

# KappAhl

*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 Wednesday November 23, 2011 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 (formerly VPC AB) no later than Thursday November 17, 2011, and have given notice of their attendance and that of any advisers by 12 noon on the same date via email to [stamma@kappahl.com](mailto:stamma@kappahl.com). Notification of attendance can also be given by telephone on +46 31 771 55 00, fax +46 31 771 58 15, or by post to KappAhl AB, Årsstämma, P.O. Box 303, 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 powers of attorney must be no older than 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](http://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 Thursday November 17, 2011. 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 sent to shareholders upon request, and are also available at [www.kappahl.com/ir](http://www.kappahl.com/ir) and at KappAhl's head office in Mölndal, Idrottsvägen 14. Complete proposals are contained in this notice or will be available at the latest by Wednesday November 2, 2011 at [www.kappahl.com/ir](http://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
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 2010/2011 and the consolidated accounts and auditor's report for the Group for 2010/2011. 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 profits 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
13. Determination of fees to the Board of Directors and the Auditor

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14. Election of the Board of Directors
15. Instructions and charter for the Nomination Committee
16. Remuneration policy for the company management
17. Proposal for resolution of program with warrants to employees and approval of assignment
18. Any other matters
19. Closing of the Meeting

## **Proposed resolutions**

*Item 2:* The Nominations Committee proposes that the Chairman of the Board Finn Johnsson be appointed chairman of the Meeting.

*Item 10.* The Board of Directors proposes that no cash dividend is to be distributed for 2010/2011, and that the profits of SEK 1,023,695,919 be carried forward.

*Item 12:* Five ordinary members are proposed by the Nominations Committee.

*Item 13:* The Nominations Committee proposes that the fee to the Board of Directors and its committees shall be SEK 1,360,000 (previously SEK 1,570,000). The proposal means that the Chairman of the Board is awarded SEK 360,000 and each other elected member of the Board is awarded SEK 180,000, that the chairman of the Audit Committee is awarded SEK 145,000 and that the other members of the Committee are awarded SEK 95,000, and that the chairman of the Remuneration Committee is awarded SEK 30,000 and that the other members of the Committee are awarded SEK 10,000. The fee to the auditors shall be unchanged in accordance with customary standards and approved invoice.

*Item 14:* The Nominations Committee proposes re-election of Amelia Adamo, Paul Frankenius and Jan Samuelson. Finn Johnsson and Lena Apler have declined re-election. The Nominations Committee proposes new election of Christian W. Jansson and Sonat Burman-Olsson as ordinary members of the Board and appointment of Christian W. Jansson to Chairman of the Board. Christian W. Jansson was born in 1949 and is the resigning CEO and Chief Executive Officer for KappAhl. He is the chairman of Apoteket AB and Swedish Trade Federation, and holds an honorary doctorate in economics and a B.Sc. in Business Administration from the University of Lund. Sonat Burman-Olsson was born in 1958 and has a wide-ranging background in strategy, development and finances in both Swedish and international business operations. She holds a Master of Business Administration and an Executive MBA. She is the deputy CEO and CFO of the ICA group and a member of the Board of Tredje AP Fonden, ICA Banken and Lindab. She has previously held management positions at i.a. Siemens, British Petroleum and Electrolux.

*Item 15:* It is proposed that the Nominations 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 refers here to shareholders registered with Euroclear and grouped by ownership as of April 30.

*Item 16:* 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 of a maximum of fifty 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.* Management persons and KappAhl must mutually observe a period of six months' notice of termination.

*Item 17:* The Board of Directors proposes that the Annual General Meeting resolves that KappAhl AB (publ) (the "Company") shall issue, offer and assign warrants to certain key employees ("Warrant" and the "Program" respectively). Each Warrant shall include the right, in the future, to subscribe for one share in the Company at a subscription price set at 125 percent of the shares of the Company on the Nasdaq OMX Stockholm traded volume weighted average closing price during the period from December 22, 2011 to January 5, 2012 (the "Measuring period"). If there is no listing of a closing price for any of the dates in question, the listed closing price shall instead be included in the calculation. Days without closing price or settled price shall not be included in the calculation. The subscription price in accordance with the above shall be rounded to the nearest ten öre, whereas five öre shall be rounded down.

