

ANNUAL REPORT 2013



*...basically it's
about being consistent.
That's how we build a
stronger KappAhl.*

JOHAN ÅBERG, PRESIDENT AND CEO,
PAGE 2-3.

KappAhl

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VISION

“KappAhl is to be a significant fashion chain in northern Europe.” This is the vision that drives KappAhl forward. All day-to-day activities are to lead ultimately towards the vision. Each initiative, each change, each decision.

MISSION

KappAhl's mission is “Value-for-money fashion with wide appeal” – for women, men and kids. The company specially targets women in the prime of life.

MARKET

KappAhl can be found in Sweden, Norway, Finland and Poland. The company's single largest market is Sweden. The total value of KappAhl's market is about SEK 200 billion.

STRATEGY

KappAhl's strategy for achieving increased sales and profitability is based on our creating:

- a clear position in the market and in our main target group.
- an attractive experience in our stores.
- increased accessibility for customers, via our online store.
- more points of contact and a stronger relation to customers, via digital communication.
- customer focus and acting in line with our sustainability concept, Future Friendly Fashion.

EVENTS BY QUARTER

Q1

- Increased sales and gross margin as well as improved operating profit compared with the previous year.
- Effects of action plans start to show in the figures.
- Launch of advertising concept “Hey, I like your style”.
- Decision on rights issue.
- The proceeds from sale of property contributed to the reduced net debt.

Q2

- Christmas trading was weaker than expected. Good inventory balance gave a lower percentage of post-Christmas clearance sales than in the previous year.
- Increased turnover and positive sales in comparable stores compared with the previous year.
- Net debt cut by half compared with previous year.
- Sustainability concept Future Friendly Fashion launched.

Q3

- Sales continue to strengthen more than the industry average. Operating profit increasing for the fourth quarter running.
- Sales in the KappAhl Woman were strong, partly thanks to the successful launch of Hampton Republic 27 for Woman.
- The sales trend in KappAhl Man was the best for several years.
- Continued decrease in net debt and increased equity/assets ratio.

Q4

- Increased sales compared with the previous year and continued strengthening of operating profit.
- Strong summer clearance but weak autumn start in August due to continuing warm summer weather.
- Continued reduction of net debt and increased equity/assets ratio compared with the same period in the previous year.
- New operative targets set.
- The Board of Directors proposes that no dividend be distributed for the financial year.

KEY RATIOS

	Q1		Q2		Q3		Q4	
	2012	2011	2012	2011	2012	2011	2012	2011
	2013	2012	2013	2012	2013	2012	2013	2012
Net sales, SEK million	1,245	1,193	1,148	1,119	1,210	1,146	1,148	1,129
Operating profit/loss, SEK million	181	16	-36	-138	64	29	43	29
Operating profit/loss excluding non-recurring costs, SEK million	105	16	-36	-55	76	46	57	46
Gross margin, %	63.3	58.4	55.1	51.9	61.2	59.1	57.0	57.0
Operating margin, %	8.4	1.3	-3.1	-12.3	5.3	2.5	3.7	2.6
Operating margin excluding non-recurring costs, %	8.4	1.3	-3.1	-4.9	6.3	4.0	5.0	4.1
Profit after tax, SEK million	115	-11	-64	-163	32	-10	7	-40
which corresponds to SEK per share	3.07	-0.49	-0.85	-3.33	-0.43	-1.46	0.09	-0.82
Cash flow from operating activities, SEK million	75	-5	-51	68	191	117	15	-27

* Earnings per share have been restated for comparison periods. The number of shares has been adjusted to allow for the rights issue in 2012/2013.

Sales have increased by

3.6%

Operating profit improved by

281%

Gross margin strengthened by

2.5

percentage points



Net debt decreased by

60.5%

THIS YEAR KAPPAHL HAS ...

- ... fulfilled the action plan for 2012/2013.
- ... increased sales by 3.6 per cent, strengthened the gross margin by 2.5 percentage points and improved operating profit by 281 per cent.
- ... reduced net debt by 60.5 per cent, which contributed to a stable financial situation.
- ... created an range that is more spot on for our core target group, women in the prime of life.
- ... increased its market share of the Swedish jeans market to 9.5 (7.7) per cent. This makes KappAhl Sweden's largest jeans brand according to Gfk Fashion Scope.
- ... launched the successful advertising concept, "Hey, I like your style", a tribute to KappAhl's customers and their style.
- ... substantial increase in Shop Online sales.
- ... reviewed profitability in every single store. Opened 13 and closed 11 stores.
- ... introduced the sustainability concept Future Friendly Fashion.
- ... signed the "Bangladesh Building and Safety Accord" for a safer work environment.

AFTER THE YEAR END KAPPAHL ...

- ... decided to discontinue operations in the Czech Republic.
- ... set new operative targets.

KEY RATIOS

	Sept 12 -Aug 13	Sept 11 -Aug 12	Sept 10 -Aug 11	Sept 09 -Aug 10	Sept 08 -Aug 09
Net sales, SEK million	4,751	4,587	4,974	5,111	4,866
Operating profit/loss, SEK million	252	-64	222	551	526
Operating profit/loss excluding non-recurring costs, SEK million	202	53	222	551	526
Profit after tax, SEK million	91	-224	68	402	315
Gross margin, %	59.2	56.7	58.8	61.8	61.1
Operating margin, %	5.3	-1.4	4.5	10.8	10.8
Operating margin excluding non-recurring costs, %	4.3	1.2	4.5	10.8	10.8
Earnings per share*	1.32	-5.30	2.98	17.60	13.79
Number of stores	390	388	369	345	319

* Earnings per share have been restated for comparison periods. The number of shares has been adjusted to allow for the rights issue in 2012/2013.

“ALL THE FIGURES POINT IN THE RIGHT DIRECTION – BUT WE HAVE A LOT LEFT TO DO.”

WHAT WERE THE MOST IMPORTANT EVENTS OF THE YEAR?

All figures point in the right direction – which shows we are on course. Our sales are increasing, we have strengthened the gross margin and report substantially improved earnings. In addition we have a strong balance sheet. But we have a lot left to do before we can be fully satisfied.

The main reason for the improved figures lies in our range. A rule of thumb is that a successful range means a higher share of sales at full price. This year's efforts have contributed to this. Overall, our sales have been higher than for the market as a whole and the increase has been in the existing store network, not through a large number of new stores. That is powerful.

WHAT ARE YOU MOST PLEASED ABOUT?

A strong KappAhl is not built through a few successful events or efforts. It is built by us together, doing lots of things a little better every day – on the basis of a clearly staked out plan. This is what we have done this year and I'm pleased with it. We will continue that way.

If I am to highlight anything in particular, we can note that our new advertising concept has turned out well, shown by a strengthened image in our main target group. And our new range strategy has worked well. An example of this is the launch of Hampton Republic 27 in KappAhl Woman, which was an immediate success. We also strengthened our position in jeans, where we are market leader in Sweden. This year's development of the range and launch of Denim 1953 helped to increase our Swedish market share from 7.7 to 9.5 per cent.

Since our efforts are backed up by improved figures we can continue with firm conviction on the path we have staked out.

WHAT COULD HAVE BEEN DONE BETTER?

There is always room for improvement. But we can't do everything at once. Tasks have to be apportioned on the basis of what the organisation is ready for. In that way we can deal with everything, step by step and with persistence. This is true all the way from design to developing the next generation store concept and new channels of communication with our target group, and other things we are working on for coming years. Really the only thing we do not question is the choice of primary target group; women in the prime of life. Our task is to be better at attracting the target group we already have, nothing else.

THE YEAR'S ACTION PLAN – WHAT DID IT ACHIEVE?

Basically it's about our having achieved increased clarity and effectiveness in the organisation. This can be seen both in the range and at store level, where we are endeavouring to further utilise the benefits of chain operation. I would like to take this opportunity to thank all our employees. They have done a very good job during the year. We are an organisation that is extremely goal focused and enthusiasm has been evident, despite great changes. Now we will take the plan further together.

HOW DO YOU VIEW EXPANSION GOING FORWARD?

First and foremost, KappAhl must again be a company delivering a 10 per cent operating margin. That task entails a positive contribution from all stores, which we are working hard for this year. After that we will resume expansion and establish ourselves on new markets.

HOW ARE ONLINE SALES GOING?

Sales increased substantially during the year. At present only our Swedish customers can use our Shop Online. Our international expansion will kick off in 2014.

YOU OFTEN HIGHLIGHT YOUR SUSTAINABILITY WORK – WHY?

Sustainability is necessary for developing operations in the right direction. In winter 2012 we launched the concept Future Friendly Fashion that demonstrates all our efforts in sustainability. It contributes to a structured working method that benefits KappAhl and our stakeholders.

During the year we started more cooperation projects; for cleaner water and better working conditions at our suppliers. This is only two of several examples of such initiatives.

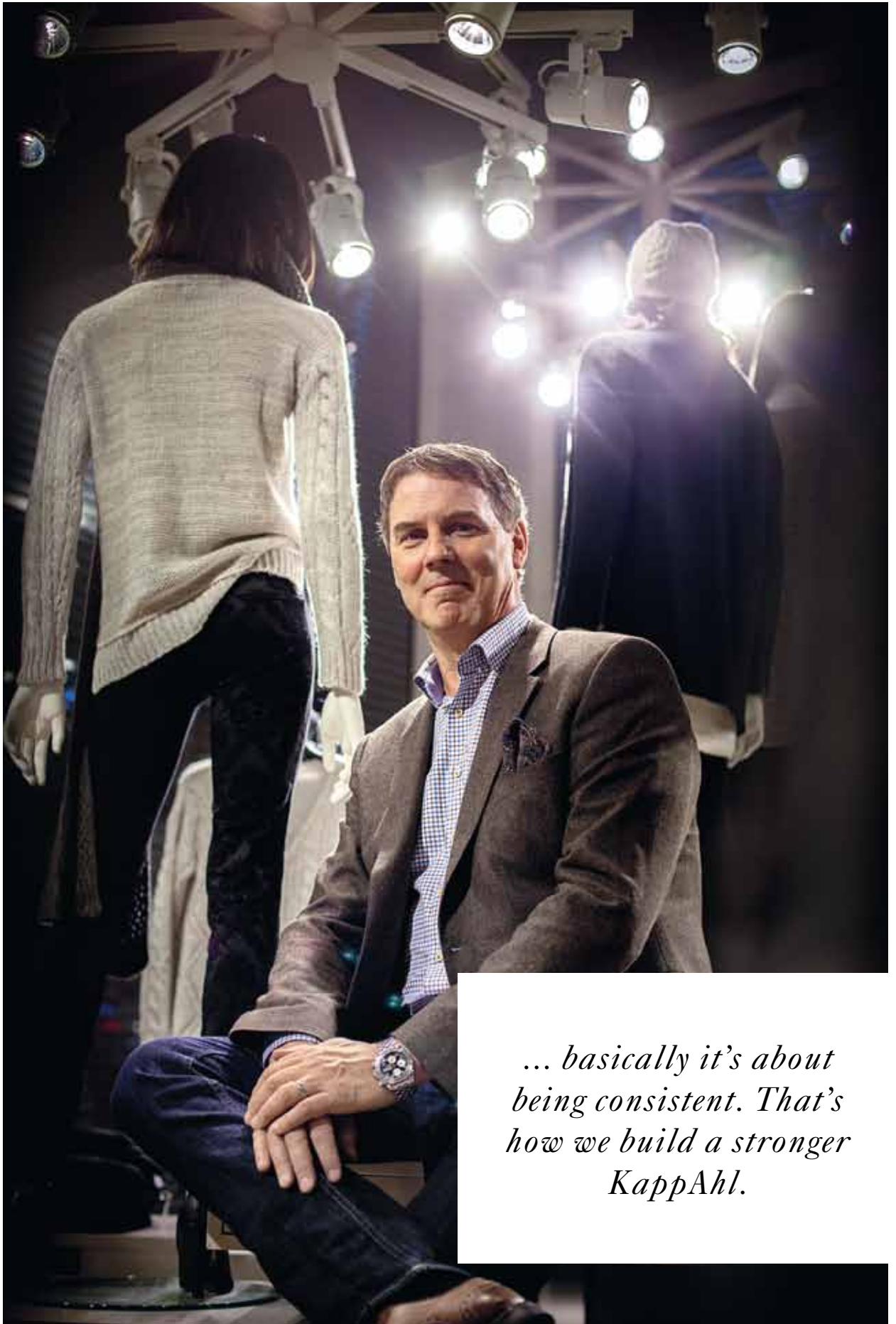
WHAT ARE YOUR PRIORITIES IN 2013/2014?

I have great respect for the market and see continued challenges ahead. We will deal with these best by focusing on our own improvement measures.

We must remember that there is great potential in KappAhl. We will use it for example by continuing to further strengthen customer relations and develop the brand position. We are currently working on a digital platform that will enhance our presence. We are also working on a store concept that will be unique in the industry.

In addition, we are benefiting from the return of classic, well dressed fashion. This suits our customers and we are good at it. We will also spice things up with exciting features, such as Fifty Shades of Grey, that is being introduced in 2013. All this will be done with continued cost control and good margins.

All in all, we can note that all areas included in last year's plan will continue. And new ones have been added. It's about a process of constant improvement. We evaluate our work regularly and make corrections where needed. But basically it's about being consistent. That's how we build a stronger KappAhl.



*... basically it's about
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KappAhl.*

“WOMEN IN THE PRIME OF LIFE — OUR MAIN TARGET GROUP”

KappAhl’s strategic market position is based on offering value-for-money fashion to women, men and children. Our main target group is women in the prime of life. This large target group has great purchasing power and is more loyal than younger customer categories.

NEW GROWTH TARGET

The new, long-term target, as of 2013/2014, is to grow by an average of four per cent per year over a business cycle.

MAIN POINTS OF STRATEGY

Our strategy for achieving increased sales and profitability is based on our creating:

- a clear position in the market and in our main target group.
- an attractive experience in our stores.
- increased accessibility for customers, via our online store.
- more points of contact and a stronger relation to customers, via digital communication.
- customer focus and acting in line with our sustainability concept; Future Friendly Fashion.

UTILISE ECONOMIES OF SCALE

We will also use the company’s economies of scale in such areas as purchasing, logistics and channels to customers.

This means that the costs of running the business and creating profitable sales growth via the store network and online shopping do not increase at the same rate as growth.

RELATIVELY LOW CAPITAL REQUIREMENT

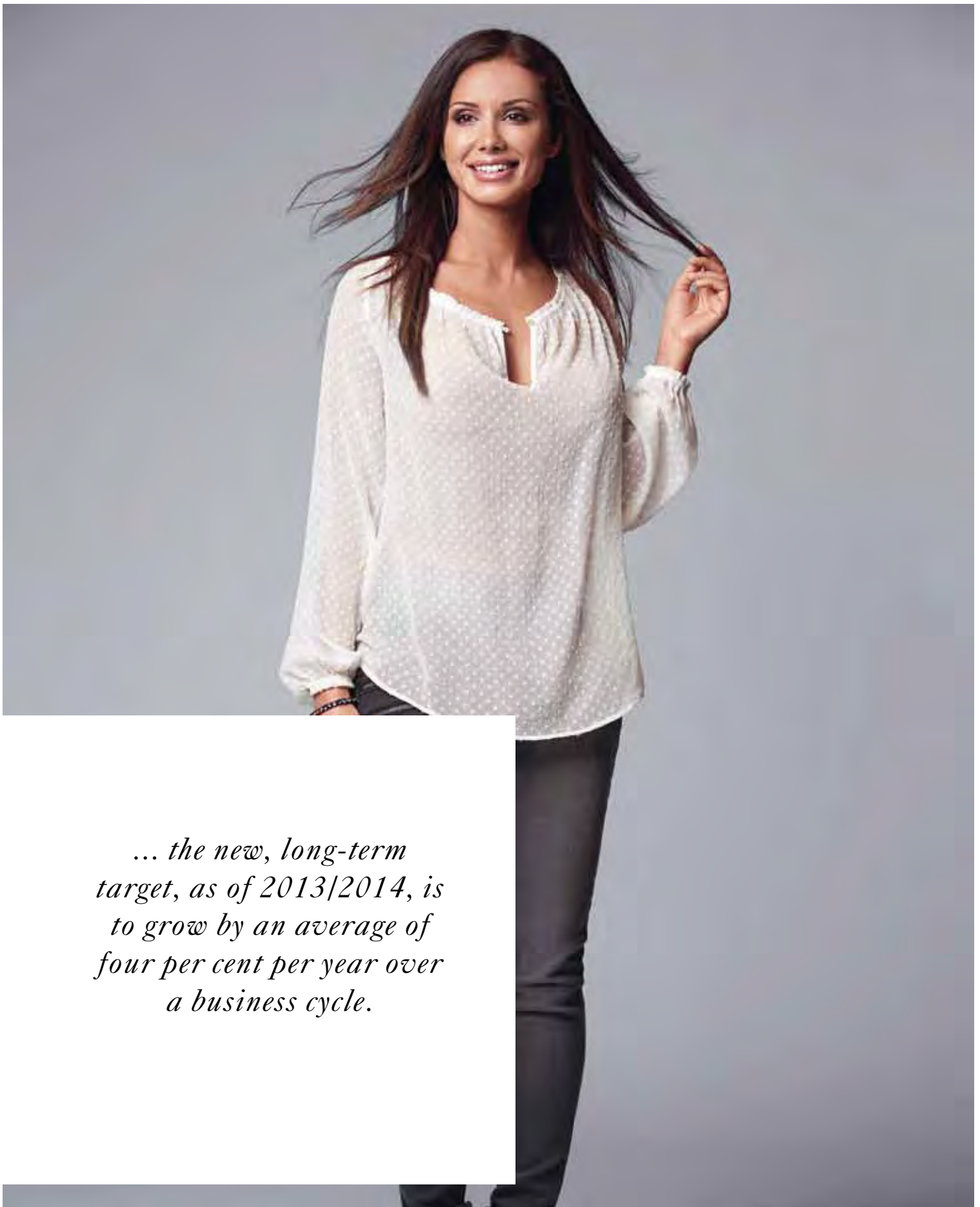
KappAhl regularly invests in new stores, in markets where we see good profitable growth opportunities, and in existing stores to increase attractiveness. The capital requirement in the business is relatively low, which enables this type of investment without tying up large amounts of capital.

TARGETS AND TARGET FULFILMENT

KappAhl’s Board of Directors has set up the following operational and financial targets for the Group.

Targets as of 2013/2014	Targets 2011/2012–2012/2013	Outcome 2012/2013	Outcome 2011/2012	Targets 2005/2006–2010/2011	Outcome 2010/2011	Outcome 2009/2010
OPERATIVE TARGETS	OPERATIVE TARGETS			OPERATIVE TARGETS		
KappAhl’s growth is to be an average of 4 per cent over a business cycle	The number of stores is to increase by 20–25 per year	13 established 11 closed	19 established 2 closed	The number of stores is to increase by 20–25 per year	28 established 4 closed	27 established 1 closed
The operating margin must be at least 10 per cent	The operating margin is to be 10 per cent	4.3%*	1.2%*	The operating margin is to be 12 per cent over a business cycle and no lower than 10 per cent	4.5%	10.8%
FINANCIAL TARGETS	FINANCIAL TARGETS			FINANCIAL TARGETS		
Interest-bearing net debt is not, other than temporarily, to exceed 3 times EBITDA	Interest-bearing net debt is not, other than temporarily, to exceed 3 times EBITDA	1.9 times	10.7 times	Interest-bearing net debt is not, other than temporarily, to exceed 3 times EBITDA	5.1 times	2.4 times
				The interest coverage ratio is to exceed a multiple of five.	3.1 times	6.2 times
DIVIDEND POLICY	DIVIDEND POLICY			DIVIDEND POLICY		
Dividend is to be 40–60 per cent of the profit after tax on condition that the Group meets the financial targets above	Dividend is to be 40–60 per cent of the profit after tax on condition that the Group meets the financial targets above	No dividend distribution**	No dividend distribution	Dividend is to be 70–100 per cent of the profit after tax	No dividend distribution**	Dividend equivalent to 76.0%

* Excluding non-recurring items. ** A temporary deviation from the policy.



... the new, long-term target, as of 2013/2014, is to grow by an average of four per cent per year over a business cycle.

“STEP BY STEP IMPROVEMENTS,

In 2012 the work started on an action plan. It contains priority areas for increasing sales and strengthening profitability.

The result is positive. Our sales and profitability increased and net debt decreased substantially. This creates a stable platform as we take the next step, with long-term improvements in all priority areas.

STRATEGIC AREAS/ OVERALL TARGETS

WHAT HAVE WE DONE? HERE ARE SOME EXAMPLES:

RANGE

Increase attractiveness of the range, based on KappAhl's customer profile.

- Developed a completely new range strategy. It is based on conclusions from an extensive customer survey conducted in 2012.
- Along with meeting the season's trends, we have introduced long-term concepts that are in demand regardless of fashion, while strengthening the areas we are good at.
- Adapted the organisation to the contents of the new range.

OFFER

Increase interest in KappAhl by means of customer-oriented market communication and inspiration as well as clarity at store level.

- Higher degree of full price sales.
- New advertising style launched in autumn 2012.
- Clearer communication of offer and price in all channels.
- Launch of fashion magazine Life & Style by KappAhl in the customer club.
- New store furnishing to help customers find their way.

STORE OPERATION

Quality assured store and chain operation that utilises KappAhl's economies of scale.

- Ensured that the customer's meeting with KappAhl is consistent, regardless of where it takes place.
- Improvement and coordination of procedures and tools based on "best practice" in all markets.
- Training in goods display and development of goods display tools.

LEADERSHIP

Increased confidence, participation and commitment. Consensus on leadership in KappAhl.

- Created consensus on leadership. Developed a leadership philosophy with guidance for the Group's managers.
- All procedures for follow-up and aids to better support the relation and dialogue between employee and manager have been updated.
- Corporate Values have been updated and implemented in the organisation.

EXPANSION

Profitable expansion.

- Reduced pace of expansion.
- Dealt with unprofitable stores. For example by moving stores to better locations, reduced costs and measures to increase sales.
- Reduced rental costs through renegotiation of tenancy agreements, extensions, reestablishments and amalgamations.

TOWARDS A STRONGER KAPPAHL™

WHAT PROGRESS DO WE SEE?

NEXT STEP, SOME EXAMPLES



Increased sales and operating profit increased by **281%**

- Draw benefit from the return of classic, well dressed fashion. This suits our customers perfectly and is something we are good at.
- Launch more exciting concepts, such as Fifty Shades of Grey.
- Introduce the successful Hampton Republic 27 concept to KappAhl Kids too.



91% more customers stop at our front areas to get inspiration.

- New store concept to be launched in 2014.
- Continued training sessions for salespeople and merchandisers in stores.
- Measures to attract more men to KappAhl.



4.3 of 5
Altogether KappAhl as a workplace and operation got the average score 4.3 (4.2) out of 5 possible in this years employee survey*.

- Follow up this years employee survey and create an action plan for continued improvement.
- Continued skills development in leadership.

** Which could be compared to Mercuri Internationals benchmark 3,7.*



Renegotiation of tenancy agreement.

Number of stores opened: **13**
Number of stores closed: **11**

- Focus on profitability in existing stores.
- Ultimate expansion on new markets. More or less fully expanded in the Nordic area.

“OUR MARKETS 2012/2013”

NORWAY

Net sales, SEK million: 1 263 (1 264)
Number of stores: 103 (103)
Average number of full-time positions (restated): 628 (630)
Competitors: H&M, Lindex, Dressmann, Cubus

FINLAND

Net sales, SEK million: 604 (573)
Number of stores: 65 (62)
Average number of full-time positions (restated): 360 (359)
Competitors: H&M, Lindex, Dressmann, Seppälä

SWEDEN

Net sales, SEK million: 2 506 (2 388)
Number of stores: 165 (165)
Average number of full-time positions (restated): 1 441* (1 563*)
Competitors: H&M, Lindex, Dressmann, Cubus

* Apart from store staff also includes all employees at KappAhl's head office and distribution centre in Mölndal.

