

# KappAhl

---

## PRESS RELEASE

---

October 24, 2012



*Not for distribution, directly or indirectly, in or to the United States, Australia, Hong Kong, Japan, Canada, Singapore or South Africa or any other jurisdiction where such distribution of this press release would be subject to legal restrictions.*

## KappAhl announces a rights issue of approx. SEK 375 million, fully covered by means of subscription undertakings and guarantee undertakings

### Summary

- The Board of Directors of KappAhl AB (publ) (“KappAhl” or the “Company”) has resolved on a rights issue of approximately SEK 375 million, before transaction costs, with preferential rights for the existing shareholders in KappAhl
- The rights issue is fully guaranteed through subscription undertakings and guarantee undertakings from shareholders and external guarantors
- The rights issue proceeds will be used in order to strengthen KappAhl’s financial position and reduce the Company’s debt by loan amortization
- The rights issue is subject to approval by the Annual General Meeting, which is planned to be held on 28 November 2012
- The subscription price and offer ratio are expected to be announced on 26 November 2012
- The trading in subscription rights is expected to take place as from the 6 December 2012 up to and including the 17 December 2012
- The subscription period is expected to run from and including the 6 December 2012 up to and including the 20 December 2012

# KappAhl

---

## PRESS RELEASE

---

### **Background and reasons**

KappAhl is a leading fashion chain selling affordable fashion to well defined client segments through approximately 390 stores in five countries. The Company has performed well since the stock exchange listing in 2006 and fulfilled both the operational and financial targets up until the fiscal year 2009/10. Based on the business' strong cash flow, the Company has had the opportunity to apply a strategy of shareholder-friendly dividend policy.

KappAhl has since the fiscal year 2010/11 experienced a significantly weaker demand compared to what the Company has expected and planned for. In addition, the product offering has not sufficiently met the customers' expectations. A higher proportion of clearance sales and higher sourcing costs have resulted in a deteriorated profitability. The weak sales development has also resulted in an inventory increase and increased tie-up of capital.

In parallel, the attitude on both the banking and the stock market in general has become more negative to debt financing in companies, which makes an adjustment to the current market situation suitable.

A number of actions have been carried out during the fiscal year 2011/12 in order to address the weak sales development. Cost savings has been conducted and approximately SEK 150 million has been saved through a number of measures. Furthermore, a lot of work has been done with the assortment that has been further adapted to KappAhl's core customer. In addition, the Company has successfully decreased its tie-up of inventory, which has led to a reduction of the inventory levels during the fiscal year 2011/12 from SEK 858 million at the beginning of the fiscal year to SEK 751 million at the end of the fiscal year. The size and the composition of the inventories are now altogether considered to be satisfactory.

The Company has, as previously announced, signed an agreement to sell the property that contains the distribution center and headquarters. The disposal is made through a legal entity and with an underlying property value of SEK 490 million. The deal is expected to generate a capital gain of approximately SEK 60 million. Meanwhile, a new 15 year lease agreement has been signed.

KappAhl's Board of Directors has resolved on a new share issue of approximately SEK 375 million (before transaction costs) with preferential rights for the Company's shareholders for the purpose of strengthening the Company's financial position and reducing the debt position by loan amortization. Following the property sale and the rights issue, the debt level is expected to correspond broadly to the value of the inventory and is therefore expected to be at a sustainable level in the current financial climate. The financial costs are now expected to relatively quickly drop to a historically normal level.

### **The rights issue**

The Board of Directors has on 23 October resolved, subject to the Annual General Meeting's approval, on a new share issue of approximately SEK 375 million (before transaction costs), with preferential rights for the Company's shareholders, in proportion to current shareholdings as of the record date. If all shares are not subscribed for on the basis of subscription rights, those who have subscribed for shares by exercising subscription rights will also be offered to subscribe for shares without preferential right. If allotment cannot be made in full, allotment will be made in relation to the number of exercised subscription rights, and if such allotment cannot be made, it will be made by drawing of lots. In the event all shares are not allotted according to the above, allotment of shares will

# KappAhl

---

## PRESS RELEASE

---

be made to the guarantors which the Company has entered into guarantee agreements with and in accordance with the terms and conditions of each guarantor's guarantee undertaking.

The Board of Directors will no later than the 26 November 2012 resolve on, and announce, the amount of the share capital increase, the number of subscription rights received per share, the number of subscription rights required for subscription of one new share, the number of shares to be issued and the subscription price to be paid for each new share.

The record date for participation in the rights issue is on 3 December 2012 and the subscription period (subscription through payment) runs as from 6 December 2012 up to and including 20 December 2012.

The rights issue is subject to approval by the Annual General Meeting, which will be held on 28 November 2012.

