

PRESS RELEASE

Möndal 3 November 2017



KAPPAHL INVITES TO ANNUAL GENERAL MEETING

KappAhl AB's (publ) Annual General Meeting will be held at 10.00 am on Tuesday 5 December 2017 at KappAhl's head office, Idrottsvägen 14, Möndal, Sweden. Notification to participate should be made, preferably by 12 o'clock noon, on Wednesday 29 November 2017.

At the Annual General Meeting the following matters, inter alia, are proposed to be dealt with:

- The Board of Directors' proposal about the resolution regarding the adoption of the income statement and balance sheet, distribution of the company's result (proposed dividend of 2.00 SEK per share) and a substantially unchanged remuneration policy for the company management.
- The Nomination Committee's proposals are that Anders Bülow is appointed chairman of the Annual General Meeting, that seven ordinary board members are appointed, that remuneration will be paid with SEK 400,000 to the chairman of the Board, and with SEK 200,000 to the other members of the Board and that remuneration for committee work is unchanged per board member, that Anders Bülow, Kicki Olivensjö, Pia Rudengren, Susanne Holmberg, Göran Bille and Cecilia Kocken are re-elected as ordinary members of the Board, that Thomas Gustafsson is elected as new ordinary member of the Board and that Anders Bülow through re-election is elected as chairman, and that PwC is re-elected as the accounting firm with Eva Carlsvi as the principally responsible auditor.
- The Board of Directors' proposal about a share split and reduction of the share capital through an automatic redemption procedure. Through the redemption procedure approximately SEK 500 million will be transferred to KappAhl's shareholders, corresponding to SEK 6.50 per share.

The full version of the notice follows on the next page.

For further information, please contact

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KappAhl was founded in Gothenburg in 1953 and is a leading fashion chain in the Nordic region with 370 stores in Sweden, Norway, Finland and Poland 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 53 per cent of the range. Sales for 2015/2016 totaled SEK 4.7 billion and the company has approx. 4,000 employees in nine countries. KappAhl is quoted on Nasdaq Stockholm. More information at www.kappahl.com.

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The English text is an unofficial translation. In case of any discrepancies between the Swedish text and the English translation, the Swedish text shall prevail.

NOTICE TO ATTEND THE ANNUAL GENERAL MEETING

Shareholders of KappAhl AB (publ) ("KappAhl") are hereby invited to attend the Annual General Meeting to be held in Mölndal at Idrottsvägen 14, on Tuesday December 5, 2017 at 10.00 a.m.

The meeting room will be open from 09.30 a.m. and coffee will be served.

Notification

Shareholders wishing to participate in the Meeting must be registered in the share register kept by Euroclear Sweden AB on Wednesday November 29, 2017, and have given notice of their attendance and potential advisers by the same date, preferably by 12 o'clock noon, via email to stamma@kappahl.com. Notification of attendance can also be given by telephone on +46 31 771 55 00 or by post to KappAhl AB, Årsstämma, P.O. Box 303, SE-431 24 Mölndal, Sweden.

The notification must state the name, address, telephone number, corporate or personal identity number and registered shareholding. Any powers of attorney must be in writing and be submitted no later than, but preferably before, the Annual General Meeting. A physical person representing a legal person shall also submit a certified copy of the certificate of registration. The term of a power of attorney may not exceed five years from the issue. KappAhl provides power of attorney forms upon request, and these are also available at the KappAhl's website www.kappahl.com/ir.

Shareholders whose shares are registered in the name of a nominee through a bank's trust department or a private securities dealer must temporarily register the shares in their own name to be entitled to participate in the Meeting. Such temporary registration of ownership must be effected no later than Wednesday November 29, 2017. This means that the shareholder must notify the nominee of this well in advance of that date.

Accounts and complete proposals

The accounts and audit report will be available at the latest on Tuesday November 14, 2017, and will thereafter be sent to shareholders upon request, and are also available at www.kappahl.com/ir and at KappAhl's head office in Mölndal, Idrottsvägen 14. Complete proposals are included in this notice or will be available at the latest by Tuesday November 14, 2017 at www.kappahl.com/ir and at KappAhl's head office. Copies will be sent to shareholders upon request.

Agenda

1. Opening of the Meeting.
2. Election of chairman of the Meeting.

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3. Drawing up and approval of the voting list.
4. Approval of the agenda.
5. Election of one or more people to verify the minutes and check the votes.
6. Consideration whether the Meeting has been duly convened.
7. Presentation of the work of the Board of Directors and its committees.
8. Presentation of the annual accounts and the Auditor's report for 2016/2017 and the consolidated accounts and auditor's report for the Group for 2016/2017. Business report by the Chief Executive Officer.
9. Resolution regarding the adoption of the income statement and balance sheet and the Group income statement and Group balance sheet.
10. Resolution regarding the distribution of the Company's result according to the adopted balance sheet.
11. Resolution regarding discharge from liability of the members of the Board of Directors and the Chief Executive Officer.
12. Determination of the number of Board members and deputy board members and number of auditors, deputy auditors or accounting firm.
13. Determination of fees to the Board of Directors and the Auditor.
14. Election of the Board of Directors.
15. Election of auditor or accounting firm.
16. Instructions and charter for the Nomination Committee.
17. Remuneration policy for the company management.
18. The Board of Directors proposal regarding a redemption procedure, including:
 - (a) amendment of the Articles of Association;
 - (b) share split (2:1);
 - (c) reduction of the share capital for repayment to the shareholders; and
 - (d) increase of the share capital through a bonus issue.
19. Any other matters.
20. Closing of the Meeting.