POLAND

Net sales, SEK million: 350 (331)
Number of stores: 52 (53)
Average number of full-time positions (restated): 422 (405)
Competitors: C&A, Inditex, Vistula, H&M, LPP

CZECH REPUBLIC

Net sales, SEK million: 28 (31)
Number of stores: 5 (5)
Average number of full-time positions (restated): 26 (27)
Competitors: H&M, Marks & Spencer, Lindex, C&A

KappAhl has stores in Sweden, Norway, Finland, Poland and the Czech Republic and the Shop Online in Sweden. Sweden is KappAhl's single largest market. The value of KappAhl's total market is about SEK 200 billion. There is a link between GDP growth and growth in fashion retailing. The continued uncertain economic situation in Europe has meant a relatively weak fashion market this year too. After the close of the financial year it was decided to discontinue operations in the Czech Republic.

CLEAR COMPETITION

KappAhl competes with international and local chains, independent stores, fashion departments in department stores,

supermarkets and sporting goods stores. Fashion also competes with other goods and services that contribute to well-being. These include travel, sport and beauty products.

LARGE FASHION CHAINS FAVOURED

Today's world of fashion is increasingly global and fashion more similar overall. Developments have favoured large fashion chains with control over the entire process from design and purchases to marketing via digital channels and sales in stores and online. This makes the chains faster to meet new trends, purchasing patterns and customer requirements.

CLEAR CONCEPT A STRENGTH

Clear concepts create stability in a trend-sensitive fashion world. There are more trends now than before and they shift faster. Consumers more often mix different styles of clothing, levels of fashion, quality and price.

SEASONAL VARIATIONS OVER THE YEAR

Autumn and winter are the major seasons as regards sales, since customers then buy a larger proportion of more expensive garments.



... every woman is entitled to attractive fashion and a personal style, regardless of shape and size. This has been natural from the start.

“ATTRACTIVE VALUE-FOR-MONEY FASHION – A STYLE THAT NEVER WEARS OUT.”

KappAhl Woman offers a wide, varied range of clothes for every occasion – party, smart casual and leisure. The collections include complete wardrobes, from underwear to outdoor clothing and accessories.

A broad and attractive range of fashion, at a good price – for all women. This has been our basic approach ever since 1953, when Per-Olof Ahl established KappAhl. This is also how it will be in future.

The range has a high rate of innovation, well-conceived details and the right fashion feel. Our designers work every day to create both timeless classics and high-fashion products. Underwear and accessories help to produce a complete style for all occasions.

NEW CONCEPTS LAUNCHED

During the year we continued the work started in 2011/2012 to develop a new range strategy. As a result of this we carried out a reorganisation. The measures have led to a broader selection, meeting more needs, and a reduced risk in the range. We have concentrated more on an increased percentage of basic products, trousers and outdoor garments. Since 2012/2013 we only use ecological cotton in our basic range. We were first among the large chains to launch lightweight down jackets, in autumn 2012. It was a success that is continuing. We have also introduced long-term concepts that “hit the mark” regardless of fashion. In spring 2013 Hampton Republic 27 was also launched in KappAhl Woman. The collection has a modern twist characterised by The Hampton Style dress code, from the holiday paradise on the east coast of the USA: “Always look great, no matter the occasion.” It was an immediate success!

MILLIONS OF TROUSERS SOLD EVERY YEAR

KappAhl sells 7 million trousers every year, a large percentage of which through KappAhl Woman. This has made us the market leader in Sweden. We continue to

defend the position, for example by launching Denim 1953 at the start of 2012/2013. It is a timeless jeans concept in attractive models, qualities and washes. Denim 1953, just like Hampton Republic 27, has its own store concept. This contributes to a positive overall experience of shopping with us. Denim 1953 and other campaigns in trousers, have contributed to our positive development during the year. For autumn 2013 we have developed several new jeans models to further strengthen our position.

XLNT – CONTINUED SUCCESS

Every woman is entitled to attractive fashion and a personal style, regardless of shape and size. This has been a given since the start, which has meant that we have a predominant market share for large sizes in Sweden. The XLNT concept, targeting women who want to affirm their beautiful shapes, celebrated its 15th anniversary in 2012 with continued sales increases.

SIMPLER TO CHOOSE THE RIGHT BRA

Our outerwear and warming accessories in the form of hats, mittens and scarves

have long been appreciated. Here we continued to develop our offer during the year. Another of our strong areas is underwear, where we are market leader in Sweden in nightwear and cosy clothes. As the first fashion chain in the world, in autumn 2012 we decided to sort bras in cup sizes, to make it simpler to find the right one.

The Active Wear collection, consisting of trendy and comfortable training clothes, sold well in 2013.

STRONG ON WELL-DRESSED FASHION

Going forward fashion will be more classic and well dressed. This is a fashion we are good at and that suits our customers. We will also see more eco-fashion and concepts with edge, such as Fifty Shades of Grey, being launched in autumn 2013.

SALES TREND

KappAhl Woman achieved sales of SEK 2.5 (2.5) billion in 2012/2013, equivalent to 53 (53) per cent of KappAhl’s total sales.

SHARE OF KAPPAHL'S NET SALES



53%

IMPORTANT EVENTS 2012/2013

- Created a broader selection, with special concentration on trousers and outerwear, as well as an increased share of basic wear.
- Successful launches of Hampton Republic 27 and Denim 1953, long-term concepts that “hit the mark” regardless of what is in fashion.
- XLNT celebrated its 15-year anniversary with continued sales successes.
- Customers have given these efforts a positive reception. Sales increased after a two-year negative trend.



*... we have also
introduced long-term
concepts that “hit the mark”
regardless of fashion.*

“CUSTOMERS ARE THE MOST IMPORTANT SOURCE OF INSPIRATION.”

KappAhl Man offers a varied range of clothes – party, smart casual and leisure. The collections contain coordinated ranges, with everything from underwear to outdoor clothing and accessories.

KappAhl Man targets men in the prime of life. With us he will find a broad selection of stylish fashion to suit any occasion – from getting up in the morning, showering and getting dressed to meeting his family and friends in the evening.

STRONG POSITION IN TROUSERS

Having a broad range is a strength in itself, since customers can buy complete sets from us. Looking at individual garments we can note that we have a strong position in trousers and jeans and what is generally described as basic fashion. The year's sales success confirms this picture. Over the years we have also built a strong position in well-dressed fashion and outer garments. Accessories is an area where we have grown in recent years.

SEMI-FORMAL FASHION – HITTING THE MARK

Semi-formal men's fashion – a little nonchalant but attractive – has set its stamp on the year as a whole, with chinos and attractive shirts as a base. Here our Hampton Republic 27 concept has “hit the mark”, with its easy and timeless fashion with a modern cut.

The work of managing and renewing our range of trousers on the basis of our customers' wishes was clearly evident in spring 2013, when trousers had a given place in fashion, both through jeans and other trouser models.

The launch of the jeans concept Denim 1953 in autumn 2012 was completed during the financial year with good sales results.

MEN LIKE TO BUY FULL SETS

We want more men to have access to our stylish men's fashion. So in 2012/2013 we

worked to strengthen our brand in relation to the customer segment.

The efforts are based on extensive customer surveys. They indicate for example that men shop less often than women. But when they do shop they buy more garments – preferably complete sets, from underwear to outerwear.

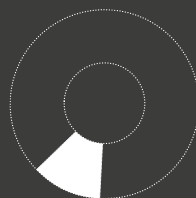
Armed with this knowledge we worked to develop our range and the men's department, so that men will feel

The ambition has been to produce a modern wardrobe, with both basic and fashion products that appeal to both preppy and jeans customers.

The concentration on range is supported by clearer navigation in the stores, through such things as simple illustrations with hints and advice on what matches.

In autumn 2013 the proportion of ecological cotton in the range will be increased, since we know there is a

SHARE OF KAPPAHL'S NET SALES



12%

IMPORTANT EVENTS 2012/2013

- Positive sales figures from spring 2013.
- Extensive customer survey underlies the year's development of range and exposure in stores to make it easier for customers.
- Divided range on the basis of the Hampton Republic 27 and Denim 1953 collections, which together with Design by KappAhl target jeans customers. This creates stability that is not seasonal.
- Started development of a wider selection of fits for trousers, with close cooperation between designer, buyer and pattern constructor. Everything so the customer can find the right trouser model.

secure that we know fashion and can easily find all they need. In addition we believe that the women who buy clothes for their men also like the increased clarity of our concepts.

The measures have set their stamp on our work all the way from idea and design to marketing and store exposure.

WELL-MATCHED RANGE

The result of the development means a new, well-planned and well-matched range, to be launched in autumn 2013.

demand. The greatest concentration on ecological cotton is in underwear and basic tops – garments that are worn close to the body.

SALES TREND

KappAhl Man achieved sales of SEK 0.5 (0.5) billion in 2012/2013, which is 12 (12) per cent of KappAhl's total sales.



... the result of the development means a new, well-planned and well-matched range, to be launched in autumn 2013.

“FUNCTIONAL FASHION – THE COMMON THREAD FROM BABY TO TWEEN.”

KappAhl Kids has a broad target group. It covers babies to “tweens” – a group of young people between children and teenagers.

KappAhl Kids has fashion for all ages and needs – a diversity that means that customers can put together complete, play-friendly, functional and good-looking outfits, simply and economically.

GOOD AT JEANS AND OUTERWEAR

If we are to point to an area where KappAhl is particularly strong it must be trousers and jeans for all target groups – from babies to “tweens”, the group between children and teenagers. At the beginning of the school year we sell hundreds of thousands of pairs of trousers and jeans in a few weeks. Outerwear is another area where we have a strong position.

KAXS PROXTEC GROWING FURTHER

Our success is continuing with Kaxs Proxtec, a collection with fashionable and functional outerwear for the smallest children. Functional outerwear withstands all types of weather and must feel comfortable for children to move in. At this year’s Testfakta (Swedish testing institute) test our winter overall took top place again, with the best result for overalls costing less than SEK 800. It scores highly for its waterproof quality and breathability, which has a high priority in our product development. The function collections, Kaxs Proxtec and Woxo 720°, for older children, have sold successfully thanks to their appealing mix of value for money, function and quality.

Our denim concept, LAB Industries, continues its strong development. The concept is offered to all ages, from size 86 to 170. All LAB Industries jeans are offered in a unisex denim department. In that way it is easier to find the right fit for anyone.

During the year we have also been preparing for the launch of Hampton

Republic 27 in spring 2014. The brand already exists in KappAhl Man and KappAhl Woman. Now it is the children’s turn to share “The Hampton Look”.

NEWBIE IS GETTING BIGGER

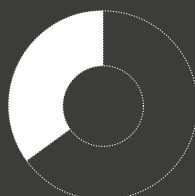
The positive sales trend for Newbie continued in 2012/2013. Newbie is a collection for the smallest children, where the cotton is all 100 per cent ecological. The collection includes functional and soft garments, with a traditional sophisticated style characterised by a neutral, soft

and colourful collection with everyday clothes of high quality in fit and function. The same garments were offered to both girls and boys.

BEST IN TEST AGAIN

The good quality of our clothes is shown by the high scores awarded to the garments in independent tests, year after year. In May 2013 our sunscreen clothes were “Best in test”, with a score of 4.5 out of 5 possible points in Testfakta’s big test. The garment’s good ability to provide sun

SHARE OF KAPPAHL'S NET SALES



35%

IMPORTANT EVENTS 2012/2013

- Consolidated the strong position in trousers, jeans and outerwear.
- KappAhl Kids’ functional clothes again attracted attention for their high quality. Our sunscreen clothes were “Best in Test” in Testfakta’s review and our winter overall again did very well in Testfakta’s annual survey.
- Newbie grew and the collection was extended with larger sizes; now up to size 98.

colour scale. All the details create a feeling of simplicity with a suggestion of nature. Newbie has been a great success, both in terms of sales and the media. During the year the collection was extended with larger sizes, up to 98.

The lively debate about gender roles and fashion continued during the year. We were given positive attention, thanks to efforts to offer gender neutral alternatives via Kaxs, which is a complete, functional

protection and retain elasticity after washing, ageing and stretching paved the way for the high score.

SALES TREND

KappAhl Kids achieved sales of SEK 1.7 (1.6) billion in 2012/2013, which is 35 (35) per cent of KappAhl’s total sales.



... the good quality of our clothes is shown by the high scores awarded to the garments in independent tests, year after year.

Attractive fashion at a reasonable price. This is what we want our customers to think when they see the KappAhl brand. Intuition, creativity and knowledge are all needed to achieve this – as well as systematic working methods, all the way from idea and design to sales in our nearly 400 stores or our Shop Online. Here’s a picture of how we work at each stage of this chain.

DESIGN

“DESIGN 10,000 ARTICLES EVERY YEAR”

Almost 10,000 articles are designed every year at KappAhl. We have about 30 designers and a large number of pattern constructors who design all the garments. They have the customers in mind all the way, from the first idea to the finished garments and collections. The working method builds on transforming early trends to fashion that suits our target groups, in terms of appearance, fit and quality. In that way the collections are “at the heart of fashion”, where the large sales volumes can be found.



PRODUCTION

“FLEXIBLE AND EFFECTIVE PRODUCTION PROCESS”

Our production is with over 200 carefully selected suppliers in Asia and Europe. Just over 80 per cent of purchases are made in Asia and around 30 producers account for 60 per cent of the total volume. Not owning the production side is a conscious choice. This leads to a reduction in tied-up capital and creates flexibility, enabling KappAhl to easily change to another production technology or supplier where necessary. To create an effective and quality assured production process we have production offices in important purchase markets: Bangladesh, India, China and Turkey. We carry out frequent spot checks at all stages of the production process.

PURCHASES

“PURCHASES THAT LEAD TO INCREASED SALES”

All fashion produced by us must have the “right saleability”. Here great responsibility rests with the purchasing department, which consists of just over 100 people. The buyers determine which garments are to be manufactured, in what volumes and when. They are also responsible for negotiating purchase prices. This is done with support from the production offices in Asia and Europe. The purchasers, who are responsible for the gross profit on sales of the fashion that is purchased, set prices for each individual product and decide on any price reductions.



DISTRIBUTION

“DELIVERIES TO STORES 3-5 DAYS A WEEK”

Storage space in our stores is limited, since areas must preferably be used for selling. So the timing of distribution is important. The goods must reach the store at exactly the right moment, to maximise sales and reduce the need to cut prices. Logistics for the entire Group are coordinated at the head office. Our distribution centre is also there. The distribution system plays an important part here. Each year more than 50 million items pass through the facility. Our stores receive deliveries three to five times a week or more often if sales require. More than 95 per cent of shipments from the country of manufacture are by sea, for environmental and cost reasons.



Hey,
I like your
Style!

MARKETING

“THE CUSTOMER SEES OUR ADVERTISING AND LIKES IT”

The most important channel for inspiring and helping our customers to find the right fashion is our store. As support we use a broad mix of PR in traditional and new media, as well as advertising to reach our core customer. In autumn 2012 we introduced the advertising concept “Hey, I like your style”, which is a tribute to our core customer – a woman in the prime of life. The concept is based on three fashion approaches that we have identified in our main target group. Surveys show that advertising has had a good effect on the target group. During the year we also started a customer magazine for our customer clubs; “Life & Style by KappAhl”, which was well received. In addition we have considerably increased our presence in social media.

SALES

“OUR FIRST FLAGSHIP STORE OPENED IN NOVEMBER 2012”

Hundreds of thousands of people visit KappAhl daily. Each visit is a unique opportunity to help customers to find the right fashion in a simple and inspiring way.

At the end of November 2012 the first flagship store opened, in Gothenburg. At the close of 2012/2013 we had 390 (388) stores. During the year a review of profitability was carried out in the store network. In total 13 stores opened and 11 closed. On 31 August 2013 there were contracts for a further 10 stores. Sales in our Shop Online, on the Swedish market, increased substantially during the year. In the coming year Shop Online will be introduced on more markets.



” FUTURE FRIENDLY FASHION. ”

KappAhl’s brand is associated with fashion, design and quality. It also stands for responsibility, consideration and safety. The sustainability aspect is an integrated part of our daily operations. We act commercially with a long-term perspective and endeavour to work preventively with quality, environment, security, working conditions and social issues. Here are some examples of what we do and how the work is done.

In autumn 2012 we launched the concept Future Friendly Fashion. It puts our sustainability work into context and gives us the opportunity to be even clearer in our communication on sustainability issues.

Work on sustainability is systematic at every stage of our operations, from design and production to sales and the customers’ use of our products.

FUTURE

“WE WILL CONTRIBUTE TO A BETTER FUTURE FOR OUR PLANET.” Future symbolises KappAhl’s work with environmental issues. It is about such things as contributing to increased use of sustainable material, more effective water use in production, more sustainable transport and effective logistics solutions. Here are some examples:

- Through our commitment in the Better Cotton Initiative (BCI) we are encouraging efforts to increase the supply of sustainably cultivated cotton.
- In the Clean Shipping Index we work to reduce the environmental impact of our maritime transport.
- KappAhl is one of the initiators of SWAR, a Swedish project for cleaner textile production in India. The project makes production more effective and reduces the use of water, energy and chemicals at participating suppliers.

FRIENDLY

“WE BUILD LONG-TERM RELATIONS.”

Friendly symbolises KappAhl’s relations throughout the chain. We work towards

better conditions for the people and societies that contribute to our operations. Here are some examples:

- In 1997 we drew up our first Code of Conduct for suppliers. Since then our specially trained employees work daily on site, to monitor and improve terms of employment and working conditions in our suppliers’ production units.
- In the summer of 2013 we joined the Accord on Fire and Building Safety in Bangladesh, which aims to create safer working conditions for textile workers in Bangladesh.
- At our training centre in Bangladesh every year about a hundred poor, vulnerable women receive training that leads to guaranteed employment in the textile industry and makes a life outside the slums a possibility.
- KappAhl supports BRIS (Children’s Rights in Society) and its sister organisations that work for vulnerable children in countries where we have our stores.
- In all our communication we endeavour to convey sound values and the diversity of people we meet in our stores. One example is that we are particular that our fashion pictures convey this.

FASHION

“VALUE-FOR-MONEY FASHION FOR MANY PEOPLE, RESPONSIBLY.”

Fashion symbolises the work of sustainability with our products. Using our own design we contribute to developing products for the best use of resources and choice of material. A few examples are given below:

- As early as in 1993 KappAhl started to offer eco-labelled garments. In 2012/2013 KappAhl sold more than 9 million garments with environmental certification. This corresponds to 18 per cent of all garments. The largest part of these are children’s garments. They include for example our collection for small children, Newbie, which only has ecological cotton.
- All garments we produce meet strict chemical requirements, to avoid harmful substances in the final product and achieve lower environmental impact. In 2012 about 1,500 chemical tests were conducted at independent laboratories.
- We are particular about child safety throughout the entire flow from design to production, with extra checks of such things as buttons, chemicals and choice of material.

FIRST TO BE ENVIRONMENTALLY CERTIFIED

KappAhl was the first fashion chain in the world to be certified under environmental management standard ISO 14001, already in 1999.

FUTURE FOCUS

We will continue working to give customers more sustainable fashion in their wardrobes. In some cases we will carry out the work on our own, but in many cases it will be in collaboration with other organisations and colleagues in the industry.

Transparency is important to create confidence in the work for future sustainability. Consequently we will for example disclose our suppliers in autumn 2013.

More information can be found in our Sustainability Report and on our website.

A baby with light hair and blue eyes is sitting on a light-colored surface, wearing a white knit sweater and striped socks. The baby is holding a brown and white stuffed dog. The baby's mouth is open in a happy expression, and one hand is near their mouth.

FUTURE
FRIENDLY
FASHION
BY
KappAhl

Our sustainability vision:

“Our activities are economical, environmentally and socially sustainable and create fashion with consideration for our planet today and in the future.”

“STILL GETTING TOP MARKS FROM OUR EMPLOYEES!”

At KappAhl we have a multitude of different occupations spread among almost 4,500 employees at about 400 workplaces in nine countries. Our employees work on everything from design to store sales. Together we sell hundreds of thousands of garments every day. To succeed in this, there must be effective cooperation between different competencies, so as to give our customers the best conceivable service every day.

CULTURE THAT UNITES

Our culture is based on a will to develop and find new creative solutions, in an environment where the direction and objectives are clearly staked out. The corporate culture colours all we do, from day-to-day tasks and decisions to development and change projects – and we do it together.

We have a living culture. An important task of our managers is to make it visible. Consequently we have developed a leadership philosophy for our daily work. It also acts as a guideline for our recruitment of managers, training and evaluation of leadership behaviour.

WE LEARN IN OUR DAILY WORK

We are keen on learning in our daily work – identifying useful lessons in stores and offices and passing them on to other parts of the business. But targeted training

measures are also required. So we regularly develop extensive training programmes for different skills requirements in our own training function, KappAhl Academy. During the year we have carried out extensive training in store exposure for our store staff. Some skills and staff development takes place locally, close to the daily operations. Managers play a key role here. They receive support with clear processes and specific aids from the head office.

WE WANT DIVERSITY

Variation enriches and contributes to new ideas and ways of working that are smarter than the old ones. That is why we value diversity of ages, gender, language, geographical and religious backgrounds. For example, the latest survey in this area in Sweden shows that one or both parents of as many as one in three KappAhl employees were born outside the country. This is good because it means our operations reflect the community and customers as a whole.

WE SHARE KNOWLEDGE

We are glad to share our experiences with the academic world. The main focus is on education and research connected to the retail trade and design.

We are one of the partner companies at the School of Business, Economics and Law at the University of Gothenburg and

are in demand as lecturers at other higher education institutions, such as the Swedish School of Textiles in Borås. Every year we offer work experience places to a large number of students, both in stores and at the head office.

A HEALTHY WORKPLACE

The work environment is a strategic issue for us. This is evident in the company's work environment policy. We reward independent health initiatives and an active life that leads to good health. Consequently all employees are offered an exercise subsidy. Sickness absence in the Group as a whole was 5.6 (5.7) per cent in 2012/2013.

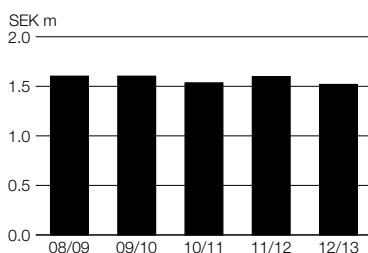
TOP MARKS FROM EMPLOYEES

According to the annual KappAhl Attitude Survey, in autumn 2013 KappAhl continued to score high marks as a workplace and business as a whole: 4.3 (4.2) out of 5 on average. This is better than the average for the industry, according to statistics from Mercuri International, which manages the survey.

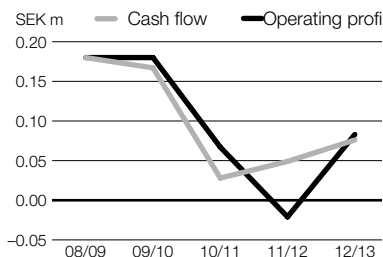
KEY RATIOS, EMPLOYEES

	2012/2013
Total number of employees	4,438
Average number of full-time positions (restated)	3,021
Percentage of women	93.3
Average age	36.9

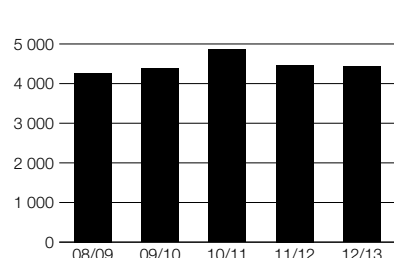
NET SALES PER FULL TIME POSITION

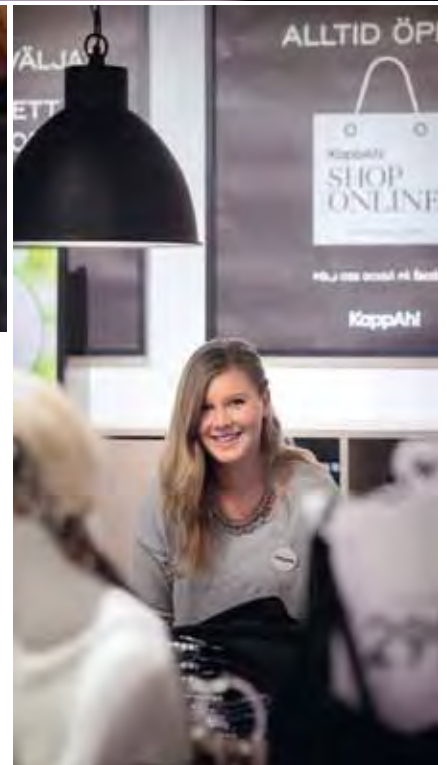


CASHFLOW AND OPERATING PROFIT PER FULL TIME POSITION



TOTAL NUMBER OF EMPLOYEES





... our culture is based on a will to develop and find new creative solutions, in an environment where the direction and objectives are clearly staked out.