The Key Personnel (defined below) shall be offered to acquire Warrants on market conditions during the period from January 9, 2012 until January 16, 2012. The Warrants shall, in deviation from the shareholders pre-emption rights, only be subscribed for, free of charge, by a wholly owned subsidiary of the Company during the period from January 16 to January 18, 2012 with the obligation for the subsidiary to offer and assign the Warrants to the Key Personnel. The Meeting is proposed to accept the mentioned assignment by separate decision. The Board of Directors is entitled, to a limited extend, to prolong both the application period and the subscription period if for practical reasons so is required for implementation of the Program.

Upon full acceptance the Program may lead to a dilution of maximum three percent of the capital and votes in the Company per day of the Annual General Meeting. Based on the currently outstanding shares, the number of Warrants would amount to 2,250,000 and the share capital increase to SEK 321,428.60. However, in order to achieve the intended outcome of the Program, the number of Warrants partly depend on the final terms of the current rights issue of shares, meaning that the highest number of Warrants as well as the highest increase of the share capital, will have to increase by the same proportion as the share capital increases by the ongoing issue of shares. Upon full acceptance of the Program, the share capital is expected to increase by a maximum of SEK 1,928,571.43. If, for an example and subject to final terms of issue published at the latest on November 4, 2011, the issue of shares is 2:1 the number of Warrants shall not exceed 6,750,000 and the share capital may increase by a maximum of SEK 964,285.70.

The contemplated CEO shall have the right to subscribe for maximum 11.2 percent of the Warrants (group 1), each management persons in the group's directorate shall have the right to subscribe for maximum 4.5 percent of the Warrants (group 2) and each other Key Personnel in the group who reports to the directorate shall have the right to subscribe for maximum 2.3 percent of the Warrants (group 3), all of the entry of at least 100 Warrants. Mentioned employees in group 1 to 3 are collectively called "Key Personnel". Group 1 comprise of one person, group 2 comprise of approximately 7 people and group 3 of approximately 30 people. Only employees in Sweden are covered by the Program. The Board of Directors does not have the right to apply for subscription of Warrants through the Program.

The Board of Directors' motives for the proposal and the reason for the deviation from the shareholders pre-emption rights is partly to create opportunities for the group to recruit and retain skilled key employees, partly by offering a long-term ownership commitment among key employees, encourage them to an increased interest in the activities and earning development, and increase the sense of solidarity with the group.

In case of oversubscription, the Key Personnel shall primarily be allotted Warrants pro rata in relation to the number of Warrants comprised by the application, and thereafter by drawing of lots. The Board of Directors allocates in accordance with mentioned guidelines.

For each Warrant the Key Personnel shall pay a premium corresponding to the Warrant's market value calculated in accordance with the Black Scholes formula and conventional assumptions on i.a. volatility and risk-free interest rate at the time of the offer, which assumptions are based on measures made during the Measuring period. Calculation of the market value of the Warrants will be made by a well reputed financial institute engaged by the Company. It is not expected to be any social security costs in connection with the Program.

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The Warrants expire on February 6, 2015 and can only be used during the last 10 business days of the period. Determination of the period of use has been done in consideration of planned report dates and the group's insider policy.

Shares issued upon exercise of Warrants shall entitle to any dividend the first time on the record date for dividend occurring next after the Warrants are executed.

For further information see the complete proposals.

The Remuneration Committee has prepared the issue of the Program. The Board of Directors has considered the proposal of the Program in October 2011, and is of the opinion that it fits well with the group's other remunerations. There are no outstanding share-based incentive programs in the Company. The Board of Directors notes that the Annual General Meeting's resolution on the Program requires a majority vote of nine tenths of the votes submitted and represented at the Meeting.

## **Particular majority decisions**

Valid resolutions under item 17 require that the proposals are supported by shareholders representing at least nine tenths of the votes submitted and represented at the Meeting.

## **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, PO 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 75,040,000. The Company holds no own shares.

Mölndal, October 2011  
KappAhl AB (publ)  
The Board of Directors