

Information regarding proposed share split and redemption of shares in KappAhl Holding AB (publ)

KappAhl®

This document provides information on the proposal by the Board of Directors of KappAhl Holding AB (publ) ("KappAhl" or the "Company") to distribute capital to the shareholders of KappAhl through a mandatory redemption of shares. This document does not constitute an offer and the purpose of this document is merely to provide the shareholders of KappAhl with information in advance of the Annual General Meeting on 17 December 2007, which is proposed to resolve on the mandatory redemption of shares. The Board of Directors' complete proposal, which includes decisions on changes to the Articles of Association, a share split, a reduction of the share capital and a restoring of the share capital through a bonus issue, is available at the Company and at the Company's website, www.kappahl.com/ir, and will be sent to shareholders upon request.

This document is a translation of the Swedish language version. In the event of any discrepancies between this translation and the Swedish language version, the Swedish language version shall prevail.

Nordea 

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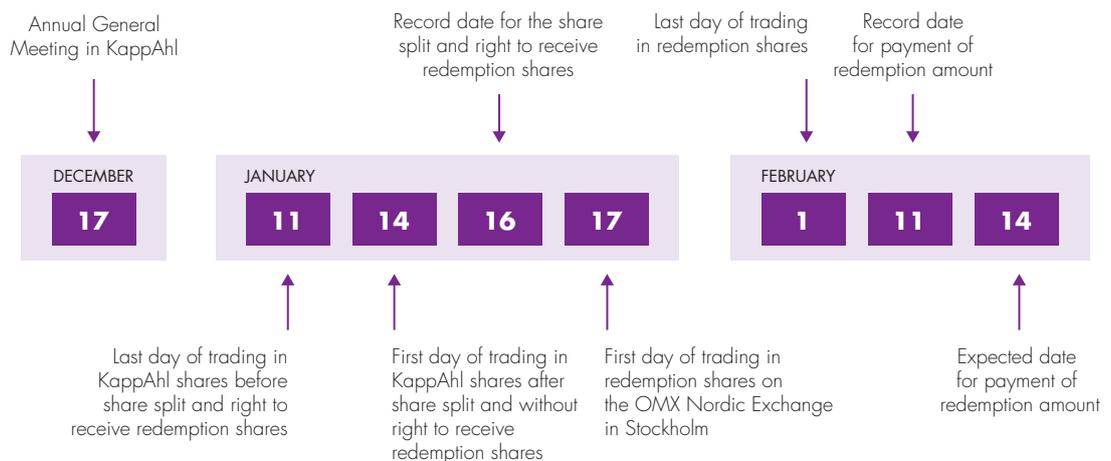
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The proposed share split and redemption procedure in summary

- The share split and redemption procedure requires a resolution by the Annual General Meeting on 17 December 2007 in accordance with the Board's proposal.
- The share split and redemption procedure implies that every KappAhl share will be split into two shares of which one will be designated as a redemption share in the VPC system. The redemption share will thereafter be automatically redeemed at SEK 11 in cash.
- The Board of Directors is proposed to be authorised to determine the record date for the share split and entitlement to redemption shares. The Board intends to set 16 January 2008 as the record date.
- Trading in redemption shares will take place during the period 17 January to 1 February 2008.
- The Board of Directors is proposed to be authorised to determine the record date for payment of the redemption amount. The Board intends to set 11 February 2008 as the record date and payment of the redemption amount is expected to be made on or around 14 February 2008.

The share split and redemption procedure is mandatory. No action is needed by or on behalf of the shareholder.

Timetable



Background and reasons

KappAhl is a leading Nordic fashion chain with approximately 3,800 employees and close to 300 stores in Sweden, Norway, Finland and Poland. KappAhl designs, markets and sells value-for-money fashion with a wide appeal, and focuses in particular on women aged 30 to 50 with family. The head office and distribution centre are located in Mölndal, in the outskirts of Göteborg. In the 12 months period that ended on 31 August 2007, KappAhl's net sales were SEK 4.5 billion and operating profit was SEK 618 million. KappAhl is listed on the OMX Nordic Exchange in Stockholm.

The Board of Directors of KappAhl has on 15 November 2007 proposed, on the basis of the Group's strong results, cash flow and future prospects, the Annual General Meeting on 17 December 2007 to resolve on a mandatory redemption proce-

cedure in order to distribute SEK 825,440,000 to KappAhl's shareholders.

The redemption procedure means that each existing share will be split into two shares (so called share split 2:1), of which one will be redeemed against a cash payment of SEK 11, whereupon a total of SEK 825,440,000 will be transferred to the shareholders.

