

# KappAhl



PRESS RELEASE

October 10, 2011, 17.20 CET

**The Board of Directors have today resolved on an issue of new shares as separately made public. For the sake of good order, the same information is made public herein without use of weblink.**

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## KappAhl carries out a fully guaranteed rights issue of approximately SEK 600 million

- The Board of Directors of KappAhl AB (publ) has resolved on a new share issue of approximately SEK 600 million, with preferential rights for the Company's shareholders in order to strengthen KappAhl's financial position and creating prerequisites for long term growth and profitability
- KappAhl's two largest shareholders Christian W. Jansson through company and Mellby Gård AB, together representing 28.1 percent of the votes and capital, fully guarantee the rights issue
- The rights issue is subject to approval by an Extraordinary General Meeting to be held on 8 November 2011 at 10:00 CET
- The complete terms of the rights issue, including subscription price, will be announced on 4 November 2011
- Provided an approval by the Extraordinary General Meeting, the subscription period will run during 16-30 November 2011

- KappAhl has today announced updated targets for the group through a separate press release including among other things a revised dividend policy

## **Background and reasons**

KappAhl is a leading fashion company with the Nordics as home market selling affordable fashion to well defined client segments through approximately 370 stores in five countries. The company has performed well since the stock exchange listing in 2006 and fulfilled both the operational and financial targets up until the fiscal year 2009/10. Based on the business' strong and stable cash flow, the company has had an opportunity to administer a strategy of efficient capital structure. This has created room for distribution of a significant share of profits to shareholders in the form of dividends. Since the stock exchange listing in 2006, SEK 1,857 million equal to SEK 24.75 per share has been distributed to the shareholders. During the same period, KappAhl has at the same time continued its expansion and opened up more than 100 new stores. For the fiscal year 2010/11, no dividend has been proposed.

During the fiscal year 2010/11, KappAhl has experienced a significantly weaker demand compared to what the company has expected and planned for. In addition, the product offering has not sufficiently met the customers' expectations to an extent high enough. This combined has resulted in a weaker sales development than expected. A higher proportion of clearance sales and higher purchase costs have resulted in a deteriorated profitability. The weak sales development has also resulted in an inventory increase and increased tie-up of capital. The company's debt position in relation to profit level has increased significantly in recent quarters and exceeds the company's financial targets, primarily due to the weak profitability development.

The debt position, defined as net interest bearing debt in relation to operational profit pre depreciation and amortization of assets, was 5.1 by end of fiscal year 2010/11 compared to the company's target of 3.0 at maximum. This has led to a renegotiation of loan agreements with the company's financing banks where a new three-year loan agreement has been signed with credit facilities amounting to SEK 2,550 million. A number of actions for improving cash flow are taken, including among other things temporarily lower capital expenditure and lower rate of expansion of the store chain as well as reduction of inventory levels which all together is estimated to result in a debt reduction of approximately SEK 200 million in addition to the rights issue amount.

KappAhl's Board of Directors has resolved on a new share issue of approximately SEK 600 million with preferential rights for the company's shareholders for the purpose of strengthening the company's financial position and reducing the debt position by loan amortization. The new issue implies that KappAhl's expected financing cost for the current fiscal year is approximately 8 percent of the utilized amount. It also creates prerequisites for reducing the debt position to a level in line with the company's financial targets as soon as possible. In a continuing uncertain market, KappAhl stands better equipped for maintaining its strong market position and securing the long term growth and profitability potential with a stronger financial

position. KappAhl's Board of Directors has, in connection with the rights issue decision, updated the targets for the group including among other things a revised dividend policy. The dividend is to be 40-60 percent of net profit post tax compared to the former target of 70-100 percent.

### **The rights issue**

The Board of Directors of KappAhl has on 10 October 2011 resolved, subject to the Extraordinary General Meeting's approval, on a new share issue of approximately SEK 600 million with preferential rights for the Company's shareholders, in proportion to existing share holdings as of the record date, 11 November 2011. If all shares are not subscribed for on the basis of subscription rights, those who have subscribed for shares by exercising subscription rights will also be offered to subscribe for shares without preferential right. If allotment cannot be made in full, allotment will be made in relation to the number of exercised subscription rights, and if such allotment cannot be made, it will be made by drawing of lots. In the event all shares are not allotted according to the above, allotment of shares will be made to Dutot Ltd and Mellby Gård AB in their capacities as guarantors and in accordance with the terms and conditions of each guarantor's guarantee undertaking.

The subscription period runs from and including 16 November up to and including 30 November 2011, or such later date decided by the Board of Directors.

