

---

## PRESS RELEASE

---

*Möln dal 20 August 2019*

### STATEMENT FROM THE INDEPENDENT BID COMMITTEE IN KAPPAHL IN RELATION TO THE PUBLIC TENDER OFFER BY MELLBY GÅRD

This statement is made by the independent bid committee of the board of directors of KappAhl AB (publ) (the "**Committee**") ("**KappAhl**" or the "**Company**") pursuant to Section II.19 of Nasdaq Stockholm's Takeover Rules (the "Takeover Rules").

#### **Conclusion**

The Committee unanimously recommends the shareholders of KappAhl to accept Mellby Gårds public tender offer.

#### **Background**

On 29 July 2019 a public tender offer was made by Mellby Gård AB ("Mellby Gård") to the shareholders of KappAhl to tender all their shares in KappAhl to Mellby Gård (the "Offer"). Mellby Gård is offering a cash consideration of 20.00 SEK per share in KappAhl (the "Offer Price"). The Offer Price represents a premium of approximately<sup>1</sup>:

- 43.0 percent compared to the closing price for the KappAhl share on Nasdaq Stockholm on 26 July 2019 (the last day of trading prior to the announcement of the Offer) of 13.99 SEK;
- 44.0 percent compared to the volume-weighted average trading price for the KappAhl share on Nasdaq Stockholm over the last 10 trading days which ended 26 July 2019 of 13.88 SEK;
- 35.9 percent compared to the volume-weighted average trading price for the KappAhl share on Nasdaq Stockholm over the last 30 trading days which ended 26 July 2019 of 14.71 SEK; and
- 22.5 percent compared to the volume-weighted average trading price for the KappAhl share on Nasdaq Stockholm over the last 90 trading days which ended 26 July 2019 of 16.33 SEK.

The acceptance period for the Offer began on 23 August 2019 and expires on or about 20 September 2019, with reservations for possible extensions of the Offer.

The completion of the Offer is conditional upon among other things that the Offer is accepted to such extent that Mellby Gård becomes the owner of shares representing more than 90 percent of the total number of outstanding shares in KappAhl and with respect to the Offer and completion of the acquisition of KappAhl, all necessary clearances, approvals, decisions and other actions from authorities or similar, including approvals from competition authorities, being obtained, in each case on terms which, in Mellby Gård's opinion, are acceptable. Mellby Gård reserves the right to waive these and other conditions in accordance with the Offer. Mellby Gård has announced that the price of SEK 20 per KappAhl share in the Offer will not be raised. The price in the Offer is therefore final according to the Takeover rules.

---

<sup>1</sup> According to Mellby Gård's bid press release.

---

## PRESS RELEASE

---

The board members, Anders Bülow and Thomas Gustafsson, have a conflict of interest as members of the board of directors of Mellby Gård and Thomas position as deputy managing director of Mellby Gård, and have therefore not participated in the Committee's handling of questions relating to the Offer. The independent bid committee of KappAhl consists of members of the board of directors Pia Rudengren, Susanne Holmberg, Kicki Olivensjö, Göran Bille, Cecilia Kocken, Marie-Louise Jansson Bring, Johanna Bergqvist as well as the deputy board member Carita Lundqvist. The deputy board member Håkan Jirlow will not participate in the Committee henceforth due to a temporary hospitalization.

The Committee has appointed SEB Corporate Finance ("SEB") as financial advisor in connection with evaluating the offer and have given EY the assignment to issue a fairness opinion regarding the Offer. Roschier Advokatbyrå has been appointed as legal advisors in connection with the Offer.

EY's fairness opinion is appended to this statement and has been based on the assumptions and considerations that are presented therein. For the assignment regarding the fairness opinion EY obtains a fixed fee that is not dependent on the size of the consideration in the offer, rate of acceptance of the Offer or whether or not it is completed.

### **The KappAhls Committee's assessment of the Offer**

#### *Process*

The Committee's opinion of the Offer is based on an evaluation of a number of different factors the Committee has determined to be relevant when evaluating the Offer. These factors include, but are not limited to, KappAhls and its markets historical development, current market position, the expected future development and thereto related possibilities and risks. The Committee has also taken into account KappAhls historical financial development, including KappAhls earnings trend for the latest two months (June and July) of this year that are published within this press release, the Company's business plan for the coming years and assessments regarding the long term future financial development.

In assessing the Offer, the Committee has analysed the Offer using methods normally used in evaluating public offers for listed companies, including KappAhls valuation relative to comparable listed companies, offer premiums in previous tender offers, the stock market's expectations in respect of the Company and the Committee's view on the Company's long term value based on expected cash flows.

The Committee has considered it to be in the interest of the shareholders to contact other potential bidders. This has been done through contacts between SEB and different, strategic as well as financial, potential interested parties. These contacts have so far not yielded any competing public offers. The Committee notes and determines that Mellby Gårds significant shareholding and statement that they will not withdraw its offer have limited the number of potential bidders interested in the Company.