This information brochure has been prepared by the Board of Directors of KappAhl in account of the share split and redemption procedure. For additional information, please see KappAhl's Annual Report 2006/2007 and the statements, of the Board of Directors and the auditor, respectively, included in the complete proposal to the Annual General Meeting.

Mölndal 30 November 2007

KappAhl Holding AB (publ)
The Board of Directors

Description of the share split and redemption procedure

Each KappAhl share will be split into two shares, of which one will be designated as a redemption share in the VPC system. The redemption share will then automatically be redeemed against payment of a redemption amount of SEK 11 in cash. A total amount of SEK 825,440,000 will thereby be transferred to the shareholders.

Example: As of the record date for the share split, which is intended to be 16 January 2008, you are the registered owner of 100 KappAhl shares. In this example, the share price is assumed to be SEK 75 per share.

Your shares are thus worth:
 100 KappAhl shares x SEK 75 = SEK 7,500

Through the share split and redemption procedure, each share will be split into two shares, one KappAhl share and one redemption share. KappAhl will automatically redeem the redemption share against a cash payment of SEK 11 per share. Accordingly, the theoretical price for the KappAhl share can be calculated to a total of SEK 64, which is equivalent to the difference between the share price before the split and the value of the redemption share (SEK 75 – SEK 11).

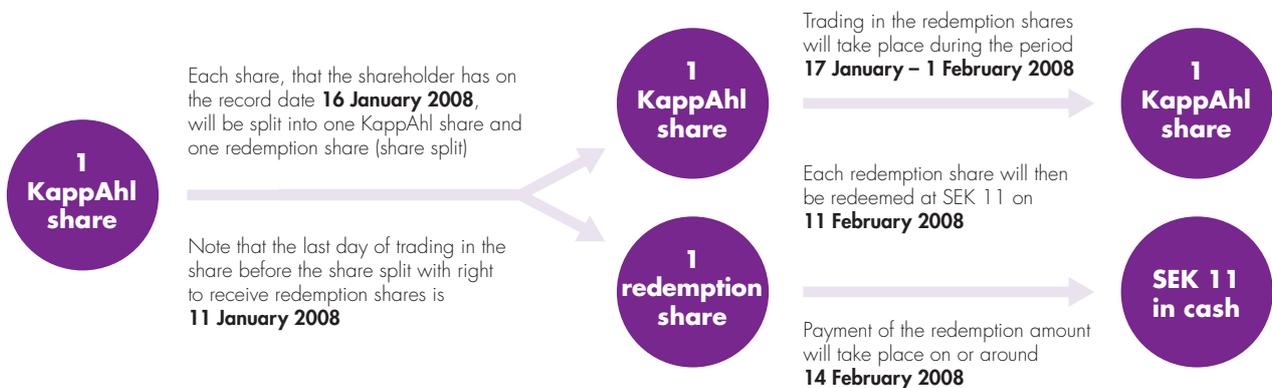
Your shares are thus worth:
 100 KappAhl shares x SEK 64 = SEK 6,400
 100 redemption shares x SEK 11 = SEK 1,100

The redemption share will automatically be redeemed at a cash payment of SEK 11 per share, that will be paid to those who are registered owners as of the record date for payment of the redemption amount, which is intended to be 11 February 2008. This does not require any action on the shareholder's behalf.

When the redemption procedure is completed, you will hold:
 100 KappAhl shares x SEK 64 = SEK 6,400
 Cash payment for 100 redemption shares x SEK 11 = SEK 1,100

This means that you will still own the same number of KappAhl shares as you did prior to the redemption procedure as well as a cash payment of SEK 11 per redemption share that you held on the record date.

This example does not take into account any tax effects that may arise in connection with the redemption procedure. For a summary of certain tax consequences, please see the section "Tax issues in Sweden".



Detailed information on the share split and redemption procedure

Share split and redemption

Those registered as shareholders of KappAhl in the share register kept by VPC on the record date for the share split, which is intended to be 16 January 2008, have the right to receive redemption shares. Shareholders will receive two shares for every KappAhl share held, of which one will be designated as a redemption share in the VPC system. Each redemption share will later be automatically redeemed against a cash payment of SEK 11.

Last day of trading before the share split and right to receive redemption shares

The last day of trading in the KappAhl share before the share split and right to receive redemption shares will be 11 January 2008. Starting 14 January 2008, the KappAhl share will be traded after the share split and without the right to receive redemption shares.

