



MELLBY GÅRD

OFFER TO THE SHAREHOLDERS IN KAPPAHL AB (PUBL)

IMPORTANT INFORMATION

General

Mellby Gård AB (a private limited liability company with registered office in Gothenburg, reg. no. 556280-6330) ("**Mellby Gård**") has announced a public offer for all shares in KappAhl AB (publ) (reg. no. 556661-2312) ("**KappAhl**" or the "**Company**"), on the conditions set out in this offer document (the "**Offer**"). The price in the Offer will not be increased by Mellby Gård.

The Offer, and the agreements entered into between Mellby Gård and KappAhl's shareholders in relation to the Offer, shall be governed by and interpreted in accordance with Swedish law. Disputes concerning, or arising in connection with, the Offer shall be settled exclusively by Swedish courts, with the Stockholm District Court in the first instance.

Nasdaq Stockholm's Takeover Rules (the "**Takeover Rules**") and the Swedish Securities Council's (Sw. *Aktiemarknadsnämnden*) rulings and statements regarding interpretation and application of the Takeover Rules, and, where appropriate, the Swedish Securities Council's rulings and clearance regarding interpretation and application of the Swedish Industry and Commerce Stock Exchange Committee's (Sw. *Näringslivets Börskommitté*) rules previously applicable to public takeover offers on the stock market, are applicable to the Offer. Mellby Gård has, in accordance with the Swedish Act on Public Takeovers on the Stock Market (Sw. *lag (2006:451) om offentliga uppköpserbjudanden på aktiemarknaden*) (the "**Takeover Act**") on 26 July 2019, undertaken, in writing, towards Nasdaq Stockholm to comply with mentioned rules, rulings and statements, and to adhere to the sanctions that Nasdaq Stockholm may impose on Mellby Gård in the event of a breach of the Takeover Rules. Mellby Gård has, on 29 July 2019, informed the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) about the Offer and the abovementioned undertakings towards Nasdaq Stockholm.

The Swedish language version of this offer document has been approved and registered by the Swedish Financial Supervisory Authority in accordance with Chapter 2 of the Takeover Act and Chapter 2a of the Swedish Financial Instruments Trading Act (Sw. *lag (1991:980) om handel med finansiella instrument*). Approval and registration by the Swedish Financial Supervisory Authority does not imply that the Swedish Financial Supervisory Authority guarantees that the factual information provided in the Swedish language version of this offer document is correct or complete. In the event of any discrepancy in content between the Swedish original version and this English translation, the Swedish original version shall prevail.

The information in the offer document is intended to be accurate, although not complete, only as of the day the offer document was published. It is not implied that the information has been or will be accurate at any other time. Except as required by the Takeover Rules or applicable law or regulation, Mellby Gård disclaims any obligation or undertaking to publicly announce updates or revisions regarding the offer document. The information in the offer document is provided solely with respect to the Offer and is not permitted to be used for any other purpose.

The information regarding KappAhl on pages 16–42 in the offer document has been reviewed by the independent bid committee of the board of directors of KappAhl. Mellby Gård does not guarantee that the information included herein with respect to KappAhl is accurate or complete and does not take any responsibility for such information being accurate or complete.

The figures reported in the offer document have been rounded as appropriate. This implies that some tables may not sum up correctly. Unless otherwise stated, all information in the offer document regarding shareholdings in KappAhl is based on there being a total of 76,820,380 outstanding shares in KappAhl.

Forward-looking information

Statements in this offer document relating to future status and circumstances, including statements regarding future performance, growth and other projections as well as benefits of the Offer, are forward-looking statements. These statements may generally, but not always, be identified by the use of words such as "anticipates", "expects", "believes", or similar expressions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Actual results may differ materially from those expressed or implied by these forward-looking statements due to many factors, many of which are outside the control of Mellby Gård and KappAhl. Any such forward-looking statements speak only as of the date on which they were made and Mellby Gård has no obligation (and undertakes no such obligation) to update or revise any of them, whether as a result of new information, future events or otherwise, except for in accordance with applicable laws and regulations.

Information to shareholders in KappAhl outside Sweden and for banks, brokers, dealers, nominees and intermediaries holding shares for persons outside Sweden

The Offer, pursuant to the terms and conditions presented in this offer document is not being made to persons whose participation in the Offer requires that additional offer documents are prepared or registration effected or that any other measures are taken in addition to those required under Swedish law and regulations.

This offer document and any related Offer documentation are not being distributed and must not be mailed or otherwise distributed or sent in or into any country in which the distribution or offering would require any such additional measures to be taken or would be in conflict with any law or regulation in such country – any such action will not be permitted or sanctioned by Mellby Gård. Any purported acceptance of the Offer resulting directly or indirectly from a violation of these restrictions may be disregarded.

The Offer is not and will not be made, directly or indirectly, in or into, by use of mail or any other means or instrumentality of interstate or foreign commerce of, or any facilities of a national securities exchange of Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or the United States. This includes, but is not limited to facsimile transmission, electronic mail, telex, telephone, the Internet and other forms of electronic transmission. The Offer cannot be accepted and shares may not be tendered in the Offer by any such use, means, instrumentality or facility of, or from within Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or the United States or by persons located or resident in Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or the United States. Accordingly, this offer document and any related Offer documentation are not being and should not be mailed or otherwise transmitted, distributed, forwarded or sent in or into Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or the United States or to any Australian, Canadian, Hong Kong, Japanese, New Zealand, South African or U.S. persons or any persons located or resident in Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or the United States.

Any purported tender of shares in the Offer resulting directly or indirectly from a violation of these restrictions will be invalid and any purported tender of shares made by a person located in Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or the United States or any agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from or within Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or the United States will be invalid and will not be accepted. Each person who holds shares and participates in the Offer will certify to not being an Australian, Canadian, Hong Kong, Japanese, New Zealand, South African or U.S. person, not being located or participating in the Offer from Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or the United States and not acting on a non-discretionary basis for a principal that is an Australian, Canadian, Hong Kong, Japanese, New Zealand, South African or U.S. person, or that is located in or giving order to participate in the Offer from Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or the United States. Mellby Gård will not deliver any consideration relating to the Offer to Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or the United States.

This offer document is not, and must not be, sent to shareholders with registered addresses in Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or the United States. Banks, brokers, dealers and other nominees holding shares for persons in Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or the United States must not forward this offer document or any other document related to the Offer to such persons.

No information in this offer document constitutes an offer to acquire or an encouragement to sell shares in Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or the United States or any jurisdiction in which such offer or encouragement would be prohibited by applicable laws and regulations.

Regardless of the previous, Mellby Gård reserves the right to approve that the Offer is accepted by persons not resident in Sweden if Mellby Gård, in its own opinion, assesses that the relevant transaction can be carried out in accordance with applicable laws and regulations.

For purposes of this section, "United States" and "U.S." refers to the United States of America (its territories and possessions, any state of the United States and the District of Columbia).

TABLE OF CONTENTS

Offer to the shareholders in KappAhl	4
Background and reasons for the Offer	6
Statement from the independent bid committee of the board of directors of KappAhl	7
Fairness opinion from Ernst & Young	12
Terms and conditions	14
Description of KappAhl	16
KappAhl in brief and its product	16
Financial information regarding KappAhl in summary	17
Share capital and ownership structure	21
KappAhl's board of directors, management team and auditor	23
KappAhl's articles of association	25
KappAhl's interim report for the third quarter 2018/2019	26
Statement from the independent bid committee of the board of directors of KappAhl	43
Information about Mellby Gård in brief	44
Tax matters in Sweden	45
Addresses	46

THE OFFER IN BRIEF

Consideration:	SEK 20.00 ¹ for each KappAhl share
Acceptance period:	23 August 2019 – 20 September 2019
Expected settlement date:	27 September 2019

¹ Should KappAhl, prior to the settlement of the Offer, distribute dividends or in any other way distribute or transfer value to its shareholders, the consideration in the Offer will be reduced accordingly.

OFFER TO THE SHAREHOLDERS IN KAPPAHL

INTRODUCTION

On 29 July 2019 Mellby Gård AB (a private limited liability company with registered office in Gothenburg, reg. no. 556280-6330) ("**Mellby Gård**") announced a public offer to the shareholders in KappAhl (reg. no. 556661-2312) ("**KappAhl**" or the "**Company**") to tender all their shares in KappAhl to Mellby Gård (the "**Offer**"). The KappAhl shares are listed on Nasdaq Stockholm, Mid Cap segment, under the ticker KAHL.

CONSIDERATION

Mellby Gård offers SEK 20.00² in cash per share in KappAhl. Mellby Gård will not increase the price in the Offer. By this statement Mellby Gård cannot, in accordance with Nasdaq Stockholm's rules regarding takeover bids on the stock market (the "**Takeover Rules**"), increase the price in the Offer.

PREMIUMS

The Offer price represents a premium of³:

- 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 SEK 13.99;
- 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 SEK 13.88;
- 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 SEK 14.71; 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 SEK 16.33.

TOTAL VALUE OF THE OFFER

The total value of the Offer, based on the 54,098,688 shares in KappAhl which are not owned by Mellby Gård, amounts to approximately SEK 1,082 million. The Offer values KappAhl, based on all 76,820,380 outstanding shares in KappAhl, to approximately SEK 1,536 million.

FINANCING OF THE OFFER

The consideration payable in respect of the Offer is financed in full by Mellby Gård's own cash resources and existing credit

facilities. Hence, Mellby Gård has sufficient resources to satisfy in full the consideration payable in the Offer and, accordingly, completion of the Offer is not conditional upon financing.

ACCEPTANCE LEVEL IN THE OFFER

The completion of the Offer is conditional upon, *inter alia*, the Offer being 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. Mellby Gård reserves the right to waive this condition and to complete the Offer at a lower level of acceptance.

CERTAIN CLOSELY RELATED PARTY ISSUES ETC.

Two members of KappAhl's board of directors, the chairman of the board Anders Bülow and the board member Thomas Gustafsson, are also board members of Mellby Gård.⁴ Thomas Gustafsson is also the deputy CEO of Mellby Gård. In accordance with the Takeover Rules, said board members have therefore not participated in, and will not participate in, KappAhl's board of directors' handling of or decisions regarding the Offer.

Anders Bülow and Thomas Gustafsson have neither participated in, nor will participate in, Mellby Gård's board of directors' handling of or decisions regarding the Offer.

These circumstances also imply that Section III of the Takeover Rules is applicable to the Offer, entailing that the acceptance period for the Offer shall be at least four weeks and that KappAhl's board of directors, according to item III.3 of the Takeover Rules, is obliged to obtain and make public a fairness opinion regarding the shares in the Company from independent experts.

STATEMENT FROM THE INDEPENDENT BID COMMITTEE OF KAPPAHL'S BOARD OF DIRECTORS AND FAIRNESS OPINION

Mellby Gård informed the board of directors of KappAhl about the Offer on 28 July 2019.

On 29 July 2019, KappAhl announced through a press release that the board had appointed an independent bid committee, consisting of the independent board members of KappAhl, to represent the Company in connection with the Offer, consisting of the board members Pia Rudengren (chairman), Susanne Holmberg, Kicki Olivensjö, Göran Bille, Cecilia Kocken, Marie-Louise Jansson Bring and Johanna Bergqvist, as well as the board deputies Håkan Jirlow and Carita Lund-

2 Should KappAhl, prior to the settlement of the Offer, distribute dividends or in any other way distribute or transfer value to its shareholders, the consideration in the Offer will be reduced accordingly.

3 Source for KappAhl's share price: NASDAQ OMX Nordic.

4 Neither Anders Bülow nor Thomas Gustafsson are considered to be closely related parties to Mellby Gård in accordance with the Takeover Rules or the Takeover Act.

qvist. Håkan Jirlow has thereafter left the committee due to temporary hospitalization. Further, KappAhl informed that the chairman of the board of directors, Anders Bülow, and board member Thomas Gustafsson, due to conflicts of interests had not participated in, and will not participate in, the board of directors' evaluation of or decisions regarding the Offer

On 20 August 2019, the independent bid committee announced its statement regarding the Offer. The committee has unanimously decided to recommend the shareholders of KappAhl to accept the Offer. The independent bid committee has obtained a fairness opinion from Ernst & Young AB, stating, based on the assumptions and reservations specified in the fairness opinion, that the Offer is fair from a financial point of view for the shareholders of KappAhl. The statement and the fairness opinion are found on the pages 7–13 in this offer document.

