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CLAS OHLSON IN BRIEF

Clas Ohlson is a retailing company with sales in Sweden, Norway and Finland. At the end of the financial year there were 71 stores, a mail-order operation and e-commerce. We offer a broad range of products in the areas of electrical & electronics, mobile phones, computer accessories, hifi/stereo, tools, household, home and storage. We have 15,000 different products in our range. The company is listed on the Nordic Exchange. The head office and distribution centre are located in Insjön in Sweden. Our sales exceed SEK 4 billion and we have a total of around 2,600 employees. We will open our first stores in the United Kingdom in 2008/09.



FINANCIAL INFORMATION

We are eager to keep the market continuously informed of our sales figures and therefore report these as often as once a month. The information is issued in a press release mid-way through the following month. Financial results are presented four times a year, at the end of each quarter.

We distribute a printed annual report to all shareholders by post and also regularly send out our interim reports to those who express an interest in receiving them. The interim reports can be received by e-mail or in a printed version by post, depending on preference.

All financial information on Clas Ohlson can be found on www.clasohlson.com. Both press releases and reports appear there the moment they are published. The website contains all the press releases, interim reports and annual reports that we have published since the initial public offering in October 1999. They can be downloaded as either text files or PDF files. The initial public offering prospectus can also be downloaded as a pdf. It is possible to register to receive our press releases directly by e-mail.

In addition, it is possible to view and listen to the presentations we hold around the time of the publication of our interim report on our website. These presentations are an excellent way of forming a picture of the company and its shares.

www.clasohlson.com

The interim reports for 2007/08 will be published on the following dates:

First quarter (May–July)	4 September 2007
Second quarter (Aug–Oct)	6 December 2007
Third quarter (Nov–Jan)	11 March 2008
Year-end report 2007/08	12 June 2008

This annual report has been prepared in Swedish and translated into English. In the event of any discrepancies between the Swedish and the translation, the former shall have precedence.

ANNUAL GENERAL MEETING

The Annual General Meeting for the 2006/07 financial year will be held in Insjön, Sweden, on 8 September 2007. All shareholders registered at the end of July 2007 will receive a notice of this meeting. The notice can also be found on our website www.clasohlson.com. The notice contains an agenda and information on how to register to attend.

The Board has decided to propose to the Annual General Meeting that a dividend of SEK 4.50 per share be paid for 2006/07 (previous year SEK 4.00).

Clas Ohlson AB (publ), corporate identity number 556035-8672
Annual report 1 May 2006 to 30 April 2007.

THE WORLD OF CLAS OHLSON



SWEDEN

Borås
Eskilstuna
Gävle
Göteborg, Bäckebo
Göteborg, Nordstan
Göteborg, Partille
Halmstad
Helsingborg
Insjön
Jönköping
Kalmar
Karlstad
Kristianstad
Linköping
Luleå
Malmö
Norrköping
Nyköping
Skellefteå
Stockholm, Farsta
Stockholm, Gallerian
Stockholm, Haninge
Stockholm, Häggvik
Stockholm, Kista
Stockholm, Nacka
Stockholm, Skärholmen
Stockholm, Solna
Stockholm, Täby
Stockholm, Väsby
Sundsvall
Trelleborg
Uddevalla
Umeå
Uppsala
Västerås
Växjö
Örebro
Örnsköldsvik
Östersund

NORWAY

Bergen, Bergen Storsenter
Bergen, Laguneparken
Bergen, Sartor
Bergen, Åsane
Fredrikstad
Gjøvik
Hamar
Haugesund
Kristiansand
Lørenskog
Moss
Oslo, Alna Senter
Oslo, Oslo City
Oslo, Torggata
Porsgrunn
Sandnes
Sandvika
Sarpsborg
Ski
Strømmen
Trondheim, City Syd
Trondheim, Solsiden
Tønsberg
Ålesund

FINLAND

Espoo
Helsinki, Centre
Helsinki, Kamppi
Helsinki, Itäkeskus
Kuopio
Tampere
Vantaa
Vaasa
Turku

	SWEDEN	NORWAY	FINLAND
Number of stores	38	24	9
Share of Group sales			
Share of number of Group employees			
Established in year	1918	1985	2002



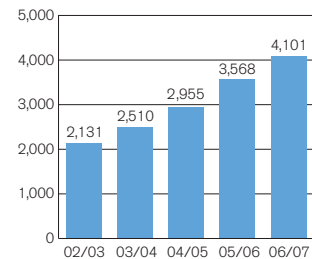
THE STORY OF CLAS OHLSON

Clas Ohlson, who was very interested in technical products, started the company in Insjön, Sweden, in 1918 as a mail-order company. The product catalogue, which at that time only ran to a few pages, was gradually expanded and over the years has been a source of inspiration for generations of customers. The company has since grown year by year, and Clas himself was active in the business throughout his life.

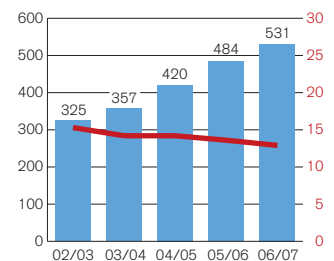
THE YEAR IN BRIEF

- Sales totalled SEK 4,101.2m (SEK 3,567.6m)
- Profit after tax was SEK 385.8m (SEK 352.1m)
- Earnings per share was SEK 5.88 (SEK 5.37)
- A dividend of SEK 4.50 (SEK 4.00) per share is proposed
- Opening of twelve new stores
- Klas Balkow will take over as CEO and President by the end of the year

Sales, SEKm



Operating profit, SEKm
Operating margin, %



Key ratios	2006/07	2005/06	Change
Net sales, SEKm	4,101	3,568	15%
Operating profit, SEKm	531	484	10%
Profit before tax, SEKm	538	491	10%
Profit after tax, SEKm	386	352	10%
Operating margin, %	12.9	13.6	-0.7
Return on equity, %	29.4	30.4	-1.0
Return on capital employed, %	40.9	42.4	-1.5
Equity/assets ratio, %	70.6	70.4	0.2
Earnings per share, SEK	5.88	5.37	9%
Dividend per share, SEK	4.50	4.00	13%
Total number of stores	71	59	20%
Number of full-time employees	1,647	1,439	14%



ANOTHER RECORD YEAR

Gert, you took over as CEO in 1996 and this has been your last full financial year. Can you give a brief summing-up of these 11 years?

I have been involved in the opening of 70 stores, first as chairman of the Board and then as CEO. Today Clas Ohlson has 71 stores in three countries, Sweden, Norway and Finland, and we are on our way into the UK market. The heart of the operation, the distribution centre in Insjön, Sweden, has been built in three stages, and we have now decided on further investments to increase capacity in order to be able to deliver to 150 stores.

Eleven years ago Clas Ohlson had five stores, around 400 employees and sales totalling 500 million kronor. We are now growing by just as much or more than that every year. And everything is organic growth. It's been a wonderful journey, and a very strong organisation has been established, one that has done a fantastic job.

The stock exchange listing in 1999 obviously meant great changes, not least for me as CEO. Having originally been a family-owned company, Clas Ohlson today has 24,000 shareholders. Cooperation with all the co-workers and contacts with customers and shareholders have been a great source of inspiration. Every day brings fresh enjoyment for the CEO of Clas Ohlson.

What events would you highlight in the last financial year?

During the financial year 2006/07 we opened twelve new stores, turnover was over SEK 4

billion and profit before tax passed the SEK 500 million mark for the first time.

We took several major and strategically important decisions, including continued expansion of the distribution centre.

In addition, the process of finding a new CEO and President was initiated, now that I am approaching retirement.

Sales have continued to increase, by 15 per cent during the 2006/07 financial year. What is the principal factor behind the trend in sales – new stores, or increased sales in like-for-like stores?

As we grow, the level of sales in like-for-like stores will become increasingly important. I think that 4–5 per cent growth in like-for-like stores is a good level to aim for.

What are the most important requirements for profitable expansion?

There's a need to focus on the factors of success – product range, logistics and sales channels. And to make sure that the operation is notable for its simplicity and professionalism. Keeping it simple is often difficult.

For continued profitable expansion it is important above all to deal with what you already have. It's looking after this that creates the necessary basis for continued growth without any loss of profitability. They might not be particularly glamorous, but it's the little things in everyday life that build the future.

It's also important to choose what to concentrate on. It is crucial for the whole

organisation to be business-oriented – at the same time people must be allowed to make mistakes. That way we get co-workers with great commitment and a high level of self-confidence.

The United Kingdom is due to be Clas Ohlson's next market. What progress have you made?

To enter a new market, we need a period of preparation of more than two years. We have to adapt the product range, for instance all our electrical products need to be adapted for the UK market. We also need to build the organisation, negotiate on store locations and produce marketing materials and catalogues. The objective is to open one or two stores in time for 2008 Christmas trading.

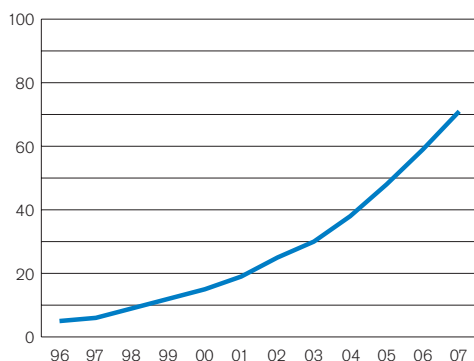
How will you move from being a Nordic to a European player? What will it mean for the organisation? And for the product range?

It's important to retain the concept and the product range, even if it is adapted to different markets. We must dare to be Clas Ohlson, with the success factors that are characteristic of us. At the same time we must be willing to listen, and be open to the cultures we encounter, this is where a business-oriented approach is vital.

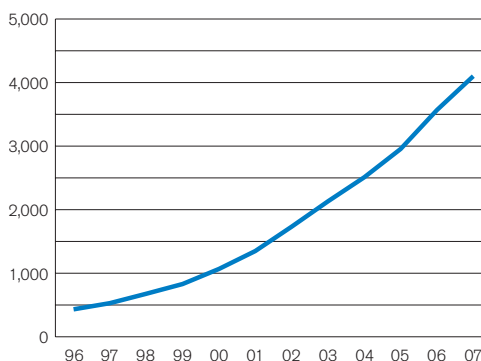
What will be the next market after the United Kingdom?

We take one country at a time. Actually we can't see any European countries where the Clas Ohlson concept wouldn't work. But it's

Number of stores 1996–2007



Sales 1996–2007



Since 1996, when Gert Karnberger took over as CEO, the number of stores has increased from five to 71. Sales have increased more than eight-fold over the same period, from less than 0.5 billion kronor to this year's figure of 4.1 billion kronor.



up to us to show that we deserve consumers' trust, there aren't any customers standing around waiting for us to arrive.

The unique feature of Clas Ohlson is that in a relatively small trading space we show such a brand range at so many price levels. The strong commitment of our co-workers is also unique. The customer is always welcome at Clas Ohlson, even if there are problems with a product. It has to be easy to get through to us.

Clas Ohlson's code of conduct for suppliers will be fully implemented in 2007. Is it on schedule? What will it mean in practice?

The code of conduct is based on UN and OECD guidelines and is due to be fully implemented in 2007. The work to date has been undertaken in project form, but we are now building up a separate CSR organisation. Clas Ohlson has around 800 suppliers and even more manufacturers – the way we act has an impact in many different ways. We want Clas Ohlson to be a good citizen of the world, one that takes sustainability issues very seriously.

What is the next step with regard to Clas Ohlson's corporate social responsibility?

It's possible to follow our work relating to the introduction of the code of conduct

on our website. The next step is to carry out a large number of audits in factories that manufacture Clas Ohlson's products. We will conduct these audits ourselves or through an external audit firm.

The Clas Ohlson spirit is characterised by a positive attitude, commitment and loyalty. A sense of being part of a family is also paramount. How have you managed to retain this when you employ around 400 new co-workers every year?

When we open a new store, our new co-workers begin their employment with two weeks in Insjön, where they receive joint training on matters such as corporate culture, products, routines and team-building. For co-workers who are recruited during the year, we have 2–3 joint sessions where they are trained with colleagues from other parts of the company. In taking on co-workers we stress the importance of enjoying working in a team and having social skills.

We also have regular activities to build relations and safeguard the brand and corporate culture.

Retaining the Clas Ohlson spirit is a living process. It has to be with us in our everyday work. The corporate culture has to be safeguarded, it must never be reduced

to empty phrases. I meet our new co-workers myself at the training sessions in Insjön. And I usually take time to visit the Clas Ohlson store, wherever it might be.

The AGM in September will be your last one as CEO of Clas Ohlson. It's one of the best-attended AGMs in Sweden, with almost 1,500 shareholders travelling to Insjön. Will the record be broken again this year?

We don't know how many are coming this year, but the AGM is a very popular event and a good opportunity to give shareholders and the media detailed information about the company. It's a wonderful opportunity to build trust and long-term commitment.

The 2006/07 financial year was yet another record year for Clas Ohlson. This is an enormous achievement, and I would like to thank the entire organisation. And all our faithful customers, who make the Clas Ohlson success story possible.

Insjön, June 2007

Gert Karnberger

BUSINESS CONCEPT, AIMS AND STRATEGIES

Our business concept is to sell do-it-yourself items at competitive prices in stores and by mail-order and Internet. We aim to provide good product quality and a high level of service.

BUSINESS CONCEPT

The business concept is based on the original promise made to customers by the founder, Clas Ohlson: "We must sell dependable products at low prices and the right quality according to need."

By focusing the whole time on the main aspects of the business concept of price, quality and service and improving in these areas every year, we work towards attaining the overall aim of increased trust among our customers.

Price

The aim is to have prices at least 10 per cent lower than the specialist trade. In addition, the total purchase should always be regarded as a positive experience and good value for money.

Quality

Quality is a key concept at Clas Ohlson. We adapt product quality to the needs of our customers. Infrequent users find products at low prices, yet with satisfactory quality. For professional users, there is an equivalent product from a brand manufacturer but still at a lower price than in the specialist trade.

Service

Clas Ohlson aspires to lead the market in customer service. Today we achieve a high level of service and have a very generous customer service policy. We believe that a high level of service pays for itself in the long run and results in a loyal customer base.

AIMS AND STRATEGIES

We intend to develop a strong retail chain with high profitability and good growth in value for our shareholders.

Growth in sales of 15 per cent

The Group's long-term objective is an annual rate of growth in sales of 15 per cent. This is to be achieved through increased sales in existing stores and through further new store openings. Fifteen to twenty new stores are planned for 2007/08, while the target for 2008/09 is 20–25 new stores.

The organisation is to be continuously upgraded for continued growth in both existing and new markets. The expansion is to continue over the next year in Sweden, Norway and Finland. We will also establish a presence in the United Kingdom, where we initially intend to open 2–4 stores during the 2008/09 financial year.

Sales rose by 15 per cent during the financial year, and the average rate of growth in the latest five-year period has been 19 per cent. Twelve new stores were opened during the financial year, eight in Sweden and four in Norway.

Operating margin 13–15 per cent

The objective with regard to profitability is an operating margin of 13–15 per cent over an economic cycle.

Operating margin was 12.9 per cent during the financial year. Average operating margin



By focusing the whole time on the main points of the business concept of price, quality and service and improving in these areas every year, we are working towards attaining the overall aim of increased trust among our customers.



STORE-OPENING STRATEGY

Our stores should preferably be located in strong central shopping centres where we work together with other stores and chains to bring about repeat visits. Alternatively we can locate in one of the main streets in town and city centres.

In a shopping centre we do not need to have the whole floor on the ground level. Instead we make use of several floors, with a small entrance store on the ground level with an escalator leading to the upper or lower level where most of our store is located.

Each store carries our normal catalogue range of around 12,000 products, the vast majority openly available for self-service. Less than 10 per cent of the products are sold over the counter.

PRODUCT RANGE

LOGISTICS

SALES CHANNELS

To attain our operational objectives and strengthen our brand we also strive at all times to develop and become even better in our focal areas of product range, logistics and sales channels.

for the latest five-year period has been 14.0 per cent.

Private-label products 25 per cent

The Board has decided on an increased commitment to private-label products. The target is for private-label goods to account for 25 per cent of sales at the end of the 2008/09 financial year. The proportion was 13 per cent during the financial year, compared with 12 per cent in the previous year.

Strengthening the Clas Ohlson brand

The Clas Ohlson brand is already regarded as strong today in the Nordic markets, and is to be made even stronger through targeted marketing.

Alongside our traditional marketing with the aim of promoting sales, that is to say catalogue mailings and themed campaigns, we did a great many other things to boost the brand during the financial year. For example, we had our own stand at four large trade fairs in Sweden, where we established many contacts with both present and future customers.

A broad and attractive product range

We will offer our customers a broad and attractive product range. 10–15 per cent of the product range is therefore renewed every year, by introducing new product areas and adding to and replacing products in existing areas.

The product range is identical in all the stores and for mail-order and Internet customers.

The year's catalogues contained 1,650 new products. This means that 14 per cent of the 12,000 catalogue items have changed since the previous year. Many new products and product lines have been added, for instance in computer accessories, boat accessories and household items. In addition, a successful commitment has been made to products sold under private labels. For further information on private labels, see page 21.

A level of service of 98 per cent.

When ordering goods, customers should receive at least 98 per cent of the items ordered in the first delivery.

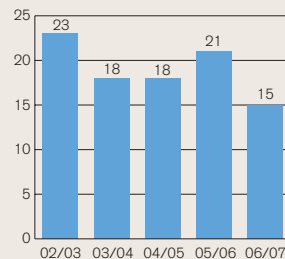
During the financial year the average level of service in mail-order and Internet shopping was 97.6 per cent, compared with 98.0 per cent in the previous year. Our experience is that the level of service in stores on average is 1–1.5 percentage points higher, which would result in a level of service of nearly 99 per cent for the stores.

Rate of stock turnover 6–7 times in the distribution centre

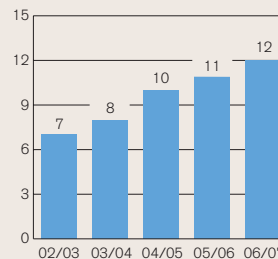
The annual rate of stock turnover in the distribution centre was 6.3 times. In the previous financial year it was 6.4 times. This means that we replace the whole stock more than once every two months.

The objective is an annual growth rate of 15 per cent. This aim has been attained in the last five years. In terms of earnings, the objective is an operating margin of 13–15 per cent.

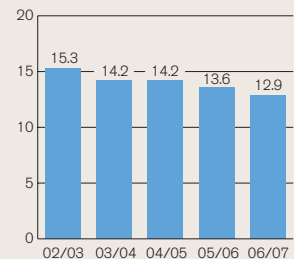
Growth in sales, %



Number of new stores



Operating margin, %



Rate of stock turnover 8–10 times in in-store stocks

The stores' annual rate of stock turnover averaged 6 times during the financial year. Our large stores meet the target of 8–10 times a year, while the medium-sized stores have individual targets based on their annual sales.

