

INTERIM REPORT

14 January 2014



• FIRST QUARTER 2013/2014 •

A strong quarter in a challenging autumn

	First quarter (Sep-Nov)		
	2013/2014	2012/2013	Change
Net sales, SEK million	1 243	1 245	-2
Operating profit excluding capital gain on real property, SEK million	99	104	-5
Operating profit, SEK million	99	181	-82
Gross margin, %	63,3	63,3	0,0
Operating margin excluding capital gain, %	8,0	8,3	-0,3
Profit after tax, SEK million	62	115	-53
Earnings per share, SEK (Note 1)	0,83	2,35	-1,52
Cash flow from operating activities, SEK million	125	75	50

- Sales for the quarter in line with last year despite a warm autumn and six fewer stores.
- Growth over the rolling four quarters was 2.3 (-3.9)%.
- Cost saving measures according to plan.
- Strongly improved cash flow and lower net debt.
- Improved inventories as regards both contents and volume.

”...Now we have the results of the first quarter we can see that KappAhl is delivering figures on a level with the previous year ...”

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 09.00. To participate in the conference call +46 8 519 990 30 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

How did KappAhl deliver in the first quarter?

The warm autumn brought sales challenges for KappAhl and the rest of the industry. Now we have the results of the first quarter, September-November, we can see that KappAhl, despite this, is delivering figures on a level with the previous year.

At the end of the quarter KappAhl had six fewer stores compared to, and sales on a level with, the previous year. The increase in comparable stores was 1.6 per cent and the gross margin was sound. Growth over the rolling four quarters was 2.3 (-3.9) per cent. Cash flow from operating activities was SEK 50 million higher than the previous year, most of which was due to improved profit after financial items (adjusted for extraordinary items). Our measures to keep down costs were successful.

All in all, KappAhl is delivering an operating profit in line with last year, giving an operating margin of 8.0 (8.3) per cent.

How would you summarise activities during the quarter?

The first quarter is the one with a major focus on the higher priced range, such as outerwear and knitwear, garments that sell best when the outdoor temperature is below zero. Our continued concentration on slightly thinner lightweight down jackets proved quite right when the cold weather did not materialise. November, with a party range that was well-received by customers, contributed to a strong close of the quarter.

There was a successful launch of Fifty Shades of Grey during the quarter, a sumptuous underwear collection designed in collaboration with the best-selling writer E. L. James. Other activities worth noting are continued training initiatives in service and sales for all store employees. This drive will continue in 2014. The winding up of operations in the Czech Republic has gone according to plan; the operative business there was completely wound up at the close of December.

During the quarter we have again had proof that our strategically important trouser range is liked by the customers. KappAhl is market leader in jeans in Sweden and increased its market share to 9.5 (7.7) per cent in 2012, according to statistics from Gfk Fashion Scope.

What are KappAhl's plans for the rest of the year?

There are a number of important activities in focus in 2014. The range will be further developed with focus on our customer groups, women and men in the prime of life and children 0-14 years of age. The work of strengthening the brand and internal effectiveness is continuing. Restructuring the logistics flow will bring us closer to the goal of the right product to the right store, at the right time. The launch of a new digital platform that among other things will enable eCommerce in more countries, as well as digital customer clubs, will start in the first half of 2014. In this period we will also see the first results of a completely new store concept.

The objective is that activities will together contribute to maintaining KappAhl's increased attractiveness. We have an extensive task before us. I'm looking forward to it!

Johan Åberg
President and CEO

KappAhl, founded in 1953, is one of the leading Nordic fashion chains with about 400 stores in Sweden, Norway, Finland and Poland, as well as Shop Online. KappAhl offers value-for-money fashion in its own design to many people - women, men and children - with a particular focus on women in the prime of life. KappAhl was the first fashion chain in the world to be environmentally certified in 1999. In 2012/2013 sales were SEK 4.8 billion and the number of employees about 4,500. KappAhl is listed on NASDAQ OMX Stockholm. For more information, please visit www.kappahl.se.