MELLBY GÅRD'S SHAREHOLDING IN KAPPAHL

Mellby Gård owns 22,721,692 shares in KappAhl, corresponding to approximately 29.6 percent of the total number of shares and votes in KappAhl. Neither Mellby Gård nor any of its closely related parties have acquired any shares in KappAhl during the six months that have preceded the announcement of the Offer, or between the announcement of the Offer and the publication of the offer document, and hold no financial instruments in KappAhl that provide a financial exposure equivalent to a holding of shares in KappAhl.

APPROVALS FROM AUTHORITIES

The completion of the Offer is conditional upon, *inter alia*, 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. According to Mellby Gård's assessment, the transaction will require the approval of the competition authorities in Sweden, Poland, Norway and Finland. Mellby Gård has initiated the work on filing of the transaction in such jurisdictions. Mellby Gård expects that the relevant clearances will be given prior to the end of the acceptance period.

STATEMENT BY THE SWEDISH SECURITIES COUNCIL

The Swedish Securities Council has, in statement AMN 2019:29, granted Mellby Gård an exemption to exclude shareholders in the USA from the Offer. The complete statement is available at www.aktiemarknadsnamnden.se.

APPLICABLE LAW AND DISPUTES

The Offer, as well as agreements entered into between Mellby Gård and the shareholders in KappAhl as a result of the Offer, shall be governed and construed in accordance with substantive Swedish law. Any dispute regarding the Offer, or which arises in connection therewith, shall be settled exclusively by Swedish courts, and the Stockholm District Court (Sw. *Stockholms tingsrätt*) shall be the court of first instance.

The Takeover Rules and the Swedish Securities Council's rulings regarding interpretation and application of the Takeover Rules, including, where applicable, the Swedish Securities Council's interpretation and application of the formerly applicable Rules on Public Offers for the Acquisition of Shares issued by the Swedish Industry and Commerce Stock Exchange Committee (Sw. *Näringslivets Börskommitté*), are applicable to the Offer. Furthermore, Mellby Gård has, in accordance with the Swedish Act on Public Takeovers on the Stock Market (Sw. *lag om offentliga uppköpserbjudanden på aktiemarknaden (2006:451)*), on 26 July 2019 contractually undertaken towards Nasdaq Stockholm to fully comply with said rules and statements and to submit to any sanctions that can be imposed by Nasdaq Stockholm in event of breach of the Takeover Rules. On 29 July 2019, Mellby Gård informed the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) about the Offer.

BACKGROUND AND REASONS FOR THE OFFER

Mellby Gård has been a shareholder in KappAhl for almost eight years and has a great respect for the work and knowledge that exists in the Company. KappAhl is operating in an ever changing and competitive part of the retail market, which requires the ability to deliver a flexible and cost-effective business offering. Through its commitment in other similar companies, Mellby Gård has a good understanding of the work required to maintain competitiveness in the forthcoming years. Mellby Gård sees co-operation synergies with other businesses within Mellby Gård, something that could strengthen the competitiveness of KappAhl's operations in areas where the market situation is most challenging. The extensive work required to achieve these synergies would also benefit from Mellby Gård being able to act as the controlling owner outside of the stock market. Mellby Gård places great value on KappAhl's management and employees, and is convinced that the Offer will result in positive effects for the Company's employees as well as for other stakeholders.

Mellby Gård's intention with the Offer is to make KappAhl a wholly-owned subsidiary within the Mellby Gård group. Mellby Gård has operated in both private and listed environments for almost 30 years and sees benefits but also disadvantages with both types of ownership, which one is the best suited depends on the challenges the company in question faces. Mellby Gård believes that it would be best suited for KappAhl to operate in a private environment, in order to implement what is required to strengthen the competitiveness of its business.

Mellby Gård's plans for KappAhl's future business and general strategy do not currently include any 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. Neither do Mellby Gård's plans in connection with the Offer or completion of it currently include any changes for Mellby Gård's management and employees, including their terms of employment, and no decisions have been made in this regard. 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.

Johan Andersson, CEO of Mellby Gård, comments: "Mellby Gård would like to continue to be a long-term owner in KappAhl. Based on our experience and history with the Company, we want to create opportunities to deal with the significant challenges that faces both the retail- and the clothing market. We look forward to continue to work with the current management under the newly appointed CEO, Elisabeth Peregi, and to further develop the Company under a private ownership. We believe that the price in the Offer corresponds to a fair valuation of KappAhl. Considering the challenges KappAhl faces, and taking into account Mellby Gård's current ownership of 29.6 percent, Mellby Gård is presenting its best and final price in the Offer, which will not be increased. As follows from the conditions for the Offer, we will not withdraw the Offer in the event of a competing higher offer from another bidder."

For further information, please refer to the information in this offer document, which has been prepared by the board of directors of Mellby Gård in relation to the Offer. The description of KappAhl on pages 16–42 in this offer document has been reviewed by KappAhl's independent bid committee. The board of directors of Mellby Gård assures that, to the best of their knowledge, the information in this offer document with regard to Mellby Gård corresponds to the actual conditions.

22 August 2019

Mellby Gård AB

The board of directors

STATEMENT FROM THE INDEPENDENT BID COMMITTEE OF THE BOARD OF DIRECTORS OF KAPPAHL

KappAhl

PRESS RELEASE

Mölnadal 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 approximately¹:

- 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.

¹ 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 26th 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 adaption 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's 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

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Contact person for financial information

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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.

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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.

FAIRNESS OPINION FROM ERNST & YOUNG



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20 August 2019

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.



Björn Gustafsson
Partner
Ernst & Young AB

TERMS AND CONDITIONS

THE OFFER

The shareholders in KappAhl are offered SEK 20.00 in cash per share in KappAhl. Mellby Gård will not increase the price in the Offer. By this statement Mellby Gård cannot, in accordance with the Takeover Rules, increase the price in the Offer. Hence, SEK 20.00 per share is the highest price offered by Mellby Gård in the Offer.

Should KappAhl, prior to the settlement of the Offer, distribute dividends or in any other way distribute or transfer value to its shareholders, the consideration in the Offer will be reduced accordingly.

No commission will be charged in respect of the settlement of the shares tendered to Mellby Gård under the Offer.

CONDITIONS FOR THE OFFER

Completion of the Offer is conditional upon:

1. the Offer being 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;
2. 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;
3. neither the Offer nor the acquisition of KappAhl being rendered wholly or partially impossible or significantly impeded as a result of legislation or other regulation, any decision of court or public authority, or any similar circumstance, which is actual or can reasonably be anticipated, and which Mellby Gård could not reasonably have foreseen at the time of announcement of the Offer;
4. no circumstances, which Mellby Gård did not have knowledge of at the time of announcement of the Offer, having occurred that have or can be expected to have a material adverse effect upon KappAhl's sales, profit, liquidity, solidity, equity or assets;
5. no information made public by KappAhl being materially inaccurate, incomplete or misleading, and KappAhl having made public all information which should have been made public by KappAhl; and
6. KappAhl not taking any measures that are likely to impair the prerequisites for making or completing the Offer.

Mellby Gård reserves the right to withdraw the Offer in the event that it is clear that any of the above conditions are not satisfied or cannot be satisfied. However, with regard to conditions 2–6 above, the Offer may only be withdrawn provided that the non-satisfaction of such condition is of material importance to Mellby Gård's acquisition of KappAhl or if otherwise approved by the Swedish Securities Council.

Mellby Gård reserves the right to waive, in whole or in part, one or several of conditions 1–6 above, including, with respect to condition 1 above, to complete the Offer at a lower level of acceptance.

ACCEPTANCE

Shareholders whose shares are directly registered with Euroclear

Shareholders whose shares are directly registered with Euroclear Sweden AB ("**Euroclear**") who wish to accept the Offer must, during the period from 23 August 2019 up to and including 20 September 2019, at 5.00 p.m. CET, sign and submit a duly completed acceptance form to Handelsbanken Offerings & Issuer Services to the address that is preprinted on the acceptance form.

The acceptance form must be submitted or sent in ample time before the last day of the acceptance period so that it may be received in original by Handelsbanken Offerings & Issuer Services no later than 5:00 p.m. CET on 20 September 2019. The acceptance form may also be delivered to bank offices or to other securities institutions in Sweden to be forwarded to Handelsbanken Offerings & Issuer Services, subject to that this is done well-before the end of the acceptance period so that the original acceptance form is received by Handelsbanken Offerings & Issuer Services no later than 5:00 p.m. CET on 20 September 2019.

As of 3 January 2018, all legal entities will need a Legal Entity Identifier code ("**LEI-code**") to participate in a financial market transaction. A LEI-code must be obtained from an authorized LEI issuer and can take some time. Please obtain a LEI-code in good time to have ready for your application form. For more information, please visit www.fi.se.

The offer document, a pre-printed acceptance form and a self-addressed envelope are distributed to directly registered shareholders. The securities account (Sw. *VP-konto*) and the current number of shares held in KappAhl will be pre-printed on the acceptance form. All shareholders should verify that the pre-printed information on the acceptance form is correct.

Please note that acceptance forms which are incomplete or incorrectly completed may be disregarded. No changes may be made to the text on the pre-printed acceptance form. Shareholders who accept the Offer authorises Handelsbanken to deliver their shares in KappAhl to Mellby Gård in accordance with the terms and conditions of the Offer.

Nominee-registered holdings

Shareholders in KappAhl whose holdings are registered in the name of a nominee, i.e. a bank or other nominee, will receive neither the offer document nor a pre-printed acceptance form. Applications from such shareholders must be made in accordance with instructions received by the nominee.

Pledged holdings

If shares in KappAhl to be transferred are pledged in the Euroclear system, both the shareholder and the pledgee must sign the acceptance form and confirm that the pledge will be terminated should the Offer be completed. The pledge on the relevant shares in KappAhl must be de-registered in the Euroclear system at the time of transfer of the shares to Mellby Gård. Those who are registered as pledgees and guardians will not receive any acceptance form but will be contacted separately.

OFFER DOCUMENT AND ACCEPTANCE FORM

The offer document, a pre-printed acceptance form and a self-addressed envelope are distributed to directly registered shareholders. The offer document and the acceptance form will also be available at Handelsbanken's website (www.handelsbanken.se/prospekt) and at Mellby Gård's website (www.mellby-gaard.se).

ACCEPTANCE PERIOD AND RIGHT TO EXTEND THE OFFER

The acceptance period for the Offer runs from and including 23 August 2019 up to and including 20 September 2019.

Mellby Gård reserves the right to extend the acceptance period, as well as to postpone the settlement date. A notice of any such extension or postponement will be announced by Mellby Gård by means of a press release in accordance with applicable rules and regulations.

RIGHT TO WITHDRAW ACCEPTANCE

Shareholders of KappAhl have the right to withdraw their acceptance of the Offer. To be valid, such withdrawal must have been received in writing by Handelsbanken Offerings & Issuer Services (address: Handelsbanken Offerings & Issuer Services, CBSO, 106 70 Stockholm, Sweden) before Mellby Gård has announced that the conditions of the Offer have been fulfilled or, if such announcement has not been made during the acceptance period, not later than 5:00 p.m. CET on the last day of the acceptance period. If conditions to the Offer, which Mellby Gård has reserved the right to waive, remain during an extension of the Offer, the right to withdraw an acceptance will apply in the same manner throughout any such extension of the Offer. Shareholders of KappAhl holding nominee registered shares wishing to withdraw acceptance shall do so in accordance with instructions from the nominee.

CONFIRMATION AND TRANSFER OF SHARES IN KAPPAHL TO BLOCKED SECURITIES ACCOUNTS

After Handelsbanken Offerings & Issuer Services has received and registered a duly completed and signed acceptance form, the shares in KappAhl will be transferred to a new blocked securities account (Sw. *apportkonto*) which has been opened for each shareholder in KappAhl. In connection therewith, Euroclear will send a notification ("**VP-notice**") showing the number of shares in KappAhl that have been removed from

the original securities account and a VP-notice showing the number of shares in KappAhl that have been entered in the newly opened blocked securities account.

SETTLEMENT

Settlement will be initiated as soon as Mellby Gård announces that the conditions for the Offer have been fulfilled or Mellby Gård otherwise decides to complete the Offer. If such announcement takes place around 24 September 2019, at the latest, settlement is expected to be initiated around 27 September 2019. Settlement will be effected by distribution of a transaction note to those who have accepted the Offer. If the holding is registered in the name of a nominee, settlement will be provided for by the nominee in accordance with their routines.

The settlement amount will be paid to the yield account which is connected to the shareholder's securities account. If the yield account is incorrect, if a shareholder does not have a yield account or if the yield account is a postal giro account, settlement will be made in accordance with the instructions on the sent contract note (Sw. *avräkningsnota*). In connection with the settlement, the shares in KappAhl will be removed from the blocked securities account which will then be terminated. No VP-notice evidencing the removal from the blocked securities account will be sent out.