The Board of Directors will no later than 4 November 2011 resolve on, and announce, the increase of the share capital, the number of subscription rights received per share, the number of subscription rights required for subscription for one new share, the number of shares to be issued and the subscription price to be paid for each new share.

The rights issue is subject to approval by an Extraordinary General Meeting. The Extraordinary General Meeting will be held on 8 November 2011 at 10:00 CET in Mölndal, Idrottsvägen 14. The notice for the Extraordinary General Meeting will be announced through a press release and be published on 11 October 2011 in Post- och Inrikes Tidningar, Göteborgsposten and Svenska Dagbladet and will also be available at [www.kappahl.com](http://www.kappahl.com).

In connection with the rights issue, The Board of Directors has also decided to put forward a proposal to the Extraordinary General Meeting regarding necessary amendments to the articles of association as a result of the rights issue.

### **Subscription and guarantee undertakings**

The Company's two largest shareholders, Dutot Ltd (Christian W. Jansson) and Mellby Gård AB, representing 16.3 and 11.8 percent of capital and votes in the Company, have through subscription undertakings undertaken to subscribe for shares in the rights issue corresponding to their respective pro rata share holding in KappAhl, which in aggregate corresponds to 28.1 percent of the shares in the rights

issue. In addition, Dutot Ltd. (Christian W. Jansson) and Mellby Gård AB have through guarantee undertakings undertaken to subscribe for any shares in the rights issue that have not been subscribed for with or without preferential right, whereby Dutot Ltd's undertaking corresponds to 14.4 percent and Mellby Gård AB's undertaking corresponds to 57.5 percent of the rights issue, together 71.9 percent of the rights issue.

Consequently, the rights issue is fully guaranteed by means of subscription and guarantee undertakings.

The guarantors could, as a consequence of the subscription and the guarantee undertakings, increase their pro rata holding of the shares and votes in KappAhl. The maximum potential pro rata holding of the share capital and votes of each guarantor will be announced when the complete terms of the rights issue have been determined by the Board of Directors. The guarantors have been granted exemption from the rules on mandatory offers by the Swedish Securities Council (Sw. Aktiemarknadsnämnden) if their respective share of votes would reach or exceed 30 percent of the shares in the Company as a result of subscription of shares in the rights issue. The Securities Council's ruling is conditioned upon approval of the rights issue resolution at the Extraordinary General Meeting by shareholders representing not less than two-thirds of the votes cast and shares represented at the General Meeting, not including any shares held and represented at the meeting by the guarantors. In addition, the Securities Council has stated that the obligation to make a mandatory offer would be triggered if any of the underwriters as a result of the rights issue would reach a shareholding of 30 percent or more of the votes in KappAhl and the guarantors subsequently acquire additional shares in the Company and thereby increase their respective voting share.

#### **Preliminary rights issue timetable**

|                     |   |
|---------------------|---|
| 4 November 2011     | The complete terms of the rights issue are announced  |
| 8 November 2011     | The Extraordinary General Meeting resolves on approval of the Board of Directors' rights issue resolution |
| 9 November 2011     | First day of trading in the KappAhl share excluding subscription rights                                   |
| 11 November 2011    | Record date for allotment of subscription rights  |
| 15 November 2011    | Estimated date for publication of the prospectus  |
| 16-25 November 2011 | Trading in subscription rights  |
| 16-30 November 2011 | Subscription period   |
| 6 December 2011     | Estimated date for announcement of the outcome of the rights issue  |

## **Financial and legal advisors**

Nordea and Swedbank Corporate Finance are financial advisers to KappAhl and Joint Lead Managers in the rights issue. Setterwalls Advokatbyrå is acting as legal advisor to KappAhl.

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*KappAhl is a leading Nordic fashion chain with more than 370 stores and 4 800 co-workers in Sweden, Norway, Finland, Poland and the Czech Republic. KappAhl designs, markets and sells value-for-money fashion and focus in particular on women 30-50 years of age. During the financial year 2010/2011, KappAhl had sales of close to SEK 5 billion, with an operating profit of SEK 222 million. KappAhl shares are listed on the Nasdaq OMX Stockholm. In 1999, KappAhl was the first fashion chain to receive environmental management standard certification. Further information is available at [www.kappahl.com](http://www.kappahl.com)*

KappAhl AB (publ) discloses the information provided here pursuant to the Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication on 10 October 5.20 p.m.

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Neither of the subscription rights, the BTAs (interim shares) or the new shares will be registered in accordance with the Securities Act or any provincial act in Canada and may not be transferred or offered for sale in the United States or Canada or to persons resident there or on account of such persons other than in such exceptional cases that do not require registration in accordance with the Securities Act or any provincial act in Canada.