In connection with the rights issue, the Board of Directors has also decided to put forward a proposal to the Annual General Meeting regarding necessary amendments to the articles of association as a result of the rights issue.

### **Subscription and guarantee undertakings**

Dutot Ltd. (Christian W. Jansson), Mellby Gård AB, Ferd AS, Jula AB and Håkan Westin together representing approximately 34.9 percent of the votes in the Company has declared their support for the rights issue and have undertaken to vote for the rights issue at the Annual General Meeting.

Dutot Ltd., Mellby Gård AB, Ferd AS, Jula AB and Håkan Westin have also undertaken to subscribe for shares in the rights issue corresponding to their respective pro rata share holding, which in aggregate corresponds to 34.9 percent of the rights issue.

Dutot Ltd., Ferd AS and Håkan Westin have undertaken to guarantee an amount corresponding to approximately 41.4 percent of the rights issue, meaning that shareholders have granted subscription undertakings and guarantee undertakings in respect of approximately 76.3 percent of the total rights issue. In addition, Italo Invest AB, Goldcup 8116 AB under change of name to Sagarmatha AB, Goldcup 8117 AB under change of name to Mount Mitchell AB, Lindgate Industri AB and Independia AB (Jan Samuelson) have undertaken to guarantee an amount corresponding to 23.7 percent of the rights issue.

Consequently, the rights issue is fully guaranteed by means of subscription and guarantee undertakings.

### **Preliminary timetable for the rights issue**

26 November	The subscription price and offer ratio are announced in a press release
28 November	The Annual General Meeting resolves on approval of the Board of Directors' rights issue resolution
29 November	KappAhl share is traded excluding subscription rights
3 December	Record date for allotment of subscription rights

# KappAhl

---

## PRESS RELEASE

---

5 December	Estimated date for publication of the prospectus
6 – 17 December	Trading in subscription rights
6 – 20 December	Subscription period (subscription through payment)
28 December	Announcement of the preliminary outcome

### Financial and legal advisors

Carnegie is acting as financial advisor and Setterwalls Advokatbyrå is acting as legal advisor to KappAhl.

### For further information, please contact

Johan Åberg, President and CEO, tel. +46 706 09 99 73, [johan.berg@kappahl.com](mailto:johan.berg@kappahl.com)

Håkan Westin, Chief Financial Officer, phone +46 704 71 56 64, [hakan.westin@kappahl.com](mailto:hakan.westin@kappahl.com)

For further information about the Company, please go to; [www.kappahl.com](http://www.kappahl.com)

Möln dal, 24 October 2012

KappAhl AB (publ)

*KappAhl is a leading Nordic fashion chain with 390 stores and 4 500 co-workers in Sweden, Norway, Finland, Poland and the Czech Republic. KappAhl designs, markets and sells value-for-money fashion and focus in particular on women 30-50 years of age. During the financial year 2011/2012, KappAhl had sales of close to SEK 4.6 billion. KappAhl shares are listed on the NASDAQ OMX Stockholm. In 1999, KappAhl was the first fashion chain to receive environmental management standard certification. Further information is available at [www.kappahl.com](http://www.kappahl.com).*

KappAhl AB (publ) discloses the information provided here pursuant to the Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication on October 24, 2012 08.00 CET.

### IMPORTANT NOTICE

In certain jurisdictions, the publication or distribution of this press release may be subject to legal restrictions and persons in those jurisdictions where this press release has been published or distributed should inform themselves about and abide by such legal restrictions.

This press release may not be published or distributed, directly or indirectly, in or to the United States, Australia, Hong Kong, Japan, Canada, Singapore, or South Africa or any other country where such action is wholly or partially subject to legal restrictions. Nor may the information in this press release be forwarded, reproduced or disclosed in such a manner that contravenes such restrictions. Failure to comply with this instruction may result in a violation of the United States Securities Act of 1933 ("Securities Act") or laws applicable in other jurisdictions.

This press release does not contain or constitute an invitation or an offer to acquire, subscribe for or otherwise trade in shares, subscription rights or other securities in KappAhl AB (publ). Any invitation to the persons concerned to subscribe for shares in KappAhl AB (publ) will only be made through the prospectus that KappAhl AB (publ) intends to publish by the beginning of December 2012, which prospectus will contain, among other things, financial statements as well as detailed information regarding KappAhl AB (publ)'s Board of Directors and Management.

Neither of the subscription rights, the BTAs (interim shares) or the new shares will be registered in accordance with the Securities Act or any provincial act in Canada and may not be transferred or offered for sale in the United States or Canada or to persons resident there or on account of such persons other than in such exceptional cases that do not require registration in accordance with the Securities Act or any provincial act in Canada.