#### *Considerations*

The Committee notices that KappAhls valuation is low from a historic perspective but the valuation also reflects the great uncertainty of the development of the industry and that the sales and earnings trends has been weak for an extended period of time. KappAhl has, as has been described in e.g. the Company's interim financial report for the third quarter 2018/2019, begun a strategic initiative to strengthen sales and earnings trends in the short term as well as the long term.

In the short term perspective the Committee deems there to be a certain potential for an earnings improvement but in the long term perspective the challenges remain. In its assessment the Committee

---

## PRESS RELEASE

---

has taken into consideration the earnings trend during the last two months (June and July) of this year. While compiling the reports for these months, it has been identified that net sales and net operating profit for June and July has increased from the previous year. Due to the Offer, the Committee has decided to present certain preliminary financial information for these months in this press release. For the last twelve month period until July 2019 the Company's sales amounted to SEK 4,890 million and a net operating profit of SEK 165 million. Adjusted for non-recurring costs the net operating profit amounted to SEK 208 million. In the interim financial report for the third quarter that was presented 26<sup>th</sup> June it appears that KappAhl has implemented measures with a result enhancing effect of SEK 100 million with full effect from September 2019. In the report it is also stated that additional measures will be implemented and that the earnings enhancement program thereby will be more comprehensive than SEK 100 million. Based on this, among other things, the Committee determines that KappAhl's net operating profit for 2019/2020 may increase compared to the profit the last twelve months.

In the long term perspective the Committee deems that the prerequisites for long term profitability are linked to KappAhl's ability to grow. Even if KappAhl's earnings enhancement program means concrete possibilities to improve the results in the short term, the Committee has concluded that sustained sales growth is required to outweigh ongoing cost inflation and create capacity for continued investment in the business. KappAhl's historic development has been volatile with a weak sales development that during the last five years only has had an annual growth rate of 0.5 per cent and during the last two years has shown a negative trend.

In recent years the shift in the industry from physical to online commerce and a focus on sustainability matters has increased significantly. The changes are creating opportunity for those who are correctly positioned regarding store network and online commerce as well as offering an assortment of collections that are attractive to the customer. Today KappAhl has a strong business in children's clothing but there are challenges within primarily women's clothing which is the Company's largest customer segment. KappAhl has with a new management team started working on adapting the Company's offer, positioning, store network, working ways and system support. The Committee notes that while KappAhl has opportunities in an industry that is experiencing major changes it also recognizes that the adaptation process is in its early stages and will demand a lot of time and resources as well as being associated with significant risks and uncertainties in its execution. An example of this is the development of the assortment to be more attractive to the Company's main target group, adjustment of the business model to changing consumption habits, and investment in IT-systems. Therefore, there is uncertainty regarding future growth and profitability.

### *Conclusion*

In conclusion and in light of the above stated the Committee concludes that the potential upside of the share price due to the Company's adaptation work does not outweigh the risks inherent in the execution in connection to the Offer and the premium it entails.

The Committee has further taken into account the valuation opinion from EY according to which the Offer Price, is reasonable for the shareholders of KappAhl from a financial point of view (based on the assumptions and considerations that were presented in the valuation opinion).

Based on the above stated the Committee has concluded that the Offer is reasonable.

### *Effect on KappAhl*

Under the Takeover Rules the Committee is required, on the basis of Mellby Gård's statements in its announcement of the Offer, to make public its opinion of the effects the implementation of the Offer may have on KappAhl, specifically employment, and its views on Mellby Gård's strategic plans for

---

## PRESS RELEASE

---

KappAhl and the effect these may be expected to have on employment and the places where KappAhl conducts its operations. Mellby Gård has in this respect stated that:

*"Mellby Gård's plans for the KappAhl's future business and general strategy do not currently include any material changes to the locations of KappAhl's operations, KappAhl's management and employees, including their terms of employment, other than what KappAhl has communicated in previous interim reports. Following completion of the Offer, and after careful consideration, Mellby Gård will evaluate these issues and how the Company can best be developed. Mellby Gård is convinced that through a successful leadership, a long-term main shareholder and possibilities to achieve co-operation synergies, KappAhl will be able to adjust its business operations, increase its competitiveness and improve its profitability in the upcoming years as a private company."*

The Committee assumes that this description is accurate and has in relevant aspects no reason to take a different view.

**On this basis, the Committee unanimously recommends the shareholders of KappAhl to accept the Offer.**

*This statement shall in all respects be governed by and construed in accordance with substantive Swedish law. Disputes arising from this statement shall be settled exclusively by Swedish courts. This statement has been made in a Swedish and English version. In case of any discrepancies between the Swedish and the English text, the Swedish text shall prevail.*

**Stockholm, August 20, 2019**

**The independent bid committee of the board of directors of KappAhl AB (publ)**

The EY fairness opinion statement to the independent bid committee of the board of directors of KappAhl is enclosed in its entirety below and attached as a pdf in this press release.

**For further information, please contact:**

Pia Rudengren, Chair of the independent bid committee of the board of directors of KappAhl,  
E-mail: pia@rudengren.se.