Note that, even if the shares in KappAhl are pledged, payment will be made to the yield account which is connected to the shareholder's securities account.

COMPULSORY REDEMPTION PROCEEDINGS AND DELISTING

As soon as possible after Mellby Gård has acquired shares representing more than 90 percent of the total number of shares in KappAhl, Mellby Gård intends to commence compulsory redemption proceedings under the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*) to acquire all remaining shares in KappAhl. In connection therewith, Mellby Gård intends to promote delisting of KappAhl's shares from Nasdaq Stockholm.

OTHER INFORMATION

A shareholder who accepts the Offer will not be regarded as a customer of Handelsbanken due to Handelsbanken acting as settlement agent in the Offer.

QUESTIONS CONCERNING THE OFFER

For more information regarding the Offer visit Handelsbanken's website (www.handelsbanken.se/prospekt) and Mellby Gård's website (www.mellby-gaard.se). In case of administrative questions, please contact your bank in first hand if your shares are nominee registered, in other situations you are welcome to contact Handelsbanken Offerings & Issuer Services at the following telephone number: +46 (0)8-701 26 70.

DESCRIPTION OF KAPPAHL

The information regarding KappAhl on pages 16–42 in this offer document is based on KappAhl's annual report for 2017/2018, the interim report for the period 1 September 2018 – 31 May 2019 and KappAhl's website, www.kappahl.com, if not stated otherwise.

KappAhl in brief and its product

KappAhl was established in 1953 in Gothenburg and is one of the leading Nordic fashion chains. The KappAhl group consists of 382 stores under the brands of KappAhl and Newbie Store. Stores under the KappAhl brand offer clothes to women, men and children. The stores of Newbie Store offer clothes to children. KappAhl's different customer segments are women in the prime of life, men, parents and the Newbie customer. Today KappAhl's babywear and childrenswear accounts for approximately 40 percent of the group's sales.

In 2017/2018 net sales were SEK 4.8 billion and the number of co-workers was around 4,000.

The KappAhl shares are listed on Nasdaq Stockholm, Mid Cap segment, under the ticker KAHL.

MISSION

KappAhl's mission is to offer value-for-money fashion of KappAhl's own design with wide appeal. KappAhl's purpose is to make everyday life better for the woman in the prime of life, and her family, by offering a wide range of well-designed and feel good fashion, always in a sustainable way.

MARKETS

The KappAhl group operates through its own store network and eCommerce in Sweden, Norway, Finland, Poland and the UK. KappAhl does not own any factories of its own, instead all purchases are made through suppliers. The production during the year 2017/2018 was with 187 suppliers, mainly in Asia but also in Europe. In recent years the percentage of the products KappAhl manufacture in China and India has decreased in favour of other countries in Asia, mainly Bangladesh, but also Myanmar and Sri Lanka, which are new production countries for KappAhl. The products KappAhl orders are transported from the factories, via KappAhl's distribution centre, to its stores and home to the customers.

MARKETS TRENDS

KappAhl, like the rest of the fashion industry, is in the midst of a transformation. Accelerating digitalisation, increased demands from customers and consumers and a high awareness of the sustainability challenges of the industry are changing the business environment and its conditions.

The greatest global challenge for KappAhl is digitalisation. That is a major transition, not just from an eCommerce perspective, but also in terms of communication and design of physical stores through omnichannel solutions and similar. Traffic to physical stores is declining and this is partly due to increasing eCommerce. KappAhl's eCommerce increased by 38 percent during the year 2017/2018 compared with the previous year and is now approximately five percent of total sales.

Other important challenges are to contribute to effective solutions for a sustainable and circular fashion industry, for example as regards fair wages and sustainable technologies etc. During the year 2017/2018 KappAhl increased the sustainability labelled fashion range to 57 (53) percent. KappAhl is also a member of the Sustainable Apparel Coalition, an industry initiative that works for a sustainable fashion industry with the vision of an industry that does not harm the environment and has a positive effect on people and communities.

GROUP STRUCTURE

The KappAhl group consist of the parent company KappAhl AB (publ), the operating wholly-owned companies KappAhl Sverige AB, sales companies in Norway, Finland, Poland and the UK and a purchase company in Hong Kong. KappAhl Sverige AB and the sales companies in Norway, Finland, Poland and the UK are responsible for the sale in stores in each respective country. KappAhl also has production offices in China, Turkey, Bangladesh, India and Myanmar.

Financial information regarding KappAhl in summary

The following consolidated financial information regarding the KappAhl group has been extracted from the audited annual reports for the years 2017/2018, 2016/2017 and 2015/2016, and the interim report for the period 1 September 2018 – 31 May 2019, which has been reviewed but not audited by KappAhl's auditor.

The consolidated financial statements for the KappAhl group have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, IASB, as adopted by the EU, and in accordance with IAS 1 Presentation of Financial Statements and the Annual Accounts Act (Sw. årsredovisningslagen (1995:1554)). In addition, the RFR Supplementary Accounting Rules for Groups (Sw. Kompletterande redovisningsregler för koncerner) have been applied, issued by the Swedish Financial Reporting Board (Sw. Rådet för finansiell rapportering).

Audited annual reports, and the interim report for the period 1 September 2018–31 May 2019, for KappAhl are available at KappAhl's website www.kappahl.com. For complete information of the financial development of KappAhl and its financial position, see the annual reports 2017/2018, 2016/2017 and 2015/2016, and the interim report for the period 1 September 2018–31 May 2019.

CONSOLIDATED INCOME STATEMENT (SEK MILLION)

	Q1-Q3		FULL YEAR		
	Sept-May 2018/2019 (not audited)	Sept-May 2017/2018 (not audited)	Sept-Aug 2017/2018 (audited)	Sept-Aug 2016/2017 (audited)	Sept-Aug 2015/2016 (audited)
Net sales	3,580	3,522	4,760.0	4,916.2	4,723.6
Costs of goods sold	-1,413	-1,313	-1,818.4	-1,860.0	-1,806.4
Gross profit	2,167	2,209	2,941.6	3,056.2	2,917.2
Selling expenses	-1,950	-1,826	-2,431.9	-2,402.6	-2,356.0
Administrative expenses	-157	-167	-227.7	-205.0	-211.9
Other operating income	-	-	-	0.0	-
Other operating expenses	-	-	-	-	-
Operating profit	60	216	282.1	448.6	349.3
Adjusted operating profit			282.1	448.6	349.3
Financial income	7	6	8.0	0.9	1.2
Financial expenses	-17	-5	-8.0	-22.3	-10.1
Net financial income	-10	1			
Profit/loss before tax	50	217	282.1	427.2	340.5
Taxes	-5	-42	-57.6	-63.5	-95.6
Profit/loss for the year/period	45	175	224.5	363.7	244.9
The period's profit attributable to parent company shareholders	45	175			
Earnings per share, SEK	0.58	2.28			
before dilution			2.92	4.73	
after dilution			2.92	4.73	
average number of outstanding shares in issue before dilution			76,820,380	76,820,380	
average number of outstanding shares in issue after dilution			76,820,380	76,820,380	

Net profit for Sept-Aug 2017/2018, Sept-Aug 2016/2017 and Sept-Aug 2015/2016 refers entirely to the parent company KappAhl AB's shareholders.

CONSOLIDATED BALANCE SHEET

	2019-05-31 (not audited)	2018-05-31 (not audited)	2018-08-31 (audited)	2017-08-31 (audited)	2016-08-31 (audited)
ASSETS					
Non-current assets					
Intangible assets*	1,423	1,394			
Goodwill			695.8	695.8	695.8
Trademarks and other intangible assets			709.5	673.4	655.5
Property, plant and equipment	423	431	424.3	436.4	428.8
Deferred tax assets	60	58	60.4	57.3	30.2
Other long-term receivables			-	-	0.8
Total non-current assets	1,905	1,883	1,890.0	1,862.9	1,811.1
Current assets					
Inventories	801	692	763.8	725.8	820.4
Trade receivables			0.9	4.1	18.5
Current tax assets			0.4	0.2	7.3
Prepaid expenses and accrued income			118.8	111.8	111.5
Other receivables	215	188	49.8	84.5	25.3
Cash and cash equivalents	76	54	36.3	238.5	313.6
Total current assets	1,092	934	970.0	1,164.9	1,296.6
Total assets	2,997	2,817	2,860.0	3,027.9	3,107.7
EQUITY AND LIABILITIES					
Equity					
Share capital			65.8	65.8	65.8
Other contributed capital			1,160.9	1,160.9	1,160.9
Reserves			11.5	-21.2	-14.0
Retained earnings including profit for the year			408.4	836.6	592.1
Total equity			1,646.6	2,042.1	1,804.8
Liabilities					
Non-current liabilities					
Provisions for pensions and similar obligations			56.5	45.0	48.1
Interest-bearing long-term liabilities	56	46			
Deferred tax liabilities	143	157	151.4	147.6	151.4
Other interest-bearing liabilities					400.0
Total non-current liabilities	199	203	207.9	192.6	599.5
Current liabilities					
Interest-bearing liabilities	524	275	353.1	25.3	9.7
Non-interest-bearing liabilities	744	729			
Trade payables			177.7	175.3	194.7
Current tax liabilities			36.1	121.1	44.6
Other liabilities			160.6	214.3	134.8
Accrued expenses and deferred income			278.0	257.2	319.6
Total current liabilities	1,268	1,004	1,005.5	793.2	703.4
Total liabilities			1,213.4	985.8	1,302.9
Total equity and liabilities	2,996	2,817	2,860.0	3,027.9	3,107.7
* Whereof Goodwill	696	696			
* Whereof Trademark	610	610			

Equity refers entirely to the parent company KappAhl AB's shareholders.

THE GROUP'S KEY FIGURES AND DATA PER SHARE

	Q1-Q3		FULL YEAR		
	Sept-May 2018/2019 (not audited)	Sept-May 2017/2018 (not audited)	Sept-Aug 2017/2018 (audited)	Sept-Aug 2016/2017 (audited)	Sept-Aug 2015/2016 (audited)
Net sales, SEK million	3,580	3,522	4,760.0	4,916.2	4,723.6
Sales growth, %			-3.2	4.1	3.0
Operating profit (EBIT), SEK million	60	216	282.1	448.6	349.3
Adjusted operating profit (EBIT), SEK million			282.1	448.6	349.3
Operating profit (EBITDA), SEK million	177	326	433.1	579.2	479.8
Adjusted operating profit (EBITDA), SEK million			433.1	579.2	479.8
Total depreciation/amortisation, SEK million	117	110	151.0	130.6	130.5
Gross margin, %	60.5	62.7	61.8	62.2	61.8
Operating margin, %	1.7	6.1	5.9	9.1	7.4
Adjusted operating margin, %			5.9	9.1	7.4
Profit after tax	45	175			
Interest coverage ratio (multiple)	3.9	40.9	36.1	20.2	35.1
Net interest-bearing liabilities (+) Net financial assets (-) SEK million	504	267	373.4	-168.2	144.2
Net interest-bearing liabilities/Adjusted EBITDA (multiple)	-	-	0.9	-0.3	0.3
Equity-assets ratio, %	51.3	57.2	57.6	67.4	58.1
Equity per share, SEK	20.03	20.96	21.43	26.58	23.50
Equity per share after dilution, SEK			21.43	26.58	23.50
Cash flow from operating activities per share, SEK			3.83	7.46	3.94
Market price, SEK			34.8	45.0	42.7
Market value, SEK million			2,676.4	3,456.9	3,280.2
P/E ratio (multiple)			11.9	9.5	13.4
Dividend yield, %			5.7	4.4	2.9
Market price/equity per share, %			62	169	182
Earnings per share, SEK	0.58	2.28	2.92	4.73	3.19
Dividend per share, SEK			2.00	2.00	1.25
Weighted average number of shares			76,820,380	76,820,380	76,820,380
Number of shares at close of period	76,820,380	76,820,380	76,820,380	76,820,380	76,820,380
Number of shares after dilution	76,820,380	76,820,380	76,820,380	76,820,380	76,820,380