“STRONG SHARE PERFORMANCE”

The KappAhl share has been listed on the Nasdaq OMX Stockholm’s Midcap list since 23 February 2006. The KappAhl share is included on the Nasdaq OMX Stockholm Consumer Discretionary Index.

Through a rights issue in December 2012 KappAhl issued 225,120,000 new shares and increased its share capital by SEK 32,160,000 to SEK 64,320,000. Through a reverse share split (1:6) in February 2013, the number of shares in KappAhl is 75,040,000. One share entitles the holder to one vote. All shares have equal rights to a share in KappAhl’s assets and profits.

SHARE PERFORMANCE AND TRADING

From the start of the financial year (1 September 2012) to 31 August 2013

the value of the KappAhl share increased by 49.3 per cent. This can be compared with the Nasdaq OMX Stockholm All-Share index that increased in value by 18.58 per cent and Nasdaq OMX Stockholm General Retailers that increased by 1.69 per cent in the same period. The highest price paid was SEK 39.30 on 29 August 2013 and the lowest price paid was SEK 16.13 on 15 October 2012.

At the close of the financial year KappAhl’s market value was SEK 2,877 million and the P/E ratio estimated on profit for the year was 31.6.

In the period 1 September 2012 to 31 August 2013 a total of 40,864,804 million KappAhl shares were traded at a value of SEK 1,088 billion, based on the average price (SEK 27.25). This means that each share was traded 0.378 times

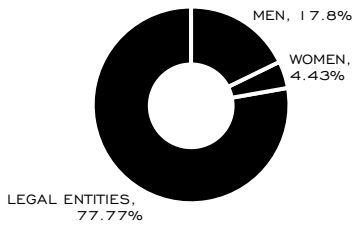
over the year, corresponding to an average of 105,604 shares traded per day.

OWNERSHIP STRUCTURE

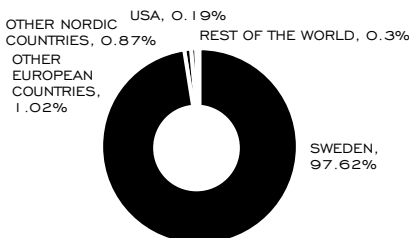
On 31 August 2013 KappAhl had 20,924 shareholders. The largest shareholder was member of the board Christian W. Jansson, who via Dutot Limited owns 16.50 per cent, followed by Mellby Gård AB (Rune Anderson) with a shareholding of 12.27 per cent and Nordea Bank Norway Nominee with a shareholding of 5.70 per cent.

Of the shareholders, 4.4 per cent own more than 5,000 shares. Shareholdings registered with companies and institutions amounted to 77.77 per cent and shareholdings registered at non-Swedish addresses were 39.0 per cent.

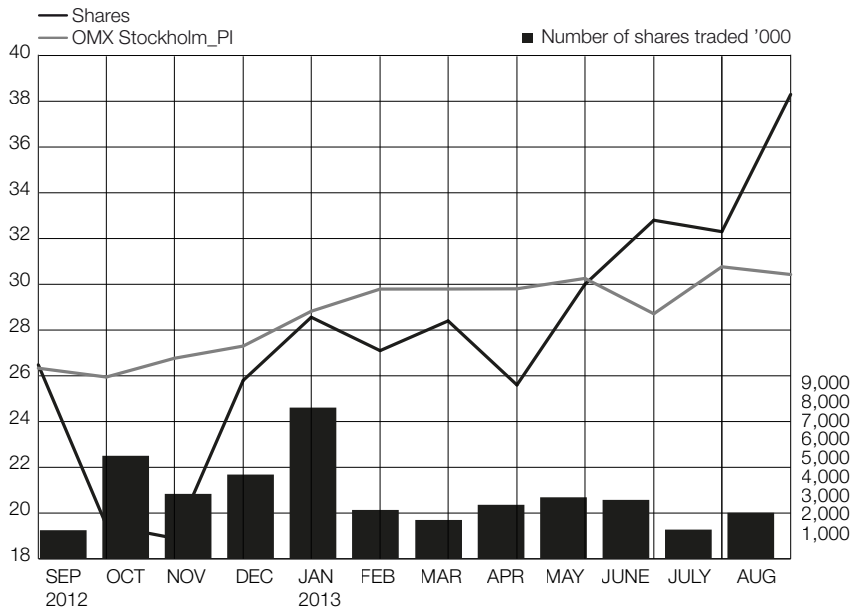
DISTRIBUTION OF OWNERSHIP, SHAREHOLDINGS



GEOGRAPHICAL DISTRIBUTION, SHAREHOLDING



KAPPAHL SHARE PERFORMANCE 2012/2013



KAPPAHL IS INCLUDED IN A SUSTAINABILITY INDEX

KappAhl has been included on the Nasdaq OMX GES Sustainability Index Sweden since 2010. It consists of the 30 highest ranking companies on the Nasdaq OMX Stockholm list as regards responsible investment.



DIVIDEND

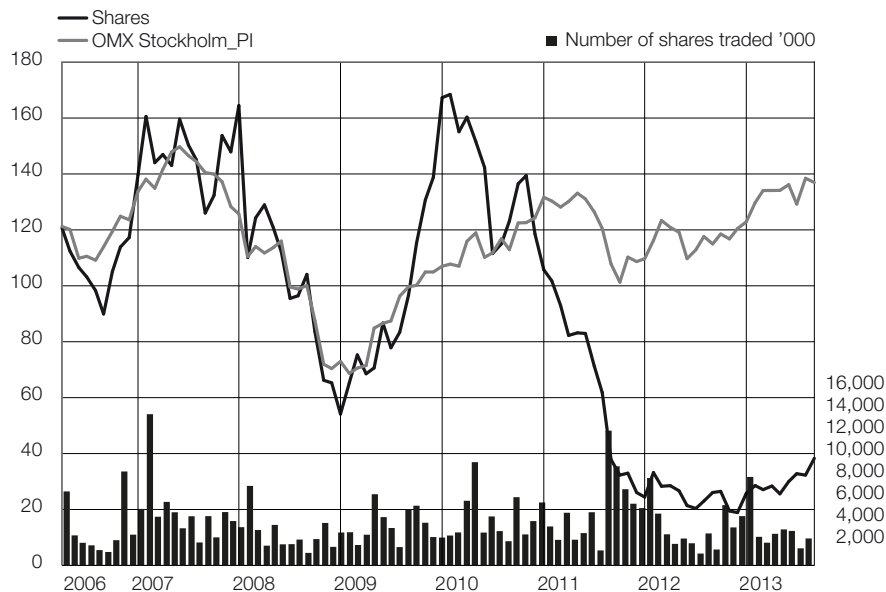
The Board of Directors proposes to the Annual General Meeting in 2013 that no dividend be distributed for the 2012/2013 financial year.

STOCK MARKET INFORMATION

KappAhl's information to the stock market and shareholders is to be characterised by correctness, relevance, transparency and speed. KappAhl's press releases, quarterly reports and annual reports are available at www.kappahl.com/ir. Here you will also find additional information about the company, financial performance and the KappAhl share and how to subscribe to information from KappAhl.

Shareholding (SEK thousand)	Number of shareholders	Number of shares	Shareholding (SEK thousand)	Votes (%)
1-500	11,963	2,022,181	2.69	2.69
501-1,000	2,508	2,090,889	2.79	2.79
1,001-5,000	2,856	6,788,935	9.05	9.05
5,001-10,000	413	3,102,513	4.13	4.13
10,001-15,000	116	1,447,892	1.93	1.93
15,001-20,000	90	1,627,943	2.17	2.17
20,001-	169	57,959,647	77.24	77.24
Total	18,115	75,040,000	100.0	100.0

KAPPAHL SHARE PERFORMANCE, 1 MARCH 2006-31 AUGUST 2013



KEY RATIOS

	Sept-Aug 2012/2013	Sept-Aug 2011/2012	Sept-Aug 2010/2011	Sept-Aug 2009/2010	Sept-Aug 2008/2009
Sales growth, %	3.6	-7.8	-2.7	5.0	5.3
Operating profit (EBIT) ¹⁾	252	-64	222	551	526
Operating profit/loss excluding non-recurring costs, SEK million	202	53	222	551	526
Total depreciation/amortisation	144	220	219	234	234
Gross margin, %	59.2	56.7	58.8	61.8	61.1
Operating margin, %	5.3	-1.4	4.5	10.8	10.8
Operating margin excluding non-recurring costs, %	4.3	1.2	4.5	10.8	10.8
Interest coverage ratio (multiple)	2.9	0.39	3.1	6.20	6.27
Net interest-bearing liabilities	661	1,673	2 266	1,866	2,100
Net interest-bearing liabilities/EBITDA (multiple) ¹⁾	1.7	10.7	5.14	2.38	2.76
Equity-assets ratio, %	49.4	26.2	14.9	22.1	11.3
Equity per share, SEK	18.42	3.85	6.93	9.90	5.05
Equity per share after dilution, SEK	18.42	3.85	6.93	9.90	5.05
Cash flow from operating activities per share	3.06	0.68	1.27	6.77	6.71
Market price, SEK	38.34	6.4	16.30	53.00	41.60
Market value, SEK m	2,877	1,441	1,223	3,977	3 122
P/E ratio (multiple)	31.6	neg	17.9	9.9	9.9
Dividend yield, %	0.0	0.0	0.0	6.1	3.0
Price/equity per share, %	208	166	235	535	824
Earnings per share, SEK ²⁾	1.32	-5.30	2.98	17.60	13.79
Dividend per share (proposed 2012/2013)	0.00	0.00	0.00	3.25	1.25
Dividend payout ratio of earnings after tax paid, %	0.0	0.0	0.0	76.0	29.7
Number of shares at close of period	75,040,000	225,120,000	75,040,000	75,040,000	75,040,000
Number of shares after dilution	75,040,000	225,120,000	75,040,000	75,040,000	75,040,000

¹⁾ Not adjusted for non-recurring costs, see Note 17.

²⁾ Earnings per share have been restated for comparison periods. The number of shares has been adjusted to allow for the rights issue in 2012/2013.

CONDENSED CONSOLIDATED INCOME STATEMENT (SEK M)

	Sept-Aug 2012/2013	Sept-Aug 2011/2012	Sept-Aug 2010/2011	Sept-Aug 2009/2010	Sept-Aug 2008/2009
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	76	-	-	-	-
Operating profit/loss	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
Taxes	-74	6	-83	-61	-127
Profit after tax	91	-224	68	402	315

QUARTERLY INCOME STATEMENTS (SEK M)

	Q4 12/13	Q3 12/13	Q2 12/13	Q1 12/13	Q4 11/12	Q3 11/12	Q2 11/12	Q1 11/12	Q4 10/11	Q3 10/11	Q2 10/11	Q1 10/11
Net sales	1,148	1,210	1,148	1,245	1,129	1,146	1,119	1,193	1,208	1,237	1,188	1,341
Cost of goods sold	-494	-470	-516	-457	-485	-469	-538	-496	-556	-493	-508	-491
Gross profit	654	740	632	788	644	677	581	697	652	744	680	850
Selling expenses	-575	-627	-636	-650	-579	-615	-685	-648	-616	-651	-624	-669
Administrative expenses	-36	-49	-31	-34	-36	-33	-34	-33	-33	-36	-40	-35
Other operating income	-	-	-1	77	-	-	-	-	-	-	-	-
Other operating expenses	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit/loss	43	64	-36	181	29	29	-138	16	3	57	16	146
Financial income	0	0	0	0	0	0	0	0	1	0	0	0
Financial expenses	-7	-21	-17	-43	-59	-34	-47	-26	-18	-22	-15	-17
Profit/loss after financial items	36	43	-53	138	-30	-5	-185	-10	-14	35	1	129
Taxes	-29	-11	-11	-23	-10	-5	22	-1	-40	-9	0	-34
Profit after tax	7	32	-64	115	-40	-10	-163	-11	-54	26	1	95

	Q4 09/10	Q3 09/10	Q2 09/10	Q1 09/10	Q4 08/09	Q3 08/09	Q2 08/09	Q1 08/09
Net sales	1,290	1,221	1,256	1,344	1,226	1,206	1,168	1,266
Cost of goods sold	-521	-432	-531	-470	-473	-478	-490	-452
Gross profit	769	789	725	874	753	728	678	814
Selling expenses	-583	-639	-615	-630	-549	-587	-574	-605
Administrative expenses	-30	-38	-34	-37	-28	-32	-39	-33
Other operating income	-	-	-	-	-	-	-	-
Other operating expenses	-	-	-	-	-	-	-	-
Operating profit/loss	156	112	76	207	176	109	65	176
Financial income	0	0	1	0	0	0	1	0
Financial expenses	-24	-24	-23	-18	-23	-23	-19	-19
Profit/loss after financial items	132	88	54	189	153	86	47	157
Taxes	-7	-23	-20	-11	-47	-24	-13	-44
Profit after tax	125	65	34	178	106	62	34	113

Administration report

The Board of Directors and the President of KappAhl AB (publ), corporate identity number 556661-2312, with its registered office in Mölndal, hereby submit the annual report and consolidated accounts for the financial year 1 September 2012 to 31 August 2013.

GROUP

The Group operates in retail sales of clothes for women, men and kids. In addition to the parent company, KappAhl AB, the Group includes the operating wholly owned companies KappAhl Sverige AB, sales companies in Norway, Finland, Poland and the Czech Republic and a purchasing company in China. The Group also has production offices in China, Turkey, Bangladesh and India.

KappAhl Sverige AB and the sales companies in Norway, Finland, Poland and the Czech Republic are responsible for retail sales in their respective countries. A full list of Group companies is given in Note 22.

The company in China and the foreign production offices are responsible for making contact with new suppliers, quality control and overseeing production and delivery in the markets close to them. The production offices also play an important part in sustainability. See further the current sustainability report on the company's website.

PARENT COMPANY

Sales amounted to SEK 23 (22) million and refer for the most part to inter-company invoicing of services. There were no external sales. As regards the number of employees, salaries, remuneration and terms of employment, please refer to Note 4. The year's earnings include capital gains on sale of subsidiary of SEK 91 million. Profit after tax was SEK 107 (50) million.

INFORMATION CONCERNING THE COMPANY'S SHARES

Rights issue and reverse split of shares

In December 2012 the Board of Directors, with the authorisation of the Annual General Meeting of 28 November 2012, carried out a rights issue of shares with pre-emption right for existing shareholders to strengthen the company's financial position and reduce its debt through loan repayment. The rights issue was fully subscribed (98.75 per cent of the shares were subscribed for by exercising subscription rights and 1.25 per cent of the shares were allocated to people who applied to subscribe without subscription rights). The rights issue provided KappAhl with about SEK 383 million excluding issue costs. The share capital increased to SEK 64,320,000 and the number of shares increased by 225,120,000 to 450,240,000. In February 2013 KappAhl made a reverse split of shares, amalgamating six existing shares into one. After the reverse split the number of shares in KappAhl is 75,040,000.

Stock options

Owing to the reverse split of shares KappAhl recalculated the 6,744,000 warrants (series 2012/2015) issued by KappAhl to senior management in accordance with a decision by the Annual General Meeting on 23 November 2011. After recalculation each warrant entitles the holder to subscribe for 0.27 new shares at a subscription price of SEK 28.80 per share. Thus the warrants may increase the number of shares in KappAhl by a maximum of 1,820,880 and the share capital by a maximum of SEK 1,565,956.80.

Total number of shares, votes, dividend and new shares

As at 31 August 2013 the total number of outstanding shares was 75,040,000. The KappAhl share is listed on Nasdaq OMX Stockholm, Mid Cap. Each share carries one vote. A shareholder may vote for all shares he or she owns or represents. All shares have the same dividend entitlement and there are no other rights restrictions attaching to the shares. The General Meeting of Shareholders has not issued any authorisation to the Board to acquire or issue new shares.

Transferability

There are no restrictions on the transferability of the shares under the articles of association or current legislation.

The company is not otherwise aware of any contracts between shareholders restricting the transferability of shares.

Shareholding

As at 31 August 2013 the ten largest shareholders of KappAhl AB (publ) were as follows:

	Number of shares	Percentage of shares and votes
DUTOT LIMITED	12,382,367	16.50
MELLBY GÅRD AB	9,209,245	12.27
NORDEA BANK NORGE NOMINEE	4,278,185	5.70
Swedbank Robur fonder	3,874,841	5.16
LIVY LTD	2,992,228	3.99
SVENSKT NÄRINGSLIV	2,400,000	3.20
FÖRSÄKRINGSBOLAGET, AVANZA PENSION	1,770,095	2.36
HANDELSBANKEN FONDER AB REJPMEL	1,678,705	2.24
JPM CHASE NA	1,568,379	2.09
SVOLDER AKTIEBOLAG	1,120,886	1.49
Other shareholders	33,765,069	45.00
Total	75,040,000	100.00

No shares are owned by employees through pension funds or similar.

Agreements with clauses on change of ownership

The Group has no agreements, apart from customary rules concerning change of ownership in credit agreements, which

can be terminated on change of ownership. Apart from what is stated on page 45 concerning the President's terms of employment, there are no agreements between the company and members of the Board or employees providing for compensation, apart from salary during the period of notice, if they resign or are made redundant without valid reason or if their employment or engagement ceases because of a public takeover bid.

PERFORMANCE AND SIGNIFICANT EVENTS OF THE FINANCIAL YEAR

Group performance

Net sales and gross profit

KappAhl's net sales for the financial year (excluding VAT) were SEK 4,751 (4,587) million, an increase of 3.6 per cent compared with the previous financial year. This consists of: new and closed stores, +1.8 per cent; development of comparable stores, +3.0 per cent; and currency translation differences, -1.2 per cent. During the year the number of stores increased by 2.

Gross profit was SEK 2,814 (2,599) million, which corresponds to a gross margin of 59.2 (56.7) per cent. The increase in the gross margin is mainly due to a reduced percentage of clearance sales.

Operating profit/loss

Selling and administrative expenses amounted to SEK 2,637 (2,663) million, meaning that the costs are slightly lower than in the previous year. The year's selling and administrative expenses include non-recurring costs of SEK 26 (100) million, which primarily refer to impairment loss on non-current assets and costs in connection with staff cuts. The Group's operating profit for the financial year is SEK 252 (-65) million and excluding non-recurring items SEK 202 (53) million. The operating margin is 5.3 (-1.4) per cent or 4.3 (1.2) per cent excluding non-recurring costs. The year's operating profit includes capital gains on sale of real property of SEK 76 (0) million. The property has been rented as of 23 November 2012, see Note 18.

Financial expenses

Financial expenses amounted to SEK -87 (-166) million. The decrease in financial expenses is due to the rights issue of last autumn and sale of real property, as well as a positive cash flow from operations.

Taxes

Taxes reported for the financial year amount to -44.9 (-2.6) per cent. The reason for the high tax cost is that the company is not reporting any deferred tax assets for loss carry-forwards in Poland and the Czech Republic of SEK -40 (-36) million; see Note 8.

Store network and expansion

During the financial year 13 new stores opened, five in Sweden, one in Poland, three in Norway and four in Finland. Five stores

in Sweden, two in Poland, three in Norway and one store in Finland, a total of 11, were closed in the same period. The total number of stores was 390 (388) at the end of the financial year. Of these, 165 are in Sweden, 103 in Norway, 65 in Finland, 52 in Poland and five in the Czech Republic.

The work of finding new store sites is proceeding according to plan. Apart from the 390 (388) stores in operation on 31 August 2013 there are currently contracts for 10 new stores, of which five will open in 2013/2014.

The review of profitability in each store is continuing, which means that the rate of expansion will be lower than the target previously set this year too.

NUMBER OF STORES PER COUNTRY

	31/8/ 2013	31/8/ 2012	31/8/ 2011	31/8/ 2010	31/8/ 2009	31/8/ 2008	31/8/ 2007	31/8/ 2006	31/8/ 2005
Sweden	165	165	159	153	144	138	131	130	125
Norway	103	103	99	95	92	87	84	81	74
Finland	65	62	59	56	53	46	42	36	32
Poland	52	53	47	40	30	20	15	13	11
Czech Republic	5	5	5	1	-	-	-	-	-
Total	390	388	369	345	319	291	272	260	242

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The aim of the Group's currency policy is to reduce the risk of negative effects on earnings and to increase the predictability of future earnings. This is achieved by hedging the subsidiaries' revenues. The Group's goods purchases are also hedged, including future goods flows, which are hedged 1-12 months forward using futures. A substantial portion of the Group's goods purchases are in USD, which makes the business sensitive to changes in the dollar exchange rate. Further information is available in Note 17.

FINANCING

At the end of the period net interest-bearing liabilities amounted to SEK 661 million, compared with 1,673 million as at 31 August 2012. The net interest-bearing liabilities/EBITDA ratio was 1.9 at the close of the period, compared with 10.7 as at 31 August 2012. The equity/assets ratio increased to 49.4 (26.2) per cent, mainly due to the rights issue in autumn 2012 of SEK 374 million (after issue costs and tax). Cash and cash equivalents amounted to SEK 58 (46) million as at 31 August 2013. At the period close there were unutilised credit facilities of about SEK 400 (300) million.

During the financial year the company's real property was sold at an underlying value of SEK 487 million.

The company's external financing is primarily in the form of bank loans and overdraft facilities.

SIGNIFICANT EVENTS

Investments

Net investments for the year in the Group amount to SEK 97 (139) million and consist mainly of investments in existing and newly opened stores. In light of weaker profitability investments were reduced to a lower level. The investment level in the Group for the coming year is expected to be SEK 150 million. No investments were made in the parent company KappAhl AB (publ) during the year.

FUTURE EXPECTATIONS

In the past year fashion retail has continued to be weak. The economic slowdown has had a negative impact on consumers' willingness to spend. The company's assessment is that in the short term the weak market will continue where the company operates. In the longer term, however, the company believes there will be a recovery and that consumption and demand will increase.

MATERIAL RISKS AND UNCERTAINTIES

KappAhl is exposed to a number of risks, relating both to its own operations and to the industry as a whole. Most risk areas can be managed through internal procedures and controls, while some are governed more by external factors. The risks can be divided into business-related or operational risks and financial risks.

The financial risks and their management are described in more detail in Note 17. The management of risks is also described in the corporate governance report, page 59, under the heading "Internal control regarding financial reporting".

Other material areas of identified risks and uncertainties are described in brief below, together with how KappAhl addresses each of these risk areas.

Competition

The fashion industry is characterised by great competition, in terms of both product range and markets. The main competitors are other chains, department stores, mail order companies and internet shopping, for the sale of clothes to women, men and children and of accessories. There is also competition for the best store locations and best rental terms.

Both Nordic and international competitors may have greater financial, marketing or other resources. Consequently they may be better equipped to adapt to customer demand, to devote more resources to marketing and design of products and stores or achieve better brand awareness. The intensive competition can lead to price pressure and falling market share. KappAhl focuses on clear concepts and market positioning through a well-defined target group, combined with a clear message. This is considered to be a significant competitive advantage.

Fashion

KappAhl's success is due to its ability to identify and adapt to constantly shifting fashion trends and customer requirements and its timely introduction of new and attractive products. The products must also attract a broad range of customers, whose perception of

fashion cannot be predicted with certainty. If consumer trends and collections are misread it can lead to a surplus of certain stock, price cuts and reduced margins.