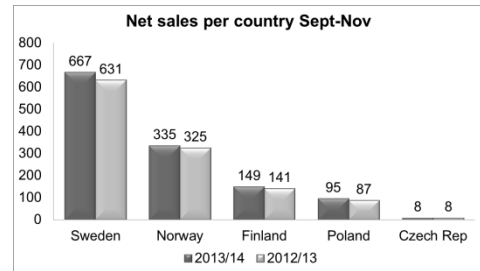
• COMMENTS ON THE FIRST QUARTER •

1.6 %

Sales in comparable stores

Net sales and profit

KappAhl's net sales for the quarter amounted to SEK 1,243 (1,245) million, a decrease of 0.2 per cent. The development is explained by the effect of new and closed stores, -0.4 per cent, change in comparable stores +1.6 per cent, and translation differences in currencies totalling -1.4 per cent.



Gross profit for the quarter was SEK 787 (788) million, which corresponds to a gross margin of 63.3 (63.3) per cent.

Selling and administrative expenses for the quarter increased by 0.6 per cent to a total of SEK 668 (684) million. This is in line with expectations, taking into account savings measures, investments in strategic areas and inflation. There was a positive effect on costs for the first quarter of the previous year (2012/2013) of SEK 5 million, referring to a refund for pension costs from previous years.

The operating profit was SEK 99 (104) million, excluding non-recurring items consisting of capital gains on real property of SEK 0 (77) million. This corresponds to an operating margin of 8.0 (8.3) per cent excluding non-recurring items.

Depreciation according to plan was SEK 31 (35) million.

Net financial income was SEK -12 (-43) million for the quarter. The improvement in net financial income is due to the rights issue of autumn 2012 and sale of real property, as well as a positive cash flow from operations. Profit/loss after financial items was SEK 87 (138) million and the profit/loss after estimated tax was SEK 62 (115) million. Earnings per share for the quarter were SEK 0.83 (2,35).

Taxes

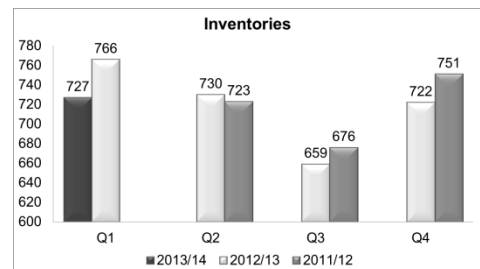
The Group has deferred tax assets of SEK 73 (178) million. The change is due to a decrease in untaxed reserves, loss carryforwards, as well as changes in tax rates. In Sweden the deferred tax assets are attributable to blocked deficits that can be in part be utilised as of the current year.

SEK 39 million

Inventories lower than last year

Inventories

At the close of the period inventories amounted to SEK 727 (766) million, a decrease of SEK 39 million compared with the previous year. Overall, the size and composition of inventories are considered to be satisfactory.



Investments

Investments during the period amounts to SEK 25 (53) million and mainly consists of existing and newly opened stores.

Cash flow

KappAhl's cash flow from operating activities during the quarter was SEK 125 (75) million. Cash flow after investments was SEK 100 (509) million. The cash flow has been positively impacted by improved profitability and restrictive investments. The cash flow same period previous year was impacted by the sale of a property.

SEK 50 million

Improvement in working capital during the period

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51.3 %

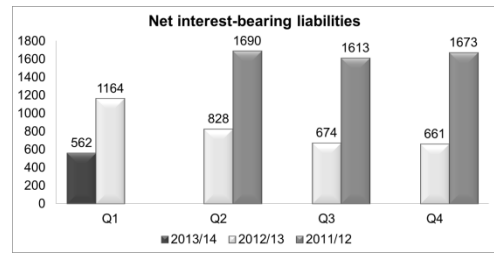
Reduction in net debt compared with previous year

52.1 %

Current equity/assets ratio

Financing and liquidity

Total credit facilities amount to SEK 1,102 million. Interest expense for the current year is expected to be about 7 per cent, calculated on average interest-bearing debt. Interest expense for the current year is estimated to be SEK 40 (87) million.

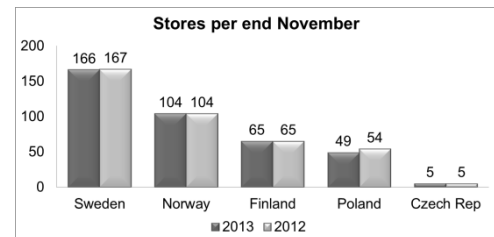


At the end of the period net interest-bearing liabilities amounted to SEK 562 (164) million. The net interest-bearing liabilities/EBITDA ratio was 1.8 at the close of the period, compared with 3.7 as at 30 November 2012. The equity/assets ratio increased to 52.1 (40.8) per cent.

