

Unauthorised office translation

**Minutes from** Annual Shareholders' General Meeting in KappAhl Holding AB (publ), 556661-2312, on December 17 at 14.00 hrs, 2007 in Mölndal.

### § 1 Opening of the Meeting

The Meeting was opened by the Chairman of the Board, Finn Johnsson.

### § 2 Appointment of Chairman of the Meeting

Upon proposal from the Chairman of the Nomination Committee, Kristian Lundius (member of the Swedish Bar Association) and pursuant to the announced notice to attend, the Meeting resolved to appoint Finn Johnsson as Chairman of the Meeting. The Chairman noted that Jonas Frii (member of the Swedish Bar Association) had been requested by the Board to serve as Secretary at the Meeting and thus keep today's minutes.

### § 3 Drawing up and approval of voting list

It was noted by the Chairman of the Meeting that verification of the attendance list, available at the Meeting, had been performed when shareholders entered the Meeting.

**The Meeting resolved** that the voting list should be established by presenting the names of those in the attendance list who had not been verified, and that the total number of votes represented according to the attendance list should be reduced by the number of votes for those not verified when entering. The Secretary presented the names of those who had not been verified, and established a register of the present shareholders and their representatives, Appendix 1. The register was presented.

**The Meeting resolved** to approve the register as voting list.

For the sake of good order, the Chairman of the Meeting noted that those separately invited and other participants, according to Appendix 2, are welcome to the Meeting but do not have shareholders' rights at the Meeting.

### § 4 Approval of the agenda

The agenda was accounted for by the Chairman according to the announced notice to attend.

**The Meeting resolved** to approve the proposed agenda.

## § 5 Nomination of one or two persons to verify the minutes

**The Meeting resolved**, upon proposal from Åsa Gustafsson, to appoint two persons to verify the minutes, and to appoint Kerstin Ödman and Fredrik Svensson (Swedish Shareholders' Association) as such persons to verify today's minutes. **The Meeting resolved**, on the proposal of Åsa Gustafsson to appoint two voting supervisors, and to appoint Bror Frid (PriceWaterhouseCoopers) and aforementioned Fredrik Svensson as such voting supervisors in a potential voting.

## § 6 Question of whether the Meeting has been duly convened

It was accounted for by the Chairman when and how the notice to attend the Annual Shareholders' General Meeting had been issued.

**The Meeting resolved** that the Meeting had been duly convened.

## § 7 Presentation of the work of the Board and of the Committees of the Board

The Chairman of the Board: Since the previous Annual General Meeting, the Board has had fourteen meetings, all for which minutes have been kept. One meeting has been a constituent meeting, four meetings have been ordinary meetings and the remaining have been extraordinary meetings. As is clear from our corporate governance report, attendance at the Board meetings has been high. The work of the Board is focused on operational issues. They have covered everything from marketing strategies to new stores. Furthermore, the Board has reviewed different interim reports and the annual report. Significant among the other matters that the Board has reviewed are the decisions (1) to start planning establishment in a new country, (2) to make a public offer to acquire all the shares in Lindex, and (3) to re-capitalize and refinance the company.

The Chairman continued: The Audit Committee has consisted of two members, Jan Samuelson and Pernilla Ström. The Chairman of the Audit Committee has been Jan Samuelson.

Jan Samuelson: The Audit Committee has complied with the charters established for the work in the Committee. During the year, the Committee has continuously reported to the Board, and has among other things dealt with issues regarding the annual report and other financial reports, internal control, refinancing and re-capitalization. During the period from the previous Annual General Meeting up until today, we have had in total six meetings, all of which have been kept in minutes.

The Chairman: The Remuneration Committee has consisted of me as Chairman of the Board and Amelia Adamo. The Committee has had two meetings during the year and has continuously reported to the Board. The Committee has followed the remuneration policy established by the previous Annual General Meeting.

The Chairman continued: Up until this Annual Shareholders' General Meeting, the Nomination Committee has consisted of Kristian Lundius from Pegatro Ltd, Erik Sjöström from Skandia Liv and Arne Lööv from Fjärde AP-fonden. As Chairman of the Board, I have been called in to the Nomination Committee as co-opted member. The Chairman of the Nomination Committee has been led by Kristian Lundius.

Kristian Lundius: I have represented Pegatro, who has been and still is the largest shareholder in KappAhl. The Committee constituted itself on June 27 and has since then had three meetings. In our work, we have followed the charters established by the previous Annual General Meeting. The purpose of our work has been to propose suitable Board members. All in all, it is the Nomination Committee's opinion that the present Board possesses the required competence and qualities. Later in the meeting, we will revert to our Nomination proposals and proposals for determination of fees.