The brand could be damaged if customers believe that KappAhl is unable to offer them products they perceive as attractive. These risks are offset by recruiting talented designers and buyers who work constantly to spot and predict trends. Moreover the company has a customer-oriented business model where customer purchase patterns and behaviour are constantly analysed.

Trade restrictions

Just over 80 per cent of KappAhl's products are bought in Asia and the rest are from Europe. Trade restrictions, including customs tariffs, protective measures or quotas for clothes and accessories may have an impact on the cost or availability of products and mean that purchasing routines must be changed. It is impossible to predict if any of the countries in which clothes and accessories are manufactured, currently or in the future, will be subject to further trade restrictions and, if so, what the effects will be.

Development of the store network

KappAhl is continuing to develop the store network in its geographical markets.

At the same time, existing stores are continually being upgraded and extended, which requires considerable investment and management resources. There is never any guarantee that investments will generate sufficient return. Long-term and focused work is taking place continuously on expanding and reviewing stores to ensure that expansion targets are realistic and achievable. As at 31 August 2013 there were contracts for 10 new stores.

Trademarks

It is KappAhl's policy to register and protect its brand and name. There are, however, no guarantees that these measures are sufficient to protect the brand and property. Moreover, unauthorised use of the brand on pirate copies or imitation of KappAhl's stores damage the company's image and reputation.

Information systems and information security

KappAhl relies on system support to manage the supply chain from purchase to sales in KappAhl's various sales channels, as well as to compile operative and statistical information. The risks include appropriateness of existing systems and safeguarding business-sensitive information. Any long interruption or lack of functionality in the systems can mean the loss of important information or the prevention or delay of actions.

The existing system structure is consequently regularly evaluated for the purpose of ensuring that the systems comply with current requirements. There is also a sharp focus on information security assurance in all parts of the Group. The Group's work also includes developing plans and processes for dealing with disruptions and interruptions.

The economy

The industry in which KappAhl operates is affected by changes in the economy that impact total demand and consequently the level of consumption. Consumer patterns are affected by a number of general factors beyond the control of the company, including general business conditions, interest rates, exchange rates, inflation and deflation levels, taxes, access to credit, stock market trends, unemployment levels, uncertainty about the economic outlook for the future and shifts in consumer patterns from durables to other goods and services.

PARENT COMPANY PERFORMANCE

The parent company's sales for the period amounted to SEK 23 (22) million and profit after financial items was SEK 110 (52) million. The improved result is primarily explained by capital gains from the sale of subsidiaries of SEK 91 million.

EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

The following events occurred after the close of the financial year:

- Operative and financial targets were determined
 - Operative targets:
 - KappAhl's growth is to be an average of four per cent per year over a business cycle.
 - The operating margin must be at least 10 per cent
 - Financial target:
 - Interest-bearing net debt is not to exceed, other than temporarily, three times the EBITDA.
- KappAhl is winding up operations in the Czech Republic. As a part of the continual evaluation of stores and the ongoing action programme, KappAhl has decided to wind up its five stores in the Czech Republic. The general market situation in the Czech Republic has become more difficult since KappAhl opened its first store there in 2009. The stores in the Czech Republic have not achieved the profitability expected.

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The company's guidelines for remuneration to senior executives were adopted by the Annual General Meeting on 28 November 2012. The Board of Directors proposes that the 2013 Annual General Meeting adopts guidelines that are substantially unchanged in comparison with 2012 and are worded as follows:

Basic salary

Pay and other conditions of employment shall be such that KappAhl can attract and retain competent senior executives. Senior executives must be offered a fixed salary that is market related and based on the person's responsibility and conduct. Salary will be set per calendar year.

Variable remuneration

The senior executive may, from time to time, be offered a bonus. The maximum bonus payable is 50 per cent of the fixed salary. The senior executive may, on his or her own initiative, convert the

bonus into extra pension payments. Bonuses will be primarily based on the operating profit (EBIT) of the KappAhl Group. Bonuses will be set per financial year.

The Board of Directors and Remuneration Committee will annually evaluate whether any form of equity-related incentive programme should be proposed to the Annual General Meeting.

Other benefits

Senior executives are entitled to extra health insurance as well as all benefits covering the Group's other employees.

Pension

Apart from the provisions of collective agreements or other agreements, senior management executives are entitled to arrange pension solutions on an individual basis. Salary or bonus waivers can be used to increase allocation to a pension plan, provided the cost to KappAhl is unchanged over the period.

Notice of termination etc.

Senior executives and KappAhl must observe a period of six months' notice of termination. In the event of notice of termination from the employer, the following applies for the President: he retains full salary for six months and receives severance pay equivalent to eighteen months' salary, less any salary from other employment.

CORPORATE GOVERNANCE

Information is provided in a separate Corporate Governance report. For further reading, please see page 59.

SUSTAINABLE DEVELOPMENT

KappAhl takes responsibility for people and the environment and makes an active contribution to development in the countries where the company operates. More information is available in the current sustainability report on the company's website and also on page 18.

EMPLOYEES

At KappAhl almost 4,500 employees work at about 400 workplaces in nine countries. More information is available on page 20.

PROPOSED APPROPRIATION OF THE COMPANY'S PROFITS

The Board of Directors and President propose that the profits at the disposal of the Annual General Meeting, SEK 2,102,388,287 be appropriated as follows:

To be brought forward	SEK 2,102,388,287
Total	SEK 2,102,388,287

For information about KappAhl's earnings and financial position in other respects, please refer to the income statements, balance sheets and accompanying notes set out below.

Consolidated income statements

Amounts in SEK million	Note	1/9/2012 31/8/2013	1/9/2011 31/8/2012
Net sales	2, 3	4,750.9	4,586.8
Cost of goods sold		-1,937.1	-1,988.1
Gross profit	6	2,813.8	2,598.7
Selling expenses	6	-2,486.8	-2,526.9
Administrative expenses	6	-150.2	-136.5
Other operating income		75.5	-
Operating profit/loss	4, 5, 6	252.3	-64.7
Financial income	7, 23	0.1	0.3
Financial expenses	7, 23	-87.3	-165.9
Total net financial expense	7	-87.2	-165.6
Profit/loss before tax		165.1	-230.3
Taxes	8	-74.0	6.0
Net profit for the year		91.1	-224.3
Earnings per share			
before dilution (SEK)		1.32	-5.30
after dilution (SEK)		68,474,000	42,272,533

Statements of comprehensive income

Amount, SEK million	Note	1/9/2012 31/8/2013	1/9/2011 31/8/2012
Net profit for the year		91.1	-224.3
Items not to be recognised in income			
Actuarial gains/losses		8.7	-14.4
Tax effect	8	-2.3	3.9
Total items not to be recognised in income		6.4	-10.5
Items to be recognised in income			
Year's translation differences		-0.6	-12.5
Cash flow hedges – value change	17	54.8	1.7
Cash flow hedges recognised in income	17	6.4	-
Tax effect	8	-16.1	2.0
Total items to be recognised in income		44.5	-8.8
Total comprehensive income attributable to parent company's shareholders		142.0	-243.6

Comments on the consolidated income statement

Net sales

Net sales amounted to SEK 4,751 (4,587) million, an increase of 3.6 per cent.

The increase consists of new and closed stores, +1.8 per cent, development in stores that are comparable between years, +3.0 per cent and translation differences in foreign currency, above all in NOK and EUR, -1.2 per cent.

Gross profit

Gross profit is SEK 2,814 (2,599) million, an increase of SEK 215 million. The gross margin is 59.2 per cent, compared with 56.7 per cent in the previous year. The higher margin is mainly due to a lower percentage of clearance sales.

Operating profit/loss

The operating profit is SEK 252 (-65) million, an increase of SEK 317 million. The operating margin is 5.3 per cent, which is an increase compared with -1.4 per cent in the previous year. Selling and administrative expenses have decreased by SEK 26 million, despite an increased number of stores and general inflation. The selling and administrative expenses for the year include non-recurring costs of SEK 26 million, compared with SEK 100 million in the previous year. These consist of termination of staff and impairment loss on non-current assets. Other operating income amounts to SEK 76 (0) million and refers to a non-recurring item relating to sale of real property.

Profit/loss before tax

Profit before tax is SEK 165 (-230) million, which is an improvement compared with the previous year of SEK 395 million. Net financial items amount to SEK -87 (-166) million, which is an improvement compared with the previous year of SEK 79 million. Financial expenses for the year include costs of SEK 6.5 million referring to the effect of interest swaps that are no longer part of an effective hedging relationship; see Note 17.

Taxes

Taxes reported for the financial year amount to -44.9 (-2.6) per cent. The reason for the high tax cost is that the company is not reporting any deferred tax for losses in Poland and the Czech Republic of SEK -40 (-36) million; see Note 8.

Earnings per share

Earnings per share are restated for comparison periods. The number of shares has been adjusted to allow for the year's rights issue and reverse split. The company has issued warrants that can have a dilution effect on the earnings per share. During the year these potential shares were not included in the calculations since they did not give rise to any dilution effect during the period.

Consolidated balance sheets

Amounts in SEK million	Note	31/8/2013	31/8/2012
ASSETS			
Non-current assets			
Intangible assets	9	1,337.6	1,347.3
Property, plant and equipment	10	430.6	883.1
Deferred tax assets	8	89.9	158.3
Total non-current assets		1,858.1	2,388.7
Current assets			
Inventories	11	721.7	751.3
Trade receivables	17	2.8	8.4
Current tax assets	8	28.7	12.6
Prepaid expenses and accrued income	12	99.7	91.6
Other receivables	17	27.7	4.6
Cash and cash equivalents	17	57.9	46.3
Total current assets		938.5	914.8
Total assets		2,796.6	3,303.5
EQUITY AND LIABILITIES			
Equity			
Share capital		64.3	32.2
Other contributed capital		1,111.2	769.6
Reserves		-21.1	-65.6
Retained earnings including profit for the year		227.3	129.8
Total equity		1,381.7	866.0
Liabilities			
Non-current liabilities			
Other interest-bearing liabilities	13, 17	603.5	781.5
Derivative financial instruments	17	19.7	45.7
Provisions for pensions and similar obligations	14	40.3	57.2
Deferred tax liabilities	8	27.3	8.3
Total non-current liabilities		690.8	892.7
Current liabilities			
Interest-bearing liabilities	13, 17	75.0	880.0
Trade payables		228.0	196.0
Current tax liabilities		0.2	8.4
Other liabilities	15, 17	118.6	125.0
Accrued expenses and deferred income	16	302.3	335.4
Total current liabilities		724.1	1,544.8
Total liabilities		1,414.9	2,437.5
Total equity and liabilities		2,796.6	3,303.5
Pledged assets	20	2,735.7	2,203.2
Contingent liabilities	20	0.5	0.4

Comments on the consolidated balance sheets

Non-current assets

Intangible assets consist mainly of goodwill, SEK 696 million, and trademarks, SEK 610 million. Impairment tests are carried out annually or more often if warranted. During the year an impairment loss of SEK 6 (63) million on property, plant and equipment was recorded.

Current assets

Inventories

Inventories are recorded at the lower of cost or net realisable value. Inventories decreased by SEK 29 (106) million between the years. Overall, the size and composition of inventories are considered to be satisfactory.

Equity

The change in equity amounts to SEK 516 (346) million and primarily consists of a capital injection via the year's rights issue of SEK 374 million.

Non-current liabilities

Long-term liabilities decreased during the year thanks to repayment of SEK 380 (550) million in connection with the rights issue.

Consolidated statements of changes in equity

Amount, SEK million	Equity attributable to the parent company's shareholders					Total equity
	Share capital	Other contributed funds	Hedging reserve ¹⁾	Currency translation reserve ²⁾	Retained earnings including profit for the year	
Opening equity, 1/9/2011	10.7	205.1	-47.0	-9.1	360.0	519.7
Net profit for the year	-	-	-	-	-224.3	-224.3
Other comprehensive income						
Cash flow hedges – value change	-	-	1.7	-	-	1.7
Year's translation differences	-	-	-	-13.2	0.7	-12.5
Actuarial gains/losses	-	-	-	-	-14.4	-14.4
Tax effect attributable to items in other comprehensive income	-	-	-0.4	2.4	3.9	5.9
Total comprehensive income	-	-	1.3	-10.8	-234.1	-243.6
Transactions with shareholders						
Options plan	-	-	-	-	3.9	3.9
New issue	21.5	578.9	-	-	-	600.4
Transaction costs for rights issue	-	-19.5	-	-	-	-19.5
Tax attributable to transactions for rights issue	-	5.1	-	-	-	5.1
Total transactions with shareholders	21.5	564.5	-	-	3.9	589.9
Closing equity, 31/8/2012	32.2	769.6	-45.7	-19.9	129.8	866.0

Amount, SEK million	Equity attributable to the parent company's shareholders					Total equity
	Share capital	Other contributed funds	Hedging reserve ¹⁾	Currency translation reserve ²⁾	Retained earnings including profit for the year	
Opening equity, 1/9/2012	32.2	769.6	-45.7	-19.9	129.8	866.0
Net profit for the year	-	-	-	-	91.1	91.1
Other comprehensive income						
Cash flow hedges – value change	-	-	54.8	-	-	54.8
Cash flow hedges recognised in income	-	-	6.4	-	-	6.4
Year's translation differences	-	-	-	-0.6	-	-0.6
Actuarial gains/losses	-	-	-	-	8.7	8.7
Tax effect attributable to items in other comprehensive income	-	-	-16.1	-	-2.3	-18.4
Total comprehensive income	-	-	45.1	-0.6	97.5	142.0
Transactions with shareholders						
Rights issue	32.1	350.3	-	-	-	382.4
Transaction costs for rights issue	-	-11.8	-	-	-	-11.8
Tax attributable to transaction costs for rights issue	-	3.1	-	-	-	3.1
Total transactions with shareholders	32.1	341.6	-	-	-	373.7
Closing equity, 31/8/2013	64.3	1,111.2	-0.6	-20.5	227.3	1,381.7

¹⁾ The hedging reserve includes the effective portion of the accumulated net change in fair value of a cash flow hedging instrument attributable to hedging transactions that have not yet occurred.

²⁾ The currency translation reserve includes all translation differences that arise in connection with restating financial statements from foreign operations that have prepared their financial statements in a currency other than the Group's presentation currency.

Consolidated statements of cash flow

Amount, SEK million	Note	1/9/2012 31/8/2013	1/9/2011 31/8/2012
Operating activities			
Profit/loss before tax		165.1	-230.3
Adjustment for non-cash items	23	76.6	228.4
Income tax paid	8	-44.0	-31.2
Cash flow from operating activities before changes in working capital		197.7	-33.1
Cash flow from changes in working capital			
Decrease (+)/Increase (-) in inventories		29.5	106.4
Decrease (+)/Increase (-) in operating receivables		-6.9	14.2
Decrease (-)/Increase (+) in operating liabilities		9.2	65.6
Cash flow from operating activities		229.5	153.1
Investing activities			
Purchases of property, plant and equipment		-93.2	-119.0
Sale of real property		487.0	-
Acquisitions of intangible fixed assets		-2.2	-19.9
Cash flow from investing activities		391.6	-138.9
Financing activities			
Rights issue		373.7	580.8
Options plan		-	3.9
Amortisation of debt		-869.3	-550.0
Decrease (-)/Increase (+) in bank overdraft facilities		-113.9	-41.9
Cash flow from financing activities		-609.5	-7.2
Cash flow for the year		11.6	7.0
Cash and cash equivalents at beginning of the year		46.3	39.3
Exchange rate differences in cash and cash equivalents		0.0	0.0
Cash and cash equivalents at end of the year		57.9	46.3

Comments on the consolidated cash flow statements

Cash flow from operating activities before changes in working capital

On the line 'Adjustment for non-cash items' the largest item refers to depreciation and impairment losses of SEK 140 (220) million.

Cash flow from changes in working capital

The cash flow from the changes in working capital gives a net impact on cash flow of SEK 32 (186) million, which is mainly explained by a decrease in inventories.

Cash flow from investing activities

Cash flow from investing activities has resulted in payments totalling SEK 95 (139) million and payments of SEK 487 million referring to the sale of real property. Investments continue to be lower than normal due to the adverse economy. Investments for the year refer mainly to new stores and existing store conversions.

Cash flow from financing activities

Cash flow from financing activities is SEK -610 (-7) million. The income from the rights issue has been used to repay debt.

Translation differences in cash and cash equivalents are of a low value and thus stated as 0 (0) in the cash flow statement above.

Parent company income statements

Amount, SEK million	Note	1/9/2012 31/8/2013	1/9/2011 31/8/2012
Net sales		22.6	22.1
Cost of goods sold		–	–
Gross profit		22.6	22.1
Other operating expenses		–35.9	–44.8
Operating profit/loss	4, 5	–13.3	–22.7
<i>Profit from financial items</i>			
Profit from participations in subsidiaries	7	90.8	42.8
Group contribution received	7	111.5	172.0
Other interest income and similar profit/loss items	7, 23	22.1	21.0
Interest expense and similar profit/loss items	7, 23	–101.4	–161.0
Profit after financial items		109.7	52.1
Appropriations		–	–
Profit/loss before tax		109.7	52.1
Taxes	8	–2.6	–2.5
Net profit for the year		107.1	49.6

Statements of comprehensive income

Amount, SEK million	Note	1/9/2012 31/8/2013	1/9/2011 31/8/2012
Net profit for the year		107.1	49.6
Items to be recognised in income			
Cash flow hedges – value change	17	18.0	–8.1
Cash flow hedges recognised in income	17	6.4	–
Tax effect	8	–6.4	2.1
Total items to be recognised in income		18.0	–6.0
Total other comprehensive income		125.1	43.6

Parent company balance sheet statements

Amount, SEK million	Note	31/8/2013	31/8/2012
ASSETS			
Non-current assets			
<i>Financial assets</i>			
Participations in group companies	22	2,913.2	3,180.0
Deferred tax assets	8	6.9	14.6
Total financial assets		2,920.1	3,194.6
Total non-current assets		2,920.1	3,194.6
Current assets			
<i>Current receivables</i>			
Receivables from group companies		682.1	476.7
Tax asset		1.0	0.7
Prepaid expenses and accrued income	12	0.9	12.9
Other receivables		0.2	0.5
Cash and cash equivalents		–	–
Total current receivables		684.2	490.8
Total current assets		684.2	490.8
Total assets		3,604.3	3,685.4
Equity and liabilities			
Equity			
<i>Restricted equity</i>			
Share capital (75,040,000 shares at SEK 0.86)		64.3	32.2
Statutory reserve		205.1	205.1
Total restricted equity		269.4	237.3
<i>Non-restricted equity</i>			
Share premium reserve		906.1	564.5
Fair value reserve		–15.7	–33.7
Retained earnings including profit for the year		1,212.0	1,104.9
Total non-restricted equity		2,102.4	1,635.7
Total equity		2,371.8	1,873.0
Untaxed reserves		8.0	8.0
Non-current liabilities			
Other interest-bearing liabilities	13	1,000.0	663.2
Derivative financial instruments	17	19.7	45.7
Total non-current liabilities		1,019.7	708.9
Current liabilities			
Other interest-bearing liabilities	13	75.0	880.0
Trade payables		1.2	–
Liabilities to group companies		89.6	152.9
Other liabilities		3.6	0.6
Accrued expenses and deferred income	16	35.4	62.0
Total current liabilities		204.8	1,095.5
Total equity and liabilities		3,604.3	3,685.4
Pledged assets	20	2,913.2	3,180.0
Contingent liabilities	20	None	None

Parent company statements of changes in equity

SEK million	Share capital	Statutory reserve	Share premium reserve	Fair value reserve	Retained earnings including profit for the year	Total equity
Opening equity, 1/9/2011	10.7	205.1	-	-27.7	1,051.4	1,239.5
Net profit for the year	-	-	-	-	49.6	49.6
Other comprehensive income						
Cash flow hedges – value change	-	-	-	-8.1	-	-8.1
Tax attributable to cash flow hedges	-	-	-	2.1	-	2.1
Total comprehensive income	-	-	-	-6.0	49.6	43.6
Transactions with shareholders						
New issue	21.5	-	578.9	-	-	600.4
Transaction costs for rights issue	-	-	-19.5	-	-	-19.5
Tax attributable to transactions for rights issue	-	-	5.1	-	-	5.1
Options plan	-	-	-	-	3.9	3.9
Total transactions with shareholders	21.5	-	564.5	-	3.9	589.9
Closing equity, 31/8/2012	32.2	205.1	564.5	-33.7	1,104.9	1,873.0

SEK million	Share capital	Statutory reserve	Share premium reserve	Fair value reserve	Retained earnings including profit for the year	Total equity
Opening equity, 1/9/2012	32.2	205.1	564.5	-33.7	1,104.9	1,873.0
Net profit for the year	-	-	-	-	107.1	107.1
Other comprehensive income						
Cash flow hedges – value change	-	-	-	18.0	-	18.0
Cash flow hedges recognised in income	-	-	-	6.4	-	6.4
Tax attributable to cash flow hedges	-	-	-	-6.4	-	-6.4
Total comprehensive income	-	-	-	18.0	107.1	125.1
Transactions with shareholders						
New issue	32.1	-	350.3	-	-	382.4
Transactions for rights issue	-	-	-11.8	-	-	-11.8
Tax attributable to transactions for rights issue	-	-	3.1	-	-	3.1
Total transactions with shareholders	32.1	-	341.6	-	-	373.7
Closing equity, 31/8/2013	64.3	205.1	906.1	-15.7	1,212.0	2,371.8

History of number of shares and share capital

	Number of shares	Carrying amount
1/1/2005	10,000,000	10,000,000
New share issue, January 2005	366,000	366,000
Subscription for new shares, December 2005	354,000	354,000
Split 7:1, January 2006	64,320,000	-
Split 2:1, January 2008	75,040,000	-
Redemption 1:2 2008	-75,040,000	-
Rights issue November 2011	150,080,000	21,440,000
Rights issue November 2012	225,120,000	32,160,000
Reverse split 6:1 February 2013	-375,200,000	-
Closing amounts, 31 August 2013	75,040,000	64,320,000

Parent company cash flow statements

Amount, SEK million	Note	1/9/2012 31/8/2013	1/9/2011 31/8/2012
Operating activities			
Profit/loss before tax		109.7	52.1
Adjustment for non-cash items	23	-202.2	-165.6
Income tax paid		-2.6	3.2
Cash flow from operating activities before changes in working capital		-95.1	-110.3
Cash flow from changes in working capital			
Increase (-)/Decrease (+) of operating receivables		-234.6	-134.3
Increase (+)/Decrease (-) in operating liabilities		-115.5	48.3
Cash flow from operating activities		-445.2	-196.3
Investing activities			
Sale of subsidiaries		487.0	-
Capital injection to subsidiaries		-36.8	-36.2
Cash flow from investing activities		450.2	-36.2
Financing activities			
Group contribution received		-	87.6
Rights issue		373.7	580.8
Options plan		-	3.9
Amortisation of debt	17	-869.3	-550.0
Decrease (-)/Increase (+) in bank overdraft facilities	17	490.6	109.2
Cash flow from financing activities		-5.0	231.5
Cash flow for the year		0.0	-1.0
Cash and cash equivalents at beginning of the year		0.0	1.0
Cash and cash equivalents at end of the year		0.0	0.0

Notes to the financial statements

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NOTE 1 | Accounting policies

COMPLIANCE WITH STANDARDS AND LAWS

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. Additional information in accordance with the Swedish Financial Reporting Board recommendation RFR 1 "Supplementary accounting rules for groups" has also been taken into account.

The parent company applies the same accounting policies as the Group, except in the cases indicated below under the heading "Parent company's accounting policies". The deviations between the parent company's and the Group's accounting policies are due to restrictions imposed by the Annual Accounts Act and the Act on Safeguarding Pension Commitments affecting the parent company's ability to apply IFRS, and in some cases for tax reasons. In addition the Swedish Financial Reporting Board recommendation RFR 2 "Accounting for legal entities" has been applied.

The accounting policies, unless otherwise stated, have been applied consistently in all periods presented in the Group's financial statements.

