KappAhl Holding AB (publ) offers SEK 102 per share in AB Lindex (publ)

KappAhl Holding AB (publ) ("KappAhl" or "the Company"), today announces a cash offer to the shareholders in AB Lindex (publ) ("Lindex") to tender all outstanding shares in Lindex to KappAhl ("the Offer").

Summary

- KappAhl offers SEK 102 in cash per share in Lindex.[1]
- By bringing together Lindex and KappAhl into one group with two separate store networks, KappAhl is taking the first step towards the creation of a new European *multi-brand* retail group.
- The Offer corresponds to a premium of 15 per cent compared to the closing price of the Lindex share on OMX on 10 August 2007 and of 15 per cent compared to the average closing price of the Lindex share on OMX during the last three months.
- KappAhl estimates that earnings per share for the accounting year 2007/08 will be positively affected.[2]
- The acceptance period is expected to commence on 29 August 2007 and end on 21 September 2007. The cash settlement is expected to commence on 28 September 2007.
- A press conference in Swedish in connection to the Offer will be held on Operaterrassen, Karl XII:s Torg, Stockholm, on 13 August 2007 at 2 pm (CET) and a telephone conference in English will be held at 4 pm (CET).

"We are now taking another step in KappAhl's development towards becoming a corporate group operating several store networks with separate brands. Our intention is that KappAhl and Lindex will be the beginning of a portfolio of store networks with strong brands. The common denominator is fast moving consumer retail, preferably with an element of fashion. KappAhl and Lindex in one corporate group amount to two strong, restructured companies which will continue to develop independently, but where there are opportunities to educate and to economise within areas which are competition neutral. Together we can benefit from the economies of scale which exist within, among other areas, product sourcing, logistics and IT."

"The Offer will be financed with bank loans, some of which it is intended to refinance later this autumn, through a rights issue with preferential rights for existing shareholders. Pegatro Limited, which today owns 30 per cent of KappAhl's share capital, will subscribe for its part of the Rights Issue. The new group will therefore, for an interim period, have a higher debt level than is the case with KappAhl today and therefore, most likely, also have a reduced payout ratio. It is our belief that the strong cash flow in the company, together with the larger portion of debt financed capital, will create an attractive return on equity for the interim period during which the loans will be amortised."

Christian W. Jansson, Managing director and CEO of KappAhl.

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[1] This amount will be adjusted should Lindex, prior to the cash settlement of the Offer, carry out a dividend or in any other way distribute value to shareholders.

[2] After taking into account the effects of the Rights Issue and before the effects of any potential amortisation of acquisition-related intangible assets (Purchase Price Allocation, PPA), in accordance with IFRS.

Background and reasons for the Offer

KappAhl was founded in 1953 and has long been a well known fashion chain in Sweden. Since the current company management joined in 2002, operations have been focused on Sweden, Norway, Finland and Poland. As of 31 May 2007, KappAhl had a total of 272 stores and is listed on OMX, with a market value as of 10 August 2007, of SEK 5,065 million. During the 12 month period ended on 31 May 2007, KappAhl had net sales of SEK 4,393 million and an operating profit of SEK 608 million, corresponding to an operating margin of 13.8 per cent.

Lindex was founded in 1954 and, as of 31 May 2007, had a total of 342 stores, of which the major part is in Sweden, Norway and Finland, as well as a smaller number in Estonia, Latvia and Lithuania. In addition to these stores, Lindex has 18 stores under termination in Germany and, since the spring of 2007, conducts direct sales over the internet. Lindex's shares are listed on OMX and are also traded on Deutsche Börse, with a market value as of 10 August 2007, of SEK 6,119 million. During the 12 month period ended on 31 May 2007, Lindex had net sales of SEK 5,191 million and an operating profit of SEK 436 million, corresponding to an operating margin of 8.4 per cent.[3]

As a result of, among other things, active ownership, both Lindex and KappAhl have, in recent years, made considerable changes, resulting in highly improved profitability. These changes have involved the optimisation of internal processes as well as geographic focus and the locations of stores of both companies. Now that these changes have been put into effect, both companies have, in KappAhl's opinion, entered a period of more mature growth and are therefore now ready for the next step in their respective developments. It is against this background that KappAhl aims, by allowing the two companies to benefit from the advantages which come from becoming part of one common group with two separate store networks, to create new opportunities to strengthen, develop and expand each of the store networks.