Cash and cash equivalents amounted to SEK 29 million (40) as at 30 November 2013. At the period close there were unutilised credit facilities of about SEK 502 (300) million.

Store network and expansion

At the end of the period the total number of stores was 389 (395). Of these, 166 are in Sweden, 104 in Norway, 65 in Finland, 49 in Poland and five in the Czech Republic.



Four stores were opened during the quarter and five were closed. Apart from the stores in operation on 30 November 2013 there are at present contracts for six new stores.

The completion of the business in the Czech Republic has been implemented according to plan. Since the 31 December operations are closed down.

Parent company

The Parent Company's net sales for the period were SEK 4 (0) million and profit after financial items was SEK -14 (46) million. The Parent Company did not make any investments during the period.

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• OTHER INFORMATION •

Related party transactions

There were no transactions with related parties during the first quarter.

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 2012/2013 and in the rights issue prospectus of autumn 2012. The risks 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 2012/2013, Note 17. The reported risks are considered to be substantially unchanged.

Financial calendar

Second quarter (Dec – Feb)	8 April 2014
Third quarter (Mar–May)	26 June 2014
Fourth quarter (Jun–Aug)	9 October 2014

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

Möln dal, 14 January 2014
KappAhl AB (publ)

Johan Åberg
President and CEO

KappAhl

Group income statement - Summary (SEK million)	Sep-Nov 2013/2014	Sep-Nov 2012/2013	Latest 12 months Dec-Nov
Net sales	1 243	1 245	4 749
Cost of goods sold	-456	-457	-1 936
Gross profit	787	788	2 813
Selling expenses	-651	-650	-2 489
Administrative expenses	-37	-34	-153
Other operating income	0	77	-1
Operating profit	99	181	170
Financial income	-	-	1
Financial expenses	-12	-43	-57
Profit after financial items	87	138	114
Tax	-25	-23	-76
Net profit	62	115	38
Profit attributable to parent company shareholders	62	115	38
Earnings per share, SEK	0,83	2,35	0,51
Earnings per share after new share issue, SEK	0,83	2,35	0,51
Other comprehensive income			
Items that will not be reversed to earnings			
Actuarial losses	-	-	8
Total of items that will not be reversed to earnings	-	-	8
Items that could be reversed to earnings			
Net Profit	62	115	38
Translation differences for the period	5	2	3
Change in fair value reserves	-19	1	41
Tax attributable to other comprehensive income	4	-1	-13
Total of items that could be reversed to earnings	52	117	69
Total other comprehensive income attributable to parent company shareholders	52	117	77

Group Balance Sheet - Summary (SEK million)	2013-Nov-30	2012-Nov-30	2013-Aug-31
Tangible assets	432	488	431
Intangible assets*	1 335	1 345	1 338
Deferred tax assets	73	178	90
Inventories	727	766	722
Other operating receivables	155	123	158
Ongoing new share issue	-	383	-
Cash and cash equivalents	29	40	58
Total assets	2 751	3 323	2 797
Equity	1 434	1 357	1 382
Interest-bearing long-term liabilities	566	774	644
Non-interest-bearing long-term liabilities	58	45	27
Interest-bearing current liabilities	25	430	75
Non-interest-bearing current liabilities	668	717	669
Total equity and liabilities	2 751	3 323	2 797
*of which goodwill	696	696	696
*of which trademarks	610	610	610

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Group cash flow statement - Summary (SEK million)	Sep-Nov 2013/2014	Sep-Nov 2012/2013
Cash flow from operating activities before changes in working capital	125	79
Changes in working capital	-	-4
Cash flow from operating activities	125	75
Sale of property	-	487
Cash flow from investing activities	-25	-53
Cash flow after investments	100	509
Change in bank overdraft facility	-129	-515
Cash flow from financing activities	-129	-515
Cash flow for the period	-29	-6
Cash and cash equivalents at beginning of the period	58	46
Cash and cash equivalents at the end of the period	29	40

Specification of changes in the Group's equity	Sep-Nov 2013/2014	Sep-Nov 2012/2013	Sep-Aug 2012/2013
Opening equity	1 382	866	866
New share issue - after issue expenses and tax	-	374	374
Total comprehensive income	52	117	142
Closing equity	1 434	1 357	1 382