BASIS FOR THE PREPARATION OF THE PARENT COMPANY AND GROUP FINANCIAL STATEMENTS

The functional currency used by the parent company in its operations is Swedish kronor and this is also the reporting currency of the parent company and the Group. This means that the financial statements are presented in Swedish kronor. All amounts, unless otherwise indicated, are rounded to one decimal place to the nearest million kronor. Assets and liabilities are recognised at their historic cost of acquisition, with the exception of financial assets and liabilities, which are stated at their fair value. Financial assets and liabilities stated at their fair value consist of derivative instruments, such as interest swaps, currency forwards and currency swaps.

Preparing statements in accordance with IFRS requires the use of a number of important accounting estimates. Furthermore, the management must make certain judgements when applying the Group's accounting policies. The areas that entail a high degree of judgement, which are complex or of such a nature that assumptions and estimates are critical to the consolidated accounts are specified in note 24.

The Group's accounting policies have been applied consistently in all reporting and consolidation of subsidiaries.

NEW AND AMENDED ACCOUNTING POLICIES

None of the IFRS or IFRIC interpretations that are compulsory for the first time for the financial year starting in September 2012 have had any material impact on the Group.

NEW AND AMENDED STANDARDS EFFECTIVE FROM 2013 ONWARDS

A number of new standards and amendments of interpretations and existing standards come into force for the financial year starting after 1 September 2013 and have not been applied when preparing the Group's financial statements. None of these are expected to have any material effect on the Group's financial statements with the exception of those presented below:

- IAS 1 Presentation of Financial Statements (Amended)
- IAS 12 Deferred Tax: Deferred tax (Amendment)*
- IAS 19 Employee Benefits (Amendments)
- IAS 32 Financial Instruments – Presentation on asset and liability offsetting (Amendment)
- IFRS 9 Financial Instruments*
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement

* These standards/interpretations had not been adopted by the EU at the time of publication of this annual report.

CONSOLIDATION PRINCIPLES**Subsidiaries**

Subsidiaries are entities over which KappAhl AB (publ) has a controlling influence. Controlling influence means having the direct or indirect right to formulate a company's financial and operative strategies for the purpose of making financial gains. The purchase method is used to account for subsidiaries. The purchase method means that the acquisition of a subsidiary is regarded as a transaction by which the Group indirectly acquires the assets of the subsidiary and assumes its liabilities and contingent liabilities. The consolidated cost of acquisition is established through an acquisition analysis in connection with the business combination. This analysis establishes both the cost of acquisition of the shares or business, and the fair value of the identifiable acquired assets and assumed liabilities and contingent liabilities. The difference between the cost of acquisition of the subsidiary's shares and the fair value of the acquired assets, assumed liabilities and contingent liabilities is recorded as goodwill.

The consolidated cost of acquisition (transferred consideration) is not included in transaction costs, which are recognised directly in the income statement.

The subsidiaries' financial statements are included in the consolidated accounts from the date of their acquisition to the date on which the controlling influence ceases.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Gains and losses resulting from inter-company transactions reported under assets are also eliminated.

FOREIGN CURRENCY**Transactions in foreign currency**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated to the functional currency using the exchange rate prevailing on the balance sheet date. Translation differences that arise in connection with translation are recorded in the income statement. Translation differences on non-monetary assets and liabilities, recorded at historical cost, are translated at the exchange rate on the transaction date. Non-monetary assets and liabilities that are reported at their fair values are translated into the functional currency using the exchange rates prevailing at the time they are recognised at their fair value. The translation differences are then reported in the same way as other changes in the amounts of assets and liabilities.

The functional currency is the currency of the primary economic environment in which the company operates. The companies of the Group are the parent company and subsidiaries. The parent company's functional currency and reporting currency is Swedish kronor. The Group's reporting currency is Swedish kronor. The functional currency of the subsidiaries is the local currency in the respective country.

Financial statements of foreign operations

Assets and liabilities of foreign operations, including goodwill and other consolidated surpluses and deficits, are translated into Swedish kronor at the exchange rate in effect on the balance sheet date. The income and expenses of foreign operations are translated into Swedish kronor at an average rate that is an approximation of the rates on the respective transaction dates. Translation differences that arise in connection with translation of foreign operations are recognised in other comprehensive income as a translation reserve.

Net investment in a foreign operation

Translation differences that arise in connection with translation of a foreign net investment are recorded directly as translation reserves in other comprehensive income. When a foreign operation is divested, the accumulated translated differences pertaining to the operations are realised after deduction of possible hedging in the consolidated income statement.

INCOME**Sale of goods**

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards associated with ownership of the goods have been transferred to the buyer. Revenue is recognised at the fair value of the consideration received or receivable, less any discounts given.

All sales are made on a 30-day sale-or-return basis. Revenue is recognised on the date of the sale, subject to sale-or-return.

The Group has a loyalty programme in which customer club members earn bonus points and can later use them as payment in the form of bonus cheques. For accounting purposes the bonus earned is recognised by reducing net sales at the time the bonus reward is earned with a corresponding provision in the balance sheet.

OPERATING EXPENSES AND FINANCIAL INCOME AND EXPENSES**Payments relating to operating leases**

Payments relating to operating leases are reported in the income statement on a straight-line basis over the leasing period. Benefits received in connection with the signing of an agreement are reported as part of the total leasing expense in the income statement.

Payments relating to finance leases

Minimum lease payments are divided into interest expense and amortisation of the outstanding liability. Interest expense is distributed over the leasing period so that each accounting period is charged with an amount that is equivalent to a fixed interest rate for the reported liability during the respective period. Variable fees are expensed in the periods they arise.

Financial income and expense

Financial income and expense consists of interest income on bank balances, interest expense relating to loans and other financial items.

FINANCIAL INSTRUMENTS

The Group classifies its financial instruments in the following categories: financial assets/liabilities at fair value through profit or loss, loans and receivables and other financial liabilities. The management determines the classification of financial instrument when it is first reported.

(a) Financial assets/liabilities at fair value through profit or loss

Financial assets/liabilities at fair value through profit or loss are financial assets/liabilities held for trading. A financial asset/liability is classified in this category if acquired principally for the purpose of selling/settling in the short term. Derivatives are classified as held for trading if they are not designated as hedging instruments in a hedging relationship. Assets in this category are classified as current assets if they are expected to be settled within twelve months; otherwise they are classified as non-current assets.

(b) Loans and trade receivables,

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the close of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise Trade and other receivables and Cash and cash equivalents in the balance sheet.

(c) Other financial liabilities

Liabilities include trade payables and loan liabilities (interest-bearing liabilities and finance lease loans on the balance sheet).

The classification depends on the intention of the acquirer of the financial instrument. KappAhl has the following categories:

Trade receivables

Trade receivables are classified in a separate category. Trade receivables are reported in the amount expected to be paid in after deduction for individually assessed doubtful receivables. The expected life of trade receivables is short; consequently they are recorded at nominal amounts without discount. Impairment losses in trade receivables are recorded in operating expenses.

Interest-bearing liabilities

Financial liabilities that are not held for trading are recorded at amortised cost. Amortised cost is determined on the basis of the effective interest calculated when the liability was recognised.

Long-term and other receivables and other short-term liabilities

Derivatives used for hedge accounting of cash flows are reported in the balance sheet under the appropriate headings. All derivatives are stated at fair value in the balance sheet. For hedging, value changes are recorded in other

comprehensive income. For cash flow hedging value changes are recorded in special components of equity until the hedged item is recognised in the income statement. Hedge accounting is described in more detail below.

Trade payables

Trade payables are classified as other financial liabilities. The expected life of trade payables is short; consequently they are recorded at nominal amounts without discount.

DERIVATIVES AND HEDGE ACCOUNTING

Derivatives are currency forwards, currency options, currency swaps and interest rate swaps that are used to handle the risk of exchange rate fluctuation and exposure to interest risk. The Group's financial risks and risk management are described in Note 17.

Cash flow hedging

Foreign currency exposure relating to future forecast cash flows is hedged either through currency forwards or through currency options. Currency forwards or currency options that protect the forecast cash flows are reported in the balance sheet at their fair value.

Interest rate swaps are used to hedge interest risk. Interest rate swaps are stated at their fair value in the balance sheet.

The effective portion of the change in fair value of a derivative instrument identified as a cash flow hedge and satisfying the criteria for hedge accounting is reported in other comprehensive income. The gain or loss referring to the ineffective portion is recognised immediately in the income statement in the item 'Other net gains/losses'.

Accumulated amounts in the hedging reserve in equity are recognised in income in the periods when the hedged item affects profit or loss (for example when the hedged forecast transaction takes place). The gain or loss referring to the effective portion of an interest rate swap that hedges borrowing at a variable interest rate is reported in the income statement item 'Financial income/expense'. The gain or loss referring to the ineffective portion is recognised in the income statement item 'Other net gains/losses'. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset (such as inventories or non-current assets), the gains or losses previously reported in equity will be transferred from equity and included in the initial cost of acquisition of the asset. These amounts recognised as assets will be reported later in 'Cost of goods sold' as regards inventories or in 'Depreciation' as regards non-current assets.

When hedging instruments mature, are sold or redeemed, or the company breaks the identification of the hedging relationship before the hedged transaction has taken place and the forecast transaction is still expected to take place, the reported accumulated gain or loss remains in the hedging reserve in equity and is recorded in a similar way as above when the transaction takes place. If the hedged transaction is no longer expected to take place, the hedging instrument's accumulated gains or losses are immediately recognised in the income statement.

PROPERTY, PLANT AND EQUIPMENT

Owned assets

Property, plant and equipment are recognised as assets in the balance sheet if it is likely that the company will receive future economic benefits and the cost of acquisition of the asset can be reliably measured.

Property, plant and equipment are recognised in the consolidated accounts at cost of acquisition, deducting accumulated depreciation and any impairment loss. The cost of acquisition includes the purchase price and costs directly relating to the asset to put it in place in a condition enabling it to be used for the purpose for which it was acquired.

Leased assets

In the consolidated accounts leases are classified either as finance leases or operating leases. A lease is a finance lease if it transfers substantially all the risks and rewards incident to ownership to the lessee, otherwise it is an operating lease.

Assets that are leased under finance lease agreements are recognised as assets in the consolidated balance sheet. Future lease payment obligations are recorded as long-term and current liabilities. The leased assets are depre-

ciated according to plan while lease payments are recorded as interest and amortisation of liabilities.

Borrowing costs

Borrowing costs for acquisition of qualifying non-current assets are capitalised.

Depreciation principles

Straight-line depreciation is used over the estimated useful life of the asset.

Estimated useful life periods;

– buildings, distribution centre and head office	50 years
– equipment, tools, fixtures and fittings	3–10 years

Annual impairment tests are made of the residual value of assets and their useful life.

INTANGIBLE ASSETS

Goodwill

Goodwill represents the difference between cost of acquisition of the business combination and the fair value of acquired assets and liabilities and contingent liabilities.

Goodwill is recognised at the cost of acquisition minus any accumulated impairment losses. Goodwill is distributed to cash-generating units and is not amortised, but impairment tests are carried out on an annual basis.

Computer software

Computer programs acquired or developed internally by KappAhl are recorded at cost of acquisition minus accumulated depreciation and impairment.

Trademarks

Trademarks acquired by KappAhl are recorded at cost of acquisition minus accumulated impairment. The KappAhl brand has existed for 50 years and has been gradually strengthened over the years, first through distribution in Sweden and then in other countries. The company has for many years been seeing a trend whereby the type of chain concept represented by KappAhl has been increasing its market share. Based on KappAhl's own growth and the general trends on the market, the brand is expected to endure for many years to come and is therefore believed to have an indefinite useful life. The value of the brand is not amortised but is tested annual for impairment.

Tenancy rights

Tenancy rights for the stores are recorded in the accounts at their cost of acquisition with an estimated useful life of 10 years.

Amortisation

Amortisation is recorded in the income statement on a straight line basis over the estimated useful life of the intangible asset, unless the useful life is indefinite. Goodwill, trademarks and brands have an indefinite useful life and an impairment test is conducted annually, or as soon as there are indications that the asset in question has fallen in value. Amortisable intangible assets are amortised from the date they are available for use. The estimated useful life periods are:

– software	3–5 years
– tenancy rights	10 years

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. The net realisable value is the estimated selling price in current operations, after deduction for the estimated cost of completion and for achieving a sale. The cost of acquisition of inventories is calculated using the first-in, first-out method and includes costs incurred in connection with the acquisition of the inventory items and transportation to their current location.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank assets that can be accessed immediately, held in banks and similar institutions, as well as short-term investments with original maturity of less than three months and which are only exposed to a marginal risk of fluctuations in value.

IMPAIRMENT OF ASSETS

The reported values of the Group's assets with the exception of inventories, actuarial plan assets used for financing employee benefits and deferred tax assets are reviewed on each balance sheet date to assess if impairment is indicated. If such an indication exists, the asset's recoverable value is assessed. The value of assets that are exempt as stated above is reviewed according to the relevant standards in place.

The recoverable value of goodwill, trademarks and brands with an indefinite useful life and intangible assets that are not yet ready for use, are assessed annually.

If it is not possible to establish the individual cash inflow of an individual asset when impairment testing is carried out, the assets are grouped at the lowest level where it is possible to identify essentially independent cash flows. Impairment is indicated when an asset's or a cash-generating unit's carrying amount exceeds the recoverable value. Impairment losses are recognised in the income statement. Goodwill is monitored in the Group's management accounting at Group level, and therefore impairment testing is carried out for the Group as a whole. Goodwill, trademarks and brands were acquired in connection with the acquisition of the KappAhl AB Group in December 2004.

EMPLOYEE BENEFITS**Defined contribution plans**

The company's obligations with respect to contributions to defined contribution plans are recognised in the income statement when they fall due.

Defined benefit plans

The Group's net obligation with respect to defined benefit plans is calculated individually for each plan by estimating the future benefit the employees will have earned from their employment for both current and previous periods; this benefit is discounted to its present value and the fair value of any plan assets is deducted.

The discount rate is the rate of interest on the balance sheet date of first class corporate bonds with a maturity that corresponds to the Group's pension obligations. When there is no active market for such corporate bonds, the market interest rate on government bonds with the equivalent maturity is used. As of 2009/2010 a discount rate based on the mortgage bond market is used for KappAhl Sverige AB and a discount rate based on the government borrowing rate is used for KappAhl AS. See Note 14. A qualified actuary performs the calculation using the projected unit credit method.

When plan benefits are increased, the portion of the increase relating to the employee's service during previous periods is reported as an expense in the income statement distributed in a straight line over the average period until the benefits become fully vested. If the benefit is fully vested, a cost is recognised directly in the income statement because the subsidiary group's pension obligations are included in the Group from the date of acquisition, 31 December 2004.

For actuarial gains and losses that arise when calculating the Group's obligations to different plans, these are recognised in their entirety in 'Other comprehensive income'. When there is a difference in the way in which the pension costs are measured for legal entities and groups, a provision or claim is reported in respect of a special payroll tax based on this difference. The provision or claim is not calculated at its present value.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy or in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to terminating the employment of employees according to a detailed formal plan without possibility of withdrawal. Where the company has made an offer to encourage voluntary redundancy, calculation of the termination benefit is based on the number of employees estimated to accept the offer. Benefits falling due more than 12 months after the close of the reporting period are discounted to present value.

PROVISIONS

A provision is reported in the balance sheet when the Group has an existing legal or constructive obligation as a result of a past event, and it is probable

that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. When the effect of the timing of the payment is of material significance, provisions are calculated by discounting the expected future cash flow at an interest rate before tax that reflects current market assessments of the money's time value, and where appropriate, the risks that are associated with the liability.

Sale-or-return

Provisions are made for returned goods or complaints in connection with sale-or-return. The provision is based on sales statistics and an assessment of future complaints and returns, and is made in the same period as the sale.

SEGMENT REPORTING

KappAhl does not report additional operating segments under IFRS 8, as the Group's reportable segments are deemed to constitute only one operating segment.

The assessment is based on the assumption that the Group's management team constitutes the "chief operating decision-maker". The company's business activities consist entirely of selling fashion in by and large similar geographical markets. The operations have a group-wide integrated purchasing and logistics function. The financial reporting is based on a group-wide functional organisation and management structure.

TAXES

Income taxes consist of current tax and deferred tax. Income taxes are recorded in the income statement except when the underlying transaction is recognised in other comprehensive income or equity, in which case the associated tax effect is also recognised in other comprehensive income or equity.

Current tax is tax that must be paid or may be recovered for the current year using the tax rates in effect or substantively in effect as at the balance sheet date.

Deferred tax is calculated using the balance sheet method based on temporary differences between the carrying amount and tax base value of assets and liabilities. The following temporary differences are not taken into account: temporary differences that have arisen upon initial recognition of goodwill; initial recognition of assets and liabilities that are not business combinations and at the time of the transaction do not affect the reported or taxable profit; Moreover, temporary differences relating to participations in subsidiaries that are not expected to be reversed in the foreseeable future are not taken into account either. The value of deferred tax is based on how the reported amounts of assets or liabilities are expected to be realised or paid. Deferred tax is calculated using the tax rates and tax rules that are in effect or substantively in effect as at the balance sheet date.

Deferred tax assets relating to temporary tax-deductible differences and loss carry-forwards are only recognised when it is probable that they can be used in the future. The value of deferred tax assets is reduced when it is no longer deemed likely that they can be used.

CONTINGENT LIABILITIES

Contingent liabilities are reported when there is a possible obligation arising from past events and the existence of which is only confirmed by one or more uncertain future events or when there is an obligation not reported as a liability or provision because it is not probable that an outflow of resources will be required.

PARENT COMPANY ACCOUNTING POLICIES

The parent company presents its annual accounts in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for Legal Entities". RFR 2 means that the Parent Company, in its separate financial statements, must apply all the IFRS and statements adopted by the EU as far as possible, subject to the Annual Accounts Act and the Act on Safeguarding Pension Obligations, due to considerations of the connection between accounting and taxation. The recommendation specifies the exemptions and additions that must be made in relation to IFRS. The differences between the Group's and the Parent Company's accounting policies are presented below.

The accounting policies outlined below for the parent company have been consistently applied to all periods that are presented in the parent company's financial statements and remain unchanged compared with last year.

Participations in subsidiaries

Participations in subsidiaries are reported in the Parent Company accounts at cost of acquisition less any impairment loss. Only dividends received from profits earned after acquisition is reported as dividend from subsidiaries.

Accounting for group contributions

Group contributions received from subsidiaries are reported as financial income.

Taxes

Untaxed reserves in the Parent Company include deferred tax liabilities. The consolidated accounts, however, divide untaxed reserves into deferred tax liability and equity.

NOTE 2 | Distribution of revenue

Net sales in the Group consist entirely of the sale of goods. No segment information is given because the Group as a whole constitutes an operating segment.

NOTE 3 | Net sales**Net sales by geographical market**

Group SEK million	1/9/2012 31/8/2013	1/9/2011 31/8/2012
Sweden	2,506.1	2,387.7
Norway	1,262.8	1,264.2
Finland	604.0	573.4
Poland	349.7	330.9
Czech Republic	28.3	30.6
Total	4,750.9	4,586.8

Non-current assets by geographical market

Group SEK million	1/9/2012 31/8/2013	1/9/2011 31/8/2012
Sweden	261.9	703.8
Norway	94.7	100.8
Finland	43.5	42.6
Poland	61.9	74.1
Czech Republic	0.1	3.3
Total	462.1	924.7

Goodwill and trademarks are not included in non-current assets by country as they cannot be allocated by country.

Salaries, other remuneration and social security expenses

SEK million	1/9/2012–31/8/2013		1/9/2011–31/8/2012	
	Salaries and remuneration	Social security costs	Salaries and remuneration	Social security costs
Parent company (of which pension costs)	19.8	11.5	19.8	11.7
		4.0		5.3
Subsidiaries (of which pension costs)	906.6	255.8	889.1	255.0
		42.4		41.4
Group, total (of which pension costs)	926.4	267.3	908.9	266.7
		46.4		46.7

* The Group's pension costs include SEK 1.2 (1.9) million for the Board of Directors and the President. For a complete summary of remuneration and other benefits to the Board of Directors, President and Management Team, please see below.

NOTE 4 | Employees and staff costs**Average number of employees**

	1/9/2012 31/8/2013	Of which men	1/9/2011 31/8/2012	Of which men
Parent company				
Sweden	9	55.6 %	8	37.5 %
Total parent company	9	55.6 %	8	37.5 %
Subsidiaries				
Sweden	1,432	8.3%	1,555	11.0%
Norway	628	2.0%	630	4.7%
Finland	360	1.0%	359	1.8%
Poland	422	5.0%	405	8.0%
Czech Republic	26	12.2%	27	9.5%
Asia	145	37.1%	138	44.3%
Total, subsidiaries	3,013	6.7%	3,114	9.9%
Group, total	3,021	6.7%	3,122	10.0%

Gender breakdown of company management

	31/8/2013 Percentage of women	31/8/2012 Percentage of women
Parent company		
Board of Directors	57.0 %	57.1 %
Other senior executives	50.0 %	50.0 %
Group, total		
Board of Directors	57.0 %	57.1 %
Other senior executives	50.0 %	50.0 %

Note 4 cont.

Salaries and other remuneration by country and between board members etc. and other employees

SEK million	1/9/2012–31/8/2013		1/9/2011–31/8/2012	
	Board and President	Other employees	Board and President	Other employees
Parent company				
Sweden	6.1	13.7	8.5	11.3
(of which bonus etc.)	0.9	1.3	0.6	–
Total parent company	6.1	13.7	8.5	11.3
(of which bonus etc.)	0.9	1.3	0.6	–
Subsidiaries in Sweden	–	502.6	–	495.3
(of which bonus etc.)	–	–	–	0.2
<i>Foreign subsidiaries</i>				
Norway	2.3	241.5	2.4	235.6
(of which bonus etc.)	–	–	–	–
Finland	1.6	88.1	1.7	87.6
(of which bonus etc.)	–	–	–	–
Poland	0.8	37.9	0.8	36.0
(of which bonus etc.)	–	–	–	–
Czech Republic	0.0	2.9	0.9	2.9
(of which bonus etc.)	–	–	–	–
Asia	1.8	27.1	1.9	24.0
(of which bonus etc.)	–	–	–	–
Total, subsidiaries	6.5	900.1	7.7	881.4
(of which bonus etc.)	–	–	–	0.2
Group, total	12.6	913.8	16.2	892.7
(of which bonus etc.)	0.9	1.3	0.6	0.2

Of the salaries and remuneration paid to other employees in the Group, SEK 12 (11) million is for senior executives other than the Board of Directors and CEO.

Severance pay

In the event of notice of termination from the employer, some senior executives have contracts that guarantee them the right to retain their salaries in full for 6 months. Retirement benefits are based on a general pension plan from 65 years of age.

President's conditions of employment

In the event of notice of termination from the employer, the current President has a contract guaranteeing the right to retain full salary for 6 months and receive severance pay equivalent to 18 months' salary, less any salary from other employment. Retirement benefits are based on a general pension plan from 65 years of age.

Other

For information on post-employment and other employee benefits, please see Note 14. For information on warrants to senior executives, please see page 26.