Through the Offer KappAhl will create one of the leading fashion companies in the Nordic countries[4], with two store networks and a combined total of 589 stores in Sweden, Norway and Finland (as of 31 May 2007). Moreover, KappAhl will strengthen the prelude to the next step in its geographical expansion, by adding Lindex's newly established operations in Estonia, Latvia and Lithuania to KappAhl's existing operation in Poland.

KappAhl and Lindex partly operate in the same geographical markets but each company has, in KappAhl's opinion, its own, unique, client offering, both of which have proved to be very successful. The aim with integrating the two companies into the same corporate group will be to take advantage of each company's own business concept, by means of retaining each company's brand, product assortment and store network. Cost synergies due to harmonisation are expected to be achieved in other areas, mainly within product sourcing, logistics and IT, areas on which KappAhl has focused in recent years, as well as within purchasing of media space and certain group-wide functions. Finally, KappAhl believes that there is potential in transferring to KappAhl Lindex's competence within areas in which Lindex is today more successful than KappAhl and vice versa.

By bringing together Lindex and KappAhl into one group with two separate store networks, which can benefit from considerable internal economies of scale between the

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3 After adjustment for a provision totalling SEK 90 million in respect of estimated termination costs for Lindex's German operations, the operating result and operating margin for the 12 month period ended on 31 May 2007, was SEK 526 million and 10.1 per cent respectively.

4 Based on statistics from GFK with respect to Sweden and Norway for the period 1 July 2006 up to 30 June 2007.

store networks, KappAhl is taking the first step towards the creation of a new European *multi-brand* retail group.

The new group

For the 12 month period ended on 31 May 2007, the new group had a pro forma turnover of SEK 9,584 million and an operating profit of SEK 1,044 million, corresponding to an operating margin of 10.9 per cent.

As of 31 May 2007, the new group, pro forma, had 614 stores, whereof 326 in Sweden, 171 in Norway, 92 in Finland, 15 in Poland, 6 in Latvia, 3 in Estonia and 1 in Lithuania. In addition to these stores, there were 18 stores under termination in Germany. The new group had, as at 30 June 2007, pro forma market shares within the retail clothing sector of 14.7 per cent in Sweden and 9.5 per cent in Norway. In Finland the new group pro forma is among the 10 leading retail clothing operators, whereas the operations in Poland, Estonia, Latvia and Lithuania are in the process of being established.[5]

Based upon information available to KappAhl today, it is the Company’s estimate that the new group will be able to generate total durable synergies in excess of SEK 150 million per annum. As a result of the co-ordination of product sourcing, the new group will be able to benefit from the increased purchasing power which comes from doubling product volume. Within the area of transport and logistics KappAhl’s logistic facilities can be utilised to a higher degree than today, which reduces the need for external logistic services. KappAhl’s and Lindex’s stores are often situated close to one another, which KappAhl believes will strengthen their position when negotiating contracts for store premises. Further savings can also be made within IT and other group-wide functions.