Motivated, knowledgeable and committed co-workers

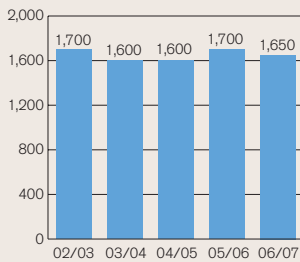
Our focus on our co-workers is evident in the low rate of co-workers turnover in the Group. Co-workers turnover during the financial year was 6.6 per cent among full-time employees (previous year 6.1 per cent), which is low for the retail sector.

Co-workers turnover among employees at the head office and distribution centre in Insjön, Sweden, over the same period was 1.0 per cent (previous year 2.4 per cent).

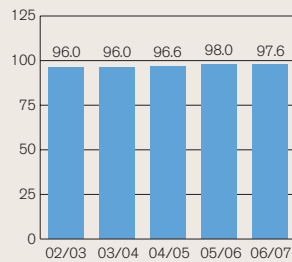
We also put a lot of effort into training. The number of hours of training in the Group was 53,750, compared with 49,370 hours in the previous year.



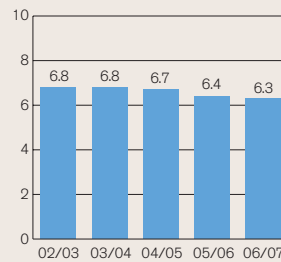
Number of new products



Level of service, mail-order/Internet, %



Rate of stock turnover, distribution centre



The objective is for 10–15 per cent of the product range to be replaced annually. In addition, the rate of stock turnover should be 6–7 times, while the level of service should at least be 98 per cent.

A woman with blonde hair tied back, wearing a black and white striped long-sleeved shirt, is smiling and pushing a shopping cart. The cart is filled with various items, including a blue bag and a black bag. In the background, there is a large, illuminated blue sign with the word 'CLAS' in white. The setting appears to be a modern shopping mall with a high ceiling and recessed lighting.

CLAS OHLSON GALLERIAN, STOCKHOLM, SWEDEN

Gallerian in central Stockholm was the launch pad for Clas Ohlson's successful store expansion. The store was opened in 1989 and has been extended or refurbished eight times since. Gallerian contains 80 stores, and the Clas Ohlson store is on the second floor of the shopping centre. On an ordinary day the store is visited by between 6,000 and 7,000 customers.



CLAS OHLSON

OUR CO-WORKERS ARE WHAT MAKE CLAS OHLSON

Clas Ohlson's most important resource is its skilled, committed and motivated co-workers. We therefore aim to make sure that the employees have a good working environment, a sense of job security, opportunities for personal development and a good level of pay.

The Clas Ohlson spirit

Clas Ohlson regarded his co-workers as one big family, and knew all his employees by name. Based on Clas Ohlson's way of running the business, a special corporate culture has emerged. This is characterised by a high degree of positive attitude, commitment and loyalty. All contacts between co-workers and customers should be notable for warmth and service-mindedness. With the focus on the customer, we work together to attain identified aims on the principle that all co-workers are equally important.

It is important for us to be able to preserve this corporate culture in an ever larger organisation, as this contributes towards job satisfaction and, in the longer term, to a stronger company and brand.

We organise a two-week training course in Insjön, Sweden, for all co-workers recruited to work in new stores in the Group. Theory and practice are blended with activities with the aim of boosting team spirit. Lectures are held on the company's history and values, customer relations, customer service policy, product knowledge and routines. An equivalent induction in the corporate philosophy is also offered to new co-workers at head office and at the distribution centre.

Recruitment

Controlled expansion creates a good basis for personal development. Vacancies that arise

are largely filled through internal recruitment. As a result, our co-workers are given an opportunity to develop in the company, while we maintain the continuity and tradition we aim for. Six out of twelve managerial positions which fell vacant during the financial year were filled by internal recruitment, which we regard as a highly positive factor.

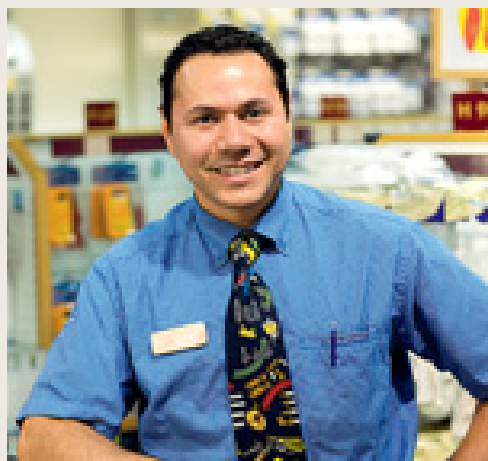
2,000 applications for 30 vacancies

While we encourage internal applications, we receive many applications from outside for advertised vacancies. This applies both to vacancies at head office and the distribution centre in Insjön and to our stores. We had 2,000 applications for 30 vacancies at our new store in Karlstad, Sweden, which opened in September 2006. Around 200 of the applicants were interviewed. Many of them confirmed that they were applying largely because Clas Ohlson is regarded as an attractive employer.

Development of skills

The commitment to the development of skills is continuing. Every financial year a training plan is drawn up for the whole company, giving our co-workers an opportunity to develop both in their specialist area and in other areas. Training was given during the financial year for instance in customer relations that generate sales, product knowledge and leadership.

The majority of our courses are held at



TRAINING IN INSJÖN

We organise a two-week training course in Insjön, Sweden, for all co-workers recruited to work in new stores. Theory and practice are blended with activities with the aim of boosting team spirit.

head office in Insjön. Training courses for the co-workers in our stores may also be held using a videoconferencing system, to which all the Group's stores are connected.

Working environment

It is important for co-workers to have a sense of participation and of being able to influence their work. The overall aim of efforts relating to the working environment in Clas Ohlson is to create a good working environment in which our co-workers can have a sense of security, job satisfaction and community. To utilise the knowledge, experience and commitment of our co-workers, work on change is often undertaken in project form with participants from different departments and with different skills. As a result, the work on change is endorsed by the whole organisation, better results are obtained and implementation time is reduced.

The enlargement of the distribution centre is an example of how co-workers from different departments have been involved in working groups where they work with premises and future ways of working.

Gender equality

The Group's policy on gender equality indicates guidelines for work on gender equality and diversity in Clas Ohlson. An inspirational working environment is to be achieved by co-workers working together with different skills

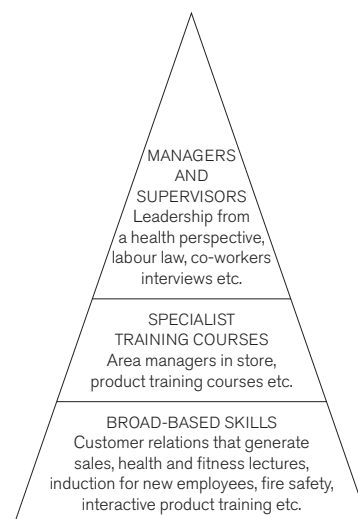
and of different genders, ages and faiths. The policy forms the basis for the gender equality plan which we update regularly and evaluate at least once a year.

The aim in the gender equality plan for the year is to attain a more even gender distribution in each department, firstly through strategic skills development and secondly by giving priority to even gender distribution in filling new vacancies. At present 40 per cent of the Group's co-workers are women, which is an increase of two percentage points over the previous year. Our objective is that no occupational group should consist to less than 40 per cent of either men or women.

Health and fitness

We continued developing our strategic work on health during the financial year. The overall aim is for health and fitness efforts to foster both physical and mental well-being at the workplace. We achieve this by making the health perspective a natural part of systematic efforts in relation to the working environment. In addition to this we will arrange activities and training in the following areas:

- Physical health – Good fitness and appropriate diet
- Mental health – Low stress levels, comradeship and a sense of belonging
- Social health – Group community at the workplace, job satisfaction and ability to influence the work situation

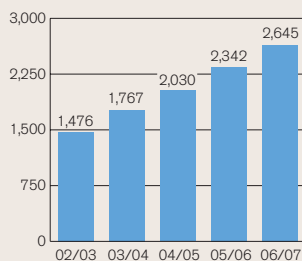


We divide our training courses into three segments: Managers and Supervisors, Specialist Training Courses and Broad-based Skills

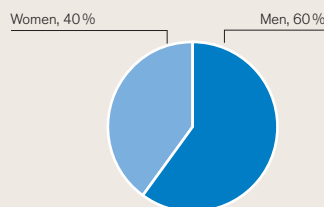
Training, internal	number of hours	proportion %
Managers and Supervisors	7,018	13
Specialist Training Courses	9,061	17
Broad-based Skills	37,671	70
Total	53,750	100

We devoted a total of 53,750 internal hours to training during the financial year.

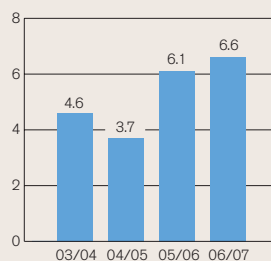
Total number of employees



Number of employees, men/women



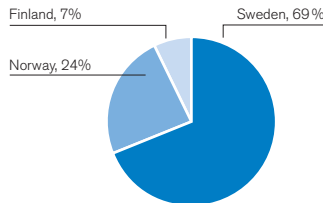
Co-workers turnover



Figures are only available for four years.

The aim in the gender equality plan for the year is to attain a more even gender distribution in each department. Our aim is for no occupational group to consist to less than 40 per cent of either men or women.

Employees per country



During the financial year we implemented health and fitness initiatives in the form of our own Exercise Hunt and held a Health and Fitness Day which included a number of different activities. Our intention is for all co-workers to be able to take part according to their individual circumstances. We wish to reach out broadly with our efforts, instead of targeting them at a small number of people.

Our cooperation with the company health service, which is an external partner in relation to work on health, has also been developed, and here too our efforts are focused on preventive healthcare.

Absence due to sickness

It is pleasing to note that our efforts on co-workers relations, the working environment and health and fitness are producing results in the form of a reduced rate of absence due to sickness. Total absence due to sickness in 2006/07 was 4.1 per cent, which is a decrease of 1.1 percentage points in comparison with 2005/06 (5.2 per cent).

The proportion of co-workers on long-term sick leave fell over the same period from 43 per cent of total absence due to sickness to 37 per cent. The decline in long-term absence due to sickness is a consequence of our rehabilitation efforts starting to produce results, combined with increased focus on this by both authorities and legislators.

Incentive schemes

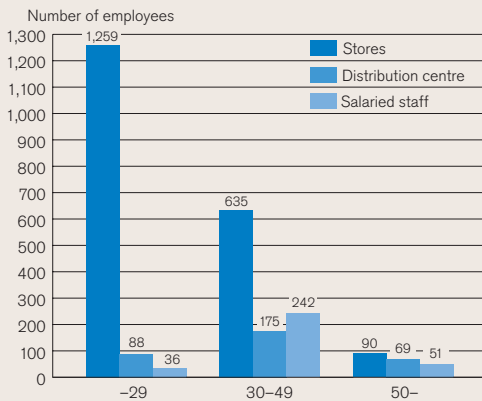
Just as it pays to be a customer of Clas Ohlson, it should pay to be an employee. All employees therefore receive some form of performance-based pay. For co-workers in the stores, a significant proportion of monthly pay is based on sales in the store concerned. An equivalent system of performance-based pay with a significant variable portion applies to our distribution centre co-workers, with the difference that pay is based on sales by the whole Group.

Salaried co-workers have a bonus system based on Group earnings, and the bonus is paid twice a year. A bonus which is based on the Group's earnings and net margin is paid to senior management. This bonus is paid once a year.

Co-workers turnover

Our generous personnel policy and our strong focus on our co-workers result in low co-workers turnover. Co-workers turnover during the financial year averaged 6.6 per cent among full-time employees in the Group (previous year 6.1 per cent), which is low for the retail sector. Turnover is higher among part-time employees, which is natural as we have large numbers of students who are working part-time during their studies. Co-workers turnover among employees at head office and in the distribution centre in Insjön over the same period was 1.0 per cent (previous year 2.4 per cent).

Age distribution in Group



4 April 2007	Sweden	Norway	Finland	Total
Number of employees				
Stores	1,224	588	172	1,984
Distribution centre	332	0	0	332
Salaried co-workers	261	50	18	329
Total	1,817	638	190	2,645
Average period of employment in the company, years				
Salaried co-workers	7	6	3	6
Stores/Distribution centre	7	2	2	5
Average absence due to sickness, %				
Total absence due to sickness	4.1	6.7	3.7	4.1
- of whom long-term sick leave	37	56	21	37
- of whom men	3.1	5.3	3.0	3.1
- of whom women	5.8	9.1	4.6	5.8
- of whom employees aged >29	3.2	5.5	3.5	3.2
- of whom employees aged 30-49	4.8	8.7	4.0	4.8
- of whom employees aged 50>	5.3	5.3	5.0	5.3

A large proportion of our co-workers is below the age of 29. This is natural as many of the co-workers in our stores work part-time. It is common for students to work in one of the Clas Ohlson stores during weekends and evenings.



OUR SOCIAL RESPONSIBILITY – WORK ON A CODE OF CONDUCT FOR SUPPLIERS

CSR, or Corporate Social Responsibility, is an important strategic issue, and taking social responsibility is also in line with our fundamental values.

Clas Ohlson is becoming an ever larger purchaser of both products and services in various countries, which increases our opportunities to contribute to long-term and responsible action.

Our responsibility

Clas Ohlson does not own any factories and instead buys from a large number of manufacturers and supplies in many different parts of the world. We are a retailing company with a corporate culture that emphasises simplicity, expertise and commitment as a way to foster trust. Our most important task is to establish and develop a financially sound and successful company, while taking social responsibility.

We endeavour to be a good employer and member of society. From our founder Clas Ohlson there is a strong tradition of a sense of family and taking responsibility. We administer this by emphasising good ethics, mutual respect, collaboration and an open exchange of thoughts and ideas in the way we act. We also take these core values with us to new countries through our store openings and our purchases. For further information on corporate culture, see the section on co-workers on page 10.

The process we follow in developing and introducing a code of conduct

Corporate Social Responsibility is an important part of the company’s development process

and involves both the Board and the Group management.

As part of our work on social responsibility, in 1998 we adopted a policy on child labour, related to the UN Convention on the Rights of the Child (1989) and the ILO’s Minimum Age Convention (no. 138, 1973). In 2004 a decision was taken to broaden our work on social responsibility by starting the process of developing a code of conduct.

The code of conduct applies in our own operation as an important aspect of the dialogue in purchasing products and services from our suppliers. Requirements to be met by suppliers, methodology for follow-up and action should feature customer focus.

Our suppliers were informed of our code of conduct during the financial year. We are now monitoring compliance with the principles of the code and making sure that the suppliers work to implement it in their operations, which we also verify through our own and external audits.

Work process

The work process on our code of conduct is divided into several stages. The first four stages entail carrying out an analysis of the current situation, developing the Clas Ohlson code of conduct, creating tools to monitor our suppliers and training and information. Work on stage 5 out of a total of 6 stages is now in progress. It is

WORK PROCESS

1. Analysis of current situation
2. Development of Clas Ohlson code of conduct
3. Creation of tools for monitoring suppliers
4. Training and communication
5. Supplier audit and dealing with non-conformities
 - Assessing suppliers
 - Remedying non-conformities
 - External verification of our work
6. Evaluation and improvement
 - Successive evaluation and improvement



SOCIAL RESPONSIBILITY

During the year the first CSR audits were conducted in some of the factories that manufacture Clas Ohlson products. Four factories in China were reviewed in association with an independent audit company. The reviews have yielded a methodology for our continued work on review and monitoring.

A large number of factory visits are planned in 2007/08, mostly in China. Around twenty of these will be carried out by an independent audit firm.

intended that the Clas Ohlson code of conduct will be fully effective in our purchasing activity and among our suppliers during the autumn of 2007. A description of what the various stages mean is presented in the table on page 14.

The code of conduct in brief

The Clas Ohlson code of conduct is intended to assist our suppliers in their efforts to improve the working environment and working conditions and reduce their environmental impact. It supports the UN Global Compact and the OECD guidelines for multinational companies.

It is our purchasing organisation that is responsible for informing suppliers, as well as assisting with the work and monitoring compliance with the code. To safeguard this we are introducing a CSR organisation that reports directly to the CEO. This organisation comprises a CSR manager, auditors and administrators.

We aim for long-term relations with our suppliers and put our trust in an active dialogue and cooperation.

As we work with the code and learn from our experience in its implementation, it will be successively adapted and developed.



THE CODE'S HEADINGS

1. Our responsibility
2. General principles
3. Open dialogue with the outside world
4. Products
5. Guidelines for purchasing activity
6. Working environment and working conditions
 - Health and safety
 - Housing
 - Discrimination
 - Forced labour
 - Child labour
 - Pay and working hours
 - Freedom of association and the right to collective wage negotiations
 - Alcohol and drugs
7. Environment
8. Application and monitoring
 - Application
 - Monitoring

The complete code of conduct can be found on our website, www.clasohlson.com, where the description of our work process is also regularly updated.

HISTORY

- 1998 Policy on child labour
- 2001 Environmental policy
- 2004 Start of the process of developing and introducing a code of conduct
- 2005 Adoption of the Clas Ohlson code of conduct for suppliers by the Board and publication
- 2006 Adoption and testing of material for our systematic Corporate Social Responsibility work
- 2007 First external Corporate Responsibility audits carried out

WE ARE CONCERNED ABOUT THE ENVIRONMENT

At Clas Ohlson, we consider it vitally important to minimise the company's environmental impact. We therefore continued working actively on the basis of our environmental objectives and action plans during the financial year.



STORES IN CENTRAL LOCATIONS

Clas Ohlson's strategy is to open stores primarily in town and city centre locations. This makes it possible for customers to reach the store by public transport. We regard this as preferable both for our customers and for the environment.

OUR ENVIRONMENTAL POLICY

Clas Ohlson sells products through its own stores, by mail-order and over the Internet. We aim to promote sustainable development of society for future generations through active environmental efforts.

We mainly have an impact on the environment through

- transportation of products, from manufacturers via the distribution centre and stores to the customer
- environmentally harmful substances contained in the products
- printing and distribution of catalogues and brochures
- use of packaging
- use of energy in our operation

We will take active steps to reduce our direct and indirect impact on the environment, while supporting other operational objectives. We will take account of the environment in all decisions and at all levels of our operations and comply with applicable laws and other environmental requirements.

Our environmental efforts are based on a life-cycle perspective. We will therefore work towards

- having a continuous dialogue on environmental issues with our suppliers and contractors and setting relevant requirements
- increasing the knowledge of our co-workers on environmental issues and encouraging participation in environmental activity
- increasing the proportion of environmentally sound products and improving environment-related information supplied to customers.

ENVIRONMENTAL OBJECTIVES

With regard to our overall environmental objectives, we have selected five areas, and our aim is to improve in these every year in comparison with the year before.

Transportation

In line with the development of society and technology, we will reduce the energy consumption of our transportation and emissions of pollutants per tonne-kilometre, in the areas of Outgoing Freight, Incoming Freight Europe and Incoming Freight Asia.

Products

As far as possible, we will choose products with a known and low environmental impact.

Packaging

In cooperation with our suppliers, we will reduce the proportion of environmentally harmful product packaging.

Printed matter

In the production of our printed matter we will aim for technology and materials that have a low and well-documented environmental impact.

Energy use

Energy use in our own and leased premises and properties will be documented. It should be directed towards specified savings targets in kWh per square metre and per year for the distribution centre, head office and our stores.