DEFINITIONS

Key figures	Definition/calculation	Purpose
Margins		
Gross margin	Gross profit as a percentage of net sales	Gross margin is used to measure profitability of goods distribution
Operating margin	Operating profit as a percentage of net sales	Operating margin is used to measure operative profitability
Adjusted operating margin	Adjusted operating profit as a percentage of net sales	Adjusted operating margin is used to measure operative profitability excluding items affecting comparability
Return		
Dividend yield, %	Dividend / share price	Dividend yield shows the size of the dividend in relation to the share price
Capital structure		
Net interest-bearing liabilities (Net financial assets)	Interest-bearing liabilities minus cash and cash equivalents	Used to measure the capacity for repaying interest-bearing liabilities with available cash and cash equivalents if these fell due on the date of the calculation
Net interest-bearing liabilities/ adjusted EBITDA (multiple)	Net interest-bearing liabilities / adjusted EBITDA for the immediately preceding twelve-month period	Net debt / adjusted EBITDA gives an estimate of the company's capacity to pay its interest bearing liabilities
Equity-assets ratio	Equity / balance sheet total at the close of the period	This key ratio shows financial risk, expressed as the proportion of total capital that is financed by the owners
Data per share		
Equity per share	Equity / number of shares	Equity per share measures the company's net value per share and determines whether a company increases the shareholders' wealth over time
Cash flow from operating activities per share	Cash flow from operating activities for the period / number of shares for the period	Cash flow from operating activities per share measures the cash flow the company generates per share before capital investment and cash flows referring to the company's financing
Earnings per share	Profit after tax / average number of shares	This key figure is used to assess the development of the investment from the point of view of the owners
Earnings per share after dilution	Profits after tax / average number of shares after full dilution	This key figure is used to assess the development of the investment from the point of view of the owners
Price / equity per share, %	Price / Equity	This key figure measures how the market values the company at a given point in time
P/E ratio (multiple)	Market price at year-end / earnings per share	This key figure shows how high the market values the company's profit
Number of shares after dilution	Adjusted for events that have changed the number of ordinary shares	Number of shares after dilution makes the effect of new issues and reverse split clear
Other definitions		
Gross profit	Net sales less cost of goods sold	Gross profit is used to measure profitability of goods distribution
Operating profit (EBIT)	Profit before net financial income and income tax	This key figure makes it possible to compare profitability regardless of corporate tax rate and independent of the company's financing structure
Items affecting comparability	Items affecting comparability, such as restructuring and impact of acquisitions	Separating items affecting comparability increases comparability between periods
Adjusted operating profit (EBIT)	Profit before net financial income and income tax adjusted by items affecting comparability	This key figure increases the comparability of EBIT
Operating profit (EBITDA)	Operating profit before depreciation, amortisation and impairment	This key figure is used to measure cash flow from operating activities, regardless of the effects of financing and valuation of non-current assets
Adjusted operating profit (EBITDA)	Operating profit before depreciation, amortisation and impairment adjusted by items affecting comparability	This key ratio increases comparability of EBITDA, since items affecting comparability have been excluded
Sales in comparable stores	Change in sales in comparable units (on a like-for-like basis) after adjustment for opened / closed stores and foreign exchange effects	This key figure makes it possible to analyse sales excluding opened / closed stores and foreign exchange effects
Interest coverage ratio (multiple)	Operating profit plus interest income / interest expense, for the preceding twelve-month period	This key figure shows the company's capacity to cover its financial expenses
Sales growth	The Group's total sales during the period compared with the corresponding period in the previous year	This key figure makes it possible to compare sales over time
Market value, SEK million	Number of shares at the end of the period multiplied by the market price at the close of the period	This key figure shows the market value of the shares

Share capital and ownership structure

THE SHARE

The shares in KappAhl are listed on Nasdaq Stockholm, Mid Cap segment. The share is traded under the ticker KAHL and the ISIN code is SE0010520981.

THE SHARE CAPITAL

KappAhl's share capital, as of the date of this offer document, amounts to SEK 65,846,040 divided into 76,820,380 shares. The shares have a quota value of approximately SEK 0.86. Each share entitles the holder to one vote at general meetings and all shares carry equal rights to KappAhl's assets and dividends.

There are no provisions in KappAhl's articles of association or applicable law that restrict the right to transfer the Company's shares.

KAPPAHL'S LARGEST SHAREHOLDERS

On 31 August 2018, KappAhl had 18,668 shareholders. The largest shareholders as per 30 June 2019, are set out in the table below.

Shareholder	Number of shares	Shares and votes (%)
Mellby Gård	22,721,692	29.58
Brown Brothers Harriman/Lux, W8imy Wpr	5,172,538	6.73
Swedbank Robur Sverigefond Mega	2,741,993	3.57
Försäkringsaktiebolaget, Avanza Pension	2,033,221	2.65
Swedbank Robur Sverigefond	1,994,695	2.6
Bny Mellon Na (Former Mellon), W9	1,704,597	2.22
State Street Bank And Trust Co, W9	1,526,386	1.99
Cbny-Dfa-Int Sml Cap V	1,376,842	1.79
Nordea Livförsäkring Sverige Ab	1,199,105	1.5
Cbny-Int Cor Eq Por Dfa In Dim Gr I	1,134,782	1.4

DIVIDEND POLICY AND FINANCIAL TARGETS

KappAhl's dividend policy is that the dividend shall amount to 40–60 percent of profit after tax, under the condition that the group reaches its financial targets: an operating margin of at least 10 percent, an average annual growth of 4 percent over a business cycle and an interest-bearing net debt not exceeding, other than temporarily, 3 times EBITDA.

SHARE PRICE DEVELOPMENT AND TRADING

The share price development and trading volume for the KappAhl share during the twelve-month period preceding the announcement of the Offer, 26 July 2018–26 July 2019, compared to Nasdaq Stockholm Mid Cap index during the same period, are shown in the diagram below.

HOLDING OF OWN SHARES

KappAhl does not own, as of the date of this offer document, any own shares.

SHAREHOLDERS' AGREEMENTS

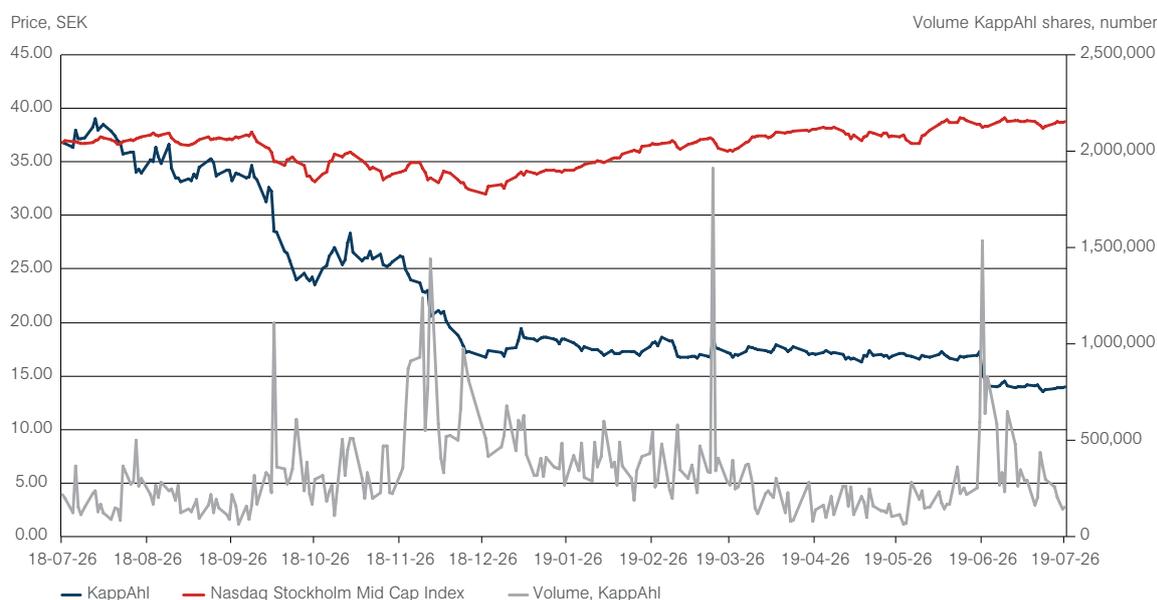
The annual report of KappAhl for the financial year 2017/2018 does not state any agreements between shareholders that restrict the transferability of the shares.

The independent bid committee of the board of directors of KappAhl is not aware of any shareholders' agreements or other agreements between shareholders in KappAhl with the purpose of creating a joint control of KappAhl.

MATERIAL AGREEMENTS

The Company's credit agreements include customary provisions regarding changes in ownership, and may therefore be terminated in case of anyone reaching a shareholding in KappAhl of at least 30 percent of the total number of shares and votes in the Company.

Share price development and trading



AUTHORISATIONS

The board of directors of KappAhl has not been authorised to issue, acquire or transfer shares, convertibles or warrants in the Company.

SHARE BASED INCENTIVE PROGRAMS

KappAhl has no outstanding share based incentive programs.

CALL OPTIONS ISSUED BY MELLBY GÅRD TO CERTAIN PERSONS IN KAPPAHL'S MANAGEMENT TEAM

Mellby Gård has since 2017, as further set out below, issued call options to a total of five persons in KappAhl's management team, carrying the right to acquire shares in KappAhl from Mellby Gård. Mellby Gård's purpose with the programme is to strengthen the long-term development and result of KappAhl. KappAhl has not participated in the arrangement regarding the call options and does not bear any costs in relation to the call options. The Black & Scholes method has been used to determine the value of the call options.

The call options are not included in the Offer and the terms and conditions for the call options will not be affected by the Offer.

During August 2017, Mellby Gård issued call options with a term of maturity of three years to three persons in KappAhl's management team at the time. Danny Feltmann, President and CEO at the time, acquired 100,000 call options, Maria Segergren, President of Assortment & Design at the time, acquired 25,000 call options and Camilla Wernlund, President of New Business at the time, acquired 25,000 call options. The call options were acquired at a price of SEK 4.62 per call option and each call option entitles to acquisition of one share in KappAhl in August 2020 at a price of SEK 54.12 per share.

In May 2018, Mellby Gård issued 75,000 call options with a term of maturity of three years to Peter Andersson, KappAhl's CFO. The call options were acquired at a price of SEK 2.81 per call option and each call option entitles to acquisition of one share in KappAhl in May 2021 at a price of SEK 31.20 per share.

In July 2019, Mellby Gård issued a total of 186,224 call options to KappAhl's current President and CEO, Elisabeth Peregi. 131,579 of these call options have a term of maturity of three years and were acquired at a price of SEK 1.52 per call option, and the remaining 54,645 call options have a term of maturity of five years and were acquired at a price of SEK 1.83 per call option. The call options entitle to acquisition of one share in KappAhl per call option in July 2022 and July 2024 respectively, at a price of SEK 17.04.

KappAhl's board of directors, management team and auditor⁵

BOARD OF DIRECTORS

Anders Bülow, chairman of the board

Born 1953. Chairman of the board of KappAhl since 2012.

Anders Bülow is also a member of the board of Mellby Gård as well as chairman of the board and member of the board of companies wholly or partly owned by Mellby Gård. He is also a member of the board of AcadeMedia AB. Anders Bülow holds a BSc in business administration from Stockholm University.

Anders Bülow is independent in relation to KappAhl and its management but dependent in relation to major shareholders in KappAhl as defined by the Swedish code of corporate governance.

Shareholding: 114,586 shares through a company (of which 15,000 shares are held through an endowment insurance)

Pia Rudengren, member of the board

Born 1965. Member of the board of KappAhl since 2013.

Pia Rudengren is also chairman of the board of Social Initiative AB and member of the board of AcadeMedia AB, Duni AB and Boliden AB. Pia Rudengren has previously been a member of the board of Swedbank AB and Tikkurila Oyj and held senior positions in Investor AB and W Capital Management AB, among others. Pia Rudengren has a M.Sc. in Business Administration from the Stockholm School of Economics.

Pia Rudengren is independent both in relation to KappAhl and its management, as well as in relation to major shareholders in KappAhl, as defined by the Swedish code of corporate governance.

Shareholding: 4,000 shares

Susanne Holmberg, member of the board

Born 1961. Member of the board of KappAhl since 2014.

Susanne Holmberg is Head of Purchasing & Assortment at Nordic Web Trading AB, with the operating websites Eleven and Nordicfeel, and a member of the board of Linum AB. She has previously been head of marketing at Aleris Sjukvård AB, business area manager at Coop Sverige AB and purchasing director and head of business area at Axstores AB. Susanne Holmberg also has experience as a board member of Åhléns AB, Kicks Kosmetikkedjan AB, Lagerhaus AB and Designorget AB. Susanne Holmberg is a graduate in economics and business administration.

Susanne Holmberg is independent both in relation to KappAhl and its management, as well as in relation to major shareholders in KappAhl, as defined by the Swedish code of corporate governance.

Shareholding: 1,600 shares

Kicki Olivensjö, member of the board

Born 1958. Member of the board of KappAhl since 2015.