Number of stores per country	2013-Nov-30	2013-Aug-31	2013-May-31	2013-Feb-28	2012-Nov-30
Sweden	166	165	166	166	167
Norway	104	103	102	102	104
Finland	65	65	66	65	65
Poland	49	52	53	53	54
Czech Republic	5	5	5	5	5
Total	389	390	392	391	395

Sales per country (SEK million)	Sep-Nov 2013/2014	Sep-Nov 2012/2013	Change SEK %	Change local currency %
Sweden	667	658	1,4%	1,4%
Norway	314	335	-6,3%	0,3%
Finland	151	149	1,3%	-1,5%
Poland	100	95	5,3%	5,4%
Czech Republic	11	8	1,4%	37,2%
Total	1 243	1 245	-0,2%	-

Geografic reporting (SEK million)	Net sales Q1 2013/2014	Net sales Q1 2012/2013	Operating income Q1 2013/2014	Operating income Q1 2012/2013
Nordic countries	1 132	1 142	148	165
Other	111	103	-4	-19
Intercompany expenses	-	-	-46	35
Total	1 243	1 245	99	181

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Quarterly income statement (SEK million)	2013/2014	2012/2013				2011/2012				2010/2011				2009/2010			
	Q1	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	1 243	1 245	1 148	1 210	1 148	1 193	1 119	1 146	1 129	1 341	1 188	1 237	1 208	1 344	1 256	1 221	1 290
Cost of goods sold	-456	-457	-516	-470	-494	-496	-538	-469	-485	-491	-508	-493	-556	-470	-531	-432	-521
Gross profit	787	788	632	740	654	697	581	677	644	850	680	744	652	874	725	789	769
Selling expenses	-651	-650	-636	-627	-575	-648	-685	-615	-579	-669	-624	-651	-616	-630	-615	-639	-583
Administrative expenses	-37	-34	-31	-49	-36	-33	-34	-33	-36	-35	-40	-36	-33	-37	-34	-38	-30
Other operating income	0	77	-1	0	0	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit	99	181	-36	64	43	16	-138	29	29	146	16	57	3	207	76	112	156
Financial income	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	0	0
Financial expenses	-12	-43	-17	-21	-7	-26	-47	-34	-59	-17	-15	-22	-18	-18	-23	-24	-24
Profit after financial items	87	138	-53	43	36	-10	-185	-5	-30	129	1	35	-14	189	54	88	132
Tax	-25	-23	-11	-11	-3	-1	22	-5	-10	-34	0	-9	-40	-11	-20	-23	-7
Net profit	62	115	-64	32	33	-11	-163	-10	-40	95	1	26	-54	178	34	65	125
Operating margin	8,0%	8,3% *	-3,1%	5,3%	3,7%	1,3%	-12,3%	2,5%	2,6%	10,9%	1,3%	4,6%	0,2%	15,4%	6,1%	9,2%	12,1%
Earnings per share, SEK	0,83	2,35	-0,85	0,43	0,09	-0,49	-3,33	-1,46	-0,82	4,16	0,03	1,15	-2,36	7,79	1,49	2,86	5,47
Number of stores	389	395	391	392	390	381	381	386	388	360	360	367	369	337	336	344	345

* ex cl. sales of property

Yearly income statement (SEK million)	Sep-Aug 2012/13	Sep-Aug 2011/12	Sep-Aug 2010/11	Sep-Aug 2009/10	Sep-Aug 2008/09
Net sales	4 751	4 587	4 974	5 111	4 866
Cost of goods sold	-1 937	-1 988	-2 048	-1 954	-1 893
Gross profit	2 814	2 599	2 926	3 157	2 973
Selling expenses	-2 488	-2 527	-2 560	-2 467	-2 315
Administrative expenses	-150	-136	-144	-139	-132
Other operating income	2) 76	-	-	-	-
Operating profit	252	-64	222	551	526
Financial income	1	0	1	1	1
Financial expenses	-88	-166	-72	-89	-84
Profit after financial items	165	-230	151	463	443
Tax	1) -74	6	-83	-61	-128
Net profit	91	-224	68	402	315