RESULTS OF ENVIRONMENTAL EFFORTS

Transportation

With regard to our greatest environmental impact, transportation, it is pleasing to note that this is continuing to decrease slightly. Our emissions per tonne-kilometre decreased in 2006 in comparison with 2005 with regard to both outgoing and incoming freight.

With regard to outgoing freight, the decrease is due to contracted haulage firms, at our request, using vehicles that produce lower emissions per tonne-kilometre by having more modern engines. With regard to incoming freight, the reduction is due to a decline in the proportion of transportation by road, to the benefit of rail and sea transport.

Products and packaging

We have started measuring the presence of PVC in our products and packaging. Our aim is to reduce the number of products and packaging items containing PVC year by year. We intend to present the figures as soon as the survey has been completed.

Energy use

Energy use has been divided into three different areas: electricity consumption by the stores, consumption of electricity and oil at head office and consumption of electricity and oil at the

distribution centre. Consumption is measured per year and per square metre of floor space.

The key indicators are not subjected to normal-year correction, that is to say they are not adjusted to take account of any deviations in average temperatures.

The key indicators have improved with regard to oil consumption. This is due to the fact that we used an electric boiler for heating the head office in Insjön, Sweden, to a greater extent than in the previous year.

FROM OBJECTIVES TO ACTION

To make our environmental work easier, we have broken down the overall environmental objectives into detailed targets.

There are a number of measures we are working on for each detailed environmental target and there is a member of co-workers who is responsible for each measure.

EU DIRECTIVE

Clas Ohlson is a member of Elkretsen, the electrical industry's jointly-owned company for the management of waste electrical and electronic products in Sweden. As we sell many electrical and electronic products, we have a responsibility to dispose of the waste under an ordinance relating to producer responsibility which came into effect on 1 July 2001.

This responsibility has been further tightened through the WEEE Directive (Waste

Electrical and Electronic Directive), an EU directive in the electrical area that came into force in 2005. Clas Ohlson follows the instructions contained in the directive in all the markets in which we operate.

RoHS (Restriction of certain Hazardous Substances) is an EU directive in the area of chemicals that was introduced with effect from 1 July 2006. The directive is aimed at reducing the presence of substances such as mercury, cadmium and lead. Clas Ohlson follows the directive in all the markets in which we operate.

REACH

The EU's chemicals legislation known as Reach came into force on 1 June 2007. Reach stands for Registration, Evaluation, Authorisation and Restriction of Chemicals. This legislation largely replaces national laws on the handling of chemicals.

The rules come into effect in stages and will be expanded over the next few years. Clas Ohlson complies with the laws in all markets in which we operate and is adapting its organisation so that it can also cope with future legislation.

GOOD ENVIRONMENTAL CHOICE

In 2006, Clas Ohlson was one of the companies that met the criteria for Good Environmental Choice according to the freight company Green Cargo. This transportation and logistics company, which accounts for nearly 80 per cent of Swedish freight transport by rail, issues Good Environmental Choice certificates every year to those companies that fulfil the criteria. We regard the certificate as a recognition of our increased commitment to transportation of goods by rail.



TRANSPORTATION

Environmental impact per tonne-kilometre	2006	2005
Outgoing freight		
Carbon dioxide, grams	51.60	51.60
Nitrogen oxides, grams	0.372	0.387
Hydrocarbons, grams	0.019	0.025
Total energy consumption, kWh	0.193	0.196
Incoming freight – Europe		
Carbon dioxide, grams	29.40	32.10
Nitrogen oxides, grams	0.277	0.343
Hydrocarbons, grams	0.023	0.027
Total energy consumption, kWh	0.119	0.129
Incoming freight – Asia		
Carbon dioxide, grams	3.68	3.68
Nitrogen oxides, grams	0.094	0.094
Hydrocarbons, grams	0.003	0.003
Total energy consumption, kWh	0.014	0.014

ENERGY USE

per square kilometre and year	2006	2005
Store premises, kWh	126	125
Head office, kWh	114	106
Head office, litres of oil	3.9	4.8
Distribution centre, kWh	88	81
Distribution centre, litres of oil	1.8	1.6

Energy use has been divided into three different areas: electricity consumption of stores, electricity consumption and oil consumption of head office and the distribution centre. The aim is to improve the key indicators every year.

CLAS OHLSON GAINS MARKET SHARES

Retailing and trading in consumer durables are developing well in all our markets, and Clas Ohlson is additionally picking up market shares. Our product range and price strategies also mean that our products usually do well in terms of volume, even if the trend in the market is less favourable.

In recent years consumption in Clas Ohlson's current markets in Sweden, Norway and Finland has developed well and is expected to continue to do so for the next few years. A positive trend in retailing and private consumption favours Clas Ohlson, as our customer base largely consists of private individuals. Good trading in consumer durables also favours us, because accessories for products such as computers, mobile phones, televisions, videos, radios, cars and boats form part of our product range.

Our operation is not so badly affected by the downturns that affect retailing. This is partly due to our product range strategy, with a large proportion of do-it-yourself items and consumables, but also to our low prices.

Market shares

We do not present estimates of our market share in each country, as there is a high risk of error. It is difficult to measure market share as our product range is broad and encompasses many different product groups in the statistical data of each country.

What we can say is that we are picking up market shares in all our markets – Sweden, Norway and Finland. We can see that sales of our products groups are increasing at a quicker pace than the total market for these groups.

Our total sales rise in locations where we open new stores, despite a decline in mail-

order and Internet sales. This means that Clas Ohlson gains market shares with each new store it opens.

Our aim is to continue to gain market shares in all the countries where we operate.

A good year for Swedish retail trade

2006 was another good year for Swedish retail trade, which on average increased by 9.5 per cent in fixed prices compared with 7.8 per cent for 2005. The trend was apparent in the trade in consumer durables, which in 2006 increased by an average of 11.4 per cent in fixed prices compared with 10.5 per cent in 2005.

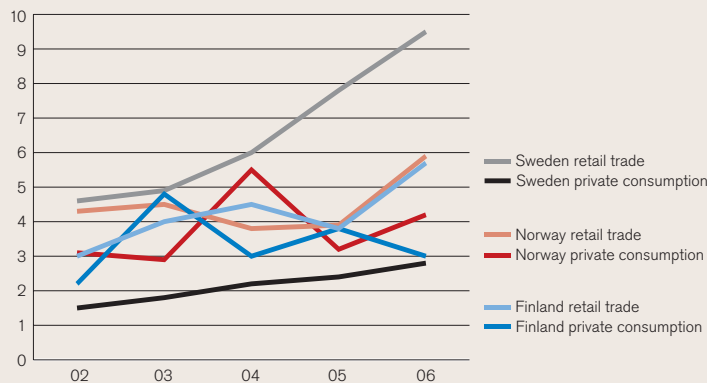
Private consumption increased by an average of 2.8 per cent, compared with 2.4 per cent in 2005. (Statistical data from Statistics Sweden).

Clas Ohlson's sales in Sweden increased by 10 per cent in current prices in 2006/07, with sales in like-for-like stores up 3 per cent.

According to HUI, the Swedish Research Institute of Trade, Swedish retail trade is expected to increase by 6.0 per cent in fixed prices in 2007 and 4.5 per cent in 2008. Trade in consumer durables is also expected to increase. The HUI forecast is for an increase of 9.0 per cent in 2007 and 6.5 per cent in 2008. The principal reason why retail trade is expected to continue to increase is said to be higher disposable incomes as a result of low unemployment, tax cuts and large pay rises.

2006 was a very good year for the retail trade in Sweden, Norway and Finland. This was due to a good economic climate combined with low interest rates.

Trend in private consumption and retail trade in fixed prices in Sweden, Norway and Finland 2002–2006, %



Source: Statistics Sweden, Statistics Norway and Statistics Finland

Continued positive trend for consumer durables in Norway

Retail trade in Norway is also still on the rise. According to Statistics Norway, retail trade increased by an average of 5.9 per cent in 2006, compared with 3.9 per cent in 2005. Trade in consumer durables is continuing to increase at a quicker pace than other retailing and rose by an average of 16.2 per cent in fixed prices in 2006, compared with 13.3 per cent in 2005.

Private consumption increased by 4.2 per cent in 2006, compared with an increase of 3.2 per cent in 2005.

Clas Ohlson's sales in Norway increased by 22 per cent in current prices in 2006/07, with sales in like-for-like stores up 1 per cent.

According to the Federation of Norwegian Commercial and Service Enterprises (HSH), the trend is expected to continue to be favourable for the next few years. The forecast for 2007 is for retail trade to increase by 5.0 per cent and for trade in consumer durables to increase by 12.0 per cent in fixed prices.

Retail trade in Finland

Retail trade in Finland is increasing at a good pace. According to Statistics Finland, retail trade increased by an average of 5.7 per cent in fixed prices in 2006, compared with 3.8 per cent in 2005. Finnish retail trade has shown good growth over the latest five-year period, with an average rate of growth of 4.2 per cent a year.

Private consumption in Finland rose by 3.0 per cent in 2006 compared with 3.8 per cent in 2005.

Clas Ohlson's sales in Finland increased by 23 per cent in current prices in 2006/07, with sales in like-for-like stores up 5 per cent.

MARKET TRENDS

Large chains branching out internationally.

The market for the type of products Clas Ohlson sells is continuing to increase throughout Europe, but is nevertheless beginning to reach relative maturity, particularly in the largest markets such as Germany, France and the United Kingdom. The sector has previously been dominated by local chains in each country, which have been able to grow and increase their market shares principally at the expense of individual specialist dealers. Large chains are generally able to offer better prices



and have greater resources to apply to marketing. They are often also able to offer completely new products at an earlier stage than individual specialist dealers. As the rate of growth is now starting to tail off, more and more chains are branching out beyond national borders.

The market in the Nordic countries is continuing to grow and will probably continue to do so for a few more years. Here too, large store chains have been gaining market share from individual specialist dealers in recent years. The chains largely opt for large stores, often away from town centres. The exception is Clas Ohlson, with stores mainly in town centres.

International players are still quite rare in the Nordic region. An exception is the Swiss company Bauhaus, which has established a presence in the Nordic region with around twenty home



improvement stores and the German company Hornbach with a couple of stores. Examples of cross-border Nordic players, apart from Clas Ohlson, are the Swedish company Biltema with stores in Sweden, Norway, Finland and Denmark, the Danish company Harald Nyborg with stores in Denmark and Sweden and the Finnish company K-rauta with a number of home improvement stores in Finland and Sweden.

Large superstores

Another European trend is for stores to become ever larger. In large European countries it is by no means unusual to find stores of between 5,000 and 10,000 square metres, in the vast majority of cases located next to out-of-town shopping centres.

This runs completely counter to Clas Ohlson's store-opening strategy, which aims instead to open stores of between 800 and 2,000 square metres, in good town centre locations.

Low prices and private labels

It is becoming increasingly common in Europe for retail chains to market products under private labels. By reducing the number of intermediaries from producer to retailer, the chains are able to maintain their margins despite the increased pressure on prices that is characteristic of trading in general.

Clas Ohlson has also increased its proportion of private-label goods, especially in the last

three years, and aims to continue to increase the proportion.

Competitors

Few competitors can rival the breadth of product range offered by Clas Ohlson (see comparison below). The ones who come closest in the Nordic countries are Jula in Sweden and Biltema, with stores in all the Nordic countries, both of which have a similar product range and sell through stores and by mail-order. A number of companies, such as Rusta, Järnia, Bauhaus, K-Rauta, Teknikmagasinet and Kjell & Co compete with one or more of our product groups. Supermarkets and department stores such as Coop Forum in Sweden, Obs in Norway and Antilla in Finland compete with a limited range of selected products.

Teknikmagasinet and Kjell & Co are the only competitors mentioned to have a store-opening philosophy similar to that of Clas Ohlson, with stores located in town centres, preferably next to busy shopping centres.

In the United Kingdom Clas Ohlson will be principally competing with the British retail chain Argos, which has 680 stores and sales of £4.2 billion (equivalent to SEK 57 billion). The great difference compared with Clas Ohlson is that Argos only offers over-the-counter sales. More than 90 per cent of the products in Clas Ohlson stores are self-service items. Other retailers, such as Maplin and Robert Dyas, compete with some of our product groups.

Clas Ohlson in comparison with a selection of competitors


		Number of stores*	Year started*	Electrical and electronics	Mobile phone accessories	Computer accessories	Boat accessories	Machines	Tools	Plumbing and heating	Storage	Household	Artists' materials	Clocks and watches
NORDIC	CLAS OHLSON	71	1918	■	■	■	■	■	■	■	■	■	■	■
	Biltema	42	1963	■	■	■	■	■	■	■	■	■	■	■
SWEDISH	Jula	20	1979	■	■	■	■	■	■	■	■	■	■	■
	Kjell & Co	23	1990	■	■	■	■	■	■	■	■	■	■	■
	Teknikmagasinet	67	1989	■	■	■	■	■	■	■	■	■	■	■
NORWEGIAN	Jernia	150	1951	■	■	■	■	■	■	■	■	■	■	■
	Obs	40	1907	■	■	■	■	■	■	■	■	■	■	■
	Maxbo	70	1995	■	■	■	■	■	■	■	■	■	■	■
FINNISH	Antilla	35	1953	■	■	■	■	■	■	■	■	■	■	■
	K-Rauta	41	1940	■	■	■	■	■	■	■	■	■	■	■
BRITISH	Argos	680	1973	■	■	■	■	■	■	■	■	■	■	■
	Maplin	115	1972	■	■	■	■	■	■	■	■	■	■	■
	Robert Dyas	95	1872	■	■	■	■	■	■	■	■	■	■	■

* Source: Websites

PRIVATE LABELS

We have around 15,000 products in our product range. The range is divided into four different product areas – tools, home & storage, electrical & electronics and hobby & household.

We have made an increasing commitment to private labels in recent years. Today they account for 13 per cent of sales. The target is to double this share to 25 per cent of sales within two years. The products sold under private labels are quality goods offered at attractive prices.

ASAKLITT 

Outdoor equipment

Capere: 

Kitchen utensils

Cocraft 

Hand tools

coline 

Domestic appliances

COSTECH TOOLS 

Power tools, batteries and electrical components

EXIBEL 

Telephony, video and audio

GAVIA 

Fishing gear

PROAQUA
WATERSPORTS EQUIPMENT 

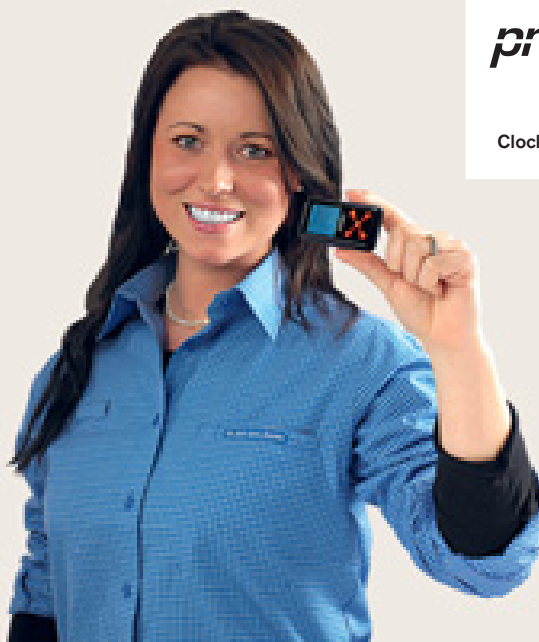
Water sports equipment

prologue 

Clocks and watches

Sany 

Artists' materials



smist

Vincent

CLAS OHLSON, OSLO CITY, OSLO, NORWAY





Trond Herberg is centre manager at the Oslo City shopping centre where Clas Ohlson has had a store since 2005. The shopping centre contains 91 stores on four floors.

How is the shopping centre developing?

In the first quarter of 2007 we were the fifth largest shopping centre in Norway, and we are one of the centres showing the strongest growth right now. With our advantageous opening hours and strong mix of stores, we are well placed to continue growing.

What impact has the opening of the Clas Ohlson store had?

It's had a very positive impact. The Clas Ohlson store is located on the upper floor of the shopping centre, which has meant that this floor has proved a success too. This is the floor showing the strongest growth in the centre. Clas Ohlson has also been a contributory factor in the sharp increase in the proportion of male customers in the centre. Today almost 40 per cent of the centre's visitors are men. Before Clas Ohlson came along, the proportion was 30 per cent.

Clas Ohlson was declared Store of the Year in the centre for 2006. What was the reason behind this honour?

Clas Ohlson has employees who show great commitment and have a strong focus on product knowledge. The customers are of both genders and all ages. The store makes use of the centre's marketing and contributes towards attracting customers to the whole shopping centre. The level of service is very high, which contributes towards customer satisfaction. The store has established itself at a high level of sales and is also growing sharply. It has become one of the centre's major attractions in a short time.

Do you have a favourite product of your own at Clas Ohlson?

Their product range is so broad and so exciting that it's difficult to choose any single product. That's probably also the reason why the store pulls in so many visitors. You can always find something new to appeal to your curiosity.

SALES CHANNELS

Clas Ohlson started as a mail-order company 89 years ago, and a long period of successful mail-order activity laid the foundation for what Clas Ohlson is today. The stores now account for 97 per cent of sales, and at the end of the financial year there were 71 stores in Sweden, Norway and Finland.

The 16 per cent rise in sales by the stores is broken down as follows:

Like-for-like stores in local currency	+ 2 per cent
New stores	+ 16 per cent
Exchange-rate effects	- 2 per cent
Total	+16 per cent

STORES

Concept

Our stores should preferably be located in strong central shopping centres where we work together with other stores and chains to bring about repeat visits. Alternatively we can locate in one of the main streets in town and city centres.

In a shopping centre we do not need to have the whole floor at ground level. Instead we make use of several floors, with a small entrance store on ground level with an escalator leading to the upper or lower level where most of our store is located.

Each store carries our entire catalogue range of around 12,000 products, the vast majority openly available for self-service. Less than 10 per cent of the products are sold over the counter.

We run our stores ourselves and do not work on a franchise basis. The store premises are rented on long-term leases. Our policy is that rent should be fixed and not based on store turnover.

We have two different concepts with regard to size: large stores of 1,200–2,000 square metres for catchment areas with a population of more than 60,000, and medium-sized stores of 800–1,200 square metres for areas with a population of 30–60,000.

Attractive stores

Clas Ohlson is an attractive store for a shopping centre. Our store openings often result in a sub-

stantial increase in the number of visitors to the whole centre. Clas Ohlson attracts new customer groups, and our broad product range brings in visitors of all ages, both men and women. Our generous customer service policy also provides a good level of security for customers.

Objective: satisfied, loyal customers

Good customer service is the key to our concept. We have a customer-service policy for the whole organisation that provides us with guidelines on how to act in relation to our customers. All co-workers in our stores are trained in dealing with complaints. Our policy specifies that humility and service-mindedness should be apparent in every customer contact. The aim is a satisfied customer after every contact.

For extra re-assurance we also apply 30-day open purchase/right to cancel for customers in our stores as well as mail-order and Internet customers. We are convinced that good customer care will be one of the most important competitive tools in the future, and therefore make continuous efforts to become even more professional in our contacts with customers.