The full potential of the estimated synergies is expected to be realisable within three to five years. The net effect of synergies and integration costs during the 2007/08 accounting year is expected to be slightly negative. KappAhl estimates that the carrying out of the Offer will have a positive effect on KappAhl’s earnings per share in the 2007/08 accounting year, as a result of the fact that Lindex’s operating result is expected to exceed the bank financing costs and the net result of integration costs and synergies.[6]

Following the Offer the new group’s indebtedness will exceed KappAhl’s long-term target, consequently the Offer will be accompanied with (i) a rights issue, according to below, with preferential rights for KappAhl’s existing shareholders, and (ii) temporarily changed dividend policy for the coming five years.

i. On or around 20 August 2007, the Board of Directors of KappAhl intends to publish a notification of a Extraordinary General Meeting (“EGM”), to be held on or around 17 September 2007 and in connection therewith propose to the EGM to authorise the Board of Directors to resolve on an issue of shares or convertibles with preferential rights for existing shareholders (“the Rights Issue”). The Rights Issue, which is intended to be completed during 2007, is expected to amount to at least SEK 2,000 million and the proceeds used to refinance part of the bank financing raised to finance the Offer. KappAhl has been notified that Pegatro

5 Based on statistics from GFK with respect to Sweden and Norway for the period 1 July 2006 up to 30 June 2007.

6 After taking into account the effects of the Rights Issue and before the effects of any potential amortisation of acquisition-related intangible assets (Purchase Price Allocation, PPA), in accordance with IFRS.

Limited, representing 30 per cent of total shares and votes, has agreed to vote in favour of an authorisation to the Board of Directors to resolve on the Rights Issue and has undertaken, to the lenders, to subscribe for its share thereof.

ii. During an interim period of 5 years, during which time a portion of the bank loans raised in connection with the Offer is to be amortised, the Board of Directors of KappAhl intends to propose to the Annual General Meeting that a lower percentage of net profit is to be distributed to shareholders through dividends. The Board of Directors intends to present the new dividend policy in connection with the publication of the prospectus in respect of the Rights Issue. Dividends will not be distributed to shareholders until the Rights Issue has been completed.

As at 31 May 2007, pro forma, after the Offer and the Rights Issue, KappAhl's net interest bearing debt amounted to approximately SEK 6,805 million[7], corresponding to 4.6 times EBITDA for the 12 month period ended on 31 May 2007 and an equity asset ratio of 24 per cent. The average interest rate of the new group's bank financing is estimated at 5-6 percent per annum. See further under "Financing" below.

The Offer

KappAhl offers SEK 102 in cash for every share in Lindex ("the Offer price"). The Offer price will be adjusted should Lindex, prior to the cash settlement of the Offer, carry out a dividend or in any other way distribute value to shareholders. In accordance with a statement by the Swedish Stock Market Committee (*Sw. Aktiemarknadsnämnden*) the Offer does not apply to Lindex's existing share-based option programme for senior executives. However, KappAhl intends to open a discussion with Lindex's management in order to receive more information on the terms of the programme in order to guarantee option holders a fair and just treatment.

No commission will be charged in respect of settlement of the Offer.

The Offer corresponds to a premium of 15 per cent compared to the closing price of the Lindex share on OMX on 10 August 2007 and of 15 per cent compared to the average closing price of the Lindex share on OMX during the last three months.[8]

The total value of the Offer amounts to approximately SEK 7,013 million.[9]

KappAhl and its main owner, Pegatro Limited[10], currently own or control no shares in Lindex.

Conditions for the Offer

Completion of the Offer is conditional upon:

1. that the Offer is accepted to such extent that KappAhl becomes the owner of more than 90 per cent of the total number of shares and votes in Lindex, on a fully diluted basis;

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7 The calculation is based on a rights issue amounting to SEK 2,000 million.

8 The last closing price of the Lindex share 10 August was SEK 89.00. The average closing prices the last three months was SEK 88.64.

9 Based on 68,750,000 shares in Lindex.

10 Pegatro limited is to equal parts controlled by Christian W. Jansson (President and Chief Executive Officer of KappAhl) and Paul Frankenius (member of the Board of Directors of KappAhl).