Kicki Olivensjö is Head of purchasing and assortment at Venue Retail Group. She has previously worked as Business area manager and Design and purchasing manager at Åhléns, Design and purchasing manager at Lindex and

Design and production manager at Peak Performance. She has also worked at H&M in various positions in Sweden and Hong Kong.

Kicki Olivensjö is independent in relation to both KappAhl and its management as well as in relation to major shareholders in KappAhl, as defined by the Swedish code of corporate governance.

Shareholding: 1,200 shares

Göran Bille, member of the board

Born 1955. Member of the board of KappAhl since December 2016.

Göran Bille was Acting President and CEO from June to December 2018. Göran Bille was previously CEO and Group CEO of Gina Tricot and Lindex, as well as earlier a member of the senior management of H&M. Göran Bille is a member of the board of Gunnebo AB and a graduate in economics and business administration.

Göran Bille is dependent in relation to KappAhl and its management but independent in relation to KappAhl's major shareholders, as defined by the Swedish code of corporate governance.

Shareholding: 6,000 shares

Cecilia Kocken, member of the board

Born 1979. Member of the board of KappAhl since December 2016.

Cecilia Kocken is Senior Brand and Category Director and a member of the Swedish management team at Arlafoods, Sweden. Cecilia Kocken has previously worked as Marketing Director and has held several other leading positions at Procter & Gamble in the Nordic countries and globally. Cecilia Kocken is a graduate in economics and business administration.

Cecilia Kocken is independent in relation to both KappAhl and its management as well as in relation to major shareholders in KappAhl, as defined by the Swedish code of corporate governance.

Shareholding: 3,000 shares

Thomas Gustafsson, member of the board

Born 1965. Member of the board of KappAhl since 2017.

Thomas Gustafsson is also a member of the board and deputy CEO of Mellby Gård and active within other companies of the Mellby Gård Group. Thomas Gustafsson has previously been President and CEO of Duni AB and 2E Group AB, held senior positions in Spendrups Bryggeri AB, Brämhults Juice AB and Eckes Granini GmbH. Thomas Gustafsson is furthermore inter alia a member of the board of Smart Eyes International AB. He holds an MBA in market economy.

Thomas Gustafsson is independent in relation to KappAhl and its management but dependent in relation to major shareholders in KappAhl, as defined by the Swedish code of corporate governance.

Shareholding: 45,000 shares through a company

⁵ All information about shares and options held are per 1 August 2019.

Marie-Louise Jansson Bring, member of the board (employee representative)
Born 1957. Employee representative of the board of KappAhl since 2014.

Marie-Louise Jansson Bring works as a store manager at KappAhl and has participated in a training programme for board members held by Nasdaq Stockholm.

Shareholding: 5,081 shares

Johanna Bergqvist, member of the board (employee representative)
Born 1977. Employee representative of the board of KappAhl since November 2017.

Johanna Bergqvist works as a sales representative at KappAhl and has participated in a training programme for board members held by Nasdaq Stockholm.

Shareholding: 0 shares

Håkan Jirlow, deputy board member (employee representative)
Born 1964. Deputy board member of the board of KappAhl since 2018.

Håkan Jirlow works as a store manager at KappAhl and has participated in a training programme for board members held by Nasdaq Stockholm.

Shareholding: 0 shares

Carita Lundqvist, deputy board member (employee representative)
Born 1960. Deputy board member of the board of KappAhl since 2018.

She works as a sales representative at KappAhl and has participated in a training programme for board members held by Nasdaq Stockholm.

Shareholding: 0 shares

CEO AND MANAGEMENT

Elisabeth Peregi, President and CEO
Born 1971. President and CEO at KappAhl since April 2019.

Elisabeth Peregi is a graduate in business administration with an MBA degree from the University of Gothenburg. For nineteen years, she has worked in leading roles at Lindex, most recently as head of Sweden and UK.

Shareholding: 5,500 shares. 186,224 call options in KappAhl via Mellby Gård

Peter Andersson, CFO
Born 1964. CFO since April 2018.

Peter Andersson has been Acting CEO at KappAhl between December 2018 and April 2019. He is a graduate in business administration with an MBA degree from the University of Gothenburg. He has previously worked for Lindex AB and ICA Handlarna AB, among others.

Shareholding: 0 shares. 75,000 call options in KappAhl via Mellby Gård

Malin Lundell, Acting Vice President Assortment & Design
Born 1986. Acting Vice President Assortment & Design since March 2019 and employed since 2017.

Malin is a graduate in business administration with an MBA degree from the University of Gothenburg.

Shareholding: 0 shares

Anna Karin Holck, Vice President Customer Experience
Born 1968. Vice President Customer Experience since 2017 and employed since 2013.

Anna Karin Holck is a market economics graduate of IHM Business School.

Shareholding: 1,976 shares

Anna Andihn, Vice President HR, Communications and Sustainability
Born 1976. Vice President HR, Communications and Sustainability since October 2017 and employed since 2011.

Anna Andihn is a graduate in Human Resource Management and Labour Relations from the Mid Sweden University.

Shareholding: 0 shares

Martin Barden, Country Manager in Sweden
Born 1975. Country manager for KappAhl in Sweden since 2018.

Martin Barden is a market economics graduate of IHM Business School.

Shareholding: 0 shares

Liv Berstad, Country Manager in Norway
Born 1961. Country manager for KappAhl in Norway since 1996 and employed since 1989.

Liv Berstad is a graduate in business economics from BI Norwegian Business School.

Shareholding: 0 shares

AUDITORS

PricewaterhouseCoopers AB is the auditor of KappAhl. Eva Carlsvi serves as the auditor-in-charge.

OTHER INFORMATION

There are no provisions in KappAhl's articles of association regarding appointment and removal of board members.

KappAhl's articles of association

§ 1 Company Name

The name of the Company is KappAhl AB (publ).

§ 2 Registered office

The Board of Directors shall have its registered office in Mölndal.

§ 3 Business

The object of the Company's business shall be to, directly or indirectly, carry on retail trade business regarding clothing for ladies, gentlemen and children and to pursue other business related thereto.

§ 4 Share capital

The share capital shall amount to no less than SEK thirty two million (32,000,000) and no more than SEK one hundred twenty eight million (128,000,000). The number of shares shall be no less than forty million (40,000,000) and no more than one hundred sixty million (160,000,000).

§ 5 Board of Directors and Auditors

The Board of Directors shall consist of four (4) up to nine (9) directors.

The Company shall have one to two auditors with the same number of deputies, or one or two registered public accounting firms.

§ 6 Notice

Notice to attend a shareholders' meeting shall be published in Post och Inrikestidningar and at the Company's website. The fact that notice to attend a shareholders' meeting has been announced shall be published in Göteborgs-Posten and Svenska Dagbladet.

§ 7 The right of a shareholder to take part in a general meeting

A shareholder who wants to take part in the negotiations at a general meeting shall, on the one hand be listed in a print-out or any other description of the share register in whole regarding the circumstances five weekdays prior to the general meeting, on the other hand, notify the Company at the latest at noon on the day that is set forth in the notice convening the general meeting. The last mentioned day shall not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and shall not occur earlier than on the fifth weekday before the general meeting.

§ 8 Annual General Meeting

The following matters shall be addressed in the course of the annual general meeting:

1. Election of a chairman to preside at the meeting.
2. Preparation and approval of a voting list.
3. Approval of the agenda.
4. Election of one or two persons to check the minutes.
5. Examination of whether the general meeting has been properly convened.
6. Presentation of the annual report and the auditor's report and, whenever applicable, the consolidated accounts and the group auditor's report.
7. Resolutions with respect to
 1. The adoption of the Company's profit and loss account and balance sheet and, whenever applicable, the consolidated profit and loss account and the consolidated balance sheet.
 2. The appropriation of the Company's profit or loss according to the balance sheet adopted.
 3. The discharge of the directors of the Board of Directors and the Managing Director from their liability.
 8. Establishing of the number of directors and deputies and, whenever applicable, auditor and deputy auditor.
 9. Determination of fees for the Board of Directors and, whenever applicable, of the auditor.
 10. Election of the Board of Directors and, whenever applicable, auditor, deputy auditor or registered public accounting firm.

Any other matter which the general meeting is obliged to address under the Swedish Companies Act or under the Articles of Association.

§ 9 Financial year

The financial year of the Company is 0901–0831.

§ 10 Record day provision

The shares of the Company shall, in accordance with the Swedish Financial Instruments Act (1998:1479), be registered in a record day register.

Adopted at the Annual General Meeting held on 5 December 2017.

KappAhl's interim report for the third quarter 2018/2019

For the period September 2018–May 2019

KappAhl

INTERIM REPORT THIRD QUARTER 2018/2019

26 JUNE 2019



WEAK WOMEN'S WEAR OFFER UNDERMINED THE QUARTER

“The third quarter was challenging for KappAhl with a very weak close in the Nordic markets. Turnover in women’s wear decreased, while children’s wear increased and continued to report strong business. E-commerce accounted for 6.2 (5.6) per cent of total sales during the quarter.”

Read the full CEO statement on the next page.

- Sales decreased in the third quarter by 3.3 per cent. In the period September-May sales grew by 1.6 per cent.
- The gross margin for the third quarter was 60.8 (64.5) per cent. In the period September-May it was 60.5 (62.7) per cent.
- Operating profit for the third quarter decreased to SEK 6 (121) million. In the period September-May it was SEK 60 (216) million.
- The operating profit was affected by non-recurring costs of SEK 43 million for the programme started to improve earnings. The operating profit adjusted for one-off costs for the quarter was 49 (121) and accumulated SEK 103 (216) million.
- Elisabeth Peregi, new President and Chief Executive Officer at KappAhl, took up her post on 7 April 2019.

	Third Quarter (March-May)			Nine months (Sep-Feb)		
	2018/2019	2017/2018	Change	2018/2019	2017/2018	Change
Net sales, SEK million	1 200	1 242	-42	3 580	3 522	58
Gross margin, %	60,8	64,5	-3,7	60,5	62,7	-2,2
Operating profit/loss, SEK million	6	121	-115	60	216	-156
Operating margin, %	0,5	9,7	-9,2	1,7	6,1	-4,5
Profit after tax, SEK million	6	94	-88	45	175	-130
Earnings per share, SEK	0,08	1,22	-1,14	0,58	2,28	-1,71
Cash flow from operating activities, SEK million	183	292	-109	163	343	-180

For further information

Elisabeth Peregi, President and CEO. Tel +46 704 71 56 31.
Peter Andersson, Chief Financial Officer. Tel. +46 703 31 55 70.
Charlotte Högberg, Head Corporate Communications.
Tel. +46 704 71 56 31. Email charlotte.hogberg@kappahl.com.

KappAhl

ELISABETH PEREGI, PRESIDENT/CEO: WEAK WOMEN'S WEAR OFFER UNDERMINED THE QUARTER



Elisabeth Peregi
President and Chief Executive Officer

The third quarter was challenging for KappAhl with a very weak close in the Nordic markets. Turnover in women's wear decreased, while children's wear increased and continued to report strong business. E-commerce accounted for 6.2 (5.6) per cent of total sales during the quarter. The heavy competitive pressure led to a higher reduction level than the previous year and together with increasing purchasing prices gave a gross margin for the quarter of 60.8 (64.5) per cent. Inventory levels are higher than planned but mainly consist of summer goods that are still in season.

In terms of sales, the third quarter was a disappointment, apart from Poland that continued their positive sales development. KappAhl's offer in the Nordic markets was too weak, as our women's wear hasn't been attractive enough. We have simply not been sufficiently relevant to our important women customers. Accumulated after nine months, the operating profit is SEK 60 (216) million and the operating margin is 1.7 (6.1) per cent.

Administrative costs decreased during the quarter as an effect of the previously announced earnings improvement programme. We have reduced staffing by 50 administrative positions, 40 of which at the head office. We have also identified the 20 stores that do not meet our profitability requirements and that will therefore be closed. Together with intensified rent negotiations and renegotiations of other contracts, this will give us a profit-enhancing effect of SEK 100 million with full effect from September and twelve months forward.

During my first intensive months at KappAhl a short-term and a long-term plan have been drawn up. In the short term we will do what we must to improve the initial position, a painful but necessary process. We see that the earnings improvement programme will be more extensive than the SEK 100 million previously decided. We will prepare the additional measures in the near future. What we know for sure is that a continued major focus will be on adapting our store rents and store space to today's visitor levels.

In the long term, in the coming years we will use and sharpen KappAhl's strengths – our attractive store network, competent staff, strong customer base and ability to build strong brands – and implement changes where required. Focus will be on components such as business model, women's wear range, establishment strategy and interaction between physical and digital sales channels. There is a solid base where we clearly see what we need to do to develop the KappAhl Group and our various brands. The objective is to make KappAhl the first choice of each priority customer group.