**Contact person at KappAhl**

Charlotte Högberg, Head Corporate Communications. Tel: +46 704 715 631.  
E-mail: charlotte.hogberg@kappahl.com

**Contact person for financial information**

Peter Andersson, CFO. Tel: +46 70 331 5570. E-Mail: peter.andersson@kappahl.com

*This is information that KappAhl AB (publ) is required to publish in accordance with the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the KappAhl AB (publ) contact person set out below, at 21:30 CEST on August 20, 2019.*

*KappAhl was founded in Gothenburg in 1953 and is a leading fashion chain in the Nordic region with 380 KappAhl and Newbie stores in Sweden, Norway, Finland, Poland and Great Britain as well as Shop Online. Our business idea is to offer value-for-money fashion of our own design to the many people. Sustainability-labeled fashion accounts for 57 per cent of the range. Sales for 2017/2018 totaled SEK 4.8 billion and the company has approx. 4,000 employees in ten countries. KappAhl is quoted on Nasdaq Stockholm. More information at [www.kappahl.com](http://www.kappahl.com).*

## PRESS RELEASE

### Information on KappAhl's preliminary results June-July 2019

When compiling the fourth quarter reporting of KappAhl, it has been identified that net sales and operating profit for the months of June and July exceeds the outcome of the previous year. Due to the Offer, the Committee chooses to present certain preliminary financial information regarding these months, already at this time.

The preliminary net sales for June - July 2019 amounts to SEK 902 (830) million and the preliminary operating profit to SEK 93 (55) million. Net sales and operating profit over rolling 12 months, for the period of August 2018 - July 2019, preliminary amounts to SEK 4 890 million respectively SEK 208 million adjusted for non-recurring costs amounting to SEK 43 million.

#### *Selected key figures*

Amounts in SEK million	Two months		Eleven months		12 months	
	June 2019 - July 2019	June 2018 - July 2018	Sept. 2018 - July 2019	Sept. 2017 - July 2018	Aug. 2018 - July 2019	Sept. 2017 - July 2018
Net sales	902	830	4 481	4 352	4 890	4 760
Gross profit	520	497	2 687	2 708	2 921	2 942
<i>Gross margin</i>	<i>57.6%</i>	<i>59.9%</i>	<i>60.0%</i>	<i>62.2%</i>	<i>59.7%</i>	<i>61.8%</i>
Operating profit	93	55	153	271	165	282
<i>Operating margin</i>	<i>10.3%</i>	<i>6.6%</i>	<i>3.4%</i>	<i>6.2%</i>	<i>3.4%</i>	<i>5.9%</i>
Adjusted operating profit	93	65	195	281	208	292
<i>Adjusted operating margin</i>	<i>10.3%</i>	<i>7.8%</i>	<i>4.4%</i>	<i>6.5%</i>	<i>4.2%</i>	<i>6.1%</i>

Sales in June - July increase by approximately 9 per cent compared to the same period last year and is a clear improvement compared to the weak sales that KappAhl reported during the third quarter of 2019. However, sales have been associated with a larger share of clearance sales and campaigns, which has had some impact on the gross margin. The operating profit has been positively affected by the previously announced earnings enhancement program, which shows clear savings in both stores and administrative functions.

According to the company's financial calendar, KappAhl's report for the fourth quarter 2019 is scheduled to be published at. 07.30 (CET) on October 9, 2019.

---

## PRESS RELEASE

---

### **Fairness opinion regarding Mellby Gård AB's cash offer to the shareholders of KappAhl**

On 29 July 2019, Mellby Gård AB announced a public takeover bid for all outstanding shares in KappAhl AB (publ) ("KappAhl") for a cash consideration of SEK 20 per share ("the Offer").

KappAhl has engaged Ernst & Young AB ("EY") as an independent valuation expert for the purpose of issuing an assessment of the fairness of the Offer from a financial point of view for the shareholders of KappAhl ("Fairness Opinion").

In order to provide this Fairness Opinion, we have performed the analyses deemed necessary, giving consideration, *inter alia*, to the following information:

- Historical development of KappAhl's share price and valuation multiples
- Public financial reports from KappAhl
- Non-public financial information regarding KappAhl, such as management's business plan and financial reporting for June and July 2019
- Equity analyst reports
- Public information about comparable companies
- Interviews with KappAhl management

In addition, we have performed the value calculations and financial analyses that we have deemed necessary to provide the opinion below.

In our assessment we have relied upon the correctness and completeness of the information provided by KappAhl without independent verification. We are not responsible for conclusions based on erroneous or incomplete information provided to us.

Our assignment was finalised on 20 August 2019. Events or information occurring after this date have not been subject to consideration.

EY is retained by KappAhl to provide this Fairness Opinion in connection with the Offer and will receive a fixed fee for its services. EY's fee is not contingent upon, or related to, the size of the Offer consideration, or whether the Offer is accepted.

We are providing this Fairness Opinion to KappAhl who may use this document only in its entirety in the communication with the shareholders of KappAhl concerning the Offer. Our opinion expressed below must not be construed as a recommendation as to whether the shareholders of KappAhl should accept the Offer.

**Based on the work performed by EY, and on the statements above, we are of the opinion that the Offer, on the date of issue of this document, is fair from a financial point of view for the shareholders of KappAhl.**

Ernst & Young AB