Benefits for senior executives**Remuneration and other benefits during the year**

SEK million	1/9/2012–31/8/2013				1/9/2011–31/8/2012			
	Basic salary/ Board fee	Variable remuneration	Pension cost	Total	Basic salary/ Board fee	Variable remuneration	Pension cost	Total
Chairman of the Board Finn Johnsson (until 23 November 2011)	–	–	–	–	0.1	–	–	0.1
Chairman of the Board Christian W. Jansson (until 1 December 2012)	0.4	–	–	0.4	0.1	–	–	0.1
Chairman of the Board Anders Bülow (from 1 December 2012)	0.3	–	–	0.3	–	–	–	–
Board member Amelia Adamo	0.2	–	–	0.2	0.2	–	–	0.2
Board member Paul Frankenius	0.2	–	–	0.2	0.2	–	–	0.2
Board member Jan Samuelson	–	–	–	–	0.3	–	–	0.3
Board member Lena Apler (until 23 November 2011)	–	–	–	–	0.1	–	–	0.1
Board member Sonat Burman-Olsson (from 23 November 2011)	0.3	–	–	0.3	0.2	–	–	0.2
Other (5 board members)	0.1	–	–	0.1	0.1	–	–	0.1
President	3.7	0.9	1.2	5.8	7.2	–	1.9	9.1
Management Team (8 people)	12.4	1.3	2.8	16.5	11.3	–	3.4	14.7
Total	17.6	2.2	4.0	23.8	19.8	–	5.3	25.1

NOTE 5 | Fees and remuneration to auditors

SEK million	Group		Parent company	
	1/9/2012 31/8/2013	1/9/2012 31/8/2013	1/9/2012 31/8/2013	1/9/2012 31/8/2013
<i>Ernst & Young</i>				
Audit assignments	1.3	–	0.2	–
Other review assignments	0.2	–	0.2	–
Tax consultancy	0.1	–	–	–
Other services	0.4	–	–	–
Total	2.0	0.0	0.4	0.0
<i>Other auditors</i>				
Audit assignments	0.1	1.6	–	0.3
Other review assignments	0.0	0.3	–	–
Tax consultancy	0.1	0.1	0.1	–
Other services	0.1	0.4	0.1	0.2
Total	0.3	2.4	0.2	0.5

Audit assignments refers to examination of the annual accounts, the accounting records and the administration by the Board of Directors and the President, other duties incumbent on the company's auditors, as well as advisory services and other types of support as a result of observations made through such an examination or performance of such duties. Other review assignments refer to examination of the mid-year financial statements and certificates for turnover rents. By tax consultancy is meant advisory services related to taxes, VAT and employee withholding taxes. Everything else is classed as 'Other assignments'.

NOTE 6 | Operating expenses

Group SEK million	1/9/2012 31/8/2013	1/9/2011 31/8/2012
Raw materials and supplies	1,828.5	1,845.3
Personnel costs	1,094.4	1,124.1
Depreciation and impairment	144.6	157.1
Impairment of assets	6.4	63.0
Reversal of impairment losses	–10.3	–
Other operating expenses	1,510.5	1,462.0
Total	4,574.1	4,651.5

NOTE 7 | Financial income and expenses

Group SEK million	1/9/2012 31/8/2013	1/9/2011 31/8/2012
Loans and loan receivables		
Interest income	0.1	0.3
Loans and loan receivables	0.1	0.3
Financial liabilities recorded at amortised cost		
Interest expense	–73.1	–132.9
Other financial expenses	–7.8	–33.0
Financial liabilities recorded at amortised cost	–80.9	–165.9
Financial liabilities at fair value through profit or loss		
Interest rate derivatives – ineffective hedging relationship	–6.4	–
Financial liabilities at fair value through profit or loss	–6.4	–
Total net financial expenses	–87.2	–165.6

The previous year's financial expenses included a non-recurring expense of SEK 20 million related to the latest loan agreement.

Parent company SEK million	1/9/2012 31/8/2013	1/9/2011 31/8/2012
Profit from participations in subsidiaries		
Dividends from subsidiaries	–	42.8
Sale of subsidiaries	90.8	–
Group contribution received	111.5	172.0
Profit from participations in subsidiaries	202.3	214.8
Loans and loan receivables		
Interest income	22.1	21.0
Loans and loan receivables	22.1	21.0
Financial liabilities recorded at amortised cost		
Interest expense	–87.2	–128.0
Other financial expenses	–7.8	–33.0
Financial liabilities recorded at amortised cost	–95.0	–161.0
Financial liabilities at fair value through profit or loss		
Interest rate derivatives not part of an effective hedging relationship	–6.4	–
Financial liabilities at fair value through profit or loss	–6.4	–
Total net financial expenses	123.0	74.8

NOTE 8 | Taxes

Reported in the income statement

Group SEK million	1/9/2012 31/8/2013	1/9/2011 31/8/2012
Current tax expense (-)		
Current tax on profit for the year	-1.6	-6.6
Adjustment of tax relating to previous years	-	-1.2
Deferred tax expense (-) /tax credit (+)		
Effect of changed tax rate	-4.1	-
Deferred tax relating to temporary differences	83.8	14.5
Deferred tax referring to previous years	-	-0.4
Deferred tax in change in loss carry-forward	-152.2	-0.3
Total reported tax in the Group	-74.1	6.0
Tax reported in other comprehensive income		
Cash flow hedges – value change	-13.5	-0.4
Translation differences	-	2.4
Actuarial gains/losses including payroll tax	-1.9	3.9
Effect of changed tax rate	-3.0	-
Total tax reported in other comprehensive income	-18.4	5.9

Parent company SEK million	1/9/2012 31/8/2013	1/9/2011 31/8/2012
Current tax credit (+)		
Tax credit for the period	-	-
Deferred tax expense (-) /tax credit (+)		
Deferred tax due to capitalised tax value in loss carry-forward during the year	-2.6	-2.5
Total reported tax in the parent company	-2.6	-2.5
Tax reported in other comprehensive income		
Cash flow hedges – value change	-5.6	2.1
Effect of changed tax rate	-0.8	-
Total tax reported in other comprehensive income	-6.4	2.1

Reconciliation of effective tax

Group SEK million	1/9/2012 31/8/2013 (%)	1/9/2012 31/8/2013 (%)	1/9/2011 31/8/2012 (%)	1/9/2011 31/8/2012 (%)
Profit/loss before tax		165.1		-230.3
Tax at effective tax rate for parent company	-26.3	-43.4	-26.3	60.6
Effect of other tax rates for foreign subsidiaries	-5.8	-9.6	6.4	-14.8
Expenses not deductible for tax purposes	-0.9	-1.4	0.3	-0.6
Non-taxable revenue	13.4	22.1	-	-
Tax deductible expenses recognised directly in equity	1.9	3.1	-	-
Notional interest referring to tax allocation reserve	-0.6	-0.9	0.5	-1.2
Revaluation of deferred tax asset	-	-	-0.4	0.9
Losses for which no loss carry-forward have been reported	-24.2	-40.0	15.8	-36.4
Adjustment of current tax for previous periods	-	-	0.7	-1.6
Effect of changed tax rate	-2.5	-4.1	-	-
Other	0.1	0.2	0.4	-0.9
Effective tax	-44.9	-74.0	-2.6	6.0

Parent company SEK million	1/9/2012 31/8/2013 (%)	1/9/2012 31/8/2013 (%)	1/9/2011 31/8/2012 (%)	1/9/2011 31/8/2012 (%)
Profit/loss before tax		109.7		52.1
Tax at effective tax rate for parent company	-26.3	-28.9	-26.3	-13.7
Non-taxable revenue	21.8	23.9	21.6	11.3
Expenses not deductible for tax purposes	-0.7	-0.7	-	-
Tax deductible expenses recognised directly in equity	2.8	3.1	-	-
Other	-	-	-0.2	-0.1
Effective tax	-2.4	-2.6	-4.9	-2.5

Note 8 cont.

Reported in the balance sheet
Deferred tax assets and liabilities

Group SEK million	Net	
	31/8/2013	31/8/2012
Market value of derivatives	4.4	16.3
Carry-forward of unused tax losses	187.7	368.2
Other tax-deductible temporary differences	72.0	60.8
Deferred tax assets	264.1	445.3
Netting against deferred tax liability	-174.3	-287.0
Total deferred tax assets	89.8	158.3
Market value of derivatives	-4.3	-
Accelerated depreciation on property, plant and equipment	-19.5	-20.7
Untaxed reserves	-1.8	-91.8
Trademarks	-134.2	-160.2
Provisions	-1.6	0.7
Other taxable temporary differences	-40.3	-23.3
Deferred tax liability	-201.7	-295.3
Netting against deferred tax asset	174.3	287.0
Total deferred tax liability	-27.4	-8.3

Deferred tax assets referring to tax loss carry-forward totalling SEK 188 million arose in previous years in connection with the acquisition of three companies with tax loss carry-forward. The tax loss carry-forward are expected to be applied in their entirety against estimated future tax surpluses generated, which justifies the valuation of the loss carry-forward on the balance sheet. Loss carry-forward not valued amount to SEK 356 million and refer mainly to operations in Poland and the Czech Republic.

Parent company SEK million	Deferred tax assets		Deferred tax assets		Net	
	31/8/2013	31/8/2012	31/8/2013	31/8/2012	31/8/2013	31/8/2012
Derivatives for hedge accounting	4.3	12.0	-	-	4.3	12.0
Carry-forward of unused tax losses	-	2.6	-	-	-	2.6
Other tax-deductible temporary differences	2.6	-	-	-	2.6	-
Deferred tax asset/deferred tax liability	6.9	14.6	-	-	6.9	14.6
Tax assets/liabilities, net	6.9	14.6	-	-	6.9	14.6

The parent company's changes between the years have been reported as deferred tax expense/credit.

NOTE 9 | Intangible assets

Group SEK million	Computer software	Trademarks	Tenancy rights	Goodwill	Total
Cost of acquisition					
Opening balance, 1 September 2011	113.1	610.2	48.8	695.8	1,467.9
Purchases	19.9	–	–	–	19.9
Sales/retirements	–0.1	–	–	–	–0.1
Translation differences	–0.2	–	–	–	–0.2
Closing balance, 31 August 2012	132.7	610.2	48.8	695.8	1,487.5
Opening balance, 1 September 2012	132.7	610.2	48.8	695.8	1,487.5
Purchases	2.6	–	–	–	2.6
Sales/retirements	–0.6	–	–	–	–0.6
Translation differences	1.1	–	–	–	1.1
Closing balance, 31 August 2013	135.8	610.2	48.8	695.8	1,490.6
Depreciation/amortization and impairment					
Opening balance, 1 September 2011	–87.9	–0.2	–44.5	–	–132.6
Depreciation for the year	–6.8	–	–1.6	–	–8.4
Sales/retirements	0.1	–	–	–	0.1
Translation differences	0.7	–	–	–	0.7
Closing balance, 31 August 2012	–93.9	–0.2	–46.1	–	–140.2
Opening balance, 1 September 2012	–93.9	–0.2	–46.1	–	–140.2
Depreciation for the year	–9.9	–	–2.5	–	–12.4
Sales/retirements	0.6	–	–	–	0.6
Translation differences	–1.0	–	–	–	–1.0
Closing balance, 31 August 2013	–104.2	–0.2	–48.6	–	–153.0
Carrying amounts					
As at 31 August 2012	38.8	610.0	2.7	695.8	1,347.3
As at 31 August 2013	31.6	610.0	0.2	695.8	1,337.6

Depreciation/amortization

Depreciation/amortisation is included in the following lines of the income statement

SEK million	Group		Parent company	
	1/9/2012 31/8/2013	1/9/2011 31/8/2012	1/9/2012 31/8/2013	1/9/2011 31/8/2012
Administrative expenses	–12.4	–8.4	–	–
Total	–12.4	–8.4	–	–

Impairment tests for goodwill and trademark

An impairment test for goodwill is carried out every year as well as when there are indications of possible impairment. Impairment testing is carried out for the Group as a whole, as this is considered to be a cash generating unit. The recoverable amount for the cash generating unit is determined based on a value in use calculation. The calculations are based on estimated future cash flows for five years and then on discounted constant cash flows. For year one the calculation is based on the approved budget. For subsequent periods the cash flow has been assumed on the basis of strategic plans for the operations and a general growth rate of 2 (2) per cent. A discount rate before tax of 10.1 (8.8) per cent has been used for the calculation. This was calculated from a weighted average cost of capital (WACC). Using the assumptions reported above the value in use exceeds the carrying amount for the cash generating unit.

Sensitivity analysis

A number of sensitivity analyses have been carried out to evaluate whether reasonable adverse changes could lead to impairment loss. A deterioration of the average growth rate or increased discount rate of 1 percentage point or a combination of these would not indicate any impairment loss. A deterioration of the average growth rate or increased discount rate of 2 percentage points would not either indicate any impairment loss. A combination of a lower growth rate and increased discount rate of 2 percentage points does not indicate any impairment loss.

NOTE 10 | Property, plant and equipment

Group SEK million	Land and buildings	Equipment, tools, fixtures and fittings	Total
Cost of acquisition			
Opening balance, 1 September 2011	462.0	2,215.6	2,677.6
Purchases	–	119.4	119.4
Sales/retirements	–	–31.9	–31.9
Translation differences	–	–62.6	–62.6
Closing balance, 31 August 2012	462.0	2,240.5	2,702.5
Opening balance, 1 September 2012	462.0	2,240.5	2,702.5
Purchases	–	104.9	104.9
Sales/retirements	–447.0	–17.5	–464.5
Translation differences	–	–156.8	–156.8
Closing balance, 31 August 2013	15.0	2,171.1	2,186.1
Depreciation/amortisation and impairment			
Opening balance, 1 September 2011	–24.6	–1,657.1	–1,681.7
Depreciation for the year	–7.1	–141.6	–148.7
Impairment losses for the year	–	–63.0	–63.0
Sales/retirements	–	28.3	28.3
Translation differences	2.3	43.4	45.7
Closing balance, 31 August 2012	–29.4	–1,790.0	–1,819.4
Opening balance, 1 September 2012	–29.4	–1,790.0	–1,819.4
Depreciation for the year	–1.3	–130.8	–132.1
Impairment losses for the year	–	–6.4	–6.4
Reversal of depreciation/amortisation	–	10.3	10.3
Sales/retirements	30.7	14.6	45.3
Translation differences	–	146.7	146.7
Closing balance, 31 August 2013	0	–1,755.6	–1,755.6
Carrying amounts			
As at 31 August 2012	432.6	450.5	883.1
As at 31 August 2013	15.0	415.5	430.5

Carrying amounts	31/8/2013	31/8/2012
Buildings	0	343.1
Land	15.0	89.5
Total	15.0	432.6

Tax assessment values

Kusken 5 Assessed value of land SEK 9.6 million Assessed value of building: 0

Depreciation/write-downs

Depreciation/write-downs are included in the following lines of the income statement.

SEK million	Group		Parent company	
	1/9/2012 31/8/2013	1/9/2011 31/8/2012	1/9/2012 31/8/2013	1/9/2011 31/8/2012
Cost of goods sold	–	–5.3	–	–
Administrative expenses	–1.3	–2.4	–	–
Selling expenses	–130.8	–204.0	–	–
Total	132.1	–211.7	–	–

NOTE 11 | Inventories

Group SEK million	31/8/2013	31/8/2012
Finished goods and trading goods	721.7	751.3
Total	721.7	751.3

Inventories are reported according to the principles in Note 1.

NOTE 12 | Prepaid expenses and accrued income

SEK million	Group		Parent company	
	31/8/2013	31/8/2012	31/8/2013	31/8/2012
Prepaid rental costs	70.1	64.2	–	–
Prepaid banking costs	6.5	18.1	–	12.9
Other	23.1	9.3	0.9	–
Total	99.7	91.6	0.9	12.9

NOTE 13 | Interest-bearing liabilities

Information concerning the company's contractual terms and conditions regarding interest-bearing liabilities and concerning the company's exposure to interest rate risk and exchange rate risk can be found in Note 17.

Group SEK million	31/8/2013	31/8/2012
Non-current liabilities		
Provisions for pensions and similar obligations	40.3	57.2
Bank loans	292.9	357.0
Bank overdraft facilities	310.6	424.5
Total	643.8	838.7
Current liabilities		
Bank loans	75.0	880.0
Total	75.0	880.0
Total	718.8	1,718.7

Parent Company

SEK million	31/8/2013	31/8/2012
Non-current liabilities		
Bank loans	292.9	357.0
Bank overdraft facilities	707.1	306.2
Total	1,000.0	663.2
Current liabilities		
Liability to credit institutions	75.0	880.0
Total	75.0	880.0
Total	1,075.0	1,543.2

The Group has a bank limit for outstanding letters of credit worth SEK 100 (200) million.

TERMS AND CONDITIONS AND REPAYMENT PERIODS

Regarding repayment periods, please refer to Note 17 and pledged assets/terms and conditions, Note 20.

NOTE 14 | Post-employment employee benefits

Pensions and other post-employment benefits

Defined benefit plans

Group SEK million	1/9/2012 31/8/2013	1/9/2011 31/8/2012
Present value of fully or partially funded obligations	196.3	213.3
Fair value of plan assets	-156.0	-156.1
Net of fully or partially funded obligations	40.3	57.2
Present value of net obligation	40.3	57.2
Net obligation for defined benefit plans	40.3	57.2

The net amount is reported in the following items on the balance sheet:

Provisions for pensions	40.3	57.2
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PROVISION FOR DEFINED BENEFIT OBLIGATIONS

The Group offers both defined contribution and defined benefit pension plans. In the case of the defined contribution plans, the Group's obligation is limited to fixed contributions that are paid to a separate legal entity. The Group's profits are charged as the benefits are earned. In the defined benefit plans, the Group's obligation is based on the employee's salary at the time he/she retires and the number of years of service. The Group stands the risk associated with payment of the pledged benefits.

In the balance sheet the difference between the present value of the obligations and the fair value of any plan assets is recorded as either a provision or a long-term financial asset.

Defined benefit plans are calculated according to the Projected Unit Credit Method. This method distributes the cost of pensions as the employees carry out services for the company that increase their right to future benefits. This calculation is performed annually by independent actuaries. The company's commitments are recognised at the present value of the expected future payments.

Commitments for old-age pension and family pension for employees in Sweden are safeguarded through insurance with Alecta. According to a statement by the Swedish Financial Reporting Board, UFR 3, this is a defined benefit plan covering several employers. The Group has not had access to information that makes it possible to report this plan as a defined benefit plan. The pension plan under ITP, which is safeguarded through insurance with Alecta, is therefore reported as a defined contribution plan. Alecta's surplus can be distributed to the policy holders and/or the insured. As at 30 June 2013 Alecta's surplus in the form of the collective consolidation level was 145 (125) per cent. The collective solvency level comprises the market value of Alecta's assets as a percentage of its insurance commitments calculated in accordance with Alecta's actuarial assumptions.

Expected return on plan assets is based on government bond yields with a supplementary risk premium referring to equity instruments. The assumption also reflects the distribution of assets for each respective plan and the yield for each respective country.

Plan assets consist of the following

Sweden and Norway	Sweden		Norway	
	2013	2012	2013	2012
Shares and funds (KappAhl AB (publ.) included at 0)	31.0 %	31.0 %	5.2 %	6.6 %
Debt securities	60.0 %	60.0 %	76.0 %	75.2 %
Real property	9.0 %	9.0 %	14.8 %	17.8 %
Other	-	-	0.5 %	0.4 %
Total	100.0 %	100.0 %	100.0 %	100.0 %

Changes in net obligation for defined benefit plans as stated in the balance sheet

Group SEK million	31/8/2013	31/8/2012
Net obligation for defined benefit plans as at 1 September	57.2	52.1
Benefits paid out	-4.7	-5.0
Contributions received	-4.0	-4.4
Income/cost reported in the income statement	2.2	2.4
Actuarial gains/losses	-8.9	13.0
Other	-	-
Translation differences	-1.5	-0.9
Net obligation for defined benefit plans as at 31 August	40.3	57.2

Cost reported in the income statement for defined benefit plans

Group SEK million	1/9/2012 31/8/2013	1/9/2011 31/8/2012
Costs relating to service in current period	1.0	1.0
Interest expense relating to obligation	6.4	7.1
Expected return on plan assets	-5.2	-5.7
Effects of reductions and adjustments	-	-
Total net cost in the income statement	2.2	2.4

The cost is reported on the following lines in the income statement:

Group SEK million	1/9/2012 31/8/2013	1/9/2011 31/8/2012
Cost of goods sold	0.0	0.0
Selling expenses	1.0	1.0
Financial income/expenses	1.2	1.4
	2.2	2.4
Cumulative amount reported in other comprehensive income	-6.9	-5.3
Actual return on plan assets	-0.7	8.5

Assumptions for defined benefit obligations

The most significant actuarial assumptions as at the balance sheet date (expressed as weighted averages)

Sweden and Norway	Sweden		Norway	
	2013	2012	2013	2012
Discount rate as at den 31 August	3.8%	3.3%	2.0-2.7%	1.5-2.0%
Future salary increases	n/a	n/a	4.0%	4.0%
Future pension increases	1.9%	1.7%	1.5-3.25%	1.5-3.25%
Inflation	1.9%	1.7%	-	-
Expected return	3.8%	3.3%	4.1%	4.1%

NOTE 15 | Other liabilities

Group		
SEK million	31/8/2013	31/8/2012
Current liabilities		
Value added tax	47.9	42.3
Liabilities to staff	34.7	35.8
Gift vouchers	29.0	29.4
Currency derivatives	0.5	17.2
Other	6.5	0.3
Total	118.6	125.0

Liabilities falling due for payment more than five years after the balance sheet date

A certain portion of the gift vouchers' liability for the Swedish operating subsidiary is spread over more than five years because the gift vouchers are valid for ten years.

NOTE 17 | Financial risks and financial policy

In its business activities, the Group is exposed to different types of financial risk. Financial risk refers to fluctuations in the company's earnings and cash flow as a result of changes in foreign exchange rates, interest rates, refinancing and credit risks.

Management of the Group's financial risk is concentrated to a central financing department. This department applies the financial policy adopted by the Board of Directors. The Board of Directors has appointed an Audit Committee, whose responsibilities include overseeing the formulation of and compliance with the financial policy and, if necessary, proposing changes to the Board.

The Group's finance department is responsible for raising capital, liquidity management, currency exposure and interest rate risk management. The responsibility applies to both the Parent Company and the Group as a whole. The finance department is also responsible for financial policy issues and acts as an internal bank for the Group's subsidiaries. The overall objective of the finance department is to provide cost-effective financing and to minimise the negative effects of market fluctuation on the Group's profit.

Capital structure

By achieving an appropriate balance between equity and loan financing flexibility for the Group is ensured, allowing investments in the business and retaining controlled cost of capital.

The company normally has a positive cash flow, partly due to positive earnings and working capital in the operations that is relatively low. This means that the company's expansion only requires a limited increase in working capital. Moreover, the company's profile and emphasis also means that the company should be able to stay relatively stable. In view of this, the Company's financing consists to a considerable extent of borrowed capital. The objective is that interest-bearing net debt is not to exceed, other than temporarily, three times the EBITDA. The Group's financial target has not been changed compared with the previous year. During the financial year the Group reduced its interest-bearing debt by SEK 1,000 million, mainly through positive cash flow, sale of real property and a rights issue.

	2012/2013	2011/2012
Interest-bearing debt	719	1,719
Cash/bank	-58	-46
Net interest-bearing debt	661	1,673
EBITDA	396	156
Non-recurring items	-50	0
Adjusted EBITDA	346	156
Interest bearing debt/EBITDA	1.9	10.7

NOTE 16 | Accrued expenses and deferred income

Group	Group		Parent company	
	31/8/2013	31/8/2012	31/8/2013	31/8/2012
SEK million				
Liabilities to staff	174.6	175.3	12.7	7.8
Financial expenses	17.4	45.2	17.6	47.1
Customer bonus	49.5	44.3	-	-
Rent	4.2	9.9	4.4	6.3
Other	56.6	60.7	0.7	0.8
Total	302.3	335.4	35.4	62.0

Financing risk and liquidity risk

Liquidity risk is defined as the risk of not being able to meet payment obligations due to insufficient liquidity or difficulties in obtaining financing (financing risk). At present the Group has a credit agreement with two Swedish banks for operational financing.

A three-year credit agreement was signed in November 2011 with the company's banks, which runs until November 2014. In August 2012 the company signed a supplementary agreement with the banks defining the current terms and conditions. Negotiations for a new agreement are expected to be started in spring 2014. The terms and conditions of the loans are linked with a number of agreed so called covenants;

- Interest bearing debt/EBITDA
- EBITDA/Net financial items
- Cash flow/Amortisation and Net financial income
- Investment ceiling

All so called covenants were met during the financial year. Shares in subsidiaries were pledged as security for the loans.