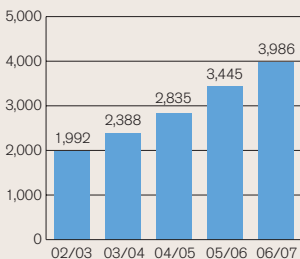
Financial commitment

A new store initially means a financial commitment of SEK 12–14m, broken down into SEK 3m in start-up costs, SEK 4–5m in investments in store interiors and computer systems and SEK 5–6m in inventories.

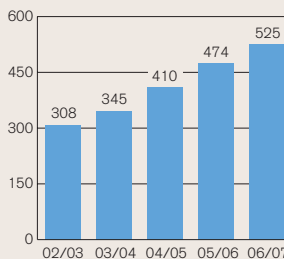
Store sales have increased over the last five years from SEK 1,992m to SEK 3,986m, a rise of 100 per cent. The number of annual visitors has increased over the same period from 20.1 million to 39.8 million.

STORES

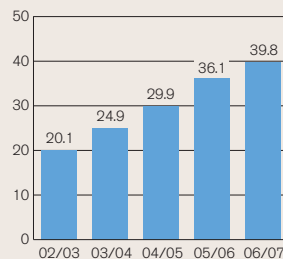
Sales, SEKm



Operating profit, SEKm



Number of visitors, million



New stores in Sweden and Norway have already been profitable in the first twelve months of trading. The same applies to some of the stores in Finland.

Accelerated rate of opening

During the year the Board increased the target for the number of store openings to 15–20 new stores during the 2007/08 financial year and 20–25 new stores during the 2008/09 financial year, 2–4 of which will be in the United Kingdom. The organisation will be continuously upgraded for continued growth in both existing and new markets. The breakdown between large and medium-sized stores has not been fixed and will be decided from one year to the next depending on the store locations for which we can sign contracts.

Sales and earnings

Store sales during the financial year totalled SEK 3,985.7m, up 16 per cent on the previous year (SEK 3,445.2m). Store sales thus accounted for 97 per cent of total Group sales.

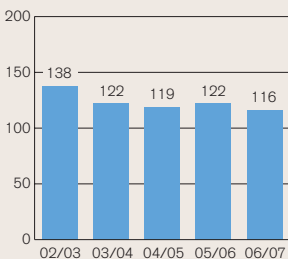
Operating profit for the stores totalled SEK 525.0m, which is 11 per cent up on the previous year (SEK 474.0m) and means an operating margin of 13.2 per cent compared with 13.8 per cent in the previous year.

The new stores entailed start-up costs of SEK 38.5m during the financial year (previous year SEK 35.4m). The average turnover rate

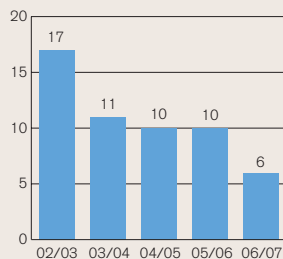


MAIL-ORDER AND INTERNET

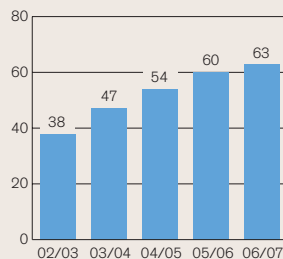
Sales, SEKm



Operating profit, SEKm



Proportion of Internet orders, %



Mail-order and Internet sales over the last five years have fallen from SEK 138m to SEK 116m, equivalent to 16 per cent. The downturn is a result of opening stores in areas where mail-order sales were formerly high. Many of the customers are opting instead to shop in our stores.



A Clas Ohlson store is often the preferred neighbour for other stores in a shopping centre. According to a survey conducted by the Swedish Research Institute of Trade (HUI), Clas Ohlson is one of the five most popular stores in Sweden to be located next to.

for in-store stocks is 6 times. Our largest stores meet the target of 8–10 times a year, while the smaller ones attain a lower rate.

SWEDEN

Our Swedish stores received 27.0 million visitors in 2006, an increase of 1.9 million or 8 per cent on 2005. Of these visitors, 13.5 million, or 50 per cent, made purchases.

The number of stores increased by eight during the financial year, and there were a total of 38 stores in Sweden at the end of the financial year. Five new stores have been contracted to date for the 2007/08 financial year.

Our judgement is that the Swedish market is not yet saturated in relation to continued opening of Clas Ohlson stores. Several stores with catchment areas with a population of 50,000 show that we can also attain good profitability in smaller towns.

NORWAY

Our Norwegian stores received 8.5 million visitors in 2006, an increase of 1.0 million or 13 per cent on 2005. Of these visitors, 5.9 million, equivalent to 69 per cent, made purchases during their visit to the store.

Four stores were added during the financial year, and at the end of the financial year there were 24 stores in Norway. Decisions have been taken on another five stores for the 2007/08 financial year.

Nor is the Norwegian market saturated with regard to continued openings of Clas Ohlson stores. Here too several stores with catchment areas with a population of 50,000 show that we can also attain good profitability in smaller towns.

FINLAND

Our Finnish stores received 4.3 million visitors in 2006, an increase of 0.8 million or 23 per cent

NEW STORES AND FUTURE STORE OPENINGS*

Location	Month of opening	Store floor area, m ²
Sweden		
Karlstad	September 2006	1,600
Uddevalla	October 2006	1,500
Nyköping	October 2006	1,400
Nacka, Stockholm	March 2007	1,650
Örnsköldsvik	April 2007	1,550
Kristianstad	April 2007	1,300
Trelleborg	April 2007	1,000
Väsby, Stockholm	April 2007	1,200
Sollentuna, Stockholm	May 2007	1,100
Piteå	October 2007	1,380
Vällingby, Stockholm	November 2007	1,300
Sickla, Stockholm	December 2007	1,600
Visby	April 2008	1,300
Norway		
Sarpsborg	June 2006	900
Alna, Oslo	September 2006	1,660
Moss	October 2006	1,100
Lørenskog, Oslo	November 2006	1,200
Kilden, Stavanger	October 2007	1,250
Skien	October 2007	1,200
Arendal	November 2007	1,300
Madla, Stavanger	November 2007	1,100
Drammen	March 2008	1,300
Asker	October 2008	1,350
Kristiansand	November 2008	1,400
Molde	autumn 2008	1,340
Finland		
Karleby	October 2007	1,100
Idea Park, Tampere	November 2007	1,600
Lappenranta	November 2007	1,400

* Contracted at June 2007.



UNITED KINGDOM – OUR NEXT MARKET

Clas Ohlson is working well on plans to open in the United Kingdom. Our judgement is that the United Kingdom presents great long-term opportunities.

Preparation and timetable

Preparations for the start-up in the United Kingdom have begun, and the objective is to open two to four stores in central locations in the London area during the 2008/09 financial year. The preparatory work includes product range adaptations, adapting directions for use and safety instructions, production of catalogues and marketing material and searching for and contracting store locations.

Great opportunities

The United Kingdom, with its population of 60 million, presents great long-term opportunities for Clas Ohlson. The number of potential customers is one of the factors that have had a bearing on the choice of a new market. Other factors in favour of the UK are the very strong purchasing

power that exists in the country and the fact that our products overall are very favourably priced. In addition, there is strong town-centre trading and a large proportion of shopping is done in various kinds of shopping centres. This fits our concept of stores in strong shopping centres in town-centre locations.

Product range and deliveries

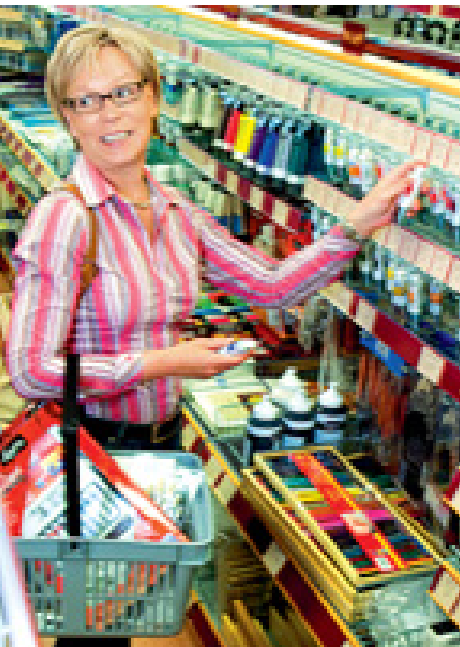
A large proportion of our product range must be adapted to the British market, as there are some differences in standards, for instance with regard to electrical products. Of the ordinary catalogue range of 12,000 products, around 3,000 will have to be adapted, replaced or removed. We are also conducting a review to ensure that we offer brands the British consumer is familiar with and is used to buying. Our aim is for

our private labels to account for 25 per cent of sales in the longer term, which is the same target as for the Group as a whole.

Deliveries to the British stores will be made from the distribution centre in Insjön, Sweden, by sea through Gothenburg. As the business expands, we will regularly assess other alternatives that entail shorter transport routes.

The first stores

England is the part of the United Kingdom we have chosen to focus on, and our aim is to open the first stores in the London area within the M25 orbital motorway. We intend to open several stores that are close to one another geographically within a short period in order to increase awareness of the Clas Ohlson brand and attain synergies in local marketing.



on 2005. Of these visitors, 1.9 million, or 44 per cent, made purchases.

The number of stores was unchanged during the financial year, and at the end of the financial year there were nine stores in Finland.

After having focused on consolidation and increased profitability during the financial year, we will now once again be concentrating on continued growth in Finland. As we start to become better known in the market, we are being offered more and more interesting store locations in town centres. This gives us great opportunities to add more stores to our operation in Finland over the next few years and further into the future with mail-order and Internet sales as well.

MAIL-ORDER AND INTERNET

Mail-order and Internet sales totalled SEK 115.5m, which is 6 per cent down on the previous year (SEK 122.4m). This means that mail-order and Internet shopping made up 3 per cent of the Group's total sales. Sales have decreased as a consequence of stores having been opened in towns where we previously had high levels of sales by mail-order and on the Internet.

The operating profit for mail-order and Internet sales was SEK 5.9m, down 44 per cent on the previous year (SEK 10.5m). This means an operating margin of 5.1 per cent, compared with 8.6 per cent in the previous year.

Internet shopping accounted for 63 per cent of the total number of orders received by the mail-order and Internet operation during the financial year (previous year 60 per cent). This is a high proportion for a traditional mail-order company.

WE SAFEGUARD THE BRAND IN ALL CUSTOMER CONTACTS

There is no doubt that the brand is a very significant factor in our success. The Clas Ohlson brand today is very strong in both Sweden and Norway, where a large proportion of the population are familiar with the company. Work on establishing the brand is still in progress in Finland, where the first store opened in 2002, and in the time we have been there we have been successful in increasing brand awareness.

The Clas Ohlson brand should represent:

Diversity

Our product range is characterised by diversity. Our customers assume that we have all the products they need in our product areas. They are also used to being able to choose between different versions, brands and price levels.

Continuity and tradition

Our customers should always be able to recognise Clas Ohlson in our marketing, in our stores and in all the other contexts where they come into contact with the company. The principal example of this is our product catalogue, which has been published every year since 1918. We also have great continuity in the product range, despite replacing between 1,500 and 2,000 products every year.

Reassurance and trust

With good customer service in which humility and service-mindedness are evident whenever our co-workers come into contact with customers, and right to replace and cancel free of charge, we have customers who feel reassured when they buy from us. That is how we build trust in our brand.

The responsibility of all co-workers

Every time they come into contact with a customer, the task of individual members of co-workers is to make sure the customer is satisfied with the whole shopping experience. A satisfied customer spreads a positive image of Clas Ohlson by talking to colleagues, family and friends, with a consequent ripple effect. In that way the brand is strengthened. Our co-workers therefore have great responsibility in relation to our brand, and they discharge this responsibility very well.



MARKETING

Catalogues, themed campaigns and profile advertising are the principal components of Clas Ohlson marketing.

Clas Ohlson's marketing consists of information to its customers on good products at low prices, for example through our catalogues and themed campaigns, and secondly in other activities such as profile advertising and sponsorship which help strengthen the brand. Attending trade fairs, as well as being an opportunity for direct sales, provides us with a chance to meet our customers and an opportunity to distribute catalogues in a different setting.

The catalogue displays the diversity

The main catalogue, which is published in August, had a print run of 3.9 million copies during the financial year. The catalogue runs to 420 pages and contains around 12,000 different products. The catalogue is printed in Swedish, Norwegian, Finnish and Finland-Swedish.

The specialist catalogue of mobile phone accessories, containing 510 products, was published twice during the year and the catalogue of computer accessories with 900 different products was published three times. The catalogue of boat accessories is published in March and is valid until August.

Seasonal campaigns

During the financial year we continued our commitment to campaigns with seasonal themes. The campaigns contain between 100 and 250 products at particularly attractive prices. These offers are distributed by mail or as a supplement to various newspapers and magazines. Altogether we ran eleven themed campaigns during the financial year, of which the Christmas campaign was by far the largest in terms of both content and print run. The campaigns were also targeted at our 98,000 customers in our Internet customer club, who have been informed of our offerings directly by e-mail.

Ahead of store opening

In the run-up to the opening of a new store, we market ourselves in the local area for several months before trading begins. This is done through direct advertising, advertisements in publications and radio ads. Marketing is stepped up in the last few days prior to opening.

Shows and trade fairs

When Clas Ohlson attends exhibitions and trade fairs, the focus is on meeting existing and future customers. We have the opportunity to sell our products, distribute our catalogues and gather valuable information through dialogue with visitors. During the financial year we had our own stands at four major shows and trade fairs, including Stora Nolia, a consumer products fair held every year in Piteå, Sweden, with around 105,000 visitors and Allt om sjön in Stockholm in March, at which we presented our new boat catalogue.

Sponsorship and brand profiling

Our policy regarding sponsorship is to support clubs, associations and events principally in the county of Dalarna, Sweden, where Clas Ohlson was founded and where the head office and distribution centre are located. Our sponsorship is visible for example on the kit of the Leksands Stars ice-hockey team and on ice-rink board advertising. An example of cultural sponsorship is our support for the Dalhalla events centre.

PRODUCT RANGE AND PURCHASING

An attractive product range is an important factor in our success. Clas Ohlson's product range is updated and renewed continuously. As the suppliers are located in 30 different countries, our product managers make many long trips to keep in contact and find new products. This also enables us to influence manufacturing methods and design.

A broad product range

We offer products for the whole family and have a broad customer base with an even split between old and young, male and female. The product range reflects the target group, and of a total of around 15,000 products, around 12,000 are illustrated in our various catalogues. As well as the ordinary catalogue range, which this year included 1,650 new items, there are a number of other products in the product range.

Clas Ohlson does not have manufacturing of its own, nor does it hold any product patents. We are not dependent on any individual product area but see our product range as a good way of spreading the risks. Another characteristic feature of the product range is that there is a mix between technical products, do-it-yourself items, ready-made products and consumables.

Continued focus on private labels

Our focus on private labels intensified during the financial year and proved a success. Private labels accounted for 13 per cent of sales during the financial year. We will expand the proportion of private-label products in the range. The aim is to increase the proportion to 25 per cent of sales by the end of the financial year 2008/09. Firstly more products will be added under existing private labels, and secondly we will launch another new label. The products sold under private labels are quality goods at attractive prices.

For a description of Clas Ohlson's private labels, see page 21.

High rate of renewal

We have had a high rate of renewal in recent years, replacing between 1,500 and 2,000 products every year. It is annual profitability and the phase in the product cycle the product is in that decide whether it can stay in the range or not. Many of our products have a high technical content, and we aim to be at the leading edge of technology, but without being pioneers or setting trends. Selection criteria for potential new additions to our product range are often technology, function and quality. A newer technology may replace an old one, or a product may be replaced by one that is equivalent, but has even better durability or function.

Pricing

Pricing is a key component in our business concept, and the aim is that everyone in our broad target group, from hobby users to professional users, should feel that our products give value for money.

The prices are set in June, ahead of the publication of the main Clas Ohlson catalogue in August, and are normally valid for a whole catalogue year, i.e. until August in the following year. The prices of boat, mobile phone and computer accessories are changed when new catalogues in these areas are issued.

Clas Ohlson's four product areas

PURCHASING POLICY
 One of the stipulations in our purchasing policy is that we have to buy our products as close to the manufacturers as possible, in order to avoid intermediaries who add to the cost of the products. In addition, we aim to avoid entering into long-term supply contracts, so that we retain flexibility with regard to suppliers and products.

TOOLS	HOME AND STORAGE	ELECTRICAL AND ELECTRONICS	HOBBY AND HOUSEHOLD
Power tools	Cycle accessories	Electrical	Bags
Machinery	Boat accessories	Cables	Office equipment
Tools	Adhesives	Lamps	Artists' materials
Welders	Safety equipment	Batteries	Clocks and watches
Compressed air	Gardening	Electronics	Optics
Brushes	Storage	Alarms	Household
Wheels	Hardware	Mobile phone accessories	Toys
Plumbing and heating	Locks	Computer accessories	
Pumps	Screws	Radio	
		Photography	

Quality tests

Before a new product is added to the range, functional tests and product-life tests are carried out. The products are tested in our own repair shops, where stringent requirements have to be met with regard to quality and function. Several products are also passed to various testing bodies, such as Semko or the Swedish National Testing and Research Institute

Five purchasing groups – four product areas

The purchasing department is divided into five groups: computer accessories and photography, electrical products and mobile phones, tools, hardware and storage, and home and household. The product range is divided into four product areas as shown in the table on page 30.

Our product managers visit large trade fairs and suppliers around the world to find new products, but also to develop our existing product range. Visiting the factories makes it easier for us to influence design, choice of materials and manufacturing method, to the benefit of both product quality and environmental impact.

An experienced organisation

Many of our product managers have been working at Clas Ohlson for many years. Their knowledge and experience is passed on to the next generation of product managers and provides us with good continuity with regard to purchasing and product range development.

We consider it important for present-day buyers and product managers to have the same curiosity about new products as Clas Ohlson had. This curiosity is part of our culture.

More than 800 suppliers from 30 different countries

Our approximately 800 suppliers are located in 30 different countries. Most of them are in Europe, and the majority are in Sweden. Swedish suppliers accounted for 59 per cent of total purchases during the financial year, compared with 56 per cent in the previous year. Many of the largest Swedish suppliers are trading companies or agents who hold import rights or type approvals for various products. The places of origin of these products are quite often

countries in Asia or Europe. Taken together with our direct purchasing of 35 per cent from Asia, the proportion of Asian products amounts to more than 50 per cent, which is unchanged in comparison with the previous year.

Our largest single supplier is a trading company in Hong Kong which accounts for 11 per cent (previous year 14 per cent) of our total purchases. The ten largest suppliers account for 39 per cent of deliveries, compared to 41 per cent in the previous year.

Asia an increasingly important purchasing market

In recent years our buyers have made more and more trips to China, Hong Kong and Taiwan, while the number of trips to Japan has decreased. China is the purchasing market showing the fastest rate of growth, as the quality of Chinese products has improved from year to year.

The requirement to buy 'minimum quantities' used to be a limiting factor on purchases from Asia. As the company has grown the possibility of buying large quantities has increased and we are now able to negotiate better terms in relation to prices. The enlarged distribution centre in Insjön, Sweden, also enables us to increase the volumes purchased from Asia.