2. that the EGM in KappAhl during the acceptance period for the Offer, resolves to authorise the Board of Directors to resolve on the Rights Issue in KappAhl with preferential rights for existing shareholders in KappAhl, the purpose of the issue being to repay part of the bank financing raised by KappAhl in order to finance the Offer;
3. that no other party publicly announces an offer to acquire shares in Lindex on terms more favourable for the shareholders in Lindex than the terms under the Offer;
4. that, with respect to the Offer, the acquisition of Lindex and the execution thereof, all necessary permits, approvals, decisions and similar clearances from authorities, including competition authorities, have been received on terms acceptable to KappAhl;
5. that KappAhl, with the exception of information publicly announced by Lindex or as otherwise disclosed in writing with KappAhl prior to the date of the public announcement of the Offer, does not discover that any information publicly announced by Lindex or otherwise made available to KappAhl is materially inaccurate or misleading or that any material information that should have been publicly disclosed by Lindex has not been so published;
6. that neither the Offer nor the acquisition of Lindex, its execution, and the Rights Issue, is wholly or partly prevented or materially adversely affected by any legislation or other regulation, court decision, authority decision or similar circumstance, which is actual or could reasonably be anticipated and is outside the control of KappAhl, and which KappAhl could not reasonably have foreseen at the time of the public announcement of the Offer;
7. that no circumstance, which KappAhl did not have knowledge of at the time of the announcement of the Offer, has occurred which has a material negative impact on, or can reasonably be expected to have a material negative impact on, Lindex's sales, results, liquidity, equity or assets;
8. that Lindex does not take any measures that are typically intended to impair the prerequisites for the Offer or the execution thereof; and
9. that disbursement is made in accordance with credit commitments issued by KappAhl's lenders (see further under "Financing" below).

KappAhl reserves the right to withdraw the Offer in the event that it is clear that any, several or all of the above conditions are not fulfilled in whole or in part or cannot be fulfilled. As regards conditions 4 to 9 above, such withdrawal will however only be made if the defective fulfilment of such condition is of material importance for KappAhl's acquisition of shares in Lindex.

KappAhl reserves the right to waive, in whole or in part, one or several of the conditions above, including, with respect to condition 1 above, to complete the Offer at a lower level of acceptance.

Financing

The Offer will be financed by bank financing and KappAhl has entered credit agreements for such bank financing with Nordea Bank AB (publ) and Swedbank AB (publ).

The total bank financing covers, according to KappAhl's assessment, the Company's capital requirements to finance the settlement of the Offer, to repay existing bank loans within KappAhl and Lindex, and to continue to run the business within the new group. The bank financing primarily includes non-amortising loans, but also includes loans of SEK 1.5 billion, which are to be amortised over a period of five years, and a bridge financing of more than SEK 2.0 billion which is to be refinanced through the Rights Issue, which will be arranged by Carnegie, Nordea Bank AB (publ) and Swedbank AB (publ).

The disbursement of the bank financing is subject to that the Offer being accepted to such extent that KappAhl becomes the owner of more than 90 per cent of the total number of shares in Lindex (on a fully diluted basis), and that there is no significant change of control in KappAhl, defined as a person, alone or in concert with another, acquires shares in KappAhl corresponding to more than 30 per cent of capital or votes. In excess of the aforesaid, the credit agreement only contains conditions for the disbursement over which KappAhl and its owners deem that they have control, except for conditions in respect of that it is not legal to provide the financing, that the loan documentation does meet legal requirements and is binding, that agreements or processes do not hinder the loan documentation and that the necessary regulatory approvals are obtained, which conditions are customary for credits of this kind. The conditions which KappAhl and its owners in all essentials are in control of are the following;

- that KappAhl is not in breach of any of certain limited key undertakings in the loan documentation, for example that KappAhl becomes insolvent, withdraws from its contractual or financial obligations, takes up other loans, create other collaterals, or sells a material part of its business,
- that the shares in KappAhl are not delisted from OMX,
- that KappAhl acts in compliance with the Offer and with the undertaking in the loan documentation regarding the Offer, and complies with laws and regulations, recommendations and statements applicable to the Offer,
- that KappAhl provides agreed securities, including pledge of the shares in Lindex which are acquired,
- that the Offer is declared unconditional by KappAhl no later than one month after the last day to accept the Offer according to the regular acceptance period.