Interest-bearing debt and maturity structure

KappAhl has assurances of credit totalling SEK 1,143 (2,000) million, of which SEK 661 (1,673) million had been used at the close of the financial year and the financial cost in the coming year is estimated to be about SEK 7 (8) per cent of the utilised amount. A repayment of SEK 75 million will be made in the next financial year. Interest rates are based on 3-month Stibor plus a fixed margin varying on the basis of the outcome of interest-bearing debt/EBITDA. The margin is determined quarterly.

Loan maturity structure

Year	
2013/2014	75
2014/2015	1,068
2015 and later	-
Total	1,143

Interest rate risk

Interest rate risk may consist of changes in fair value, price risk, changes in cash flow and cash flow risk. A significant factor that changes interest rate risk is the interest rate adjustment period. Long interest rate adjustment periods mainly affect the cash flow risk. Shorter adjustment periods affect the price risk.

Note 17 cont.

Of the Group's borrowings, a total of 91 (72) per cent has been converted to fixed interest debt through interest swaps.

Management of the Group's interest exposure is a centralised function, which means that the central finance department is responsible for identifying and managing this type of exposure.

Under the financial policy, approximately 75 per cent of the company's loans maturing more than one year in the future are subject to interest rate hedging. Derivatives, such as interest swaps, are used to manage interest rate risk. The company uses hedge accounting when there is an effective connection between secured loans and interest swaps, (see also Note 1 Accounting Policies).

As at 31 August 2013, the company had interest swaps with a contractual value of SEK 1,000 (1,200) million. During the financial year loan repayments were made, which meant that interest swaps with a nominal value of SEK 400 (0) million are no longer part of an effective hedging relationship, resulting in SEK 6.4 (0) million being transferred from the hedging reserve and recognised in income under financial expenses.

The net fair value of the swaps on 31 August 2013 was SEK -26 (-45) million, consisting of assets of SEK 0 (0) million and liabilities of SEK 26 (45) million. Total financial expense, including interest swaps, amounted to about SEK 87 (166) million for the financial year, which corresponds to around 1.9 (3.6) per cent of the Group's costs. A change in the interest rate level of one percentage point would have an impact on the annual interest expense of about SEK 7 (8) million, all other variables being constant.

Credit risk

Credit risk associated with financial activities

Financial risk management involves exposure to credit risk. This is mainly in the form of counterparty risk in connection with receivables from banks and other counterparties that arise when derivatives are purchased. The financial policy specifies that only internationally reputable banks may be used.

Credit risk associated with trade receivables

Since the Group is engaged essentially in cash sales with its customers, the credit risk associated with trade receivables is minimal.

Currency risk

The Group is exposed to various types of foreign currency risk since it has operations in several different countries and since much of the Group's purchasing is transacted in foreign currencies. Since the Group makes its purchases primarily in USD, exposure is greatest in that currency. A change of 5 per cent in the USD/SEK exchange rate means a change in purchasing costs of about SEK 59 (59) million. The Group also has a substantial exposure through the surplus liquidity generated from the Norwegian company and transferred to the Swedish company, which would generate a foreign exchange effect of SEK 29 (39) million if there was a 5 per cent change in the NOK/SEK exchange rate. To hedge this exchange effect the Group enters into currency forwards. Currency forwards in USD, NOK and PLN are used.

Transaction exposure

The Group has income and expenses in a number of currencies. Thus KappAhl is exposed to exchange rate fluctuations. This exchange risk is called transaction exposure and affects the Group's operating profit. The financial policy sets the parameters for managing this risk and this involves hedging the flows up to twelve months. The foreign companies essentially generate income and expenses in their local currencies. This means that the Group's transaction exposure can most easily be illustrated by looking at the currency flows in Sweden:

Currency	1/9/2012-31/8/2013		1/9/2011-31/8/2012	
	Outflow	Inflow	Outflow	Inflow
MUSD	181	-	183	-
MEUR	26	26	27	28
MNOK	-	519	-	535
MPLN	-	64	-	51

The Group classifies forward contracts that are used to hedge forecast transactions as cash flow hedging. The fair value of forward contracts used to hedge forecast flows totalled a net amount of SEK 19 (-16) million as at 31 August 2013. Assets amounted to SEK 20 (1) million and liabilities to SEK 1 (17) million, which are recorded in the balance sheet.

Translation exposure

KappAhl uses Swedish kronor for its income statement and balance sheet. Parts of the Group use other currencies for their accounts, which means that KappAhl's consolidated profit/loss and equity are exposed to exchange rate fluctuations. This type of currency risk is called translation exposure and is not hedged.

The Group's net foreign assets are distributed among the following currencies:

Group	31/8/2013	31/8/2012
	Amounts in SEK million	Amounts in SEK million
NOK	406	405
EUR	34	22
PLN	34	-26
CZK	7	-23
HKD	4	5

FAIR VALUE

The carrying amount of financial assets and liabilities in the balance sheet is in line with fair value. The table below shows the items in the balance sheet in which the financial instrument accounting policies are applied.

Classification of financial assets and liabilities in the balance sheet is shown below.

Assets on the balance sheet	31/8/2013	31/8/2012
Loans and receivables		
Trade receivables	2.8	8.4
Cash and cash equivalents	57.8	46.3
Loans and receivables	60.6	54.7
Currency derivatives	19.5	0.8
Total	80.1	55.5
Liabilities on the balance sheet	31/8/2013	31/8/2012
Other financial liabilities recorded at amortised cost		
Long-term interest-bearing liabilities	644.0	781.5
Short-term interest-bearing liabilities	75.0	880.0
Trade payables	228.0	196.0
Other financial liabilities recorded at amortised cost	947.0	1,857.5
Financial liabilities at fair value through profit or loss		
<i>Cash flow hedging</i>		
Interest rate derivatives	26.1	45.7
Currency derivatives	0.5	17.2
Financial liabilities at fair value through profit or loss	20.2	62.9
Total	973.6	1,920.4

Note 17 cont.

Fair value hierarchy:

The Group holds financial instruments in the form of interest rate derivatives and currency forwards that are recorded at fair value in the balance sheet. The Group uses the following hierarchy to classify the instruments on the basis of the valuation technique:

1. Quoted prices (unadjusted) on active markets for identical assets or liabilities
2. Other inputs than the quoted prices included in Level 1, that are observable for the asset or liability either direct (i.e. as prices) or indirect (i.e. derived from prices)
3. Inputs for the asset or liability in question that are not based on observable market data (non-observable inputs)

2012/2013	Value	level 1	level 2	Level 3	2011/2012	Value	level 1	level 2	Level 3
Assets					Assets				
Financial assets at fair value via profit or loss:					Financial assets at fair value via profit or loss:				
Currency forwards	20		20		Currency forwards	1		1	
Interest swaps	0		0		Interest swaps	0		0	
liabilities					Liabilities				
Financial liabilities at fair value via profit or loss:					Financial liabilities at fair value via profit or loss:				
Currency forwards	1		1		Currency forwards	17		17	
Interest swaps	26		26		Interest swaps	45		45	

No transfers have been made between levels during the financial year.

No transfers have been made between levels during the financial year.

Maturity analysis of financial liabilities

The maturity analysis below is based on discounted cash flows and includes interest and amortisation.

In the analysis the interest rate level on the balance sheet date has also been assumed for future interest payments.

The credit agreement with the Group's main banks expires in November 2014. Negotiations for a new credit agreement are expected to be started in spring 2014. In the analysis of net cash flows for interest swaps an extension of the loan and bank overdraft facilities on the same terms has been assumed.

Maturities of the Group's financial liabilities

	0–3 months		4–12 months		From 1–2 years		From 2–3 years		From 3–4 years		More than 4 years		Total contracted cash flow	
	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012
Bank loans and bank overdraft facilities	50	450	25	430	586	75	–	718	–	–	–	–	661	1,673
Interest	6	29	14	43	17	52	–	13	–	–	–	–	37	137
Trade payables	228	196	–	–	–	–	–	–	–	–	–	–	228	196
Interest swaps	5	5	11	9	12	9	8	6	5	3	–	3	41	34
Forward exchange contracts	9	–3	6	–11	–	–	–	–	–	–	–	–	15	–15

NOTE 18 | Operational leasing

Group

	Year one		Years two to five		More than five years	
	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012
Tenancy agreement	662.3	653.3	1,596.5	1,477.9	348.2	275.1
Vehicles and equipment	2.1	1.6	2.8	3.1	0	0
Total	664.40	654.9	1,599.3	1,481.0	348.2	275.1

The Parent Company has no lease agreements.

The operating profit has been charged with SEK 664 (655) million referring to costs of rented store premises. Of this the fixed rent is 652 (640) and the turnover based rent 12 (15).

The previously owned property for the head office and distribution centre is rented as of 23 November 2012. The rental cost from 23 November 2012 to 31 August 2013 was SEK 30 million

NOTE 19 | Capital commitments

Group

In 2013 the Group signed a number of low value agreements to acquire property, plant and equipment, mainly for new stores. All agreements are within the Group's overall capital expenditure budget. For the coming financial year this is at a higher level than the outcome for the financial year ending 31 August 2013. The commitments are expected to be settled over the course of the next financial year.

NOTE 20 | Pledged assets and contingent liabilities

SEK million	Group		Parent company	
	31/8/2013	31/8/2012	31/8/2013	31/8/2012
Pledged assets				
Floating charges	209.7	42.0	None	None
Shares in subsidiaries	1,916.0	1,311.2	2,913.2	3,180.0
Trademarks	610.0	610.0	None	None
Property mortgages	–	240.0	None	None
Total pledged assets	2,735.7	2,203.2	2,913.2	3,180.0
Contingent liabilities				
Guarantee commitments, FPG/PRI	0.5	0.4	None	None
Total contingent liabilities	0.5	0.4	None	None

See Note 24 for a description and assessment of a dispute concerning customs duty in Norway.

NOTE 22 | Participations in group companies

SEK million	31/8/2013	31/8/2012
Opening book value	3,180.0	3,143.8
Sale of subsidiaries	–303.6	–
Shareholders' contributions paid	36.8	36.2
	2,913.2	3,180.0

Specification of the Parent Company's and the Group's holdings in Group companies

Subsidiary / Corporate identity number / Country	Number of shares	Shares as %	31/8/2013	31/8/2012
			Carrying amount	Carrying amount
KappAhl Sverige AB, 556060-4158, Sweden	60,000	100.0	1,271.1	1,271.1
KappAhl AS, 947659138, Norway	41,749	100.0	1,269.1	1,269.1
KappAhl OY, 07585064, Finland	200	100.0	373.0	336.2
KappAhl Fastigheter AB, 556750-5481, Sweden	1,000	100.0	–	303.6
Indirectly owned via KappAhl OY				
KappAhl Åland AB, 1737564-2, Mariehamn	100	100.0	–	–
Indirectly owned (via KappAhl Sverige AB)				
KappAhl Polska Sp.zo.o., 526-22-60-963, Poland	10,001	100.0	–	–
KappAhl Czech Republic s.r.o., 26447142, Czech Republic	10,000	100.0	–	–
KappAhl Far East Ltd, 438724, Hong Kong	10,000	100.0	–	–
KappAhl i Mölndal AB, 556714-1444, Sweden	1,000	100.0	–	–
KappAhl Mode Holding AB, 556545-0037, Sweden	186,872,155	100.0	–	–
KappAhl Fashion Holding AB, 556541-5980, Sweden	10,000	100.0	–	–
			2,913.2	3,180.0

No book value is stated for the companies not directly owned by the Parent Company.

NOTE 21 | Related parties

Apart from guarantees from Dutot Ltd, Jan Samuelsson and Håkan Westin in connection with the rights issue, there have been no related party transactions. Expenditure for these guarantees amounted to SEK 2.3 (11) million.

The company has issued warrants of SEK 0 (4) million to senior executives. For information on warrants to senior executives, please see page 26.

NOTE 23 | Cash Flow Statement

The cash flow statement was prepared using the indirect method.

Interest paid and dividend received

SEK million	Group		Parent company	
	1/9/2012 31/8/2013	1/9/2011 31/8/2012	1/9/2012 31/8/2013	1/9/2011 31/8/2012
Dividend received from participations in subsidiaries	-	-	-	42.8
Group contribution received	-	-	-	172.0
Interest received	0.1	0.3	22.1	21.0
Interest paid	-61.8	-120.7	-75.1	-113.9
Total	-61.7	-120.4	-53.0	121.9

Adjustments for non-cash items

SEK million	Group		Parent company	
	1/9/2012 31/8/2013	1/9/2011 31/8/2012	1/9/2012 31/8/2013	1/9/2011 31/8/2012
Depreciation/amortisation and impairment	140.0	220.1	-	-
Provisions for pensions	6.4	5.1	-	-
Group contribution received	-	-	-111.5	-172.0
Other adjustments	69.8	3.2	-90.7	6.4
Total	76.6	228.4	-202.2	-165.6

NOTE 24 | Critical estimates and assumptions

When preparing the financial statements estimates and assumptions are made about the future that affect the balance sheet and income statement items presented in the annual accounts. These assumptions are based on historical experience and the various assumptions considered by the management and Board to be reasonable under the current circumstances. Where it is not possible to determine the carrying amount of assets and liabilities through information from other sources, such estimates and assumptions form the basis of the valuation. If other assumptions are made or other conditions exist, the actual outcome may differ from these assumptions. The assumptions and estimates assessed to have the greatest impact on KappAhl's financial position and performance are discussed below.

Impairment testing

Every year the Group carries out impairment tests for goodwill and trademarks that have an indefinite useful life in accordance with the accounting policy described in Note 1 above. The testing requires an estimate of parameters that impact future cash flow and determination of discounting factor. Recoverable amounts for cash generating units have subsequently been determined by means of calculation of values in use. Note 9 contains a description of material assumptions made in impairment testing of goodwill and other assets with indefinite useful lives, as well as a description of the effect of reasonable possible changes in the assumptions on which the calculation is based.

Valuation of inventories

Inventories are stated at the lower of cost and net realisable value. The calculation of net realisable value includes such factors as estimates of future selling prices, which also take into account estimated price reductions. The actual future sales price may differ from the estimates.

Valuation of loss carry-forward

The Group reported deferred tax assets for loss carry-forward of SEK 188 (368) million as at 31 August 2013. The carrying amount of these tax assets was tested on the balance sheet date and it was deemed probable that the deductions can be applied against surplus in future taxation. The tax assets mainly refer to Swedish loss carry-forward that can be utilised for an unlimited

period. Previous acquisition of tax loss carry-forward is valued as described in Note 8.

Changes in the assumptions and estimates above may result in considerable differences in valuation of deferred tax assets.

Customs dispute in Norway

In the 2005/06 financial year a dispute with the customs authorities in Norway was settled in KappAhl's favour and the judgment became final and non-appealable in the 2006/2007 financial year. However, there have been continued demands from the customs authorities, in contravention of the ruling handed down. Consequently, there is still uncertainty in the case, but the company and its advisers consider that the initial court ruling is correct. The company entertains good hopes of also receiving the remaining part.

Post-employment benefits

Accounting for provisions for defined benefit pension plans and other pension benefits is based on actuarial calculations using assumptions about discount rate, expected return on plan assets, future salary increases, staff turnover and demographics.

The estimates made concerning these assumptions affect the value of the total pension obligations and major changes in the estimates could have a significant effect on the Group's results and financial position. The same applies to a changed estimate concerning whether pension insurance in Alecta are to be reported as a defined contribution plan or not.

Customer bonus

Provision for customer bonus is made on the basis of members' bonus points earned and the future possibility of using points earned in the form of bonus cheques as a means of payment. For accounting purposes the bonus earned is recognised by reducing net sales at the time the bonus reward is earned with a corresponding item in the balance sheet. Assumptions for calculating the bonus liability are based on the last quarter gross debt history, percentage of redeemed bonus cheques, net debt etc. As at 31 August 2013 the Group's provision for customer bonus is SEK 49.5 (44.3) million.

NOTE 25 | Parent company details

KappAhl AB is a Swedish limited company with the corporate identity number 556661-2312 and its registered office in Mölndal.
The address of the head office is
Box 303, SE 431 24 Mölndal.

The consolidated accounts for 2012/2013 consist of the parent company and its subsidiaries, referred to as the Group. The Board of Directors and President certify that the annual report has been prepared in accordance with generally accepted accounting principles, provides a true and fair view of the parent company's financial position and results of operations, and that the administration report provides a fair review of the development of the parent company's operations, financial position and results of operations and describes material risks and uncertainties facing the parent company. The Board of Directors and the President also certify that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU, give a true and fair view of the Group's financial position and results of operations, and that the Group administration report provides a fair review of the development of the Group's operations, financial position and results of operations and also describes material risks and uncertainties facing the Group. The financial statements were approved for publication by the parent company's Board of Directors on 28 October 2013. The income statements and balance sheets will be presented to the Annual General Meeting on 4 December 2013.

Mölndal, 28 October 2013

Anders Bülow
Chairman

Amelia Adamo
Board Member

Sonat Burman-Olsson
Board Member

Paul Frankenius
Board Member

Christian W. Jansson
Board Member

Melinda Hedström
Employee representative

Bodil Gummesson
Employee representative

Johan Åberg
President

Our audit report was issued on 29 October 2013

Ernst & Young

Stefan Kylebäck
Authorised public accountant
Auditor in charge

Björn Grundvall
Authorised public accountant

Auditor's report

To the annual meeting of the shareholders of KappAhl AB (publ), corporate identity number 556661-2312

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS
We have audited the annual accounts and consolidated accounts of KappAhl AB (publ) for the financial year 2012-09-01 – 2013-08-31. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 26 – 57.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts
The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material mis-statement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of August 31, 2013 and of its financial performance and its cash flows for the year then ended in

accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of August 31, 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of KappAhl AB (publ) for the financial year 2012-09-01 – 2013-08-31.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Göteborg, October 29, 2013

Ernst & Young AB

Stefan Kylebäck
Authorized Public Accountant

Björn Grundvall
Authorized Public Accountant

Corporate governance report

KappAhl AB (publ) is a public Swedish company listed on Nasdaq OMX Stockholm. Corporate governance of KappAhl is based on laws, listing agreements, guidelines and good business practices. This corporate governance report has been drawn up in accordance with the Swedish Code of Corporate Governance (“the Code”, available via www.bolagsstyrning.se) and Chapter 6, Sections 6–9 of the Annual Accounts Act and Chapter 9, Section 31 of the Companies Act and refers to the 2012/2013 financial year. The auditor has stated that the corporate governance report has been prepared and that disclosures under Chapter 6, Section 6, second paragraph, points 2–6 of the Annual Accounts Act (for example the most important elements of the company’s internal control and risk management systems in connection with financial reporting) are consistent with the other parts of the annual report. KappAhl’s Articles of Association and other information concerning KappAhl’s corporate governance is available on the website www.kappahl.com/ir.

APPLICATION OF THE SWEDISH CODE OF CORPORATE GOVERNANCE

KappAhl’s corporate governance follows the Code and is thus based on principles that follow from law, listing agreements, guidelines and good business practice. During the financial year the company has held a dialogue with Nasdaq OMX about, and has not escaped some limited criticism of, its handling of information concerning the termination of the employment of the CFO.

SHARES AND SHAREHOLDERS ETC.

On 31 August 2013 the share capital of KappAhl was SEK 64,320,000 divided between 75,040,000 shares. All shares are of the same class, entitling shareholders to the same rights in terms of the company’s assets, profits and dividends. According to Euroclear’s share register KappAhl had about 18,121 shareholders on 31 August 2013. The shareholders with a direct or indirect holding representing more than 10 per cent of the voting power on 31 August 2013 were Dutot Ltd. and Mellby Gård AB. The ten largest shareholders as at 31 August 2013 are listed in the Administration Report on page 26.

GENERAL MEETING OF SHAREHOLDERS

KappAhl’s highest decision-making body is the General Meeting of shareholders. Notice to attend the Annual General Meeting, as well as notice to attend the Extraordinary General Meeting, which is to deal with the amendment of the Articles of Association, will be given no earlier than six weeks and no later than four weeks before the Meeting. The Annual General Meeting is held within six months of the close of the financial year. All shareholders listed in the share register and who have issued notice of attendance in time have the right to attend and vote at the Meeting. There is no limit to the number of votes each shareholder may cast. A

proxy may represent shareholders who are unable to attend.

The most recent Annual General Meeting held was the Annual General Meeting of 28 November 2012 in Mölndal. The minutes of the Annual General Meeting can be found on KappAhl’s website. It was then resolved to re-elect Amelia Adamo, Sonat Burman Olsson, Paul Frankenius and Christian W. Jansson as members of the Board of Directors. Anders Bülow was elected as a new member of the Board and Chairman of the Board. The next Annual General Meeting will be held at 10.00 on 4 December 2013 at Idrottsvägen 14 in Mölndal. A shareholder wishing to have a matter brought before the Annual General Meeting can send a written request to: KappAhl AB, Attention: Chairman of the Board, Box 303, SE-431 24 Mölndal. The request must reach the Board of Directors at least seven weeks prior to the Meeting or in good time that the item, if necessary, can be included in the notice to attend the Meeting.

NOMINATIONS COMMITTEE

Election of the Board of Directors

The Annual General Meeting set out instructions and a formal work plan for the Nominations Committee. Under the instructions four ordinary members are to be appointed by the four largest shareholders in the company. The Chairman of the Board of Directors will then contact the four largest shareholders and be co-opted to the committee. One of the four largest shareholders of the company declined to appoint a member of the Nominations Committee, after which the question went to the next shareholder in size. The composition of the Nominations Committee for the Annual General Meeting on 4 December 2013 was published on the company’s website before 4 June 2013. Christian W. Jansson (appointed by Dutot Ltd.), Rune Andersson (appointed by Mellby Gård AB) Evert Carlsson (appointed by Swedbank Robur Fonder AB) and Kristina Leffler (appointed by Livy Ltd.) are members of the Nominations Committee. One of the four largest shareholders of the company declined to appoint a member of the Nominations Committee, at which the question went to the next shareholder in size. Anders Bülow, Chairman of the Board, has been co-opted to the Nominations Committee. The Nominations Committee represented, on 30 September 2013, about 38,2 per cent of the shareholders’ votes.

The Nominations Committee held its inaugural meeting on 2 September 2013, at which time Evert Carlsson was elected as the Committee chairman. The Committee will present its proposals in connection with the notice to attend the Annual General Meeting. Shareholders who wish to submit proposals to the Nominations Committee are referred to the company’s website.

In the event of a material change in ownership among the largest shareholders taking place earlier than seven weeks prior to the Annual General Meeting, and if one shareholder, having become one of the four largest shareholders after this material

change in ownership, requests to be included on the Nominations Committee, the Nominations Committee shall offer this shareholder this place on the Nominations Committee as instructed by the Annual General Meeting. This is to be done either by the Nominations Committee deciding that this shareholder is to replace the smallest shareholder after the change or by deciding to increase the Nominations Committee to include one more member. No such material changes in ownership have taken place.

The Nominations Committee assesses, in light of the Group's needs, what skills and qualities the members of the Board of Directors should possess. The aim is to create a suitable composition of the Board of Directors and for its members' pooled skills and experience to provide a broad base that is appropriate from the point of view of KappAhl's current phase and market situation. The Committee will also keep itself up to date with general developments in fee and remuneration matters in Swedish listed companies. In the 2012/2013 financial year the Chairman of the Board, Anders Bülow, commissioned an individual assessment of the work of the Board and its committees. The result has been presented to the Nominations Committee.

The Nominations Committee has made the assessment that no members of the current Board, apart from Christian W. Jansson and Anders Bülow, are dependent in relation to the company or its major shareholders. Ahead of the Annual General Meeting on 4 December 2013 the Nominations Committee will make its proposals for the chairman of the Meeting, number of Board members, Chairman of the Board, auditor, other AGM elected members and instructions for next year's Nominations Committee. The Nominations Committee will also submit its proposals on fees and remuneration. No separate remuneration has been paid by the company to the members of the Nominations Committee for its work.