Long-term relations

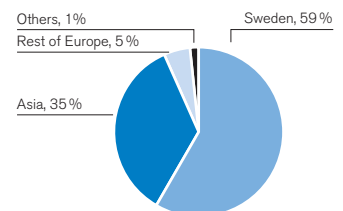
We have long-term relations with many of our suppliers and have been able to establish very good cooperation with them over the years. This also applies to suppliers in Asia, as we started buying products from them as long ago as the early 1970s. The suppliers are eager to have Clas Ohlson as a customer and are therefore receptive to our demands.

Corporate social responsibility

Our code of conduct for suppliers was published in 2005 and is now fully implemented in our purchasing and among our suppliers. For further information, see page 14 of the annual report.

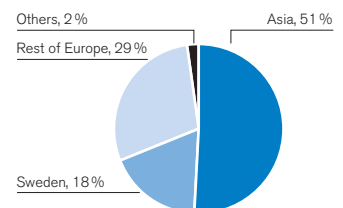


Countries of purchase



Most products are purchased from Swedish suppliers. Many of the largest Swedish suppliers are trading houses or agents who hold import rights or type approvals for various products.

Countries of origin



In Asia the country of origin with few exceptions is China or Taiwan. The four major manufacturing countries in the rest of Europe are Denmark, Germany, Italy and France.



CLAS OHLSON SELLO SHOPPING CENTRE, ESPOO, FINLAND

The Sello Shopping Centre, located in Espoo just outside Helsinki, was re-opened in 2005 after extensive enlargement. The Clas Ohlson store was opened the same year.

The shopping centre contains 160 stores. The Clas Ohlson store is on the third floor of the centre and is one of the fastest growing Clas Ohlson stores in Finland.



Paineily
Tryckly

Handwritten text on a dark sign, possibly a price tag or promotional message.

LOGISTICS AND IT

LOGISTICS

The distribution centre in Insjön, Sweden, is the logistic hub of the whole Group, and all the goods destined for all our stores and mail-order and Internet customers pass through it. The average rate of stock turnover in the distribution centre during the financial year was 6.3 times (previous year 6.4 times). This means that we replace the entire stock of all 15,000 items more often than once every two months. With this high rate of turnover, the distribution centre is more comparable to a terminal than a warehouse.

Stage 3 of the enlargement has been completed

Stage 3 of the enlargement of the distribution centre in Insjön was completed during the autumn of 2006. The facility now has capacity to deliver to 90 stores. The investment has brought more efficient picking and sorting routines, which in turn makes more efficient deliveries to stores possible. The investment totalled SEK 334.8m, compared with the planned figure of SEK 340m.

Distribution during year

In our goods inward unit we received around 190,000 pallets and 1,628 freight containers of products during the financial year. The equivalent figures for 2005/06 were 165,000 pallets and 1,764 freight containers.

A total of 5.1 million rows were supplied to the stores during the financial year. This signifies an increase of 11 per cent on the previous year (4.6 million). The normal delivery time to the stores is one day, and ordering takes place automatically in the in-store computer system when an item needs to be re-ordered.

We also delivered around 172,500 mail-order consignments (previous financial year 184,000), equivalent to 660 a day.

We're building for the future

The Board has decided on a further enlargement of the distribution centre to create capacity for future expansion. The focus is on building up capacity to supply around 150 stores. The investment is estimated to total SEK 370m and it is anticipated that the facility will enter service in the spring of 2009.

IT SYSTEMS AND SECURITY

We have been working to develop IT systems intended to support the operation for many years. These systems make it easier to handle ordering, delivery, replenishing, picking and final delivery of the goods. Our priority has always been to make use of modern technology to improve the efficiency with which both goods and information are handled. All systems affecting the handling of goods are fully integrated, that is to say the information is only registered once and is displayed in real time.

To make sure of a high level of service, the systems are built up at three different levels: the central system, the in-store data system and the checkout system.

1. Central system

All information relating to products, customers, suppliers and so on is registered in a common database in our central system. Purchasing routines, warehousing routines and common functions such as financial systems are run in this central system. Many of the programs are customised and developed in-house to suit our particular operation. An exception is the financial system, which is a standard system.

2. In-store computer system

All data relating to the flow of information within a store and to and from the store is contained in the in-store computer system. Ordering points for all items in the store are entered into the system, for instance. When an item reaches its re-ordering point, an order is automatically sent to the central system. The delivery then leaves the distribution centre the following day.

3. Check-out system

A special checkout system that handles the sales transactions in the store concerned is linked to every in-store computer system. The checkout systems communicate with both the in-store computer system and the central system at all times but can also work completely independently if communication with the other systems should fail.

IT security is a high priority

The operation is based on the integrated systems working with as few interruptions as possible. IT security is therefore of a high priority. All the systems are duplicated to make sure of high availability and short down times. This means faster re-starts and a higher level of security than if the systems were run in a single-computer environment.

In addition, all the systems and transactions are backed up every night. Firewalls are used to protect us against intrusion. Anti-virus software is used to provide protection against viruses, which can enter for example through e-mail.

We are constantly working to improve our IT security and keep a close eye on the development of technology in this area.

Our insurance cover

We have insurance policies that provide us with satisfactory cover for inventories, buildings, machinery and equipment, as well as protection against interruptions and liability (including product liability). We review our insurance cover every year in cooperation with our insurance company.

Fire safety

To prevent fires, there are strict regulations relating to all handling of flammable substances. All our co-workers have received training in fire safety and are thoroughly

familiar with applicable fire-safety rules. When new co-workers are taken on, whatever their form of employment, information is provided on evacuation plans and existing fire-safety equipment. In Insjön we also have a special fire emergency team among our co-workers, which has received special training in fire safety.

The building containing the distribution centre is divided into fire compartments, which are separated by firewalls and fire shutters. The fire alarm, which has around 445 fire detectors, is linked directly to the SOS-alarm service, as well as to our in-house duty team.

The property is equipped with a sprinkler system, consisting of around 21,700 sprinkler valves fitted in the ceiling. It is supplied with water via a sprinkler control room with direct-starting diesel pumps. The water is taken from a fire pond next to the boiler house. A special fire pond has been created next to the high-bay warehouse section to ensure that water for extinguishing is available.

Flammable goods are placed in a special part of the building adapted for the purpose. Truck loading takes place in a special truck-loading room, which meets current requirements.



Clas Ohlson's distribution centre in Insjön, Sweden.



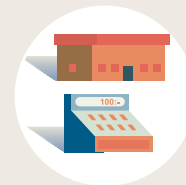
Central system

All information relating to articles, customers, suppliers and so on is registered in a common database. Many of the programs, such as purchasing routines and warehousing routines, are customised and developed in-house to suit our particular operation.



In-store computer system

All data relating to the flow of information within a store and to and from the store is contained in the in-store computer system. When an item reaches its re-ordering point, an order is automatically sent to the central system. The delivery then leaves the distribution centre the following day.



Checkout systems

The checkout systems communicate with both the in-store computer system and the central system at all times but can also work completely independently if communication with the other systems should fail.

OPPORTUNITIES AND RISKS

Clas Ohlson's business involves opportunities and risks that may affect Group earnings to a varying extent. They can be divided into those that relate to operations, such as a competitive product range or a changed competitive situation, and financial opportunities and risks, including foreign-exchange exposure.

RELATING TO OPERATIONS

Product range

Our most important task is to offer our customers a broad and attractive product range. If we can further improve and develop the product range, there are great opportunities to achieve a continued rise in sales and earnings. On the other hand, if we misjudge new trends or product areas, this may mean that we lose growth and profitability.

A strength of Clas Ohlson is that our buyers have been working with us for many years and can pass on knowledge, contacts and experience to new buyers. In order to anticipate new trends, our buyers visit a large number of consumer product trade fairs around the world.

Competition

There is a clear trend in European retailing for large nationwide chains to grow, generally at the expense of smaller, individual specialist dealers. The large chains are also becoming established in more countries both with their own stores and through acquisitions. The players in the market have consequently become both fewer in number and larger in size.

Clas Ohlson naturally also has great opportunities to further strengthen its market position. In Sweden, Norway and Finland this will be done by opening more stores, both in towns and cities where we already have a presence and in a large number of towns and

cities where we can operate with a good level of profitability. Our judgement is that there are also good opportunities to open profitable stores in other European countries, starting with the United Kingdom.

Conversely, there is the risk of more major international players becoming established in the Nordic market, which would increase the competition and could affect our prospects of continued expansion.

Economic climate

What affects Clas Ohlson sales above all is the trend in retail trade and private consumption, as we principally aim at private individuals. Increased consumption usually also means better sales for us. On the other hand, it has been found that a downturn in consumption does not affect us as much as it affects the rest of the retail sector. Our broad product range is one of the reasons. There is always demand for consumables, and sales of do-it-yourself items tend to increase when times are not so good. Our low prices also mean that our products are particularly attractive during periods of declining demand.

Christmas shopping

As our largest group of customers is private individuals, Christmas shopping is by far the most important period for sales. The third quarter, which covers the period from

We have relatively high exchange-rate exposure through our sales in Norway and through the Group's purchasing.

The table shows how earnings are affected by changes in the most important currencies.

The table also shows how earnings are affected by a change in volume of sales for like-for-like units.

Sensitivity analysis

Factor	Change	Impact on pre-tax earnings, SEKm
Sales volume	+/- 5 per cent	+86/-95
Currency		
- NOK	+/- 5 per cent	+/- 45
- USD	+/- 5 per cent	-/+ 23
- HKD	+/- 5 per cent	-/+ 12
- EUR	+/- 5 per cent	+/- 4

November to January, accounted for 32 per cent of sales and 47 per cent of pre-tax earnings during the financial year. Christmas shopping went very well in 2006, and we increased sales in December by 15 per cent over the previous year. We have opportunities to convey to even more people that Clas Ohlson is an excellent place to buy Christmas presents, as we carry a broad and varied product range. It is also important for us to find effective ways of being visible during this period among all the other advertising and marketing, which is particularly intensive in the retailing sector at this time of the year.

Start-up in the United Kingdom

The planned start-up in the United Kingdom, with its population of 60 million, presents great opportunities for Clas Ohlson. This start-up also entails some risks. One of these risks is that the brand is completely unknown and that it is expected to take a long time to build it. Further information on the start-up of a UK operation can be found on page 27.

FINANCIAL

Clas Ohlson does not have any interest-bearing liabilities. On the other hand, we have relatively high exchange-rate exposure through our sales in Norway and through the Group's purchasing. Around 41 per cent of our purchases are made in currencies other than Swedish kronor.

The most important currencies for purchasing are the US dollar (USD), Hong Kong dollar (HKD) and euro (EUR). In addition, movements of the Swedish krona against the Norwegian krone (NOK) are very significant to the Group as more than a third of sales take place in Norway. Our net exposure to the euro is low as we have increasing sales in euros due to our expansion on the Finnish market.

The table on page 36 shows how profit is affected by a change in volume of sales for existing units and changes in the most important currencies.

Currency hedging

Estimated exchange rates for each currency, set in June each year, and are used in the pricing of products in our main catalogue. We hedge around 50 per cent of the expected flow one year ahead. In this way we are guaranteed the estimated exchange rate on a large proportion of our purchases and at the same have the opportunity, or the risk, of paying for the remaining purchases at the current rate.

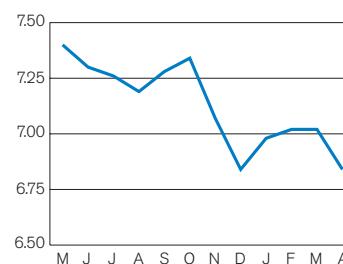
Hedging was carried out in USD, HKD and NOK during the financial year. This had a positive impact on earnings of SEK 10.2m compared with if trading had only been conducted at current rates (previous year SEK -0.7m).

Currency fluctuations

The Norwegian krone weakened against the Swedish krona during the financial year. The average exchange rate of the Norwegian krone was 1.13, which was 4 per cent down on the average rate for the 2005/06 financial year, when it was 1.18. This has had a negative effect on us as more than a third of sales take place in Norwegian kroner.

The US dollar also weakened against the Swedish krona in the last financial year, and this has been to our benefit, as it has generally led to lower purchasing prices. The average exchange rate during the 2006/07 financial year was 8 per cent lower than in the previous year (around 7.20 compared with 7.80). The same applies to the Hong Kong dollar, as it is pegged to the exchange rate of the US dollar, and both currencies have therefore shown an identical trend.

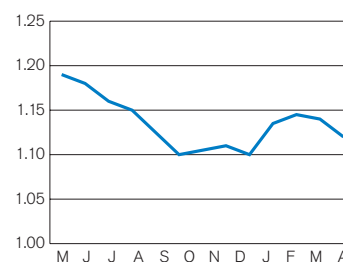
Exchange rate USD/SEK



The US dollar (USD) is our most important currency for purchasing. The exchange rate against the Swedish krona at the start of the financial year on 1 May 2006 was 7.42. The exchange rate then weakened during the summer and autumn and then strengthened slightly during the spring. On 30 April 2007 it stood at 6.84, down 8 per cent.

The highest exchange rate during the financial year was 7.42, recorded in July, while the lowest was 6.72, recorded in April. The average exchange rate in 2006/07 was around 7.20, compared with 7.80 in 2005/06.

Exchange rate NOK/SEK



More than a third of our sales take place in Norway. The exchange rate of the Norwegian krone (NOK) against the Swedish krona at the start of the financial year on 1 May 2006 was 1.19. The exchange rate then weakened during the summer and autumn and then strengthened slightly during the spring. On 30 April 2007 it stood at 1.12, down 6 per cent.

The highest exchange rate during the financial year was 1.21, recorded in May, while the lowest was 1.09, recorded in October and January. The average exchange rate in 2006/07 was around 1.13, compared with 1.18 in 2005/06.

MARKET CAPITALISATION OF SEK 9.9 BILLION



The Clas Ohlson AGM is very well attended. Last year's AGM attracted nearly 1,500 participants, making it one of the largest AGMs in Sweden.

External analyses

A number of analysts in the stock market regularly track Clas Ohlson shares and present analyses of the company and its shares to their clients. These include:

ABG Securities
ABN Amro
Carnegie
Deutsche Bank
Enskilda
Handelsbanken
Kaupthing
Merrill Lynch
Standard & Poors
Swedbank
Öhman

Tickers

Bloomberg: CLASB.SS
Reuters: CLASb.ST

Clas Ohlson B shares are listed on the Nordic Exchange and have been listed on the Nordic Exchange since 5 October 1999. The issue price was SEK 106, which following the split (4:1) in October 2001 and the additional split (2:1) implemented in October 2004 is SEK 13.25.

The share price rose from SEK 149 to SEK 150.50 over the financial year covering the period 1 May 2006 to 30 April 2007, an increase of 1 per cent. The Affärsvärlden General Index rose by 25 per cent over the same period. The lowest price paid during the period was SEK 125, recorded in September, while the highest price paid during the period was SEK 159 in March.

Share turnover

During the period, 28,013,453 Clas Ohlson shares changed hands on the Nordic Exchange, equivalent to a turnover rate of 43 per cent. The total turnover rate on the Nordic Exchange over the same period was 130 per cent.

Clas Ohlson's total market capitalisation on 30 April 2007 was SEK 9.9 billion.

Share capital

The share capital of Clas Ohlson totals SEK 82 million, divided into 5,760,000 A-series shares and 59,840,000 B-series shares, each with a quotient value of 1.25. Each A-series share carries ten votes, while each B-series share carries one

vote. All shares carry equal rights to payment of dividend. Holders of A shares can request that A shares be converted to B shares.

Shareholders

On 30 April 2007 there were a total of 23,903 shareholders according to the register of shareholders held by VPC (the Swedish Central Securities Depository). At that time the ten largest shareholders held 63.4 per cent of the capital and 79.5 of the votes.

Foreign shareholders accounted for 31.0 per cent of the capital and 38.3 per cent of the votes. Swedish institutions accounted for 21.7 per cent of the capital and 12.1 per cent of the votes. Swedish private individuals accounted for 47.3 per cent of the capital and 49.6 per cent of the votes.

Dividend policy and dividend

Financially Clas Ohlson should be well positioned for continued good growth of its business as well as being ready to exploit business opportunities. It is essential that the expansion takes place, as it has to date, with no loss of financial strength or freedom of action.

On this basis, the Board has considered that the level of dividend should be equivalent to around half the net profit of the year. In addition, the Board may propose that surplus liquidity also be distributed.

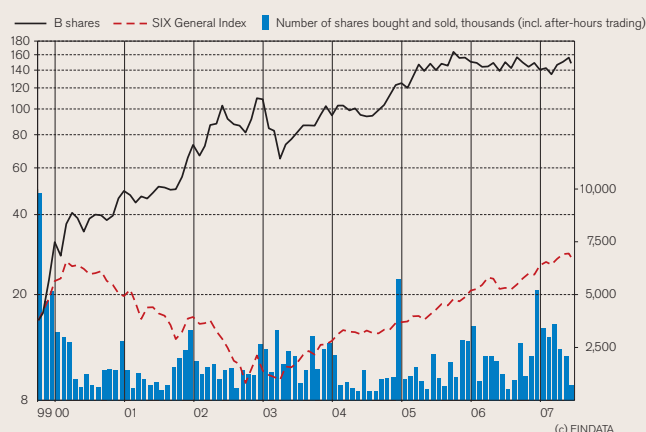
DATA PER SHARE

	2006/07	2005/06	2004/05	2003/04	2002/03
Number of shares, millions	65.6	65.6	65.6	65.6	65.6
Earnings per share, SEK	5.88	5.37	4.65	3.98	3.64
Gross cash flow per share, SEK	7.02	6.32	5.40	4.55	4.12
Equity per share, SEK	20.84	19.16	16.14	13.47	11.22
Share price at 30 April, SEK	150.50	149	139	100	74
Dividend per share, SEK	4.50 ¹	4.00 ²	2.50	2.00	1.60
P/E ratio	26	28	30	25	20
Share price/gross cash flow	21	24	26	22	18
Price-to-book-value ratio, %	722	778	861	746	655
Yield, %	3.0	2.7	1.8	2.0	2.2
Dividend payout ratio, %	77	74	54	50	44

¹ Proposed dividend.

² Including extra dividend of SEK 1.00.

CLAS OHLSON



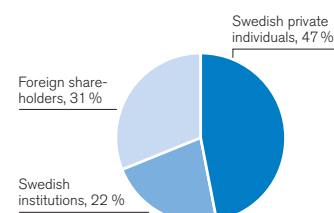
For the 2006/07 financial year, the Board proposes that a dividend of SEK 4.50 per share be paid (previous year 3.00 plus extra dividend of SEK 1.00).

The Board's proposal is equivalent to around 77 per cent of Group net profit of the year and 22 per cent of Group equity.

