

The Board of Directors' statement, in accordance with Chapter 18 Section 4 of the Swedish Companies Act, regarding proposal for distribution of profits (SEK 1.25 per share)

Due to the uncertain market situation still present, the Board of Directors of KappAhl Holding AB has decided to propose a reduction in dividend to SEK 1.25 per share.

Reasons for the proposal

The dividend policy of KappAhl Holding AB means that the Board of Directors at future Annual Meetings shall propose payment of dividends representing between 70 and 100 per cent of profits after tax, in each case, subject to KappAhl's financial objectives and expected future earnings, future position, cash flows, terms of credit as well as other factors. The now proposed dividend takes into account present uncertain market situation and is therefore less than 70 per cent of profits after tax.

The Board of Directors considers the proposed dividend to be justifiable in view of the parameters stated in Chapter 17, Section 3, paragraphs 2 and 3 of the Swedish Companies Act (type of business, scope and risks and need for consolidation, liquidity and general position).

Type of business, scope and risks

The type and scope of the business and its risks are set out in the Articles of Association and the adopted Annual Report and Group Accounts. The business conducted does not give rise to any risks in addition to those that exist or can be presumed to exist within the business-area or those risks generally applicable to business activities. As regards significant events, reference is made to statutory administration report and other financial reports. In addition thereto, there have been no occurrence of events that influence the Company's ability to pay dividends.

Consolidation needs, liquidity and position in other aspects

The financial position of the Company and the Group as of 31 August 2009 is stated in the latest Annual Report. The Annual Report also states those accounting principles applied in the valuation of assets, allocations and liabilities. The Group's Equity as of 31 August 2009 has been affected negatively by approximately SEK 80 million through market value of derivatives.

It is the Board of Directors' assessment that full cover for restricted shareholders' equity will be maintained after the proposed dividend. The proposed dividend is not considered to have a negative impact on the ability of the Company or the Group to fulfil its payment commitments, either over the short or over long term. The Company and the Group are well prepared to deal with fluctuations in its continuous payment commitments. The Company's and the Group's financial situation does not give rise to any other assessment than the assessment that may continue their operations and that the Company and the Group can be expected to fulfil their obligations in the short and long term. The Board of Directors does not conclude that the proposed dividends jeopardises the fulfilment of required investments and planned expansion on a new market.

Summary

In light of the above, it is the Board of Directors' assessment that the size of the Restricted Shareholders' Equity as accounted for in the latest Annual Report, in relation to the proposed dividend, is well balanced in relation to the scope of the business conducted in the Company and the Group and to risks. The Board of Directors concludes that the proposed dividend is justified in relation to the Company's and the Group's need for consolidation, liquidity and general position.

The Board of Directors of KappAhl Holding AB (publ), September 2009

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This document is an unofficial translation of the corresponding Swedish document. In the event of any discrepancies between the text contained in this document and the Swedish document, the latter shall prevail.