Elisabeth Peregi
President and Chief Executive Officer

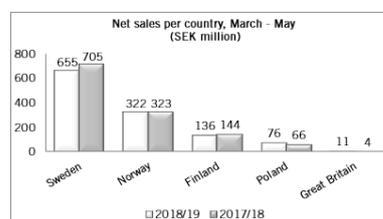
***KappAhl**, founded in 1953 in Gothenburg, is one of the leading Nordic fashion chains, with 382 KappAhl and Newbie stores in Sweden, Norway, Finland, Poland and Great Britain, as well as Shop Online. Our mission is to offer value-for-money fashion of our own design with wide appeal. Today 57 per cent of the company's products are sustainability labelled. In 2017/2018 net sales were SEK 4.8 billion and the number of employees was about 4,000 in ten countries. KappAhl is listed on Nasdaq Stockholm. More information can be found at www.kappahl.com.*

KappAhl

COMMENTS ON THE THIRD QUARTER

Net sales and profit

KappAhl's net sales for the quarter were SEK 1,200 (1,242) million, a decrease of 3.3 per cent. This is explained by the change in comparable stores, - 5.6 per cent; new and closed stores, 1.5 per cent; and currency translation differences totalling 0.8 per cent.



Gross profit for the quarter was SEK 730 (801) million, which corresponds to a gross margin of 60.8 (64.5) per cent.

Selling and administrative expenses for the quarter were SEK 724 (680) million. The cost increase is explained by non-recurring costs of SEK 43 million for the programme started to improve earnings.

The operating profit was SEK 6 (121) million. This is equivalent to an operating margin of 0.5 (9.7) per cent. The operating profit adjusted for one-off costs was 49 (121) SEK million.

Depreciation was SEK 40 (43) million.

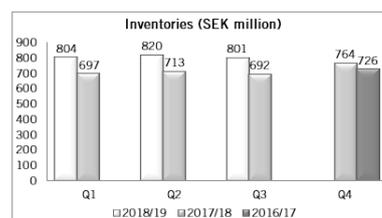
Net financial income was SEK -4 (0) million for the quarter. Profit before tax was SEK 2 (121) million and profit after tax was SEK 6 (94) million. Earnings per share for the quarter were SEK 0.08 (1.22).

Taxes

Tax for the period amounted to SEK 4 (-27) million. The Group has net deferred tax assets of SEK 60 (58) million and deferred tax liabilities of SEK 143 (157) million. KappAhl recognises deferred tax assets referring to loss carry forwards attributable to Finland. Deferred tax assets referring to losses in Poland are not measured.

Inventories

Inventories at the end of the period were SEK 801 (692) million. The increase in inventories compared with the same period in the previous year is due to poorer sales in the quarter compared with the previous year and to a higher dollar exchange rate, but mainly consists of summer goods that are still in season.



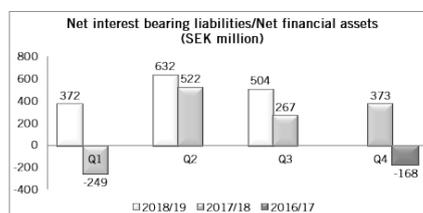
Cash flow

KappAhl's cash flow from operating activities before changes in working capital was SEK 50 (158) million. The change in cash flow mainly refers to reduced operating profit. Cash flow from changes in working capital was SEK 133 (134) million. The Group's investments in the quarter amounted to SEK 56 (36) million and referred to investments in existing and newly opened stores, as well as digital investments. Cash flow from financing activities was SEK -104 (-239) million.

KappAhl

Financing and liquidity

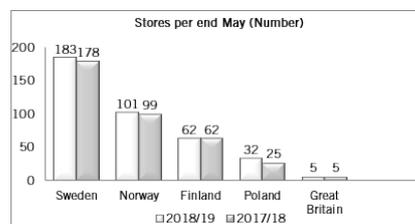
At the close of the period Kappahl had net interest bearing liabilities of SEK 504 (267) million. Net interest-bearing liabilities/EBITDA was 1.8 for the past twelve months. The equity/assets ratio decreased to 51.1 (57.2) per cent.



Cash and cash equivalents amounted to SEK 76 (54) million as at 31 May 2019. At the period close there were unutilised credit facilities of about SEK 525 (725) million.

Store network and expansion

At the close of the period the total number of stores was 383 (369), of which 26 (19) Newbie Stores. Of the total number of stores, there were 183 in Sweden, 101 in Norway, 62 in Finland, 32 in Poland and 5 in the United Kingdom.



Five stores were opened during the quarter and two were closed.

The work of seeking attractive store locations in existing markets is proceeding, but priority is given to optimising store areas for the Group as a whole.

Parent Company

Parent company net sales for the quarter were SEK 7 (4) million and pre-tax profit was SEK 1 (-1) million. The parent company did not make any investments during the period.

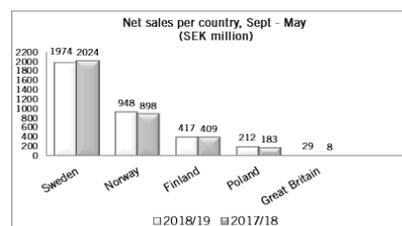
KappAhl

COMMENTS ON THE NINE MONTH PERIOD

1.6 %
increased net sales

Net sales and profit

KappAhl's net sales were SEK 3,580 (3,522) million for the nine month period. This is an increase of 1.6 per cent compared with the previous year. This is explained by the change in comparable stores of -1.6 per cent, new and closed stores, 1.5 per cent; and currency translation differences totalling 1.7 per cent.



Gross profit for the period was SEK 2,167 (2,209) million, which corresponds to a gross margin of 60.5 (62.7) per cent.

Selling and administrative expenses for the period were SEK 2,107 (1,993) million. The cost increase is partly explained by non-recurring costs of SEK 43 million for the programme started to improve earnings.

The operating profit was SEK 60 (216) million. This is equivalent to an operating margin of 1.7 (6.1) per cent. The operating profit adjusted for one-off costs was SEK 103 (216) million.

Depreciation was SEK 117 (110) million.

Net financial income was SEK -10 (1) million for the nine-month period. Profit before tax was SEK 50 (217) million and profit after tax was SEK 45 (175) million.

Earnings per share for the period were SEK 0.58 (2.28).

Cash flow

KappAhl's cash flow from operating activities before changes in working capital was SEK 133 (232) million for the year. The change is due to a lower operating profit and a lower amount of tax paid. Increased inventories in the period is the main reason for reduced cash flow from changes in working capital, which amounted to SEK 30 (111) million for the nine-month period. Cash flow from investing activities was SEK -141 (-128) million and refers mainly to investments in existing and newly opened stores and digital investments. Cash flow from financing activities was SEK 17 (-403) million. The change in relation to the previous year refers to the redemption of shares amounting to SEK 499 million that took place in the second quarter of 2017/2018.

Parent Company

Parent company net sales for the nine-month period were SEK 13 (14) million and the pre-tax profit was SEK 41 (31) million. The parent company received dividend from subsidiaries of SEK 49 (50) million. Dividend of SEK 154 (154) million was distributed to the shareholders. The parent company did not make any investments during the period.

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OTHER INFORMATION

Related party transactions

During the nine-month period there were transactions with associated companies. Purchases were made for SEK 3.8 million from companies in the Mellby Gård Group. The purchases were on commercial terms.

Risks and uncertainties

The most important strategic and operative risks that affect KappAhl's operations and industry are described in detail in the annual report for 2017/2018. The risks include competition in the fashion industry, economic fluctuations, fashion trends, weather conditions, store locations, changed customer behaviour and significant exchange rate fluctuations in currencies important for the company. The company has a customer-oriented business model where customer purchase patterns and behaviour are constantly analysed. The company's risk management is also described in the corporate governance report in the same annual report, under the section "Report on internal controls". The same applies to the Group's management of financial risks, which are described in the annual report for 2017/2018, Note 18. The reported risks are otherwise deemed to be unchanged in all essentials.

Post balance sheet events

No significant events have taken place after the balance sheet date up to the date on which this report was signed.

This report has been reviewed by the company's auditors.

Financial calendar

Fourth quarter 2018/19
9 October 2019.
Annual General Meeting
6 December 2019

Presentation of the report

A presentation of the report will be broadcast via the web and as a telephone conference today, 26 June at 09.00. To participate by telephone please call +46 8 505 583 55 (SWE) or +44 333 300 9268 (GB) about 5 minutes before the start.

The webcast can be accessed via www.kappahl.se, under the heading "Financial information", select "Reports & presentations".

Mölnadal, 26 June 2019
KappAhl AB (publ)

Elisabeth Peregi
President and Chief Executive Officer

This information is information that KappAhl AB is obliged to disclose pursuant to the EU Market Abuse Regulation and the Securities Market Act. The information was released for public disclosure, through the agency of President and Chief Executive Officer Elisabeth Peregi on 26 June 2019 at 07.30 CET.

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AUDITOR'S REPORT

KappAhl AB (Publ), corp. reg. no. 556661-2312

Introduction

We have reviewed the condensed interim financial information (interim report) of KappAhl AB (Publ), as of May 31 2019 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Mölnadal, June 26 2019

PricewaterhouseCoopers AB

Eva Carlsvi
Authorized Public Accountant

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CONSOLIDATED INCOME STATEMENT

Amounts in SEK million	Q3 2018/2019	Q3 2017/2018	Sept-Feb 2018/2019	Sept-Feb 2017/2018	Latest 12 months Mar-Feb
Net sales	1 200	1 242	3 580	3 522	4 819
Cost of goods sold	-470	-441	-1 413	-1 313	-1 916
Gross profit	730	801	2 167	2 209	2 903
Selling expenses	-672	-625	-1 950	-1 826	-2 559
Administrative expenses	-52	-55	-157	-167	-217
Other operating income	-	-	-	-	-
Other operating expenses	-	0	-	-	-
Operating profit	6	121	60	216	126
Financial income	3	2	7	6	8
Financial expenses	-7	-2	-17	-5	-20
Total net financial expense	-4	0	-10	1	-11
Profit/loss before taxes	2	121	50	217	116
Taxes	4	-27	-5	-42	-21
Net profit/loss for the period	6	94	45	175	95
Profit attributable to parent company shareholders	6	94	45	175	95
Earnings per share, SEK	0,08	1,22	0,58	2,28	1,22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK million	Q3 2018/2019	Q3 2017/2018	Sept-Feb 2018/2019	Sept-Feb 2017/2018	Latest 12 months Mar-Feb
Net profit/loss for the period	6	94	45	175	95
Items not to be recognised in net profit for the year					
Actuarial gains/losses	-	-	-	-	-18
Tax relating to actuarial gains/losses	-	-	-	-	4
Total items not to be recognised in net profit for the year	0	0	0	0	-14
Items to be recognised in income					
Translation differences for the period	2	6	-2	8	3
Cash flow hedges – value change	-2	10	7	21	1
Cash flow hedges returned to profit	0	5	-15	27	-15
Tax attributable to other comprehensive income	0	-3	2	-10	3
Total items that have been reposted or may be reposted to the net profit for the year	0	18	-8	46	-8
Total comprehensive income attributable to parent company's shareholders	6	112	37	221	73

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CONSOLIDATED BALANCE SHEET

Amounts in SEK million

2019-Feb-28 2018-Feb-28 2018-Aug-31

	2019-Feb-28	2018-Feb-28	2018-Aug-31
ASSETS			
Non-current assets			
Intangible assets*	1 423	1 394	1 405
Tangible assets	423	431	424
Deferred tax assets	60	58	61
Total non-current assets	1 905	1 883	1 890
Current assets			
Inventories	801	692	764
Other operating receivables	215	188	170
Cash and cash equivalents	76	54	36
Total current assets	1 092	934	970
Total assets	2 997	2 817	2 860
EQUITY AND LIABILITIES			
Equity	1 530	1 610	1 647
Non-current liabilities			
Interest-bearing long-term liabilities	56	46	57
Deferred tax liabilities	143	157	151
Total non-current liabilities	199	203	208
Current liabilities			
Interest-bearing current liabilities	524	275	353
Non-interest-bearing current liabilities	744	729	652
Total current liabilities	1 268	1 004	1 005
Total equity and liabilities	2 997	2 817	2 860
*of which goodwill	696	696	696
*of which trademarks	610	610	610

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK million

Q3 Q3 Sept-Feb Sept-Feb Sep-Aug
2018/2019 2017/2018 2018/2019 2017/2018 2017/2018