Shareholder information

Financial information can be found on our website, www.clasohlson.com

Shareholder categories, % of capital



DEVELOPMENT IN SHARE CAPITAL

Year	Transaction	Additional shares	Accumulated number of shares	Total share capital
1994			48,000	4,800,000
1999	Split 10:1	432,000	480,000	4,800,000
1999	Bonus issue	6,720,000	7,200,000	72,000,000
1999	New share issue	1,000,000	8,200,000	82,000,000
2001	Split 4:1	24,600,000	32,800,000	82,000,000
2004	Split 2:1	32,800,000	65,600,000	82,000,000

MAJOR SHAREHOLDERS AT 30 APRIL 2007

Shareholder	Number of A shares	Number of B shares	Per cent equity	Per cent votes
Mary Haid	2,735,880	11,905,200	22.3	33.4
Helena Tidstrand	1,368,060	7,209,328	13.1	17.8
Johan Tidstrand	1,368,060	6,209,328	11.6	16.9
Håkan Thylén	288,000	1,209,300	2.3	3.5
Fourth AP Fund		2,526,180	3.9	2.2
AFA Försäkring		2,033,250	3.1	1.7
SEB Fonder		1,470,700	2.2	1.3
Anders Moberg		1,312,000	2.0	1.1
Handelsbanken, deposit		988,200	1.5	0.8
Lannebo Fonder		944,800	1.4	0.8
Nordea Bank Finland		924,739	1.4	0.8
Other shareholders		23,106,975	35.2	19.7
Total	5,760,000	59,840,000	100.0	100.0

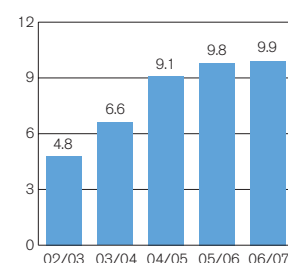
SHAREHOLDER CATEGORIES AT 30 APRIL 2007

Category	Number of shares	Per cent equity	Per cent votes
Swedish private individuals	3,024,120	47.3	49.6
Swedish institutions	14,212,593	21.7	12.1
Foreign shareholders	2,735,880	31.0	38.3
Total	5,760,000	100.0	100.0

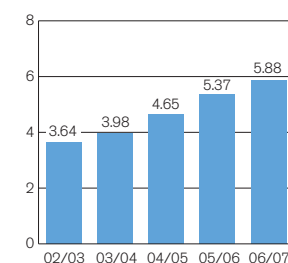
SHAREHOLDER STRUCTURE AT 30 APRIL 2007

Size class	Number of securities	Per cent	Number of shareholders
1-500	2,848,091	4.3	16,115
501-1,000	3,939,585	6.0	4,721
1,001-5,000	5,727,336	8.7	2,586
5,001-10,000	1,936,143	3.0	255
10,001-20,000	1,567,042	2.4	107
20,001-100,000	3,174,149	4.8	95
100,001-500,000	2,536,864	3.9	11
500,001-	43,870,790	66.9	13
Total	65,600,000	100.0	23,903

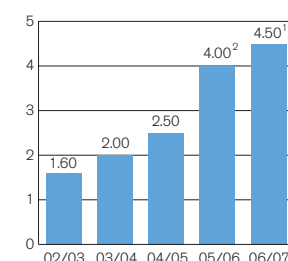
Market capitalisation, billion SEK



Earnings per share, SEK



Dividend per share, SEK



¹ Proposed dividend

² Including extra dividend of SEK 1.00

DIRECTORS' REPORT

Clas Ohlson AB (publ), corporate registration number
556035-8672

The Board of Directors and Chief Executive Officer of Clas Ohlson AB (publ), with registered office and head office in Insjön, Sweden, in the municipality of Leksand, Sweden, present herewith the annual accounts for the financial year 1 May 2006 to 30 April 2007. Unless otherwise stated, the figures pertain to the Group. Figures in brackets relate to the previous year. All figures are stated in millions of Swedish kronor unless otherwise indicated.

Operation

The operation of both the parent company and the Group consists in the sale of products for house and home, technology and hobbies through the company's own stores and mail-order/Internet. The company operates in Sweden, Norway and Finland. At the end of the period, the number of stores was 71, 38 of which were located in Sweden, 24 in Norway and 9 in Finland.

The product range comprises around 15,000 items purchased from a large number of suppliers in some 30 countries. The products are brought to our distribution centre in Insjön and distributed to customers by mail-order/Internet or through the company's own stores in Sweden, Norway and Finland.

The market for the company's products developed well during the financial year. All parts of the product range are showing good increases in sales in Sweden, Norway and Finland.

Major events

Twelve new stores were opened during the financial year, eight in Sweden and four in Norway. In addition, three stores were refurbished, two in Sweden and one in Norway.

Klas Balkow, aged 41, has been appointed by the Board of Directors as the new Chief Executive Officer and President of Clas Ohlson. He has most recently been managing director of a subsidiary of the Axel Johnson Group, where he has been responsible for AxImage, a business area that comprises several store chains and the agency for Fujifilm in both Sweden and Norway. He was previously involved in building up the broadband company Bredbandsbolaget. Prior to that he held a number of senior positions in Procter & Gamble over a period of ten years in both the Nordic countries and the United States.

Klas began his employment on 1 June 2007 and will take over as Chief Executive Officer and President by the end of the year. The present Chief Executive Officer and President, Gert Karnberger, will remain in his position until that time.

Sales and profits

Sales totalled SEK 4,101.2m, compared with SEK 3,567.6m in the previous year, a rise of 15 per cent.

Sales are broken down as follows:

	2006/07	2005/06	Percentage change
Sales channels			
Stores	3,985.7	3,445.2	+16
Mail-order/Internet	115.5	122.4	-6
	4,101.2	3,567.6	+15
Country			
Sweden	2,345.4	2,127.2	+10
Norway	1,458.2	1,199.0	+22
Finland	297.6	241.4	+23
	4,101.2	3,567.6	+15

The 16 per cent increase in sales by the stores is broken down as follows:

Like-for-like stores in local currency	+ 2 per cent
New stores	+ 16 per cent
Exchange-rate effects	- 2 per cent
Total	+16 per cent

The average increase in price in the product range during the financial year was 2 per cent.

The share of Internet orders was 63 per cent of the total number of mail-order/Internet orders, compared with 60 per cent in the previous year.

Gross margin was 39.7 per cent, compared with 39.9 per cent in the previous year.

Operating profit was SEK 530.9m, an increase of 10 per cent compared with the previous year (SEK 484.5m). The rise in profit was due to increased sales. Operating profit was SEK 525.0m (SEK 474.0m) for the stores and SEK 5.9m (SEK 10.5m) for mail-order/Internet.

Operating margin was 12.9 per cent (13.6 per cent). Operating margin was 13.2 per cent (13.8 per cent) for the stores, while it was 5.1 per cent (8.6 per cent) for mail-order/Internet.

Profit after financial items was SEK 537.8m, an increase of 10 per cent compared with the previous year (SEK 491.0m).

The share of selling expenses has risen by 0.3 percentage points. The principal reason for this is that the increase in sales has been lower than expected. Profit has also been negatively affected to the tune of SEK 3.1m as a result of increased start-up costs for new stores. These total SEK 38.5m.

Depreciation for the period totalled SEK 75.0m, compared with SEK 62.5m in the previous year.

The contractual retirement has taken place of Björn Haid (aged 61), who had been employed at Clas Ohlson since 1965. The total sum paid out is SEK 9.4m, which has been fully provided for and carried as an expense among administrative expenses. The expense is of a non-recurring nature and provision was made for it during the second quarter.

The exchange rates for the most important currencies averaged 1.13 for the Norwegian krone and 7.20 for the US dollar, compared with 1.18 and 7.80 in the previous year.

Hedging has been carried out in USD, HKD and NOK. This had a positive impact on earnings of SEK 10.2m compared with if trading had only been conducted at current rates (previous year SEK -0.7m).

Prospects for the next financial year

The Group's long-term objective is an annual rate of growth in sales of 15 per cent. This is to be attained through increased sales in existing stores and through continued opening of new stores in Sweden, Norway and Finland. During the 2008/09 financial year the objective is to establish a presence in the United Kingdom by opening 2-4 stores in central locations in a concentrated geographical area.

Fifteen to twenty new stores are planned for the 2007/08 financial year and 20-25 new stores for 2008/09, including the two to four in the United Kingdom.

Fifteen new stores have been contracted to date, four in Sweden, eight in Norway and three in Finland.

The Group's long-term target with regard to profit is an operating margin of 13-15 per cent over an economic cycle.

There will be a continued focus on private-label goods. The target is for private-label goods at the end of the 2008/09 financial year to account for 25 per cent of sales.

The Board has decided on a further enlargement of the distribution centre to create capacity for future expansion. The focus in continued work is on building up capacity to supply around 150 stores. The investment is estimated to total SEK 370m, and it is anticipated that the facility will enter service in the spring of 2009.

Financial position

There was a positive cash flow from operating activities during the financial year of SEK 405.1m (SEK 187.8m). Cash flow after deducting investing activities was SEK 280.0m (SEK 48.2m). Cash flow for the previous year adversely affected by build-up of stocks and higher supplementary payment of tax.

Inventories increased during the financial year by SEK 77.7m to SEK 826.7m. Of this sum, SEK 67.7m pertains to inventories in the ten new stores opened during the financial year.

Cash and cash equivalents totalled SEK 347.9m (SEK 338.4m). There are no interest-bearing liabilities. The equity/assets ratio was 70.6 per cent (70.4 per cent).

Investments

Net investments totalling SEK 125.2m (SEK 139.6m) were made during the financial year. Of this sum, SEK 49.2m (SEK 50.7m) pertains to investments in new stores. A further SEK 35.0m (SEK 51.5m) pertains to investment in the enlargement of the distribution centre in Insjön. Other investments are mainly replacement investments.

Enlargement of the distribution centre in Insjön, stage 3, was completed in October. This facility now has capacity to deliver to 90 stores. Up to the end of April 2007, SEK 334.8m had been invested out of a total planned investment of SEK 340m.

Employees

The number of employees in the Group averaged 1,647 (1,439), of whom 659 (547) were women. The breakdown by country is 1,131 (1,025) in Sweden, 370 (285) in Norway and 146 (129) in Finland. Further information about employees is contained in Notes 6, 29 and 30 to the annual report.

The work of the Board

The Board of Clas Ohlson consists of seven members elected by the Annual General Meeting and two members and two deputy members appointed by the employees. The Chief Executive Director sits on the Board.

The Board has written rules of procedure and instructions for the sharing of work between the Board and the Chief Executive Officer. The Board's meetings and work in connection with these meetings consequently follow an agenda with the aim of ensuring that the Board's needs for information and checking of the operation and the organisation of the company are met.

The Board met seven times during the year. An economic and financial report on operations is presented at each ordinary meeting. The Board holds an annual meeting with the company's auditors to review the audit report and the year's operations. The work of the Board is described in more detail in the Board report on page 43.

Risks and factors of uncertainty

Clas Ohlson's business is subject to risks relating to both finance and operations. Risks of a financial nature primarily comprise exchange-rate exposure, while risks of an operational nature comprise product range, competition, the economic climate, Christmas trading and the start-up in the United Kingdom. The financial risks are described and quantified in Note 2 to the annual accounts and on page 36 of the printed annual report.

Environmental impact

The company has a duty of notification with respect to activity relating to the temporary storage of electronic waste. This duty of notification applies to any Swedish municipality in which we have a store. The company does not otherwise have any operations for which there is a duty of notification or for which it is mandatory to obtain a permit under the Environmental Code. We cooperate on electrical and electronic waste with the organisation Elkretsen, which is the joint company owned by the electrical industry for waste disposal. We are affiliated to the Swedish recycling organisation Repa. In Norway we are affiliated to the recycling organisations AS Batteriretur, Renas AS, Elektronikkretur AS and Hvitvareretur AS. In Finland there is an equivalent cooperation with Serty.

Environmental work is undertaken continuously within the Group, and this is described in greater detail on pages 16–17 of the printed annual report and on the website, www.clasohlson.com.

Guidelines for remuneration of senior management

The 2006 Annual General Meeting decided that remuneration would be paid as fixed and variable salary, pension and benefits where applicable. The size of the remuneration is discussed by the Board's Remuneration Committee and decided by the Board. For further information on remuneration, see Note 6 and page 67 of the printed annual report.

Parent Company

Parent Company turnover totalled SEK 3,424.7m (SEK 2,974.8m), and profit after financial items totalled SEK 491.0m (SEK 380.9m). Liquidity has been good. Investments for the year totalled SEK 99.1m (SEK 89.9m).

Dividend policy

Financially Clas Ohlson has to be well positioned for continued good growth in operations as well as being ready to exploit business opportunities. It is essential that the expansion takes place, as it has to date, with no loss of financial strength or freedom of action.

On this basis, the Board has considered that the level of dividend should be equivalent to around half net profit of the year. In addition, the Board may propose that surplus liquidity also be distributed.

For the 2006/07 financial year, the Board proposes that a dividend of SEK 4.50 per share be paid (previous year 3.00, plus extra dividend of SEK 1.00). The Board's proposal is equivalent to around 77 per cent of the Group's profit after tax.

Proposed allocation of earnings

The following earnings (SEK) are at the disposal of the Annual General Meeting:

Profit brought forward	454,912,386
Net profit for the year	377,429,040
Total	832,341,426

The Board and Chief Executive Officer propose:

Dividend payable to shareholders	
SEK 4.50 per share	295,200,000
Carried forward to new account	537,141,426
Total	832,341,426

12 September 2007 is proposed as the record day for payment of dividend. It is anticipated that the dividend decided upon by the Annual General Meeting will be dispatched on 17 September 2007.

With reference to the information presented above and what has otherwise come to the knowledge of the Board, the view of the Board is as follows. A comprehensive assessment of the financial position of the Parent Company and Group indicates that the dividend is justifiable with reference to the demands made by the nature, size and risks of the operation on the equity and liquidity of the Parent Company and Group. The Group's equity/assets ratio is 70.6 per cent before payment of dividend and 65.3 per cent after payment of dividend. This is judged to be an adequate equity/assets ratio, even when the future expansion in the Nordic countries and the United Kingdom is taken into account.

Regarding the company's earnings and position in other respects, reference should be made to the following income statements and balance sheets and the associated notes to the accounts.

BOARD AND NOMINATIONS COMMITTEE REPORTS

BOARD REPORT

Attendance at Board meetings is shown in the table on page 66 of the printed annual report.

14 June 2006

The year-end report was presented and adopted. A proposal to the Annual General Meeting for a dividend of SEK 3.00 per share plus an extra dividend of SEK 1.00 per share was also adopted. Reporting dates for the 2006/07 financial year were adopted.

29 June 2006

Earnings for the 2005/06 financial year were discussed and analysed. The auditors attended during this item and reported on the auditing work for the year. They also reported on the review that had been conducted regarding the opening of stores in Finland. A checklist on compliance by Clas Ohlson with the Swedish Code of Corporate Governance was run through. The directors' report for the annual accounts was adopted and the annual accounts were signed. A budget for the 2006/07 financial year was adopted. Issues relating to the Clas Ohlson code of conduct were also discussed. Members for the boards of the subsidiaries in Norway and Finland were proposed. The chairman of the Nomination Committee reported on work for the year.

8 September 2006

The interim report for the period from May to July was presented and adopted. A decision was taken to initiate the process of recruiting a new Chief Executive Officer and President, as Gert Karnberger had reached the age of 63. Discussions were held concerning the on-going enlargement of the distribution centre. The Board decided to grant Björn Haid contractual retirement. Current and future store openings were discussed.

9 September 2006

The first meeting of the new Board was held after the Annual General Meeting. All Board members were re-elected at the AGM, and Anders Moberg was re-elected as Chairman. The AGM decided on a dividend of SEK 3.00 and an extra dividend of SEK 1.00.

Decisions were taken at the first meeting of the new Board on authorised signatories, rules of procedure for the Board and dates of meetings for the next financial year. Members for the Board's Audit Committee and Remuneration Committee were elected.

7 December 2006

The interim report for the period from August to October was presented and adopted. The auditors Göran Melin and Annika Wedin presented the review that had been made for the first six months. Current issues relating to the parent company and subsidiaries and the Group code of conduct were also discussed. The Remuneration Committee reported on the remuneration of the Group's senior management and on the on-going process of recruiting a new CEO. The Remuneration Committee reported on the need for information that exists with regard to annual accounts and internal control. Rules of procedure for the Audit Committee were adopted.

30–31 January 2007

The strategy meeting was held together with the senior management in Sweden, Norway and Finland. The meeting discussed a number of strategic issues, including the Group's aims and strategies, the product range, strategy for opening new stores, continued enlargement of the distribution centre, private labels and continued work on our code of conduct.

13 March 2007

The interim report for the period from November to January was presented and adopted. A decision was taken for the distribution centre to be enlarged for a further SEK 370m. The objective regarding expansion for the next two financial years was established. It entails 15–20 new stores for the 2007/08 financial year and 20–25 stores including the 2–4 stores in the United Kingdom for 2008/09. The Board decided to appoint Klas Balkow as the new Chief Executive Officer and President. He will take up his duties by the end of the calendar year at the latest. The Group's budget prerequisites for 2007/08 were also discussed. The Nomination Committee and Audit Committee reported on current issues.

NOMINATION COMMITTEE REPORT

The Annual General Meeting held on 9 September 2006 elected a nomination committee comprising Elisabet Salander Björklund (chairman), Thomas Halvorsen and Per Karlsson.

Elisabet Salander Björklund is a member of the Board, while the other two members are independent of both the Board and company.

Per Karlsson and Thomas Halvorsen, both of whom live in Stockholm, have broad experience of the work of boards of directors and of nomination procedures. Per Karlsson is a business advisor and is a member of the Boards of Nokia Corporation and Ikano Holdings.

Thomas Halvorsen was previously CEO of Fjärde AP-fonden and a member of the Boards of Beijer Alma AB and Miris Holding AB.

The Nomination Committee's task is to submit proposals for Board members or auditors to the next Annual General Meeting, at which the Board or auditors are due to be elected, as well as their fees. The Nomination Committee also proposes the chairman of the AGM.

The group has worked on the nominations procedure for the Clas Ohlson Annual General Meeting on 8 September 2007 and held several meetings during the spring and early summer. Candidates were considered and discussed at the meetings. The focus has been on candidates having to bring the right skills and expertise to Clas Ohlson. The evaluation made of the Board's work has also formed the basis for the assessments.

The proposals of the Nomination Committee will be presented in early August at the time when the notice of the Annual General Meeting is published.

Further information on corporate governance can be found on page 65 of the printed annual report.