Proposed resolutions

Item 2: The Nomination Committee proposes that the Chairman of the Board of Directors Anders Bülow is appointed as chairman of the Meeting.

Item 10: The Board of Directors proposes that a cash dividend of SEK 2.00 per share is distributed for 2016/2017 (SEK 1.25 per share previous year), corresponding to a total of SEK 153,640,760, and that

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the remaining profit is carried forward. The proposed record day for the dividend is Thursday 7 December, 2017. If the Meeting resolves in accordance with the proposal, the expected date of payment via Euroclear is Tuesday 12 December, 2017. In addition to the proposed cash dividend for 2016/2017, the Board of Directors has also proposed a redemption procedure in accordance with item 18 below.

Item 12: Seven ordinary members and one accounting firm are proposed by the Nomination Committee.

Item 13: The Nomination Committee proposes that the fees to the Board of Directors and its committees shall be SEK 2,019,000 (unchanged per member of the Board of Directors since previous year). The proposal means that the Chairman of the Board is awarded SEK 400,000 (unchanged since previous year) and each other elected member of the Board is awarded SEK 200,000 (unchanged since previous year), that the chairman of the Audit Committee is awarded SEK 160,000 (unchanged since previous year) and each other member of the Committee is awarded SEK 100,000 (unchanged since previous year), that the chairman of the Remuneration Committee is awarded SEK 35,000 (unchanged since previous year) and each other member of the Committee is awarded SEK 12,000 (unchanged since previous year). It is proposed, in accordance with the recommendation from the Audit Committee, that the fees to the accounting firm shall be unchanged in accordance with customary standards and approved invoice.

Item 14: The Nomination Committee proposes re-election of Anders Bülow, Kicki Olivensjö, Pia Rudengren, Susanne Holmberg, Göran Bille and Cecilia Kocken. The Nomination Committee proposes new election of Thomas Gustafsson as ordinary member of the Board of Directors. Moreover, the Nomination Committee proposes that Anders Bülow is elected as Chairman of the Board of Directors.

Thomas Gustafsson is former President and CEO at Duni AB. Thomas Gustafsson's has before that worked within the Mellby Gård AB group and before that he was President and CEO of 2E Group AB (publ). Thomas Gustafsson has also held senior executive positions at Spendrups Bryggeri AB, Brämhults Juice AB and Eckes Granini GmbH. Thomas Gustafsson has previously been chairman of Flash AB and board member of Atlas Design Group AB and is currently a board member of i.a. Smart Eyes International AB. Thomas Gustafsson holds a Diploma in marketing economics.

Thomas Gustafsson is independent in relation to KappAhl and its management, but not in relation to KappAhl's major shareholders. Neither Thomas Gustafsson nor any of his relatives hold shares or other securities in KappAhl.

Item 15: The Nomination Committee proposes, in accordance with the recommendation from the Audit Committee, re-election of PwC (PricewaterhouseCoopers AB) as the accounting firm, with the

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request that Eva Carlsvi is appointed as the principally responsible auditor. The engagement will run until the next Annual General Meeting.

Item 16: It is proposed that the Nomination Committee will be comprised of four ordinary members, who shall be appointed by the four largest shareholders as of April 30. The term largest shareholders refer here to shareholders registered with Euroclear and grouped by ownership as of April 30. The Chairman of the Board shall be co-opted to the Nomination Committee. If any of the four largest owners refrain from appointing an owner representative, or if an owner representative resigns or relinquishes the position before the assignment is complete, the Chairman shall encourage the next owner in size until the tenth largest shareholder (i.e. the fifth largest owner) to within a week from the encouragement appoint an owner representative. If, despite such encouragement, only three shareholder representatives have been appointed as of July 1, the Committee shall be able to constitute itself with three ordinary members and the Committee shall then be able to decide whether the procedure to designate a fourth member should continue or not.

In the event of a significant change of ownership among the largest owners after April 30 but occurs earlier than seven weeks before the Annual General Meeting, and if a shareholder, who after this change has become one of the four largest shareholders (or the three largest if the Committee has made such a decision as above mentioned), the Committee shall contact and offer the shareholder to be a member of the Committee either by deciding that the shareholder shall replace the smallest shareholder after the change, or by expanding the Committee with one more member. When deciding in accordance with the preceding sentence, the new member shall participate and the member appointed by the smallest owner shall not participate.