Record date to receive redemption shares

The Board of Directors is proposed to be authorised to determine the record date at VPC for the share split and the entitlement to redemption shares. The Board intends to set 16 January 2008 as the record date. Following the record date, the redemption shares are booked into the shareholder's VP-account. The shareholder will receive a VP-notice as confirmation of the number of redemption shares received.

Trading in redemption shares

Trading in redemption shares will take place on the OMX Nordic Exchange in Stockholm during the period 17 January to 1 February 2008. All Swedish banks and other securities institutions with the necessary permits can assist with trading in redemption shares.

Payment of the redemption amount

Cash payment of the redemption amount of SEK 11 per redemption share is expected to take place on or around 14 February 2008, to those registered as owners of redemption shares on the record date for payment, which is intended to be 11 February 2008. Payment will be made via VPC to the yield account linked to the shareholder's VP-account.

A VP-notice will be sent out as confirmation of payment. In connection with the payment, the redemption shares booked on the shareholder's VP-account will be removed. A VP-notice relating to the removal will not be sent out.

Shares registered with nominees

Shareholders of KappAhl whose shares are registered with a nominee, for example a bank or other securities institutions, will receive redemption shares in accordance with the information given by each nominee.

Foreign shareholders

Shareholders who are not tax resident in Sweden participating in the redemption procedure and whose shares are redeemed are normally obliged to pay Swedish withholding tax on the redemption amount, please see the section "Tax issues in Sweden". Withholding tax will thus be, in accordance with current legislation, withheld for foreign shareholders in connection with the payment of the redemption amount. Consequently, part of the redemption amount could be withheld to cover withholding tax.

Preconditions for the share split and redemption procedure

The share split and redemption procedure requires that the Annual General Meeting on 17 December 2007 resolves on a change of the Articles of Association, a share split, a reduction of the share capital and a bonus issue to restore the share capital in accordance with the Board's proposal. The completion of the share split and redemption procedure further requires that the resolutions of the Annual General Meeting are registered with the Swedish Companies Registration Office ("Bolagsverket").

Questions

Questions regarding the share split and redemption procedure will be answered by Nordea's customer support, telephone number +46 (0)8-21 92 45.

Financial effects for KappAhl

Provided that the Annual General Meeting resolves in accordance with the Board's proposal on a mandatory redemption procedure, a total amount of SEK 825,440,000 will be transferred to the shareholders of KappAhl.

In order to illustrate the effect on the KappAhl Group's consolidated accounts from the redemption procedure, pro forma figures and selected financial key ratios for the accounting year 2006/2007 are presented below. Balance sheet items are presented as if the redemption procedure

was effected on 31 August 2007 and items in the income statement as if the redemption procedure was effected on 1 September 2006. The pro forma figures are based on the assumption that the redemption amount has been financed through debt financing. The distribution of capital from KappAhl through redemption of shares will also have a minor impact on the Company's net financial items and thus on the pro forma profit for the year estimated as below.

| Key ratios, KappAhl Group as of 31 August 2007 | Before the transaction | Adjustment for redemption | Pro forma after the transaction |
|---|-----------------------------------|--------------------------------------|--|
| Equity, SEKm | 889.5 | -825.4 | 64.1 |
| Net interest-bearing liabilities ¹⁾ , SEKm | 1,387.1 | +825.4 | 2,212.5 |
| Net interest-bearing liabilities/EBITDA ²⁾ , times | 1.7x | +1.0x | 2.7x |
| Equity/assets ratio ³⁾ , % | 27.7% | -25.7% | 2.0% |
| Profit for the year ⁴⁾ , SEKm | 658.8 | -30.2 | 628.6 |
| Earnings per share ⁵⁾ , SEK | 8.78 | -0.40 | 8.38 |
| P/E ratio ⁶⁾ , times | 8.5x | -0.9x | 7.6x |

| Changes in equity, KappAhl Group as of 31 August 2007 | Before the transaction | Split 2:1 | Redemption of shares | Bonus issue | Pro forma after the transaction |
|--|-----------------------------------|------------------|---------------------------------|------------------------|--|
| Equity | | | | | |
| Share capital, SEKm | 10.7 | | -5.4 | +5.4 | 10.7 |
| Other equity, SEKm | 878.8 | | 820.1 | -5.4 | 53.3 |
| Number of shares, million | 75.0 | 150.1 | 75.0 | 75.0 | 75.0 |

¹⁾ Interest-bearing liabilities less liquid funds.

²⁾ Earnings before amortisation.

³⁾ Equity/balance sheet total.