FIVE-YEAR SUMMARY

SEKm	2006/2007	2005/2006	2004/2005	2003/2004 ¹	2002/2003 ¹
INCOME STATEMENT					
Net sales	4,101.2	3,567.6	2,954.8	2,509.5	2,130.8
Operating profit	530.9	484.5	420.5	356.6	325.3
Profit before tax	537.8	491.0	425.9	363.6	331.9
Income tax	-152.0	-138.9	-120.6	-102.7	-93.1
Net profit for the year	385.8	352.1	305.3	260.9	238.8
BALANCE SHEET					
Non-current assets	683.5	642.6	563.7	411.7	285.8
Inventories	826.7	749.0	542.9	447.1	352.5
Current receivables	79.6	55.3	46.4	36.4	32.0
Cash and cash equivalents, current investments	347.9	338.4	445.2	417.9	395.1
Total assets	1,937.7	1,785.3	1,598.2	1,313.1	1,065.4
Equity	1,367.3	1,256.9	1,058.6	883.7	735.8
Non-current liabilities, non-interest-bearing	23.9	23.6	18.3	63.3	49.2
Current liabilities, non-interest-bearing	546.5	504.8	521.3	366.1	280.4
Total equity and liabilities	1,937.7	1,785.3	1,598.2	1,313.1	1,065.4
CASH FLOW					
Cash flow from operating activities	405.1	187.8	355.4	296.6	277.8
Investments	-125.1	-140.7	-198.6	-162.9	-85.6
Cash flow after investments	280.0	47.1	156.8	133.7	192.2
KEY RATIOS					
Growth in sales, %	15.0	20.7	17.7	17.8	23.0
Gross margin, %	39.7	39.9	40.4	40.2	40.3
Operating margin, %	12.9	13.6	14.2	14.2	15.3
Operating margin stores, %	13.2	13.8	14.5	14.5	15.5
Operating margin mail-order/Internet, %	5.1	8.6	8.6	9.4	12.4
Net margin, %	13.1	13.8	14.4	14.5	15.6
Return on capital employed, %	40.9	42.4	43.9	45.2	51.6
Return on equity, %	29.4	30.4	31.4	32.2	36.3
Equity/assets ratio, %	70.6	70.4	66.2	67.3	69.1
Sales per square metre in store, SEK 000	45	48	48	49	51
Number of stores at year-end	71	59	48	38	30
Number of full-time equivalent employees	1,647	1,439	1,229	1,067	868
DATA PER SHARE²					
Number of shares, thousands	65,600	65,600	65,600	65,600	65,600
Earnings per share, SEK	5.88	5.37	4.65	3.98	3.64
Gross cash flow per share, SEK	7.02	6.32	5.40	4.55	4.12
Equity per share, SEK	20.84	19.16	16.14	13.47	11.22
Dividend, SEK	4.50 ³	4.00 ⁴	2.50	2.00	1.60

¹ Comparison figures are not prepared in accordance with IFRS.

² Converted after split.

³ Proposed dividend.

⁴ Including extra dividend of SEK 1.00.

COMMENTS ON THE FIVE-YEAR TREND

Sales

Sales have increased over the last five years from SEK 2,130.8m to SEK 4,101.2m, a rise of 92 per cent. The growth has been entirely organic, i.e. without acquisitions. The price trend over the period has been slightly negative. Sale prices in the last financial year were raised by 2 per cent, but previously prices have been reduced by an average of 2 per cent per year. The exchange rates for the Norwegian krone and the euro (Finland) are roughly the same as five years ago. The rates have, however, fluctuated during the period. It can therefore be concluded that the entire increase in sales is due to greater sales volumes.

The increase in sales in like-for-like stores has been 2 per cent, 4 per cent, 5 per cent and 4 per cent in the last four years. This indicator was not previously reported.

Number of stores

The main reason for such vigorous growth is the gradual increase in the number of stores. Twelve new stores were opened in 2006/07, eleven in 2005/06, ten in 2004/05, eight in 2003/04 and seven in 2002/03.

There were 23 stores at the start of the 2002/03 financial year, compared with 71 at the end of the 2006/07 financial year.

Operating profit

Operating profit has increased over the last five years from SEK 325.3m to SEK 530.9m, a rise of 63 per cent. Profits have

therefore not increased at the same rate as sales. This is principally due to three factors, the fact that gross margin has fallen, the opening of stores in Finland, where for the time being we have lower margins, and the fact that the pace of new store openings has increased.

Gross margin

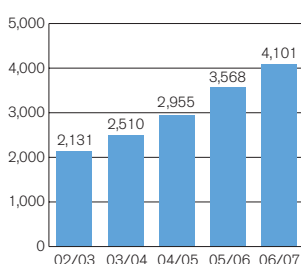
Gross margin has decreased over the last five years from 40.3 to 39.7 per cent – a decrease of 0.6 percentage points.

Our increased size and strong brand enable us to negotiate better purchase prices from suppliers. This has led to higher margins. However, this has been offset by increased freight costs and increased handling costs at our distribution centre in Insjön, Sweden. Freight costs as a proportion of gross margin have increased as a result of longer freight carrying distance and increased world market prices. The proportion accounted for by handling costs has increased as a result of investments in the distribution centre in the last few years. The proportion of costs increases in the first few years as straight-line depreciation is applied.

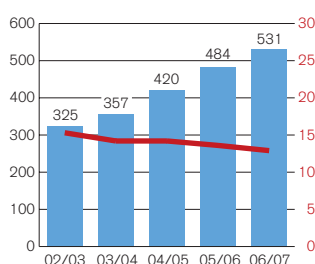
Operating margin

Operating margin has fallen in the past five years from 15.3 per cent to 12.9 per cent. This is principally due to the three factors described in the section on operating profit.

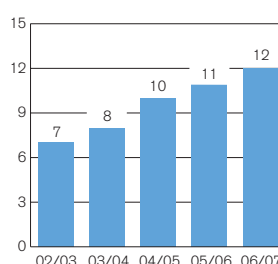
Sales, SEKm



Operating profit, SEKm
Operating margin, %



Number of new stores



GROUP

INCOME STATEMENT

SEKm	Note	01/05/06 –30/04/07	01/05/05 –30/04/06
	1, 2		
Net sales		4,101.2	3,567.6
Cost of goods sold	4	–2,474.1	–2,144.5
Gross profit		1,627.1	1,423.1
Other operating income	3	1.1	0.5
Selling expenses	4, 5, 6	–996.4	–855.6
Administrative expenses	4, 5, 6, 7	–100.0	–80.6
Other operating expenses	3	–0.9	–2.9
Operating profit		530.9	484.5
<i>Financial items</i>			
Financial income	8	7.1	6.9
Financial expenses	8	–0.2	–0.4
Profit before tax		537.8	491.0
Income tax	9	–152.0	–138.9
NET PROFIT FOR THE YEAR		385.8	352.1
Number of shares, million		65.6	65.6
Earnings per share, SEK (basic and diluted for profit attributable to Parent Company's equity holders during the year)	10	5.88	5.37
Proposed dividend per share, SEK (basic and diluted)	11	4.50	4.00

CASH FLOW STATEMENT

SEKm	01/05/06 –30/04/07	01/05/05 –30/04/06
<i>Operating activities</i>		
Operating profit	530.9	484.5
<i>Adjustment for items not included in cash flow:</i>		
– depreciation	75.0	62.5
– profit from sale/disposal of non-current assets	0.2	1.7
Interest received	6.3	7.1
Interest paid	–0.2	–0.4
Tax paid	–143.2	–177.6
Cash flow from operating activities before change in operating capital	469.0	377.8
<i>Cash flow from changes in working capital:</i>		
– trade receivables	–3.6	–3.0
– inventories	–87.4	–199.7
– other receivables	–19.9	–5.1
– trade payables	12.7	–3.5
– other current interest-free operating liabilities/provisions	34.3	21.3
Cash flow from operating activities	405.1	187.8
<i>Investing activities</i>		
Investments in property, plant and equipment	–126.3	–140.7
Sale of equipment	1.1	1.1
Acquisition of non-current receivables	0.1	0.0
Cash flow from investing activities	–125.1	–139.6
<i>Financing activities</i>		
Dividend to shareholders	–262.4	–164.0
Cash flow from financing activities	–262.4	–164.0
CASH FLOW FOR THE YEAR	17.6	–115.8
Cash and cash equivalents at start of year	338.4	445.2
Exchange-rate difference in cash and cash equivalents	–8.1	9.0
Cash and cash equivalents at end of year	347.9	338.4

GROUP

BALANCE SHEET

SEKm	Note	30/04/07	30/04/06
ASSETS			
Non-current assets	12		
<i>Property, plant and equipment</i>			
Land and buildings		279.8	275.0
Equipment, tools, fixtures and fittings		398.4	348.3
Construction in progress		0.5	13.9
Total tangible assets		678.7	637.2
<i>Financial assets</i>			
Shares and interests		0.1	0.1
Deferred tax asset	9	4.6	5.2
Non-current receivables		0.1	0.1
Total financial assets		4.8	5.4
Total non-current assets		683.5	642.6
Current assets			
Inventories	13	826.7	749.0
Trade receivables	14	17.0	13.6
Other receivables		15.6	9.5
Prepaid expenses and accrued income	15	47.0	32.2
Cash and cash equivalents	16	347.9	338.4
Total current assets		1,254.2	1,142.7
TOTAL ASSETS		1,937.7	1,785.3

BALANCE SHEET

SEKm	Note	30/04/07	30/04/06
EQUITY AND LIABILITIES			
Equity	17		
<i>Capital and reserves attributable to Parent Company equity holders</i>			
Share capital, 65,600,000 shares with a quotient value of 1.25		82.0	82.0
Other contributed capital		90.4	90.4
Translation differences		-13.8	-0.8
Profit brought forward including net profit for the year		1,208.7	1,085.3
Total equity		1,367.3	1,256.9
Non-current liabilities			
Deferred tax liabilities	9	23.0	22.8
Pension obligations	18	0.9	0.8
Total non-current liabilities		23.9	23.6
Current liabilities			
Trade payables		165.7	154.2
Tax liability		137.6	142.4
Other current liabilities		25.3	23.7
Accrued expenses and deferred income	19	201.1	169.0
Other provisions	20	16.8	15.5
Total current liabilities		546.5	504.8
TOTAL EQUITY AND LIABILITIES		1,937.7	1,785.3

PARENT COMPANY

INCOME STATEMENT

SEKm	Note	01/05/06 -30/04/07	01/05/05 -30/04/06
	1, 2		
Net sales	21	3,424.7	2,974.8
Cost of goods sold	4, 21	-2,450.3	-2,153.7
Gross profit		974.4	821.1
Selling expenses	4, 5, 6	-561.5	-505.0
Administrative expenses	4, 5, 6, 7	-84.9	-68.3
Other operating income	3	1.0	0.4
Other operating expenses	3	-0.7	-2.7
Operating profit		328.3	245.5
<i>Financial items</i>			
Dividend from Group companies	22	159.4	133.3
Interest income	8	3.5	2.3
Interest expenses	8	-0.2	-0.3
Profit after financial items		491.0	380.8
Appropriations	23	-26.9	-22.0
Profit before tax		464.1	358.8
Income tax	9	-86.7	-64.4
NET PROFIT FOR THE YEAR		377.4	294.4
Proposed dividend per share, SEK (basic and diluted)	11	4.50	4.00

CASH FLOW STATEMENT

SEKm	01/05/06 -30/04/07	01/05/05 -30/04/06
<i>Operating activities</i>		
Operating profit	328.3	245.5
<i>Adjustment for items not included in cash flow:</i>		
- depreciation	54.3	45.3
- profit from sale/disposal of fixed assets	0.2	1.7
Dividends received	159.4	133.3
Interest received	4.1	2.3
Interest paid	-0.2	-0.3
Tax paid	-57.3	-117.8
Cash flow from operating activities before change in operating capital	488.8	310.0
<i>Cash flow from changes in working capital:</i>		
- accounts receivable - trade	-3.9	-2.1
- inventories	-50.2	-140.3
- other receivables	14.0	-20.8
- accounts payable - trade	4.6	-7.6
- other current interest-free operating liabilities/provisions	15.7	23.6
Cash flow from operating activities	469.0	162.8
<i>Investing activities</i>		
Investments in property, plant and equipment	-99.1	-89.9
Sale of equipment	1.1	1.0
Sale of financial assets	0.1	-3.6
Cash flow from investing activities	-97.9	-92.5
<i>Financing activities</i>		
Divided to shareholders	-262.4	-164.0
Cash flow from financing activities	-262.4	-164.0
CASH FLOW FOR THE YEAR	108.7	-93.7
Cash and cash equivalents at start of year	91.7	185.4
Cash and cash equivalents at end of year	200.4	91.7

PARENT COMPANY

BALANCE SHEET

SEKm	Note	30/04/07	30/04/06
ASSETS			
Non-current assets	12		
<i>Property, plant and equipment</i>			
Land and buildings		279.6	274.6
Equipment, tools, fixtures and fittings		287.7	237.4
Construction in progress		0.5	13.9
Total property, plant and equipment		567.8	525.9
<i>Financial assets</i>			
Interests in Group companies	22	30.4	30.4
Shares and interests		0.1	0.1
Non-current receivables		0.0	0.1
Total financial assets		30.5	30.6
Total non-current assets		598.3	556.5
Current assets			
<i>Inventories</i>			
Merchandise	13	636.1	585.9
Total inventories		636.1	585.9
<i>Current receivables</i>			
Trade receivables	14	12.4	8.5
Receivables from Group companies	22	65.6	82.5
Other receivables		0.1	0.5
Prepaid expenses and accrued income	15	25.0	20.9
Total current receivables		103.1	112.4
Cash and bank balances	24	200.4	91.7
Total current assets		939.6	790.0
TOTAL ASSETS		1,537.9	1,346.5

BALANCE SHEET

SEKm	Note	30/04/07	30/04/06
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital, 65,600,000 shares with a quotient value of 1.25	17	82.0	82.0
Reserve fund		106.8	106.8
Total restricted equity		188.8	188.8
<i>Non-restricted equity</i>			
Profit brought forward		454.9	422.9
Net profit for the year		377.4	294.4
Total unrestricted equity		832.3	717.3
Total equity		1,021.1	906.1
Untaxed reserves	25	136.6	109.6
Provisions			
Other provisions	20	10.6	9.7
Total provisions		10.6	9.7
Current liabilities			
Trade payables		137.0	132.4
Tax liability		73.4	54.9
Other current liabilities		11.8	10.5
Accrued expenses and deferred income	19	147.4	123.3
Total current liabilities		369.6	321.1
TOTAL EQUITY AND LIABILITIES		1,537.9	1,346.5
Pledged assets	26	67.0	67.0
Contingent liabilities	27	81.9	39.8

CHANGE IN EQUITY

CHANGE IN GROUP EQUITY

SEKm	Attributable to parent company equity holders					Total
	Share capital	Other contributed capital	Translation differences	Hedge reserve	Profit brought forward	
Opening balance at 1 May 2005	82.0	90.4	-11.0		897.2	1,058.6
Exchange-rate differences			10.2			10.2
Cash flow hedging recognised in equity, after tax				5.8		5.8
Cash flow hedging recognised in income statement, after tax				-4.8		-4.8
Cash flow hedging included in inventories				-1.0		-1.0
Total transactions recognised directly in equity	0.0	0.0	10.2	0.0	0.0	10.2
Net profit for the year					352.1	352.1
Total recognised income and expenses	0.0	0.0	0.0	0.0	352.1	352.1
Dividend					-164.0	-164.0
Closing balance at 30 April 2006	82.0	90.4	-0.8	0.0	1,085.3	1,256.9
Opening balance at 1 May 2006	82.0	90.4	-0.8	0.0	1,085.3	1,256.9
Exchange-rate differences			-13.0			-13.0
Cash flow hedging recognised in equity, after tax				9.1		9.1
Cash flow hedging recognised in income statement, after tax				-7.5		-7.5
Cash flow hedging included in inventories				-1.6		-1.6
Total transactions recognised directly in equity	0.0	0.0	-13.0	0.0	0.0	-13.0
Net profit for the year					385.8	385.8
Total recognised income and expenses	0.0	0.0	0.0	0.0	385.8	385.8
Dividend					-262.4	-262.4
Closing balance at 30 April 2007	82.0	90.4	-13.8	0.0	1,208.7	1,367.3

CHANGE IN PARENT COMPANY EQUITY

SEKm	Share capital	Share premium reserve	Reserve fund	Non-restricted equity	Total
Opening balance at 1 May 2005	82.0	90.4	16.4	586.9	775.7
Transfer in accordance with Swedish Companies Act (2005:551)		-90.4	90.4		
Dividend				-164.0	-164.0
Net profit for the year				294.4	294.4
Closing balance at 30 April 2006	82.0	0.0	106.8	717.3	906.1
Opening balance at 1 May 2006	82.0	0.0	106.8	717.3	906.1
Dividend				-262.4	-262.4
Net profit for the year				377.4	377.4
Closing balance at 30 April 2007	82.0	0.0	106.8	832.3	1,021.1

ACCOUNTING POLICIES AND NOTES

Amounts are in SEKm unless stated otherwise

NOTE 1 ACCOUNTING AND VALUATION PRINCIPLES

CONFORMITY WITH STANDARDS AND LEGISLATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as approved by the European Commission for application in the EU.

The annual accounts of the Parent Company have been prepared in accordance with the Swedish Companies Act and the same accounting policies as are applied to the Group except in cases indicated under "Parent Company accounting policies". The differences that occur between the policies applied to the Parent Company and Group are due to limitations on the possibilities of applying IFRS in the Parent Company resulting from the Swedish Companies Act.

INFORMATION ON FORTHCOMING STANDARDS

The following standards and interpretations have been published but have not yet entered into force and have not been applied in the preparation of the financial reports:

Standard or interpretation (date of entry into force)

IAS 1	Presentation of financial statements: Additional disclosures on capital (01.01.2007)
IFRS 7	Financial instruments: Disclosures (01.01.2007)
IFRS 8	Operating segments* (01.01.2009)
IAS 23	Borrowing costs* (01.01.2009)
IFRIC 9	Reassessment of embedded derivatives (01.06.2006)
IFRIC 10	Interim financial reporting and impairment* (01.11.2006)
IFRIC 11 and IFRS 2	Group and treasury share transactions* (01.03.2007)
IFRIC 12	Service concession arrangements* (01.01.2008)

* These standards/interpretations have not been adopted by the EU at this time

Of the above standards, only IFRS 7 Financial Instruments is judged to have an impact on the company, although only in the form of further additional disclosures.

BASIS OF PREPARATION

The Parent Company's functional currency is Swedish kronor, which also constitutes the reporting currency for the Parent Company and Group. This means that the financial reports are presented in Swedish kronor. All sums, unless otherwise stated, are rounded to the nearest million Swedish kronor to one decimal point. Assets and liability are reported at historical cost except for certain financial assets and liabilities which are valued at fair value.

The accounting policies for the Group indicated below have been applied consistently to all periods presented in the Group's financial statements, unless otherwise stated. The Group's accounting policies have been consistently applied to the reporting and consolidation of the Parent Company and subsidiaries.

ESTIMATES AND ASSUMPTIONS

Preparing the financial reports in accordance with IFRS requires the management to make judgements, estimates and assumptions which impact upon the application of the accounting policies and the recognised amounts of assets, liabilities, income and expenses. These are based on historical experience and a number of other factors which appear reasonable under the prevailing conditions. The estimates and assumptions are regularly reviewed and are not judged to entail any significant risk of material adjustments to recognised values of assets and liabilities during the next financial year. Any changes to estimates are recognised in the period in which the change is made if the change has only impacted upon this period, or in the period in which the change is made and future periods if the change impacts upon both the current period and future periods. Further information on estimates and assumptions made can be found in Notes 13, 18 and 20.