Item 17: A substantially unchanged Remuneration policy for the management is proposed with the following main contents:

1. *Fixed salary.* Management persons will be offered a market level fixed salary and based on the employee's responsibility and performance. Salary shall be established for calendar year periods.
2. *Bonus.* Management persons may, from time to time, be offered a bonus. The Chief Executive Officer and Chief Financial Officer may be offered a bonus of a maximum of 50 percent of the fixed salary and other management persons may be offered a bonus of a maximum of 33 percent of the fixed salary. Management persons may, on their own initiative, before the bonus is disposable, convert the bonus into extra pension payments through a so called salary reduction plan. The bonus is to be primarily based on the operating profit (EBIT) for the KappAhl group and shall be established for the financial year.
3. *Pension.* In addition to the terms of collective agreements or other contracts, management persons can arrange individual pension solutions. Salary or bonus waivers can be used to increase allocation to a pension plan provided that the cost to KappAhl is unchanged over the period.

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4. *Notice of termination etc.* Management persons and KappAhl must mutually observe a period of six months' notice of termination. At termination of employment for the Chief Executive Officer from the employer, an unchanged salary for six months and severance payment equal to up to eighteen months is paid, less wages in other employment.

Item 18: The Board of Directors proposes that the Annual General Meeting resolves on an automatic redemption procedure in accordance with items 18(a) – 18(d) below pursuant to which each share will be split into two shares, of which one share will be redeemed against a cash redemption payment of SEK 6.50 and an aggregate amount of SEK 499,332,470 will be distributed to the shareholders. The resolutions of the Annual General Meeting pursuant to items 18(a) – 18(d) shall be resolved upon as one resolution.

- (a) *Amendment of the Articles of Association.* The Board of Directors proposes that the number of shares limit in § 4 is amended from no less than thirty seven million five hundred thousand (37,500,000) and no more than one hundred fifty million (150,000,000) to no less than forty million (40,000,000) and no more than one hundred sixty million (160,000,000).
- (b) *Share split (2:1).* The Board of Directors proposes that the quota value of the share is changed by way of a split of shares so that each share is divided into two shares (share split 2:1), of which one is to be named redemption share which will be redeemed in the manner described in item (c) below. The Board of Directors shall be authorized to determine the record day for the share split. At the time of this notice, the record day for the share split is estimated to be 12 January 2018. Based on the estimated record day for the share split, the last trading day for the KappAhl share including the right to receive redemption shares will be 10 January 2018 and the first day of trading for the KappAhl share excluding the right to receive redemption shares will be 11 January 2018. Following the share split, the number of shares and votes in the company will increase from 76,820,380 to 153,640,760, each share with a quota value of SEK 3/7.
- (c) *Reduction of the share capital for repayment to the shareholders.* The Board of Directors proposes that the company's share capital shall be reduced with SEK 32,923,020 (the reduction amount) for repayment to the shareholders by way of redemption of 76,820,380 shares. The shares that are to be redeemed are the shares which, following the share split as described in item (b) above, are named redemption shares. The Board of Directors proposes that trading in the redemption shares shall take place as from 16 January 2018 to and including 30 January 2018, based on the above estimated record day for the share split as described in item (b) above. The Board of Directors shall be authorized to determine the record day for the right to receive the redemption payment. At the time of this notice, the record day for the right to receive the redemption payment is estimated to be 1 February 2018.

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For each redeemed share a cash redemption price of SEK 6.50 will be paid, of which approximately SEK 6.07 exceeds the quota value of the share. The aggregate redemption amount will be SEK 499,332,470, including the reduction amount. Payment of the redemption amount is estimated to be made by Euroclear Sweden AB on 6 February 2018. The company's share capital will, following the reduction of the share capital, amount to SEK 32,923,020, divided into 76,820,380 shares, each share with a quota value of SEK 3/7. In addition to the reduction of share capital, the company's restricted capital will not be affected.

- (d) *Increase of the share capital through a bonus issue.* The Board of Directors proposes that the company's share capital shall be increased to its original level, SEK 65,846,040, through a bonus issue of SEK 32,923,020, by a transfer from the company's non-restricted equity to the company's share capital. No new shares will be issued in connection with the share capital increase. The quota value of the share will, following the bonus issue, amount to its original level of SEK 6/7.

Duty of disclosure of the Annual General Meeting

The Board of Directors and the Chief Executive Officer shall, if any shareholder so requests and the Board of Directors believes that it can be done without material injury to the Company, disclose conditions that may affect the assessment of an item on the agenda. Anyone wishing to submit questions in advance can do so to KappAhl AB, Annual General Meeting, P.O. Box 303, SE-431 24 Mölndal, Sweden.

Number of shares and votes in KappAhl AB (publ)

The total number of registered shares and votes in the Company amounts this day to 76,820,380. The Company holds no own shares.

Mölndal, November 2017

KappAhl AB (publ)

The Board of Directors