	Q3 2018/2019	Q3 2017/2018	Sept-Feb 2018/2019	Sept-Feb 2017/2018	Sep-Aug 2017/2018
Opening equity	1 524	1 498	1 647	2 042	2 042
Net profit/loss for the year	6	94	45	175	224
Other comprehensive income					
Year's translation differences	2	6	-2	8	14
Cash flow hedges - value changes	-2	10	7	21	16
Cash flow hedges - recognized in income	0	5	-15	27	27
Actuarial gains/losses	-	-	-	-	-18
Tax attributable to item in other comprehensive income	0	-3	2	-10	-5
Total other comprehensive income	0	18	-8	46	34
Total comprehensive income	6	112	37	221	258
Transactions with shareholders					
Redemption of shares	-	-	-	-499	-499
Dividend	-	-	-154	-154	-154
Total transactions with shareholders	-	-	-154	-653	-653
Closing equity	1 530	1 610	1 530	1 610	1 647

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CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK million	Q3 2018/2019	Q3 2017/2018	Sept-May 2018/2019	Sept-May 2017/2018
Cash flow from operating activities				
Operating profit	6	121	60	216
Adjustments for non-cash items	77	59	158	129
Paid interest	-4	-5	-8	-4
Paid tax	-29	-17	-77	-109
Cash flow from operating activities before changes in working capital	50	158	133	232
Cash flow from changes in working capital				
Decrease (+) Increase (-) in inventories	19	22	-38	34
Decrease (+) Increase (-) in operating receivables	-5	21	-12	8
Decrease (-) Increase (+) in operating expenses	119	91	80	69
Cash flow from operating activities	183	292	163	343
Cash flow from investing activities	-56	-36	-141	-128
Cash flow from investing activities	-56	-36	-141	-128
Change in bank overdraft facility	-104	-239	171	250
Redemption of shares	-	-	-	-499
Dividend	-	-	-154	-154
Cash flow from financing activities	-104	-239	17	-403
Cash flow for the period	23	17	39	-188
Cash and cash equivalents at beginning of the period	53	38	36	238
Exchange rate differences in cash and cash equivalents	0	-1	1	4
Cash and cash equivalents at the end of the period	76	54	76	54

PARENT COMPANY INCOME STATEMENT

Amounts in SEK million	Q3 2018/2019	Q3 2017/2018	Sept-May 2018/2019	Sept-May 2017/2018	Latest 12 months June-May
Net sales	7	4	13	14	24
Gross profit	7	4	13	14	24
Other operating charges	-6	-6	-19	-21	-36
Operating profit	1	-2	-6	-7	-12
Result from participations in group companies	-	-	49	50	71
Financial income	11	3	26	11	33
Financial expenses	-11	-2	-28	-23	-34
Profit/loss before taxes	1	-1	41	31	57
Taxes	0	-1	2	4	-2
Net profit/loss for the period	1	-2	43	35	56

STATEMENT OF COMPREHENSIVE INCOME FOR THE PARENT COMPANY

Amounts in SEK million	Q3 2018/2019	Q3 2017/2018	Sept-May 2018/2019	Sept-May 2017/2018	Latest 12 months June-May
Net profit/loss for the period	1	-2	43	35	56
Items not to be recognised in net profit for the year	-	-	-	-	-
Total items not to be recognised in net profit for the year	-	-	-	-	-
Items to be recognised in income	-	-	-	-	-
Total items to be recognised in income	-	-	-	-	-
Total other comprehensive income	1	-2	43	35	56

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PARENT COMPANY BALANCE SHEET - SUMMARY

Amounts in SEK million	2019-Feb-28	2018-Feb-28	2018-Aug-31
ASSETS			
Non-current assets			
Financial assets	2 711	2 711	2 711
Deferred tax assets	2	5	2
Total non-current assets	2 713	2 716	2 713
Current assets			
Other operating receivables	12	8	17
Cash and cash equivalents	16	17	16
Total current assets	28	25	32
Total assets	2 741	2 741	2 745
EQUITY AND LIABILITIES			
Equity	1 244	1 343	1 356
Non-current liabilities			
Interest-bearing long-term liabilities	-	-	-
Total non-current liabilities	-	-	-
Current liabilities			
Interest-bearing current liabilities	811	644	644
Non-interest-bearing current liabilities	686	754	745
Total current liabilities	1 497	1 398	1 389
Total equity and liabilities	2 741	2 741	2 745

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NOTES

Note 1 Accounting policies

The Group applies International Financial Reporting Standards, IFRS, as adopted by the EU.

The accounting policies applied are consistent with what is stated in the annual report for 2017/2018 with the exception that as of 1 September 2018 the Group applies IFRS 15 and IFRS 9. IFRS 15 is the new standard for revenue recognition. IFRS 15 has replaced IAS 18 Revenue and IAS 11 Construction contracts. IFRS 15 is based on the principle that revenue is recognised when the customer obtains control over a good or service - a principle that has replaced the earlier principle that revenue is recognised when risks and rewards have been transferred to the buyer. IFRS 9 Financial instruments has replaced most of the guidance in IAS 39. The new standard updates classification, recognition and impairment testing for financial assets and imposes new requirements on application of hedge accounting. KappAhl has no material transition effects on the income statement or balance sheet from IFRS 9 and IFRS 15.

IFRS 16 Leases will replace IAS 17 Leases. The standard comes into force on 1 January 2019 but early application is permitted. The company management assesses that the standard will have a material effect on the Group's reported assets and liabilities referring to the Group's tenancy agreements for premises, but has not yet quantified its effects. For further information please refer to the annual report for 2017/2018.

This report has been prepared in accordance with IAS 34. The report for the parent company was prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2, Accounting for Legal Entities.

KappAhl currently has no outstanding share-based incentive programmes.

Note 2 Calculation of earnings per share

Earnings per share have been restated for comparison periods. The number of shares has been adjusted to allow for the effect of redemption of warrants.

Note 3 Financial assets and liabilities measured at fair value

The Group's financial instruments consist of trade receivables, other receivables, cash and cash equivalents, trade payables, interest-bearing liabilities, currency forwards and interest rate derivatives. The carrying amounts of trade receivables and trade payables represent a reasonable estimate of their fair values. Group loans are measured at amortised cost.

Fair value hierarchy:

The Group holds financial instruments in the form of currency forwards that are measured at fair value in the balance sheet. Fair value measurement of currency forwards is based on published forward rates on an active market. The derivatives are recognised at fair value based on level 2 inputs in the fair value hierarchy.

The Group uses the following hierarchy to classify the instruments on the basis of the valuation technique:

1. Quoted prices (unadjusted) on active markets for identical assets or liabilities.
2. Other inputs than the quoted prices included in Level 1, that are observable for the asset or liability either direct (i.e. as prices) or indirect (i.e. derived from prices).
3. Inputs for the asset or liability in question that are not based on observable market data (non-observable inputs).

The Group uses derivative financial instruments to manage currency risks. Hedge accounting is applied when there is an effective link between hedged flows and derivative financial instruments. The fair value of financial derivative instruments was SEK 7 (21) million for currency forwards. The Group hedges currency flows in USD, for which currency forwards have maturities of up to 6 months.

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NUMBER OF STORES PER COUNTRY

	2019-May-31	2019-Feb-28	2019-Nov-30	2018-Aug-31	2018-May-31
Sweden	183	182	181	177	178
Norway	101	101	102	99	99
Finland	62	61	63	62	62
Poland	32	29	29	25	25
Great Britain	5	7	7	6	5
Total	383	380	382	369	369

SALES PER COUNTRY

Amounts in SEK million	Q3 2018/2019	Q3 2017/2018	Change SEK %	Change local currency %
Sweden	655	705	-7,1%	-7,1%
Norway	322	323	-0,3%	-1,7%
Finland	136	144	-5,4%	-8,1%
Poland	76	66	15,4%	14,0%
Great Britain	11	4	168,5%	130,2%
Total	1 200	1 242	-3,3%	-

Amounts in SEK million	Sep-May 2018/2019	Sep-May 2017/2018	Change SEK %	Change local currency %
Sweden	1 974	2 024	-2,5%	-2,5%
Norway	948	898	5,6%	1,7%
Finland	417	409	2,0%	-2,7%
Poland	212	183	15,7%	12,4%
Great Britain	29	8	254,1%	235,4%
Total	3 580	3 522	1,6%	-

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QUARTERLY INCOME STATEMENT

Amounts in SEK million	2018/2019			2017/2018				2016/2017				2015/2016				2014/2015			
	Q1	Q2	Q3	Q1	Q2	Q3	Q4												
Net sales	1194	1185	1200	1166	1115	1242	1239	1261	1189	1217	1248	1165	1116	1195	1248	1174	1133	1132	1149
Cost of goods sold	-438	-504	-470	-413	-460	-441	-506	-437	-489	-442	-491	-401	-462	-420	-524	-431	-478	-433	-490
Gross profit	756	681	730	753	655	801	733	824	700	775	757	764	654	775	724	743	655	699	659
Selling expenses	-653	-625	-672	-607	-594	-625	-606	-626	-602	-606	-568	-597	-570	-614	-574	-606	-604	-612	-563
Administrative expenses	-51	-54	-52	-56	-56	-55	-61	-54	-51	-50	-50	-50	-53	-58	-51	-42	-42	-45	-44
Other operating income	-	-	-	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit	52	2	6	90	5	121	66	144	47	119	139	117	31	103	99	95	9	42	52
Financial income	1	3	3	2	2	2	2	4	4	0	0	0	0	0	1	0	0	0	1
Financial expenses	-3	-6	-7	-1	-2	-2	-3	-5	0	-9	-15	-2	-2	0	-5	-8	-3	-5	-6
Total net financial expense	-2	-3	-4	1	0	0	-1	-1	4	-9	-15	-2	-2	0	-4	-8	-3	-5	-5
Profit/Loss before taxes	50	-1	2	91	5	121	65	143	51	110	124	115	29	103	95	87	6	37	47
Taxes	-9	0	4	-14	0	-27	-16	-36	-17	-29	17	-32	-15	-14	-36	-26	-9	-14	-17
Net profit	41	-1	6	77	5	94	49	107	34	81	141	83	14	89	59	61	-3	23	30
Operating margin	4,4%	0,2%	0,5%	7,8%	0,4%	9,7%	5,3%	11,4%	4,0%	9,8%	11,1%	10,0%	2,8%	8,6%	7,9%	8,1%	0,8%	3,7%	4,5%
Earnings per share, SEK	0,53	-0,02	0,08	1,00	0,07	1,22	1,22	1,39	0,44	1,05	1,84	1,08	0,18	1,16	0,77	0,81	-0,04	0,30	0,39
Number of stores	382	380	383	363	363	369	369	368	357	357	356	373	370	373	368	377	373	372	368

YEARLY INCOME STATEMENT

Amounts in SEK million	Sep-Aug 2017/2018	Sep-Aug 2016/2017	Sep-Aug 2015/2016	Sep-Aug 2014/2015	Sep-Aug 2013/2014
Net sales	4 760	4 916	4 724	4 588	4 743
Cost of goods sold	-1 818	-1 860	-1 806	-1 832	-1 857
Gross profit	2 942	3 056	2 918	2 756	2 886
Selling expenses	-2 432	-2 403	-2 356	-2 385	-2 469
Administrative expenses	-228	-205	-212	-173	-145
Other operating income	-	-	-	-	-
Operating profit	282	448	350	198	272
Financial income	8	1	1	1	0
Financial expenses	-8	-22	-10	-22	-68
Total net financial expense	0	-21	-9	-21	-68
Profit/Loss before taxes	282	427	341	177	204
Taxes	-58	-63	-96	-66	-75
Net profit/loss for the year	224	364	245	111	129
Operating margin	5,9%	9,1%	7,4%	4,3%	5,7%
Earnings per share after dilution, SEK	Note 2 2,92	4,73	3,19	1,45	1,71

DEFINITIONS

Some information in this report used by company management and analysts to assess the Group's development has not been prepared in accordance with IFRS.

The company management considers that this information makes it easier for investors to analyse the Group's performance and financial structure. Investors should regard this information as a complement to rather than a replacement for financial reporting in accordance with IFRS.