⁴⁾ Profit for the year has been adjusted for higher interest expenses.

⁵⁾ Based on total number of shares outstanding.

⁶⁾ Based on a share price of SEK 75 and a theoretical decrease of SEK 11 for the redemption amount.

Tax issues in Sweden

The presentation below is a summary of certain Swedish tax regulations that apply to shareholders of KappAhl as a result of the redemption procedure. The purpose of the summary is to provide general information only and, unless otherwise stated, the summary is based on regulations and practice currently in force for shareholders with an unlimited tax liability in Sweden. The summary does not cover situations in which securities are held as current assets in business operations or are held by partnerships. Neither does it deal with the special tax regulations applying to certain corporate categories nor the rules on tax-exempt capital gains (including non-deductible capital losses) and dividends on shares considered to be held for business purposes. Nor does the summary cover the special rules that may apply to holdings in companies that have been acquired by means of “qualified shares” in closely held companies. For shareholders that are not tax resident in Sweden, the tax consequences are affected by provisions of the shareholder’s home state and by tax treaties between Sweden and other states. The tax implications for each shareholder depend on the shareholder’s specific circumstances. All shareholders should consult a tax advisor for information on the specific tax consequences arising from the redemption procedure for their part.

Tax issues for shareholders in Sweden

Receipt of redemption shares

The receipt of redemption shares pursuant to the share split as such does not give rise to any taxation. Instead, the acquisition cost of the original KappAhl shares shall be allocated between the redemption shares and the ordinary shares, based on the market values at detachment of the redemption shares. KappAhl intends to seek general advice from the Swedish Tax Agency to get the exact allocation set. **Information on the Swedish Tax Agency’s general advice will be published on KappAhl’s website (www.kappahl.com/ir) and on the Swedish Tax Agency’s website (www.skatteverket.se).**

Redemption and sale of redemption shares

Redemption of redemption shares and sale of redemption shares, for example by sale in the market, give rise to capital gains taxation. A capital gain or capital loss shall be computed based on the difference between the received payment, after deduction of sales costs, if any, and the acquisition cost of the redemption shares redeemed or sold. The received payment for shares redeemed is the redemption amount. The received payment for redemption shares sold in the market is the sales price.

The acquisition cost for redemption shares received at the share split shall be calculated by allocating the acquisition cost as described under the heading “Receipt of

redemption shares” and in the example on page 7. The acquisition cost of shares acquired in the market is the actual acquisition cost for the shares. The acquisition cost of all shares of the same series and type shall be computed collectively in accordance with the average method. It should be noted that the redemption shares are no longer considered to be of the same series and type as the ordinary KappAhl shares. For shares that are quoted on a market, the acquisition cost may alternatively be determined in accordance with the standard method to 20 per cent of the sales price after deduction of sales costs.

For **individuals**, the capital gain is taxed in the capital income category. The tax rate is 30 per cent. A capital loss on quoted shares is fully deductible against taxable capital gains in the same year on shares and other quoted securities that are taxed as shares except for units in Swedish investment funds that only contain Swedish receivables (Sw: räntefonder). Any excess losses are 70 per cent deductible against other income from capital. If an overall capital deficit arises, a reduction from tax on income from employment and business operations as well as real estate tax is granted. A tax reduction of 30 per cent is provided for deficits that do not exceed SEK 100,000 and 21 per cent of any remaining deficit. Deficits cannot be carried forward to later fiscal years.

In the case of **limited liability companies**, capital gains on shares that are not deemed to be held for business purposes are taxed as income from business operations at a tax rate of 28 per cent. Deductible capital losses on shares and other securities that are taxed as shares may normally only be offset against taxable capital gains on shares and other securities. In certain cases, capital losses may be offset against capital gains within a certain corporate group if group contributions are permitted among the companies. Capital losses that cannot be utilized during a certain year may be carried forward and be utilized against eligible capital gains in subsequent fiscal years.

Certain tax considerations for shareholders with a limited tax liability in Sweden

In the case of shareholders that have a limited tax liability in Sweden, the redemption of redemption shares for cash payment is deemed to be a dividend, which means that Swedish withholding tax is levied on the received payment. The tax rate is 30 per cent but is generally reduced under tax treaties that Sweden has concluded with other countries. Swedish withholding tax is levied regardless of the redemption shares being received by the share split or acquired in the market. Repayment of part of the withholding tax may be

granted following a filing with the Swedish Tax Agency. Repayment will normally be granted with an amount corresponding to the part of the withholding tax which is attributable to the redemption share or 20 per cent of the redemption amount. The acquisition cost is usually allocated between the redemption shares and ordinary shares as mentioned in the example on page 7. A claim for refund is to be filed in writing with the Swedish Tax Agency at the latest at the end of the fifth calendar year after payment.