Operating margin 3,7% -1,4% 4,5% 10,8% 10,8%

Earnings per share, SEK Note 1 1,32 -5,30 2,98 17,60 13,79

1) Deferred tax credit SEK 107 million 2009/10

2) Capital gain sale of property Q1 2012/13

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Parent company income statement - Summary (SEK million)	Sep-Nov 2013/2014	Sep-Nov 2012/2013	Latest 12 months Dec-Nov
Net sales	4	0	27
Gross profit	4	0	27
Selling expenses	0	94	-3
Administrative expenses	-6	-6	-36
Operating profit	-2	88	-12
Result from participations in group companies	-	-	111
Financial income	6	0	28
Financial expenses	-18	-42	-77
Profit after financial items	-14	46	50
Appropriations	0	0	0
Resultat after appropriations	-14	46	50
Tax	0	13	-16
Net profit	-14	59	34

Parent company Balance Sheet - Summary (SEK million)	2013-Nov-30	2012-Nov-30	2013-Aug-31
Financial assets	2 913	2 876	2 913
Deferred tax assets	8	27	7
Other operating receivables	82	5	684
Ongoing new share issue	-	383	-
Cash and cash equivalents	536	513	-
Total assets	3 539	3 804	3 604
Equity	2 352	2 306	2 372
Untaxed reserves	8	8	8
Interest-bearing long-term liabilities	1 011	717	1 000
Deferred tax liabilities	26	12	-
Interest-bearing current liabilities	25	430	75
Non-interest-bearing current liabilities	117	331	149
Total equity and liabilities	3 539	3 804	3 604

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Key ratios		Sep-Nov	Sep-Nov	Latest
		2013/2014	2012/2013	12 months Dec-Nov
Growth in sales		-0,2%	4,4%	0,0%
Earnings per share, SEK	Note 1	0,83	2,35	0,51
Total depreciation/amortisation		31	35	140
Operating result (EBIT)		99	181	170
Gross margin		63,3%	63,3%	59,2%
Operating margin ex cl. sale of property		8,0%	8,3%	3,6%
Operating margin		8,0%	14,5%	3,6%
Net interest-bearing liabilities		3,0	0,6	3,0
Net interest-bearing liabilities, ex cl. Buildings		562	1 164	562
		1,8	3,7	1,8
Equity/assets ratio		52,1%	40,8%	52,1%
Equity per share, SEK		19,11	6,03	19,11
Equity per share after dilution, SEK		19,11	6,03	19,11
Return on equity		-	-	2,8%
Return on capital employed		-	-	7,3%
Earnings per share after new share issue, SEK		75 040 000	225 120 000	75 040 000

Definitions

Earnings per share	Profit after tax / 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 average 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.

KappAhl

KappAhl's 20 largest shareholders, 30-November-2013	Number of shares	Percentage of shares and votes compared with	
		30-Nov-2013	31-Aug-2013
Mellby Gärd AB	15 209 245	20,27	6 000 000
Nordea Bank Norge Nominee	4 278 185	5,70	0
Swedbank Robur fonder	3 874 841	5,16	0
Dutot Limited	3 715 000	4,95	-8 667 367
Livy Ltd	2 992 228	3,90	0
Svenskt Näringsliv	2 400 000	3,20	0
Svolder Aktiebolag	1 920 228	2,60	799 342
Försäkringsaktiebolaget, Avanza Pension	1 727 024	2,30	-43 071
Handelsbanken Fonder AB RE JPMEL	1 675 051	2,23	-3 654
JPM Chase NA	1 572 988	2,10	4 609
Tredje AP-Fonden	1 290 444	1,72	911 066
S-Kon Fastigheter AB	1 005 555	1,34	0
Swedbank Försäkring AB	969 089	1,29	-75 442
Catella Fondförvaltning	845 799	1,13	132 534
Nordnet Pensionsförsäkring AB	734 229	0,98	-41 295
State Street Bank & Trust Com., Boston	575 000	0,77	575 000
AJ Butiken AB	550 000	0,73	-40 000
Jula AB	506 881	0,68	0
Teknikföretagen	500 000	0,67	100 000
Banque Öhman S.A.	423 000	0,56	16 074
Övriga	28 275 213	37,72	332 204
Total	75 040 000	100,00	0,00

Accounting policies

The Group applies International Financial Reporting Standards, IFRS, as adopted by the EU.

The accounting policies applied are consistent with what is stated in the annual report of 31 August 2013. For further information, please refer to the annual 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 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 option gives the right to subscribe for 0.27 shares at the price of SEK 28.80

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 and consolidation of shares.