Management and employees

KappAhl attributes great value to Lindex's management and employees and also intends to continue to safeguard the excellent relationship among Lindex's employees that has become evident to KappAhl. KappAhl has noted Lindex's share-based option programme for senior executives and will co-operate with Lindex in order to treat option holders in a fair and just manner.

Preliminary timetable[11]

Notification of Extraordinary General Meeting	20 August 2007
Publication of the Offer Document	27 August 2007
First day to accept the Offer	29 August 2007
Extraordinary General Meeting in KappAhl	17 September 2007
Last day to accept the Offer	21 September 2007
Cash settlement	28 September 2007

KappAhl reserves the right to extend the subscription period and to delay the date of the cash settlement.

The Offer is subject to the approval of competition authorities. Provided that each respective authority handles the processes according to plan, such approval is expected to be granted on or around 19 September 2007.

Compulsory acquisition and de-listing

As soon as possible after that KappAhl has acquired shares representing more than 90 per cent of the shares in Lindex, KappAhl intends to commence a compulsory acquisition procedure under the Swedish Companies Act to acquire all remaining shares in Lindex. In connection therewith, KappAhl intends to promote a delisting of Lindex's shares from OMX and the Deutsche Börse.

Due diligence

In connection with the preparations for submitting the Offer, KappAhl has not conducted a due diligence review, other than such based on public information published by Lindex.

Applicable law and disputes

The Offer shall be governed by and construed in accordance with the laws of Sweden. The rules of the Stockholm Stock Exchange regarding public takeovers on the stock market (the "Takeover Rules") and the statements of the Swedish Stock Market Committee (*Sw. Aktiemarknadsnämnden*) regarding interpretation and application of the Takeover Rules (including its statements regarding the rules of the Swedish Industry and Commerce Stock Exchange Committee (*Sw. Näringslivets Börskommitté*) on public takeovers) apply in relation to the Offer. Furthermore, KappAhl has, in accordance with the Swedish Act on Public Takeovers on the Stock Market, contractually undertaken to OMX to comply with said rules and statements and to submit to any sanctions imposed by OMX upon breach of the Takeover Rules. A corresponding undertaking is made to the shareholders in Lindex. Any dispute regarding the Offer, or which arises in connection therewith, shall be exclusively settled

11 All dates are preliminary and may be subject to change.

by the Swedish courts, and the City Court of Stockholm shall be the court of first instance.

Advisers

Carnegie acts as financial adviser and Setterwalls Advokatbyrå acts as legal adviser to KappAhl in connection with the Offer.

Mölndal den 13 August 2007

KappAhl Holding AB (publ)

The Board of Directors

Press conference

A press conference in Swedish will be held on Operaterrassen, Karl XII:s Torg, Stockholm, on 13 August 2007 at 2.00 pm (CET).

A telephone conference in English will be held at 4.00 pm (CET), on telephone number SWE +46 (0)8 5352 6407, UK +44 (0)20 7806 1956 and US +1 718 354 1388 and with the meeting code 7044493.

For further information, please contact

Christian W. Jansson, President and CEO Tel. +46 70 995 02 01
Håkan Westin, CFO Tel. +46 70 471 56 64

KappAhl Holding AB (publ)
Box 303, 431 24 Mölndal

KappAhl is a leading Nordic fashion chain with approximately 272 stores in Sweden, Norway, Finland and Poland. We design, market and sell clothes for the entire family, but focus in particular on women between 30 and 50 years of age, shopping for the whole family. KappAhl's head office and distribution centre, which handles the distribution of goods to all stores, is located in Mölndal, just outside Gothenburg. KappAhl employs approximately 3,700 individuals, more than 90 percent of whom are women. During the financial year 2005/06, KappAhl had sales of SEK 4.2 billion, with an operating profit of SEK 530 million. KappAhl shares are listed on the OMX Nordic Exchange in Stockholm. Further information about the company is available on **www.kappahl.com** and financial information is available on **www.kappahl.com/ir**.