Election of auditor

At the 2012 Annual General Meeting Ernst & Young AB was elected as auditors, with authorised public accountant Björn Grundvall as auditor in charge, for the period up to the next

Annual General Meeting. During this period (from the 2012 Annual General Meeting until the next Annual General Meeting) authorised public accountant Stefan Kylebäck replaced Björn Grundvall as auditor in charge. Ernst & Young AB have reported their findings from the auditing assignment to the Audit Committee and the Board of Directors. Within the framework of the audit assignments mentioned, the annual accounts, the accounting records and the administration of the Chief Executive Officer were examined. In addition to the auditing assignment, which is remunerated in accordance with normal standard charges and the principle of a fixed account, during the financial year Ernst & Young sold services to the company for around SEK 0.5 million, of which most relates to tax consultations and additional accountancy issues.

BOARD OF DIRECTORS

General

The Board of Directors is responsible for the company's administration of its affairs and organisation. Five ordinary members were elected to the Board of Directors at the Annual General Meeting in November 2012. The Board of Directors also includes two trade union representative members, each with a personal deputy. Jonas Frii, member of the Swedish Bar Association, was secretary to the Board of Directors. There are no special provisions in the articles of association concerning the appointment or removal of members of the Board. Since the Annual General Meeting on 28 November 2012 up to 31 August 2013 the Board of Directors held seven meetings, all of which were minuted. Four of these meetings were ordinary meetings. Members' attendance at the respective meetings appears in the table below. After 31 August 2013 the Board of Directors held two meetings, on 1 and 28 October 2013.

The President, the Chief Financial Officer and in some cases other members of the management made presentations at the Board meetings. Remuneration and other benefits to the Board of Directors of KappAhl are presented in Note 4 on page 45. Board members' shareholdings in KappAhl are presented on pages 66–67. Information on the Board members' other elected

	Inaugural Board meeting No. 2012:11 28 Nov 2012	Inaugural Board meeting No. 2012:12 1 Dec 2012	Ordinary Board meeting No. 2012:13 27 Dec 2012	Ordinary Board meeting No. 2013:01 15 Jan 2013	Ordinary Board meeting No. 2013:02 11 April 2013	Ordinary Board meeting No. 2013:03 16–17 May 2013	Ordinary Board meeting No. 2013:04 27 June 2013
Anders Bülow	–	Yes	Yes	Yes	Yes	Yes	Yes
Amelia Adamo	Yes	Yes	Yes	Yes	Yes	Yes	Absent
Paul Frankenius	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Rose-Marie Zell-Lindström	Yes	Yes	Yes	Yes	Yes	–	–
Marie Matthiessen	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bodil Gummesson	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Jonas Frii	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Melinda Hedström	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Christian W. Jansson	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Håkan Westin	Yes	Yes	Yes	Yes	Yes	–	–
Sonat Burman-Olsson	Yes	Yes	Absent	Yes	Yes	Yes	Yes
Johan Åberg	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Claes Göran Starud	–	–	–	–	Yes	Yes	Yes
Michael Bjerregaard	–	–	–	–	–	Yes	Yes

positions and independence can be found on pages 66-67. More information on the Board is also available on KappAhl's website, www.kappahl.com/ir.

Work of the Board of Directors

Between each Annual General Meeting the Board of Directors shall hold four to six ordinary meetings. These meetings normally take place in person at the head office in Mölndal. Extra meetings may also be arranged in the form of telephone conferences. The Chairman leads and organises the work of the Board of Directors. Prior to each meeting, a proposed agenda and relevant documents are sent out. The Chairman in consultation with the CEO draws up the proposed agenda. Matters are presented at meetings for information, discussion or decision. Decisions are made after discussion and after all members present have had an opportunity to express their views. The broad experience of members in various areas often leads to an open and constructive discussion. During the year no Board member has opposed any of the decisions made. Open questions are followed up continually. The Board of Directors has not divided responsibilities among members other than as provided by the Board's and the Committees' rules of procedure. These rules of procedure were established at the Board meeting on 15 January 2013 and are revised annually. They stipulate the division of assignments between Chairman, Board members and committees. The rules of procedure stipulate for example which matters must be dealt with at each ordinary meeting. At each ordinary meeting, reports from the Audit Committee and Remuneration Committee, and a report from senior executives are presented and decisions are made on establishments and invest-

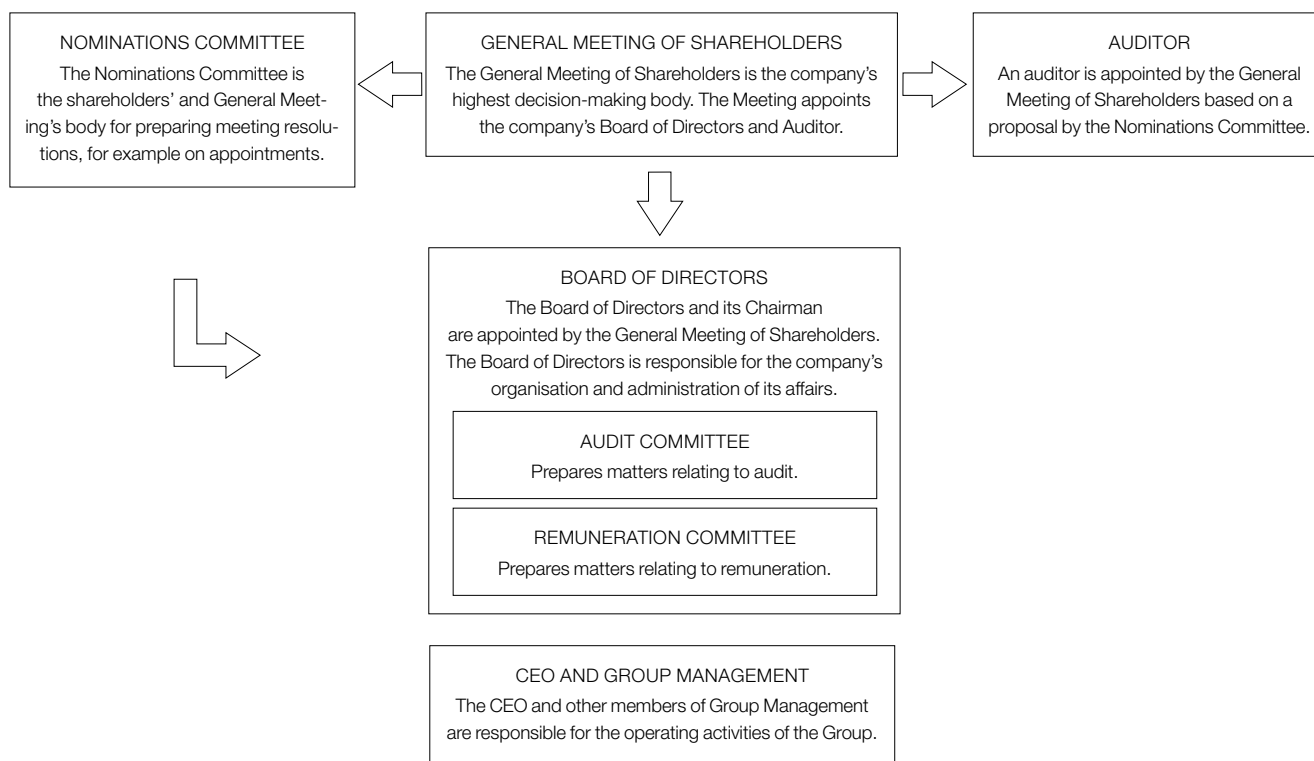
ments. Among the more important matters dealt with by the Board during the year were discussions on financing, investments and an action programme. In addition, the President issues a regular memorandum describing operations and the market situation. The purpose is to keep the Board of Directors informed about the development of the company's business so that the Board of Directors can make well-informed decisions. Once a year the Board of Directors evaluates the work of the Chief Executive Officer. No senior executives are present at this evaluation. The Board of Directors assures the quality of financial reporting through its own work, through the preparatory work of the Audit Committee and through contacts with the auditor. On the instructions of the Board of Directors the Audit Committee also met with the auditor without the presence of management in connection with the reporting of the audit findings.

Members of the Board of Directors

KappAhl's Board of Directors comprises seven members, including the Chairman, employee representatives and two deputies. The presentation of the Board members on pages 66–67 includes a list of other assignments and relevant shareholdings. More information on the Board is available on KappAhl's website.

REMUNERATION COMMITTEE

The Remuneration Committee was appointed by the Board of Directors at its inaugural meeting. Until the Annual General Meeting on 4 December 2013 the Committee consists of Christian W. Jansson (chair), Amelia Adamo and Anders Bülow. The Remuneration Committee prepares questions about the



remuneration and other terms and conditions of employment for senior executives and about bonus outcome for management and any share-based bonus programmes. The Committee met twice during the year, with all members participating, to review the bonus outcome, continued bonus programme and terms of employment for a new Chief Financial Officer. The Committee works according to written rules of procedure stipulated by the Board of Directors. The Committee does not have the authority to make decisions, other than as part of the remuneration policy adopted by the Annual General Meeting on 28 November 2012 for senior executives. The adopted policy means, among other things, that senior executives shall be offered a fixed salary that is market-related and based on responsibility and conduct. Salaries shall be set for the calendar year, and a senior executive may, from time to time, be offered a bonus of a maximum of 50 per cent of fixed salary. Any bonuses shall primarily be based on the operating profits of the KappAhl Group. Senior executives and the company must both observe a period of six months' notice of termination. The remuneration policy is reviewed annually and is presented to the Annual General Meeting for approval. See also Note 4 on page 44.

AUDIT COMMITTEE

At its inaugural meeting the Board of Directors shall also appoint the Audit Committee. Until the Annual General Meeting on 4 December 2013 the Committee consists of Sonat Burman-Olsson (chair), Anders Bülow and Christian W. Jansson. In the opinion of the Board of Directors, which is shared by the Nominations Committee, Sonat Burman-Olsson and Anders Bülow are independent in relation to the company and its senior executives, Sonat Burman-Olsson is independent in relation to major shareholders, and the members meet the necessary qualification requirements in accounting and auditing. The Audit Committee must, without affecting the Board of Director's responsibilities and tasks in other respects, monitor the financial reporting by the company and the effectiveness of the company's internal controls with regard to financial reporting. The Committee has, in conjunction with the submission of the audit report, met with the auditors without the CEO or other senior executive being present. In 2013 Committee work included preparing issues concerning interim reports, financing, foreign currency issues and internal financial control. Since the Annual General Meeting on 28 November 2012 up to 31 August 2013 the Committee held three meetings, all of which were minuted. The Committee has subsequently held another two meetings. The Board's secretary is also the secretary of the Audit Committee. The Committee works according to written rules of procedure stipulated by the Board of Directors. The Committee minutes are distributed to the Board of Directors and reporting is at each Board meeting.

MANAGEMENT TEAM

KappAhl's Management Team and its shareholdings are presented on pages 64–65 and on KappAhl's website.

REPORT ON INTERNAL CONTROLS

Responsibility for internal control is regulated in the Swedish Companies Act and the Swedish Code of Corporate Governance.

CONTROL ENVIRONMENT

The control environment is the foundation of internal control. KappAhl's control environment includes organisational structure, instructions, policies, guidelines, reporting and defined areas of responsibility. The Board of Directors has the overall responsibility for internal control in relation to financial reporting. The Board of Directors has adopted written rules of procedure that clarify the responsibility of the Board of Directors and regulates the Board and its committees' internal division of duties. The Board of Directors has appointed an Audit Committee whose main task is to monitor the company's financial reporting and effectiveness of the company's internal control, internal audit and risk management. The Board of Directors has also drawn up instructions for the President and for financial reporting to the Board of KappAhl.

The Group's Chief Financial Officer reports the results of his or her work on internal control to the Audit Committee. The result of the Audit Committee's work in the form of observations, recommendations and proposed decisions and measures are reported regularly to the Board.

INTERNAL CONTROL RELATING TO FINANCIAL REPORTING

Internal control relating to financial reporting is part of total internal control in KappAhl, whose process proceeds from the business model. Internal control relating to financial reporting aims at providing reasonable assurance concerning the reliability of the external financial reporting in the form of interim reports, annual reports and year-end bulletins and that the external financial reporting is prepared in accordance with law, applicable accounting standards and other requirements of listed companies.

RISK ASSESSMENT

KappAhl's risk assessment relating to financial reporting aims to identify and evaluate the most significant risks that affect internal control referring to financial reporting in the Group's companies, business areas and processes. The most significant risks identified in the Group's work on internal control relating to financial reporting are managed through internal control structures that are essentially based on exception reporting from established objectives or norms, for example for hedging or inventory valuation.

INFORMATION AND COMMUNICATION

Internal information and communication is about creating awareness among the Group's employees about external and internal policy instruments, including authorisation and responsibility. Information on internal policy instruments for financial reporting are available to all employees concerned. Important tools for this are KappAhl's intranet and training.

ACTIVITIES 2012/2013

During the year the company's focus has been on financing and the action programme.

INTERNAL AUDIT

To date, KappAhl has not considered it necessary to establish a separate internal audit function, but the question is regularly reviewed. The assessment has been so far that the existing control environment is sufficient to achieve the same purpose as a separate internal audit function.

Mölnådal, 28 October 2013

Anders Bülow
Chairman

Amelia Adamo
Board Member

Sonat Burman-Olsson
Board Member

Paul Frankenius
Board Member

Christian W. Jansson
Board Member

Melinda Hedström
Employee representative

Bodil Gummesson
Employee representative

Johan Åberg
President

Auditor's report on the Corporate Governance Statement

To the annual meeting of the shareholders of KappAhl AB (publ),
corporate identity number 556661-2312

It is the board of directors who is responsible for the corporate governance statement for the financial year 2012-09-01–2013-08-31 on pages 59–63 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the corporate governance statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Göteborg, October 29, 2013

Ernst & Young AB

Stefan Kylebäck
Authorised Public Accountant



STEFAN HÖGKVIST

Vice President, Sales

Stefan Högvist (born 1974) has been Vice President, Sales at KappAhl since April 2013.

Shareholding: 0 shares.

Stock options: 0 options.

CARINA LADOW

Vice President, Assortment and Design

Carina Ladow (born 1957) has been Vice President, Assortment and Design at KappAhl since 2012 and with the company since 1993. Member of the board of Scorett.

Shareholding: 84,000 shares.

Stock options: 300,000 options.

ANDERS DÜRING

Chief Financial Officer

Anders Düring (born 1965) has been Chief Financial Officer at KappAhl and with the company since November 2013. Anders Düring has an MBA in Finance and Accounting from the School of Business, Economics and Law at the University of Gothenburg.

Shareholding: 0 shares.

Stock options: 0 options



KAJSA RÄFTEGÅRD

Vice President, Human Resources and Public Relations

Kajsa Räftegård (born 1965) has been Vice President, Human Resources and Public Relations at KappAhl since 2002 and with the company since 1995. Kajsa Räftegård has a B.Sc. in Social Work from the University of Gothenburg.
Shareholding: 108,666 shares.
Stock options: 300,000 options.

JOHAN ÅBERG

President and CEO

Johan Åberg (born 1961) has been President and Chief Executive Officer of KappAhl since December 2011. Member of the board of IHM Business School and NetOnNet. Johan Åberg is a graduate of IHM Business School.

Shareholding: 7,000 shares.
Stock options: 750,000 options.

MARI SVENSSON

Vice President, Purchasing and Logistics

Mari Svensson (born 1963) has been Vice President, Purchasing and Logistics at KappAhl since 2004 and with the company since 2000. Mari Svensson has an MSc in Business Administration from the School of Business, Economics and Law at the University of Gothenburg.

Shareholding: 200,646 shares.
Stock options: 300,000 options.



MELINDA HEDSTRÖM

(born 1966). Melinda Hedström is a board member and has been employee representative on the board of KappAhl since 2011. She works as a sales representative at KappAhl. Melinda Hedström has participated in a training programme for board members held by Nasdaq OMX Stockholm.

Shareholding: 0 shares.

SONAT BURMAN-OLSSON

(born 1958). Sonat Burman-Olsson has been a member of the board of KappAhl since 2011. Sonat has been Deputy President and CFO of the ICA Group since 2007. Before that she was Vice President of the Electrolux Group, responsible for global market strategies, and she has also held leading positions in Electrolux Europe and Electrolux International (Asia & Latin America). Before that Sonat held Executive Director positions at Siemens and British Petroleum. She is also a member of the board of the Third Swedish National Pension Fund, ICA Banken and Lindab (publ). Sonat Burman-Olsson has an MSc in business administration and an Executive MBA.

Shareholding: 0 shares.

PAUL FRANKENIUS

(born 1958). Paul Frankenius has been a member of the board of KappAhl since 2006. Before that Paul was Chief Executive Officer of KappAhl from 2002, and before then he was Head of Purchasing and Deputy Chief Executive Officer of Jeans & Clothes Sweden AB. Paul Frankenius is also chairman of the board of Swedbank Sjuhärad AB and Bockasjö AB and member of the board of Scorett Foot Wear AB.

Shareholding: 2,992,228 shares through company.

ANDERS BÜLOW

(born 1953). Anders Bülow has been Chairman of the Board of KappAhl since 2012, chairman of the board of Duni AB since 2009 and Managing director of Mellby Gård Industri AB. Anders Bülow has a BSc in business administration from Stockholm University.

Shareholding: 0 shares.

**AMELIA ADAMO**

(born 1947). Amelia Adamo has been a member of the board of KappAhl since 2004. Amelia is senior publisher of Bonnier Tidskrifter and founded the magazines Amelia, Tara and M-magasin, where she is also editor in chief. Amelia Adamo, who has won the Swedish "Great Journalist Award" twice, was formerly the editor in chief of the magazines Amelia and Vecko-Revyn and acting chief editor of the evening daily Aftonbladet. She is also a member of the board of Bonnier Tidskrifter AB and SSRS Holding AB. Amelia Adamo has a BA in social sciences from the University of Stockholm.

Shareholding: 33,333 shares.

CHRISTIAN W. JANSSON

(born 1949). Christian W. Jansson has been a member of the board of KappAhl since 2011 and is chairman of the board's Remuneration Committee and member of the Audit Committee. Before that Christian was President and Chief Executive Officer of KappAhl 2002–2011 and Chairman of the Board 2011–2012. He is also chairman of the board of Apoteket AB, Enzymatica AB, Vivoline Medical AB and Svensk Handel. He is also managing director and member of the board of Europris AS and member of the board of Bong AB and the Confederation of Swedish Enterprise. Christian W. Jansson holds an MSc in business and economics from the University of Lund and an honorary doctorate in economics.

Shareholding: 13,382,367 shares (through a company).

MARIE MATTHIESSEN

(born 1965). Marie Matthiessen has been a deputy board member and employee representative on the board of KappAhl since 2008. She works as a sales representative at KappAhl. Marie Matthiessen has participated in a training programme for board members held by Nasdaq OMX Stockholm.

Shareholding: 0 shares.

BODIL GUMMESSON

(born 1955). Bodil Gummesson has been a board member and employee representative on the board of KappAhl since 2008. She is a store manager at KappAhl. Bodil Gummesson has participated in a training programme for board members held by Nasdaq OMX Stockholm.

Shareholding: 0 shares.

MICHAEL BJERREGAARD JENSEN

(born 1954). Michael Bjerregaard Jensen has been a deputy board member and employee representative on the board of KappAhl since 2013. He is a store manager at KappAhl. Michael Bjerregaard Jensen has participated in a training programme for board members held by Nasdaq OMX Stockholm.

Shareholding: 0 shares.

FINANCIAL CALENDAR

Annual general meeting	4 December, 2013
First quarter (Sep–Nov)	14 January 2014
Second quarter (Dec–Feb)	8 April 2014
Third quarter (March–May)	26 June 2014
Fourth quarter (Jun–Aug)	9 October 2014

An updated financial calendar is published regularly at www.kappahl.com/ir.

KappAhl's Annual Report in Swedish and English will be sent to shareholders and other stakeholders who so request. The report can also be ordered via www.kappahl.com/ir under the menu "Contact" and submenu "Order printed information."

ANNUAL GENERAL MEETING

The Annual General Meeting of KappAhl AB (publ) will be held on Wednesday 4 December 2013 at 10.00 am at KappAhl's head office in Mölndal, Idrottsvägen 14.

RIGHT TO PARTICIPATE

Shareholders wishing to participate in the meeting must be registered in the share register kept by Euroclear Sweden AB no later than Thursday 28 November 2013, and have given notice of their attendance and that of any advisers on the same date, preferably by 12 o'clock noon, via email to stamma@kappahl.com. Notification of participation can also be given by telephone on +46 31 771 55 00, by fax on +46 31 771 58 15, or by post to KappAhl AB, Annual General Meeting,

Box 303, SE-431 24 Mölndal, Sweden. The notification must state the name, address, telephone number, corporate or personal identity number and registered shareholding. Any powers of attorney must be in writing and be submitted no later than, but preferably before, the Annual General Meeting. A natural person representing a legal person shall also submit a certified copy of the certificate of registration. The period of validity of the power of attorney may be a maximum of five years from its date of issue. The company will provide a form for a power of attorney on request and the form is also available from the company's website www.kappahl.com/ir. Shareholders whose shares are registered in the name of a nominee through a bank's

trust department or a private securities dealer must temporarily register the shares in their own name to be entitled to participate in the Meeting. This temporary registration of ownership must be effected no later than Thursday 28 November 2013. This means that the shareholder must notify the nominee of this well in advance of that date.

COMPLETE NOTICE TO ATTEND

A complete notice to attend the Annual General Meeting will be published separately and in accordance with the provisions of the Articles of Association.

We look forward to seeing you!

DEFINITIONS

GROSS MARGIN Gross profit divided by net sales.

DIVIDEND YIELD Dividend divided by the share price.

EBIT Operating profit, i.e. earnings before interest and taxes.

EBITDA Operating profit before depreciation/amortisation, i.e. earnings before interest, taxes, depreciation and amortisation.

EQUITY PER SHARE Equity divided by the average number of shares.

COLLECTION A series of garments designed and produced for a particular season.

PRICE/EQUITY Market value divided by equity.

LIKE FOR LIKE Sales trend in comparable stores.

AVERAGE NUMBER OF EMPLOYEES Average number of employees restated as full-time equivalents.

ENVIRONMENTAL CERTIFICATION Audit by a third party. An environmental certificate is a document showing that the criteria for certification have been met.

INTEREST BEARING NET LIABILITIES Interest bearing debt less cash and cash equivalents.

NET INTEREST BEARING LIABILITIES/EBITDA (MULTIPLE) Net interest bearing debt divided by EBITDA for the immediately preceding twelve-month period.

NET ASSETS Assets excluding cash and cash equivalents and interest-bearing financial receivables less operating liabilities, non-interest-bearing provisions and tax liabilities.

P/E RATIO Share price divided by earnings per share.

PREPPY The term is associated with fashion with a classic cut and has its roots in the north-east of the US. Tweed jackets, button-down shirts, rugby shirts and chinos are usually associated with this fashion, along with rugby, polo and tennis.

INTEREST COVERAGE RATIO (MULTIPLE) EBITDA divided by net interest income excluding non-recurring items, for the immediately preceding twelve-month period.

OPERATING MARGIN Operating profit divided by net sales.

ECONOMIES OF SCALE Means that the average unit cost is reduced as volumes increase.

EQUITY/ASSETS RATIO Equity divided by balance sheet total.

RANGE The products the company, store or department offer.

DIVIDEND PAYOUT RATIO Dividend divided by profit after tax.

EARNINGS PER SHARE Profits after tax divided by average number of shares.

EARNINGS PER SHARE AFTER DILUTION Profits after tax divided by average number of shares after full dilution.

VALUE CHAIN A division of an organisation's processes into different value-creating activities.



“A rule of thumb is that a successful range means a higher share of sales at full price. This year’s efforts have contributed to this. Overall, our sales have been higher than for the market as a whole and the increase has been in the existing store network, not through a large number of new stores. That is powerful.”

FROM THE CEO STATEMENT, PAGES 2-3.

A strong KappAhl is created thanks to us doing lots of things a little better every day – on the basis of a clearly staked out plan. This is what we have done this year and we are pleased with it. We will continue that way.”

JOHAN ÅBERG, PRESIDENT AND CEO, PAGE 2–3.

KappAhl

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