**§ 8 Presentation of the Annual Report and the Auditor's Report for the financial year 2006/2007 as well as the Consolidated Annual Report and the Consolidated Auditor's Report for the financial year 2006/2007.**

The Chairman reported on how the Annual Report, the Auditor's Report as well as the Consolidated Annual Report and the Consolidated Auditor's Report had been presented and made available.

**The Meeting resolved** that the Annual Report and the Auditor's Report, as well as the Consolidated Annual Report and the Consolidated Auditor's Report had been duly presented.

The Company's Auditor, Bror Frid, presented the Auditor's Report.

The Chief Executive Officer and Group Chief Executive, Christian W. Jansson, made a statement about the company's business operations.

The shareholders were given the opportunity to ask questions due to the statement made by the Chief Executive Officer.

Fredrik Svensson, Swedish Shareholders' Association: It is clear from the latest interim report that the net revenues have increased by 4.9 percent during the quarter, of which 1.6 percent is of development in comparable stores. What is KappAhl's growth target?

The Chief Executive Officer: Our long-term target is an annual six to nine percent increase of the group net revenues, of which existing stores should be two to three percent. The target is to increase the net number of stores with 20-25 per year. For the present year, the prognosis is opening approximately net 20 new stores.

Fredrik Svensson: What is the company's reasoning regarding first having expansive acquisition plans and then proposing redemption of shares?

The Chief Executive Officer: It is not our intention to make any large acquisitions in the immediate future. We would rather grow organically. As regards the proposition for redemption, the company shall not have more capital than required by our operations and

planned investments, and it is our assessment that the company also after the redemption procedure will have the capital required.

### **§ 9 Question of adoption of the Income Statement, the Balance Sheet, as well as of the Consolidated Income Statement and the Consolidated Balance Sheet**

**The Meeting resolved** to adopt the income statement and balance sheet as presented in the Annual Report for the parent company and the group.

### **§ 10 Question of the disposition of the unappropriated earnings at the disposal of the Annual Shareholders' General Meeting**

It was noted by the Chairman that the Board had withdrawn its previous proposal regarding a cash dividend.

**The Meeting resolved** – in accordance with the proposals made by the Board and the Chief Executive Officer – that the available unappropriated earnings amounting to SEK 1.359.529.041 are to be allocated as follows:

<u>Retained earnings to be carried forward:</u>	<u>SEK 1,359,529,041</u>
Total:	SEK <u>1,359,529,041</u>

### **§ 11 Question of discharge of liability for the Board of Directors and for the Chief Executive Officer**

It was noted that a member of the Board and the Chief Executive Officer, who are shareholders, cannot themselves or through a representative take part in the Meeting's resolution on discharge from liability.

**The Meeting resolved** to discharge the Board of Directors and the Chief Executive Officer from liability for the administration of the company during the financial year.

### **§ 12 Determination of the number of members of the Board and Auditors**

The Chairman of the Nomination Committee, Kristian Lundius, reported on the proposal to elect five Board members at the Meeting.

**The Meeting resolved** that five members of the Board should be elected in accordance with the proposal.

It was noted that this Annual Shareholders' General Meeting shall not take a position on the election of auditor.

### **§ 13 Determination on remuneration to be paid to the Board of Directors and to the Auditor**

The Chairman of the Nomination Committee, Kristian Lundius, presented the proposal for determination on fees. The Board of Directors and its Committees have had a fee of a total of SEK 1,290,000 for the period from the previous Annual Shareholders' General Meeting until this Meeting. The Nomination Committee now proposes that the Board of Directors and its Committees are to be awarded SEK 1,420,000, which equals an increase of approximately 10 percent. The proposal is that the Chairman of the Board is to be awarded SEK 470,000 and a total of SEK 680,000 to be distributed among the remaining members of the Board elected by the Meeting. The Chairman of the Audit Committee is awarded SEK 140,000 and the remaining members of the Committee an amount of SEK 90,000. The Chairman of the Remuneration Committee is awarded SEK 30,000 and the remaining members of the Committee an amount of SEK 10,000.

**The Meeting resolved** the remuneration to be in accordance with the proposal.

It was noted, by way of information, that the remuneration to be paid to the company's auditor is evident from the Annual Report and will be paid in accordance with customary norms for charging and approved invoice, and that the proposal means unaltered conditions of remuneration.

**The Meeting resolved** that the conditions of remuneration to the auditor should be unchanged.

#### **§ 14 Nomination of the Board of Directors, Auditor and Deputy Auditor**

The Chairman of the Nomination Committee, Kristian Lundius, presented the proposal to re-elect Finn Johnsson, Amelia Adamo, Paul Frankenius, Jan Samuelson and Pernilla Ström. The Chairman of the Nomination Committee also reported on the proposal to appoint Finn Johnsson Chairman of the Board (re-nomination).