Shareholders with a limited tax liability in Sweden and who are not carrying on business operations from a fixed place or a permanent establishment in Sweden are generally exempt from capital gains taxation in Sweden on the

disposal of shares. However, shareholders may be liable for tax in their country of residence. If a shareholder with a limited tax liability in Sweden, being an individual, has been resident or lived permanently in Sweden at any time during the year of the sale or the ten calendar years immediately preceding the year of the sale of Swedish shares, Sweden has the right under a domestic rule to tax such a holder. This right to tax is, however, limited by several tax treaties that Sweden has concluded with other countries.

It should be noted that no Swedish withholding tax is payable if the redemption shares are sold in the market.

Example: Assume in this example, that a shareholder has one KappAhl share with an average acquisition cost of SEK 56 (the offering price) immediately before the share split, that the trading price at the time of the share split is SEK 75 and that the price of the redemption share is SEK 11. Furthermore, assume in this example that the Swedish Tax Agency in its forthcoming general advice determines that 85 per cent (note that this is only an assumption) of the acquisition cost for one original share shall be allocated to

the ordinary share and 15 per cent shall be allocated to the redemption share. The acquisition cost of the redemption share will consequently be SEK 8.4 (15 per cent of SEK 56). The acquisition cost for the ordinary share will then be SEK 47.6 (85 per cent of SEK 56).

Thus, when the redemption share is redeemed or sold a capital gain of $(11 - 8.4) = \text{SEK } 2.6$ will arise on each redemption share.

Questions and answers

Why is KappAhl proposing a share split and redemption?

On the basis of the Group's strong results, cash flow and thereby solid balance sheet, a redemption of shares is a good way to distribute capital to the shareholders. Redemption is, moreover, advantageous from a tax standpoint for some shareholders.

Why does KappAhl not use the capital for investments rather than distributing them to the shareholders?

KappAhl will have, taking the proposed dividend of SEK 11 per share into account, a sufficiently strong financial position to enable justified investments in accordance with KappAhl's plans.

What does mandatory redemption of shares entail?

Mandatory redemption entails that, once the share split has taken place, the shares that are designated as redemption shares in the VPC system will be automatically redeemed in exchange for a predetermined cash consideration, without any action needed on behalf of the shareholder.

Why is there trading in redemption shares?

Trading in redemption shares can be favourable from a tax perspective for foreign shareholders.

How will I know the price of the redemption shares when they are traded?

The redemption shares will be listed on the OMX Nordic Exchange in Stockholm. This means that the price will be posted on the website of the OMX Nordic Exchange, in the daily newspapers, etc.

As a shareholder, do I need to do anything?

Provided that the Annual General Meeting resolves in accordance with the Board's proposal on a mandatory redemption procedure, you do not need to do anything as a shareholder. KappAhl will automatically redeem the redemption shares at a cash payment of SEK 11 per redemption share. Payment is expected to take place on or around 14 February 2008.

How and when will KappAhl's share price be affected?

It is impossible to predict in detail how the market will price the KappAhl share after the split into KappAhl shares and redemption shares. Theoretically, the price of the KappAhl share should decrease by the redemption payment of SEK 11 for each redemption share. This share price change should occur on the same day as the share is traded without the right to receive redemption shares, 14 January 2008, that is, two trading days prior to the record date for the share split of the KappAhl share.

How many shares will I have when the share split and the redemption procedure is completed?

When the redemption shares have been redeemed, you will have the same number of KappAhl shares as you had before, given that you do not sell or buy any KappAhl shares.

When will payment of the redemption amount to owners of redemption shares occur?

On or around 14 February 2008.

As a shareholder, what are my options?

You can either:

1. Await and automatically receive payment for redemption shares as they are redeemed. Payment is expected to take place on or around 14 February 2008.
2. Instead of await that the redemption shares are redeemed automatically, you can sell your redemption shares before the redemption procedure is completed. Trading in the redemption shares will take place on the OMX Nordic Exchange in Stockholm during the trading period, 17 January to 1 February 2008.

Is the ordinary dividend affected by the share split and redemption procedure?

The proposed mandatory redemption procedure replaces the Board's previous proposal regarding a cash dividend of SEK 5 per share. However, the proposed redemption procedure will, in KappAhl's view, not affect KappAhl's prospects to pay future dividends within the limit for the appointed dividend policy.



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