Key figures and ratios	Definition/calculation	Purpose
Margins		
Gross margin	Gross profit as a percentage of net sales	Gross margin is used to measure profitability of goods distribution
Operating margin	Operating profit as a percentage of net sales	Operating margin is used to measure operative profitability
Return		
Return on equity	12-month rolling profit for the period as a percentage of average equity	This key ratio shows return on owners' invested capital from the point of view of the owners
Return on capital employed	12-months rolling operating profit plus financial income as a percentage of capital employed	This key ratio is the central measure of return on all capital used in the business
Capital structure		
Net interest-bearing liabilities/Net financial assets	Interest-bearing liabilities minus cash and cash equivalents	Used to measure the capacity for repaying interest-bearing liabilities with available cash and cash equivalents if these fell due on the date of the calculation
Net interest-bearing liabilities/EBITDA (multiple)	Net interest bearing liabilities / EBITDA for immediately preceding twelve-month period	Net debt / EBITDA gives an estimate of the company's capacity to pay its interest bearing liabilities
Equity-assets ratio	Equity / balance sheet total at the close of the period	This key ratio shows financial risk, expressed as the proportion of total capital that is financed by the owners
Average equity	Equity at the close of the period and equity at the close of the period of comparison in the previous year, divided by two	Average equity is used when calculating the key ratio return on equity
Capital employed	Balance sheet total less non-interest bearing debt including deferred tax liabilities at the close of the period and for the period of comparison in the previous year divided by two	Capital employed measures the use of capital and effectiveness
Data per share		
Equity per share	Equity / number of shares	Equity per share measures the company's net value per share and determines whether a company increases the shareholders' wealth over time
Earnings per share	Profit after tax / average number of shares	This key ratio is used to assess the development of the investment from the point of view of the owners
Earnings per share after dilution	Profits after tax / average number of shares after full dilution	This key ratio is used to assess the development of the investment from the point of view of the owners
Other definitions		
Gross profit	Net sales less cost of goods sold	Gross profit is used to measure profitability of goods distribution
Operating profit (EBIT)	Profit before net financial income and income tax (EBIT = earnings before interest and taxes)	This key ratio makes it possible to compare profitability regardless of corporate tax rate and independent of the company's financing structure
Operating profit (EBITDA)	Operating profit before amortisation and impairment (EBITA = earnings before interest, tax, depreciation and amortisation)	This key ratio is used to measure cash flow from operating activities, regardless of the effects of financing and valuation of non-current assets
Sales in comparable stores	Change in sales in comparable units (on a like-for-like basis) after adjustment for opened/closed stores and foreign exchange effects	This key ratio makes it possible to analyse sales excluding opened/closed stores and foreign exchange effects
Interest coverage ratio (multiple)	Operating profit plus interest income / interest expense, for the preceding twelve-month period	This key ratio shows the company's capacity to cover its financial expenses
Overhead expenses as a percentage of sales	Selling expenses and administration expenses / Net sales	The key ratio shows the realiton of the company's overhead expenses to sales

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KEY RATIOS

	Q3 2018/2019	Q3 2017/2018	Sept-May 2018/2019	Sept-May 2017/2018	Latest 12 months June-May
Earnings per share, SEK	0,08	1,22	0,58	2,28	1,22
Total depreciation	40	43	117	110	161
Operating result (EBIT)	6	121	60	216	126
Gross margin	60,8%	64,5%	60,5%	62,7%	60,2%
Operating margin	0,6%	9,7%	1,7%	6,1%	2,6%
Interest coverage ratio	1,3	56,6	3,9	40,9	6,8
Net interest-bearing liabilities	504	267	504	267	504
Net interest-bearing liabilities/EBITDA	-	-	-	-	1,8
Equity/assets ratio	51,3%	57,2%	51,3%	57,2%	51,3%
Equity per share, SEK	20,03	20,96	20,03	20,96	20,03
Return on equity	-	-	-	-	6,0%
Return on capital employed	-	-	-	-	6,2%
Number of shares	76 820 380	76 820 380	76 820 380	76 820 380	76 820 380

RECONCILIATION BETWEEN IFRS AND USED KEY RATIO DEFINITIONS

OPERATING PROFIT (EBITDA)					
	Q3 2018/2019	Q3 2017/2018	Sept-May 2018/2019	Sept-May 2017/2018	Latest 12 months June-May
Amounts in SEK million					
Operation profit	6	121	60	216	126
Depreciations and write-downs	40	43	117	110	161
Operation profit (EBITDA)	46	164	177	326	287

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KAPPAHL'S 20 LARGEST SHAREHOLDERS AS OF 31 MAY

	Number of shares	Percentage of shares and votes 2019-May-31	Change compared with 2019-Feb-28
Mellby Gård AB	22 721 692	29,58	0
Brown Brothers Harriman/LUX, W8IMY WPR	5 172 538	6,73	0
Swedbank Robur fonder	5 122 454	6,67	0
SEB Investment Management	2 163 242	2,82	216 842
Försäkringsaktiebolaget, Avanza Pension	1 987 090	2,59	48 887
BNY Mellon NA (former Mellon), W9	1 660 774	2,16	-142 564
State Street Bank and Trust Co, W9	1 498 132	1,95	54 498
CBNY-DFA-INT SML CAP V	1 376 842	1,79	68 051
CBNY-INT COR EQ POR DFA IN DIM GR I	1 134 782	1,48	0
Nordea Livförsäkring Sverige AB	1 076 308	1,40	374
BNY Mellon SA/NV (former BNY), W8IMY	1 002 547	1,31	-222 566
Nordnet Pensionsförsäkring AB	909 733	1,18	278 368
Swedbank Försäkring	791 182	1,03	2 285
CBNY-Norges Bank	660 214	0,86	-57 102
Ulsmo Finans AS	580 000	0,76	0
Euroclear Bank S.A/N.V, W8-IMY	570 254	0,74	-130 133
SLB for SEF 2-Penser Yield	532 234	0,69	0
Morgan Stanley and CO LLC, W9	521 837	0,68	-2 975
CBNY-DFA-CNTL SML CO S	488 702	0,64	0
Nordea Bank ABP, Nordea Bank AB(publ)	461 756	0,60	80 730
Other	26 388 067	34,34	-194 695
Total	76 820 380	100,00	0,00

STATEMENT FROM THE INDEPENDENT BID COMMITTEE OF THE BOARD OF DIRECTORS OF KAPPAHL

The description of KappAhl on page 16–42 of this offer document has been reviewed by the independent bid committee of the board of directors of KappAhl⁶. It is the opinion of the independent bid committee that this description provides an accurate and fair, although not complete, picture of KappAhl.

22 August 2019

KappAhl AB (publ)

The independent bid committee of the board of directors

⁶ KappAhl has appointed an independent bid committee, consisting of the independent board members, which represents the Company in connection with the Offer. The independent bid committee consists of the board members Pia Rudengren (chairman), Susanne Holmberg, Kicki Olivensjö, Göran Bille, Cecilia Kocken, Marie-Louise Jansson Bring and Johanna Bergqvist, as well as the board deputy Carita Lundqvist. Deputy Håkan Jirlow, who initially was a member of the bid committee, has left the committee due to temporary hospitalization.

INFORMATION ABOUT MELLBY GÅRD IN BRIEF

Mellby Gård is a Swedish limited liability company, indirectly owned by Rune Andersson with family, having its main office at Rig-garegatan 53, 211 13 Malmö, Sweden. Mellby Gård was founded in 1986 and the group consists of about 20 operating subsidiaries and associated companies with a total revenue of close to SEK 30 billion. Mellby Gård is a long-term and active owner that, with its diversified strategy, operates in everything from industry and retail to services and agriculture. In essence, Mellby Gård's business model is to be the largest shareholder in each respective company, to get the opportunity to set the strategic agenda and assume overall responsibility for the company's development. During the financial year 2017/2018 (July–June), the Mellby Gård group's total consolidated revenue amounted to approximately SEK 6.0 billion, the profit before tax amounted to approximately SEK 1,476 million and the equity amounted to approximately SEK 7.6 billion. For more information, visit www.mellby-gard.se.

TAX MATTERS IN SWEDEN

The following is a summary of the tax consequences which, according to current applicable Swedish regulations, can arise due to the Offer. In addition, relevant case law, decisions and statements made by the tax authorities in effect and available on the date of this summary are taken into account. The description is subject to any amendments to tax legislation or practice, changes which could apply retroactively and could affect the tax consequences described below. This summary is intended for shareholders with unlimited tax liability in Sweden, unless stated otherwise. This is not intended to address, in an exhaustive manner, all tax issues which can arise in connection with the Offer, but is only intended to provide the reader general information. The fiscal assessment of each, individual shareholder is partly dependent on the respective shareholder's specific situation. The summary does not address, for example, the special regulations applying to partnerships (Sw. handelsbolag) and any partnership taxed subjects, so-called qualified shares in closely held companies (Sw. kvalificerade aktier i fåmansföretag), endowment insurances (Sw. kapitalförsäkring) or such legal entities whose shares are considered to constitute current assets (stock-in-trade). Certain tax consequences which are not described can also arise as regards other categories of shareholders which are not mentioned in the below description, such as investment companies, investment funds and individuals who are not tax resident in Sweden. These are not included in the summary. Each shareholder is recommended to obtain advice from tax experts regarding the tax consequences which can arise as a result of the Offer, for example, as a result of foreign regulations, double tax treaties or other special regulations which may apply.

Taxation on the sale of shares – Individuals

Individuals and estates of deceased individuals, with unlimited tax liability in Sweden, are taxed on the capital gain as income from capital, from the sale of listed shares. Tax is levied at 30 percent of the capital gain. Capital gains and capital losses are calculated as the difference between the sales proceeds, after deducting sales costs, and the tax basis. The tax basis is determined in accordance with the so-called average cost method, which implies that the average cost amount for all shares of the same class and type as the sold shares is to be applied in the calculation. For listed shares, the tax basis may alternatively be calculated in accordance with the so-called standard method as 20 percent of the sales proceeds reduced by expenses incurred in relation with the sale. Capital losses are, as a general rule, deductible to 70 percent in the capital income category. Capital losses on listed shares may however be fully deducted against taxable capital gains arising in the same year on listed shares and other qualifying listed equity related securities and against taxable capital gains on unlisted shares. If there is a net deficit in the capital income category, a tax reduction of 30 percent is granted on that portion of the net deficit which does not exceed SEK 100,000 and of 21 percent on the net deficit which exceeds SEK 100,000. This tax reduction is settled against municipal and national income tax and against real estate tax and municipal real estate charges. A net deficit in the capital income category cannot be carried forward to future fiscal years.

Taxation on the sale of shares – limited liability companies and economic associations

All income of limited liability companies and economic associations is taxed as income from business at a tax rate of 21.4 percent. For limited liability companies and economic associations, the taxation of capital gains and capital losses on shares in Swedish limited liability companies or foreign companies that are comparable to Swedish limited liability companies depends on whether the shares are considered to be held for business purposes or not under participation exemption rules. Listed shares in a Swedish limited liability company are considered to be held for business purposes if the holding corresponds to at least 10 percent of the votes or if the holding is contingent with the business operations.

Capital gains on shares that are not held for business purposes are fully taxed at the standard corporate income tax rate of 21.4 percent whereas capital losses on such shares may only be offset against taxable capital gains on shares and other

equity related securities. In certain cases, such capital losses can be deducted against taxable capital gains on shares and other equity related securities within a corporate group if the companies have the right to tax consolidation by way of group contributions. Capital losses which have not been utilized in this manner in a given year can be utilized against taxable capital gains on shares and other equity related securities during following fiscal years.

Capital gains from the sale of listed shares held for business purposes are tax exempt, provided that the shares, at the time of the sale, have been held for business purposes by the holder during a continuous period of one year. Capital losses on listed shares held for business purposes which have been held for at least one year are not tax deductible. If the holding period requirement is not met, a capital gain is fully taxable and a capital loss is deductible against taxable capital gains on shares and other equity related securities in accordance with the above description.

Shareholders with limited tax liability in Sweden

Shareholders that are not Swedish residents are usually not taxed in Sweden on the sale of shares. The shareholder may however be liable for tax in the country in which the shareholder is resident for tax purposes. Non-residents in Sweden may also, under certain conditions, be taxed on a capital-gain on the sale of shares if the person has been resident or had its habitual abode in Sweden during the calendar year during which sale took place, or during any of the ten preceding calendar years. This taxation is however in many cases limited by the tax treaties that Sweden has concluded with other countries.

Foreign legal entities are generally liable to tax in Sweden on shares attributable to a so-called permanent establishment in Sweden. For permanent establishments, the regulations regarding capital gains and capital losses on shares held for business purposes apply; however with certain limitations.

Investment savings accounts

Individuals and estates of deceased individuals holding shares through so-called investment savings accounts (Sw. investeringssparkonton) are not liable to tax on capital gains from a sale of shares. Capital losses on such shares are not tax deductible. Shares in such holdings are instead subject to standardized yield taxation based on the capital base for the account held, regardless of whether a gain or a loss has been made on the holding.

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