

The Offer is not being made, and this press release may not be distributed, directly or indirectly, in or into, nor will any tender of shares be accepted from or on behalf of holders in Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or the United States, or any other jurisdiction in which the making of the Offer, the distribution of this press release or the acceptance of any tender of shares would contravene applicable laws or regulations or require further offer documents, filings or other measures in addition to those required under Swedish law.

Press release

29 July 2019

MELLBY GÅRD ANNOUNCES A CASH OFFER OF SEK 20 PER SHARE TO THE SHAREHOLDERS OF KAPPAHL THAT WILL NOT BE INCREASED

Mellby Gård AB (“Mellby Gård”), hereby announces a public offer to the shareholders of KappAhl AB (publ) (“KappAhl” or the “Company”) to tender all their shares in KappAhl to Mellby Gård at a price of SEK 20 in cash per share (the “Offer”). The price in the Offer will not be increased by Mellby Gård. The shares in KappAhl are listed on Nasdaq Stockholm, Mid Cap.

Summary

- Mellby Gård offers SEK 20.00¹ in cash per KappAhl share. The total value of the Offer, based on the 54,098,688 shares² 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 SEK 1,536 million.
- Mellby Gård will not increase the Offer price of SEK 20.00.
- The price offered for the shares in KappAhl represents a premium of 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), a premium of 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, a premium of 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 and a premium of 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.

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.

² Based on the total 76,820,380 outstanding shares in KappAhl, of which 22,721,692 shares are held by Mellby Gård. KappAhl currently holds no shares in treasury.

- An offer document regarding the Offer is expected to be published on or about 22 August 2019. The acceptance period for the Offer is expected to begin on or about 23 August 2019 and expires on or about 20 September 2019.

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. Mellby Gård further sees co-operation synergies with the other companies within the Mellby Gård group that operate in the same industry as KappAhl, which could benefit the competitiveness of KappAhl’s operations in areas where the market situation is most challenging. 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 of our offer to the shareholders, we will not withdraw the offer in the event of a competing higher offer from another bidder.”*

Discussions with KappAhl

Mellby Gård notified the board of directors of KappAhl about the Offer on 28 July 2019. Mellby Gård intends to seek a recommendation of the Offer from the independent directors of KappAhl³.

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

³ Anders Bülow and Thomas Gustafsson have not, and will not, participate in KappAhl’s board of directors’ handling of or decisions concerning the Offer. For further information, refer to section “Certain closely related party issues etc.”.

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 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 Offer

Consideration

The shareholders of 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 Nasdaq Stockholm's rules regarding takeover bids on the stock market (the "Takeover Rules"), increase the price 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 adjusted accordingly.

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

Premium

The price of the Offer represents a premium of⁴:

- 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 on 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 on 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 on 26 July 2019, of SEK 16.33.

Total value of the Offer

⁴ Source for KappAhl's share prices: NASDAQ OMX Nordic.

The total value of the Offer, based on the 54,098,688 shares⁵ 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 SEK 1,536 million.

Conditions for completion of the Offer

The 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 by 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 (Sw. *Aktiemarknadsnämnden*).

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.

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. 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

⁵ Based on the total 76,820,380 outstanding shares in KappAhl, of which 22,721,692 shares are held by Mellby Gård. KappAhl currently holds no shares in treasury.

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.

Information about Mellby Gård

Mellby Gård is a Swedish limited liability company, indirectly owned by Rune Andersson with family, having its main office at Riggaregatan 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 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-gaard.se.

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.

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.

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.

Statement from KappAhl and fairness opinion

The independent directors of the board of directors of KappAhl are, in accordance with the Takeover Rules, expected to announce its opinion regarding the Offer and obtain a fairness opinion from independent experts, no later than two weeks prior to the expiry of the acceptance period.

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 and hold no financial instruments in KappAhl that provide a financial exposure equivalent to a holding of shares in KappAhl.

Preliminary timetable⁶

Publication of the offer document	22 August 2019
Acceptance period	23 August 2019 – 20 September 2019
Commencement of settlement	27 September 2019

Mellby Gård reserves the right to extend the acceptance period, as well as to postpone the settlement date.

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 the remaining shares in KappAhl. In connection therewith, Mellby Gård intends to promote delisting of KappAhl's shares from Nasdaq Stockholm.

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 the 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 City Court of Stockholm (*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

⁶ All dates are preliminary and may be subject to change.

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 and the abovementioned undertaking towards Nasdaq Stockholm.

Advisors

Erneholm Haskel is financial advisor and Cederquist is legal advisor to Mellby Gård in connection with the Offer.

Mellby Gård AB

The board of directors

For additional information, please contact:

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Information about the Offer is made available at: www.mellby-gaard.se

Mellby Gård discloses the information provided herein pursuant to the Takeover Rules. The information was submitted for publication on 29 July 2019, at 07:30 a.m. CET.

Important information

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

This press release 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 being 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 press release 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 press release is not being, 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 press release or any other document related to the Offer to such persons.

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).

This press release has been published in Swedish and English. In the event of any discrepancy in content between the two language versions, the Swedish version shall prevail.

Forward-looking information

Information in this press release relating to future events or circumstances, including information regarding future results, growth and other projections as well as benefits of the Offer, are forward-looking information. Such information may generally, but not always, be identified by the use of words such as “anticipates”, “expects”, “believes”, or similar expressions.

By its nature, forward-looking information involves risk and uncertainty, because it relates to events which depend on circumstances that may occur in the future. Due to several factors, of which a number of them are outside Mellby Gård’s control, there are no guarantees to that actual results will not materially differ from the results expressed or implied by the forward-looking information. Any such forward-looking information only applies as per the date it was given and Mellby Gård has no obligation (and undertakes no such obligation) to update or revise it, whether as a result of new information, future events or otherwise, except for what is required by applicable laws and other regulations.