NA	1 857 392	0,83	-1 652 427
BANQUE ÖHMAN S.A.	1 717 500	0,76	-85 000
SVENSKA HANDELSBANKEN SA	1 707 876	0,76	52 000
JULA AB	1 500 000	0,67	0
MERRILL LYNCH INTERNATIONAL	1 247 421	0,55	1 247 421
TEKNIKFÖRETAGEN	1 200 000	0,53	0
NORDEA LIFE & PENSIONS/NLP 09800478	1 000 000	0,44	0
JPMEL RE DEPOSITORY FOR	970 582	0,43	970 582
FÖRSÄKRINGS AB SKANDIA	895 685	0,40	27 834
Övriga	94 501 974	41,99	-1 511 011
Total	225 120 000	100,00	0

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Accounting policies

The Group applies International Financial Reporting Standards, IFRS, as adopted by the EU. The accounting policies are unchanged in comparison with the latest annual accounts as at 31 August 2012.

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 of the Swedish Financial Reporting Board.

The company has no outstanding convertible debt instruments. There are 6,744,000 warrants. These can be exercised in January-February 2015. One warrant confers the right to subscribe for 1.58 shares at a price of SEK 4.80 (after the re-computation that took place in connection with the announcement that the rights issue was fully subscribed).

Note 1 Calculation of earnings per share

Earnings per share have been restated for comparison periods. The number of shares has been adjusted to allow for the rights issue.