Each of the present members introduced themselves.

**The Meeting resolved** to appoint Finn Johnsson (re-nomination), Amelia Adamo (re-nomination), Paul Frankenius (re-nomination), Jan Samuelson (re-nomination) and Pernilla Ström (re-nomination), and to again appoint Finn Johnsson Chairman of the Board.

Labor-union representative Rose-Marie Zell-Lindström introduced herself. It was noted that additional union representatives are appointed through special elections, but that they did not have the opportunity to attend this meeting.

#### **§ 15 Routines and instructions for the Nomination Committee**

The Chairman presented the proposal as it had been described in the notice to attend and been made available in its entirety before and at the Meeting.

#### **§ 16 Automatic redemption procedure**

The Chairman presented the Board's proposal for the Board to resolve on an automatic redemption procedure in accordance with appendix 3 and A) below.

(A) *Amendment of § 4 of the Articles of Association*

Proposal to reduce the share capital limits from now minimum SEK 10,000,000 to maximum SEK 40,000,000 to new minimum SEK 5,000,000 to maximum SEK 20,000,000.

(B) *Share split*

Proposal to change the quota value of the share by way of a so called share split, so that each share will be divided into two shares, of which one is to be named redemption share in the VPC system and be redeemed in the manner described under Section (C) below. The Board of Directors shall be authorized to determine the record day for the right to participate in the split. After implementation of the share split, the number of shares in the company will increase from 75,040,000 to 150,080,000.

(C) *Reduction of the share capital for repayment to the shareholders*

Proposal to reduce the share capital of the Company by SEK 5,360,00 for repayment to the shareholders by way of redemption of 75,040,000 shares. The shares that are to be redeemed are the shares which, after implementation of the share split in accordance with Section (B) above, are named redemption shares in the VPC system. The Board of Directors shall be authorized to determine the record day for the right to receive the redemption payment. As is clear from the information folder, the objective is for this day to fall sometime around February 11, 2008.

Payment for the redeemed shares is to be made as early as possible, however not later than ten banking days after the Swedish Companies Registration Office have registered all resolutions pursuant to Sections (A) to (D).

Statements and reports from the Board of Directors and the Auditor are included in the proposals in full.

(D) *Increase of the share capital by way of a bonus issue*

Proposal to increase the share capital of the Company by way of a bonus issue by SEK 5,360,000 to SEK 10,720,000 by a transfer of SEK 5,360,000 from the non-restricted equity. No new shares are to be issued in connection with the increase of the share capital. The number of shares in the Company will, after implementation of the increase of the share capital, be a total of 75,040,000.

Further, referral was made to the Board's proposals in accordance with [Appendix 3](#), which the meeting considered to be presented in full.

Fredrik Svensson: The redemption proposal can be considered to be a relatively aggressive action which entails that solidity should temporarily drop to approximately two percent. That is far below the communicated target of 20 percent. What are the thoughts behind this?

The Chairman of the Board: We have analysed how much capital is needed for operations. As the Chief Executive Officer has already accounted for, we are not facing any major acquisitions in the near future. Furthermore, our financiers and our auditor have approved the procedure. We will return at a later time to possibly adjusted financial targets.

**The Meeting resolved** to execute the automatic redemption procedure in accordance with proposals A-D in Appendix 3, and to give the authorization set forth there.

## § 17 Remuneration policy

The Chairman of the Board, who is also Chairman of the Remuneration Committee, accounted for essential parts of the proposal as it was set forth in the notice to attend, and which has been presented and made available in full before and on the meeting and added: Management remuneration is accounted for in the annual report and is furnished in accordance with the remuneration policy established by the previous Annual General Meeting. The bonus part have been designed so that no more than three monthly salaries have been paid as bonus. For the financial year, two monthly salaries have been paid to leading officials. Retirement age for the Chief Executive Officer is 60.

**The Meeting resolved** to adopt the remuneration policy in accordance with Appendix 4.

## § 18 Other matters

It was established that no other matters had been reported to the Board.

## § 19 Closing of the Meeting

It was noted that all resolutions were unanimous.

**The Meeting resolved** to authorize the Chief Executive Officer to carry out the minor adjustments in the resolutions made by the Meeting that may be required in connection with their registration by the Swedish Companies Registration Office (“sw. Bolagsverket”).

The Meeting directed a special thank you to union representatives Bodil Nilsson, Eva Larsson and Melinda Hedström for their services.

Upon the proposal of the Chairman of the Meeting, the Meeting directed a special thank you to KappAhl’s employees for their work during the year, after which the Chairman declared the Meeting closed.

Keeper of minutes

Jonas Frii

Verified

Fredrik Svensson

Kerstin Ödman