CONSOLIDATED ACCOUNTS

The consolidated accounts cover the Parent Company and all companies over which the Parent Company directly or indirectly has controlling influence. The consolidated accounts include the wholly-owned subsidiaries Clas Ohlson AS and Clas Ohlson OY. The purchase method has been applied in preparing the consolidated accounts. The annual accounts of the foreign subsidiaries have been translated using the current rate method, which means that assets, liabilities and equity have been translated from the functional currency to Swedish kronor at the exchange rate prevailing on the reporting date and income statements at the average exchange rate for the year. As a result of this and as a result of the net investment having been translated at a different exchange rate at the end of the year than at the start of the year, the translation difference is recognised in equity. Intra-group sales and inter-company profits have been entirely eliminated in the consolidated accounts.

TRANSLATION OF FOREIGN CURRENCY

Transactions in foreign currency are translated to the functional currency at the exchange rates applicable on the transaction date. Foreign-exchange gains and losses which arise in the payment of such transactions and in the translation of monetary assets and liabilities in foreign currency at the rate prevailing on the reporting date are recognised in the income statement. An exception is when the transactions represent hedging which fulfils the conditions for hedge accounting of cash flows, when gains/losses are recognised in equity. For derivatives, see section on financial instruments.

INCOME

The Group's revenue is generated through the sale of products to consumers, in accordance with the conditions of sale. Sale revenue is reported net after deduction of VAT, returns, reservations for open purchase and discounts. Revenue is recognised at the time of sale/delivery to the customer, when material risks and benefits associated with ownership of the goods have been transferred to the purchaser. Interest income pertains to interest on bank balances. The income is recognised in the period to which the interest pertains. Interest-bearing securities are valued continuously at market value through the income statement.

INCOME TAXES

Income taxes comprise current tax and deferred tax. Income taxes are recognised in the income statement except when an underlying transaction is recognised directly in equity, where the associated tax effect is recognised in equity. Current tax is tax which is due for payment or receipt in the current year, with application of the tax rates decided upon or in practice decided upon at the balance sheet date, including adjustment of current tax attributable to previous periods. Deferred tax is calculated according to the balance sheet method on all temporary differences which arise between recognised values and values for tax purposes of assets and liabilities. Deferred tax is calculated with application of the tax rates and tax rules decided upon or in practice decided upon at the balance sheet date. Deferred tax assets pertaining to deductible temporary differences are only recognised to the extent that it is likely that it will be possible for these to be utilised. The value of deferred tax assets is reduced when it is no longer judged likely that it will be possible for them to be utilised. These temporary differences have mainly arisen in the depreciation of non-current assets, valuation of inventories, provisions for pensions and handling of deficits for tax purposes in subsidiaries in Finland. In relation to the latter, it is our judgement that we will be able to make full use of the deficit.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognised at cost after deduction of accumulated depreciation and any accumulated impairments. Cost includes the purchase price and expenses directly attributable to the asset in order to bring it into the position and condition necessary for it to be utilised in accordance with the purpose of the acquisition. Depreciation is based on the cost and estimated useful life of the assets. Straight-line depreciation is used for all property, plant and equipment. Land is not depreciated. The Group applies component depre-

ciation, which means that depreciation is based upon the estimated useful life of components. The following depreciation periods are applied:

Equipment, tools, fixtures and fittings	3–15 years
Buildings	25–33 years
Land improvements	20 years

New acquisitions and replacements are capitalised, whilst costs of maintenance and repairs are carried as expenses. As assets are sold or disposed of, the cost and appurtenant accumulated depreciation are written off. Any profit or loss is carried as income. Any interest expense is not added to the cost of the assets, but is carried as an expense as it arises. All of Clas Ohlson's properties are business premises.

IMPAIRMENT

Assets which are depreciated are judged with respect to decrease in value whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment is made in the amount by which the carrying amount of the asset exceeds its recoverable value. The recoverable value is the higher of the fair value of the asset less selling expenses and value in use. In assessing impairment, assets are grouped at the lowest levels at which there are separate identifiable cash flows (in cash-generating units).

LEASING

Lease contracts only occur in the Group and in the parent company in the form of rental contracts for store premises. All the stores except the one in Insjön, Sweden, are leased. These contracts have been classified as operational leases as they do not signify that the economic benefits and risks associated with ownership have been transferred to the tenant.

INVENTORIES

Inventories have been valued with application of the "first in first out" principle, at the lower of cost and net selling price on the balance sheet date. Net selling price is the estimated selling price in operating activities less selling expenses. Deduction is made for inter-company profits which arise in delivery between companies forming part of the Group. Necessary provision for obsolescence has been made. Inventory expenses include transfers from equity of any gains/losses from cash flow hedging which fulfil the conditions for hedge accounting, attributable to purchases of goods.

RECEIVABLES

Receivables with a due date more than 12 months after the balance sheet date are recognised as non-current assets, others as current assets. Receivables are stated at the amount which is expected to be paid after individual testing.

Trade receivables are recognised initially at fair value and then at accrued cost with application of the effective interest rate method, less any reservation for depreciation. Reservation for depreciation is made when there is objective evidence that the Group will not be able to receive all sums due according to the original terms of the receivables. The reserved amount is recognised in the income statement.

FINANCIAL INSTRUMENTS

The Group classifies its financial instruments in the following categories: financial assets valued at fair value through the income statement, loan receivables and trade receivables, financial instruments held to maturity and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. The management establishes the classification of the instruments at the time of the first reporting and reviews this decision on each reporting occasion.

Purchases and sales of financial instruments are recognised on the trade date – the date when the Group commits itself to purchase or sale of the asset. Financial instruments are initially valued at fair value plus transaction expenses, which applies to all financial assets not valued at fair value through the income statement. Financial instruments are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred virtually all the risks and benefits associated with right of ownership. Available-for-sale financial assets and financial

assets valued at fair value through the income statement are recognised after the time of acquisition at fair value. An exception is when the transactions constitute hedging that fulfils the conditions for hedge accounting of cash flows, when gains/losses are recognised in equity (see under Translation of foreign currency). Loan receivables and trade receivables as well as financial investments held to maturity are recognised at accrued cost with application of the effective interest method. Realised and unrealised gains and losses due to changes in fair value pertaining to the category of financial assets valued at fair value through the income statement are included in the income statement in the period in which they arise.

With regard to any derivatives which are not an instrument in currency hedging, changes in fair value are to be recognised in the income statement. In hedging cash flow qualified for hedge accounting, changes in the fair value of the hedging instruments are to be reported under equity until the underlying hedged item is reported, all appurtenant hedging items in equity being simultaneously transferred to the income statement. Clas Ohlson continuously applies hedge accounting during the year to foreign-exchange forward contracts insofar as they qualify for hedge accounting according to the requirements. The hedging pertains in all cases to cash flow hedging. At the time of closing of the accounts there were no outstanding foreign-exchange forward contracts, which is unchanged from the previous year. For information concerning the Group's foreign-exchange hedging policy, see Note 2 in the section on Foreign-exchange risk.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and immediately available balances at banks and equivalent institutions, as well as current investments with a term of less than three months from the time of acquisition

EMPLOYEE BENEFITS

All incentive schemes in the Group consist of pay in the form of salary or pension contributions. There are three types of profit-based pay (bonus pay). One is based on sales per hour worked and is used for employees in stores and the distribution centre. The other two are based on Group earnings for the Group's salaried employees and senior management. Remuneration is reported continuously and in each interim and annual report. Clas Ohlson does not have any options schemes for its employees. With regard to any severance pay, a provision is recognised in cases where the company is demonstrably obliged to terminate a contract of employment before the normal time or as an offer to encourage voluntary redundancy.

With regard to pensions, both defined-benefit and defined-contribution pension plans occur. Pensions in the Finnish subsidiary are entirely defined-contribution. There are both defined-contribution and defined-benefit pensions in the Parent Company. However, the defined-benefit ITP plan (Alecta) is treated as a defined-contribution pension policy in accordance with a statement from FAR SRS. The pension policies in the Norwegian subsidiary are defined-benefit, and future obligations are calculated every year, according to a model described in detail below.

In defined-contribution plans, the company pays set contributions to a separate legal entity and does not have obligations to pay further contributions. Expenses are charged against Group profits as the benefits are earned.

In defined-benefit plans, payments are made to employees and former employees based on final salary and number of years of service. The Group bears the risk of the payments undertaken being made. The net sum of the estimated value of obligations and fair value of plan assets is recognised on the balance sheet as either a provision or a non-current financial receivable. In cases where a surplus in a plan cannot be entirely utilised, only that part of the surplus which the company can recover through reduced future contributions or repayments is reported.

Regarding defined-benefit plans, the pension expense and pension obligation are calculated according to the Projected Unit Credit Method. This method distributes the expense as the employees perform services for the company that increase their right to future remuneration. The calculation is performed annually by independent actuaries. The company's undertakings are valued at the current value of expected future payments using a discount rate which is equivalent to the interest on first-class corporate bonds with a term equivalent to the current commitments. The most important actuarial assumptions are indicated in Note 18.

Actuarial gains and losses may arise in establishing the present value of the obligation and the fair value of plan assets. These arise either through the fair

value deviating from the assumption made previously, or through a change in assumptions. The part of the cumulative actuarial gains and losses, at the end of the previous year, which exceeds 10 per cent of the greater of the present value of the obligations and the fair value of the plan assets is recognised in income over the average remaining period of service of employees.

PROVISIONS

Provision is recognised on the balance sheet among current and non-current liabilities when the Group has a legal or informal obligation which is a consequence of an event that has occurred and it is likely that an outflow of resources will be required to discharge the commitment and a reliable estimate can be made of the amount. Provisions are made for open purchase, unredeemed gift cards and estimated future guarantee commitments.

CASH FLOW STATEMENT

The cash-flow statement is drawn up according to the indirect method. The recognised cash flow only comprises transactions which entail payments in or out. In addition to cash or bank balances, current financial investments which firstly are only subject to an insignificant risk of fluctuation in value and secondly have a remaining term of less than twelve months from the time of acquisition are classified as cash and cash equivalents.

SEGMENT ACCOUNTING

A classification has been made of primary and secondary segments in the company's operations. Choice of primary or secondary segment has been decided by which types of risks and opportunities are dominant, how the company is organised and how the internal reporting system is constructed. The operation entirely comprises the sale of products for house and home, technology and hobbies, and this is therefore regarded as a primary segment. The division into geographical customer markets is treated as a secondary segment. No sales between segments have occurred. A division could also be made between stores and mail-order/Internet operations, but as the stores account for 97 per cent of sales, this division is not relevant in terms of segment accounting.

PARENT COMPANY ACCOUNTING POLICIES

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and Recommendation RR 32:05 of the Swedish Financial Accounting Standards Council, Accounting for Legal Entities, except that a decision has been taken for premature application of item 70 of RR 32:06, which applies to exceptions to application of IAS 39 regarding financial guarantee agreements in favour of subsidiaries. This means that the parent company in the annual accounts of the legal entity has to apply all EU-approved IFRS standards and interpretations as far as possible under the terms of the Swedish Annual Accounts Act and in consideration of the connection between accounting and taxation. The recommendation indicates what exceptions from and additions to IFRS are to be made. The difference between the Group and Parent Company accounting policies for Clas Ohlson is that IAS 1 is not applied with regard to preparation of the balance sheets and income statements, which instead are prepared in accordance with the Swedish Annual Accounts Act.

The accounting policies for the Parent Company have been consistently applied to all periods presented in the Parent Company's financial reports.

NOTE 2 FINANCIAL RISKS

The Group is exposed to a number of different financial risks through its operation: market risk (including foreign-exchange risk, interest-rate risk and price risk), credit risk, liquidity risk and cash-flow risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and endeavours to minimise potential unfavourable effects on the Group's financial results. The Group uses derivatives to hedge certain risk exposure.

Risk management is dealt with by a central financial department (Group Finance) in accordance with policies adopted by the Board. Group Finance identifies, evaluates and hedges financial risks in close co-operation with the Group's operational units. The Board draws up policies both for overall risk management and for specific areas, such as foreign-currency risk; use of derivatives and investment of surplus liquidity.

MARKET RISK

Foreign-exchange risk

A significant portion of trade payables is made up of liabilities in foreign currencies and is therefore subject to foreign-exchange risks. Hedging of the most important currencies is used in the Group in our purchases to reduce any foreign-exchange risks in accordance with the financial policy. Around 50 per cent of the anticipated flow one year ahead is hedged at the time when the prices in the main catalogue are set. All forward contracts had been utilised at the end of the financial year.

Around 41 per cent of our purchases are made in currencies other than Swedish kronor. The most important currencies for purchasing are the US dollar (USD), Hong Kong dollar (HKD) and euro (EUR). In addition, movements of the Swedish krona against the Norwegian krone (NOK) are very significant to the Group as more than a third of sales take place in Norway. Net exposure to the euro is low, as we have higher sales in euros due to our expansion in the Finnish market. The table below shows how operating profit is affected by changes in the most important currencies. Note that the table solely applies to currency hedging. The Norwegian krone is also hedged according to the principles outlined above.

Currency	Change	Impact on pre-tax earnings, SEKm
NOK	+/- 5 per cent	+/- 45
USD	+/- 5 per cent	-/+ 23
HKD	+/- 5 per cent	-/+ 12
EUR	+/- 5 per cent	+/- 4

Cash and cash equivalents are also subject to a foreign-exchange risk as a significant proportion of the funds are invested in Norway in Norwegian kroner. Out of a total of SEK 347.9m, SEK 200.4m is invested in Sweden, SEK 135.8m in Norway and SEK 11.7m in Finland. No currency hedging to hedge liquid assets or equity in the subsidiaries is used.

Interest-rate risk

The interest-rate risk is very low as the average term of the company's investments is normally less than three months. At the end of the year there were no current investments, but they may occur regularly during the year. There are no interest-bearing liabilities.

Price risk

The price risk is regarded as very low as we buy from more than 800 suppliers. In addition, in accordance with our purchasing policy we avoid entering into long-term supply contracts, so that we retain flexibility with regard to suppliers and products.

CREDIT RISK

Trade receivables are characterised by a very low risk, as each sub-item is small and the Group's credit policy is restrictive. Reservation is made for doubtful debts following individual examination, but it has not been necessary for this to be done in the last two financial years for either the Group or the Parent Company.

Current investments normally pertain to investments in commercial papers on the Swedish interest market. The loss risk is low as the policy is to choose commercial papers with a very high credit rating. At the end of the year there were no current investments, but they may occur regularly during the year.

Cash and cash equivalents are invested in various bank accounts, mainly at Svenska Handelsbanken and its international branches in Norway and Finland. The credit risk is judged to be insignificant.

NOTE 3 OTHER OPERATING INCOME AND OPERATING EXPENSES

	Group		Parent Company	
	2006/07	2005/06	2006/07	2005/06
<i>Other operating income</i>				
Exchange-rate differences	1.1	0.5	1.0	0.4
Profit/loss on sale or disposal of property, plant and equipment	0.0	0.0	0.0	0.0
Total	1.1	0.5	1.0	0.4
<i>Other operating expenses</i>				
Exchange-rate differences	0.7	1.2	0.5	1.0
Profit/loss on sale or disposal of property, plant and equipment	0.2	1.7	0.2	1.7
Total	0.9	2.9	0.7	2.7

NOTE 4 DEPRECIATION

Group	2006/07	2005/06
<i>Depreciation broken down by asset</i>		
Land and buildings	13.8	12.7
Equipment, tools, fixtures and fittings	61.2	49.8
Total	75.0	62.5
<i>Depreciation broken down by function</i>		
Cost of goods sold	15.7	13.6
Selling expenses	56.9	46.5
Administrative expenses	2.4	2.4
Total	75.0	62.5
Parent Company	2006/07	2005/06
<i>Depreciation broken down by type of asset</i>		
Land and buildings	13.7	12.5
Equipment, tools, fixtures and fittings	40.6	32.8
Total	54.3	45.3
<i>Depreciation broken down by function</i>		
Cost of goods sold	13.6	11.9
Selling expenses	38.3	31.0
Administrative expenses	2.4	2.4
Total	54.3	45.3

NOTE 5 EXPENSES BROKEN DOWN BY TYPE OF COST

Payroll expenses including social security expenses in the Group during the financial year totalled SEK 810.4m (SEK 689.9m) and in the Parent Company totalled SEK 576.2m (SEK 500.6m). Depreciation in the Group during the financial year totalled SEK 75.0m (SEK 62.5m) and in the Parent Company totalled SEK 54.3m (SEK 45.3m).

NOTE 6 EXPENSES IN EMPLOYEE BENEFITS

	2006/07	2005/06
<i>Salaries and other remuneration</i>		
Parent Company	406.4	356.0
Subsidiaries	199.5	160.2
Group total	605.9	516.2

	2006/07		2005/06	
	Social security expenses	of which pension expenses	Social security expenses	of which pension expenses
<i>Social security expenses</i>				
Parent Company	169.8	32.2	144.6	23.3
Subsidiaries	34.7	10.1	29.1	8.6
Group total	204.5	42.3	173.7	31.9

Of the Parent Company's pension expenses, SEK 12.6m (SEK 3.3m) pertains to the group consisting of the Board, CEO and Executive Vice President. The contractual retirement has taken place of the Board member Björn Haid in a sum of SEK 9.4m (SEK 0m). Of the subsidiaries' pension expenses SEK 0.6m (SEK 0.6m) pertains to managing directors of subsidiaries.

The year's expenses for defined-contribution pensions totalled SEK 35.6m (SEK 25.5m) and defined-benefit pensions totalled SEK 3.0m (SEK 2.6m). Both defined-contribution and defined-benefit pension plans occur in the Group. However, the defined-benefit ITP plan (Alecta) is treated as a defined-contribution pension policy in accordance with a statement from FAR SRS. Total expenses for the year (including Alecta) were SEK 28.5m (SEK 19.5m). Expenses for special salary tax on pension contributions totalled SEK 3.7m (SEK 3.8m) for the year. For further information on the defined-benefit pension plans in the Group, please see Note 18.

SALARIES AND OTHER REMUNERATION BROKEN DOWN BY COUNTRY INTO BOARD MEMBERS ETC. AND EMPLOYEES

	2006/07		2005/06	
	Board, CEO and Deputy	Other employees	Board, CEO and Deputy	Other employees
Parent Company	12.0	394.4	14.1	341.9
– of which bonuses	(2.7)		(3.2)	
Subsidiaries in Norway	3.1	155.0	3.0	119.9
– of which bonuses	(0.5)		(0.6)	
Subsidiaries in Finland	1.3	40.1	1.2	36.1
– of which bonuses	(0.2)		(0.2)	
Group total	16.4	589.5	18.3	497.9
– of which bonuses	(3.4)		(4.0)	

Note 6 cont.

BOARD REMUNERATION

Fees are paid to the members of the Board as decided by the Annual General Meeting. If work over and above the actual Board work is done on behalf of the company, separate remuneration is paid for this. Board members who are employed in the company do not receive a director's fee. No pensions or other remuneration under incentive schemes are paid to the company's Board.

Board fees in subsidiaries have been paid in the amount of SEK 0.2m (SEK 0.1m) to external members. No other Board fees have been paid in the subsidiaries.

	2006/07		2005/06	
	Board fee	Other remuneration	Board fee	Other remuneration
The Board				
Chairman of the Board	0.4	0.2	0.3	0.1
Other Board members elected by AGM	1.0	1.7	0.6	3.6
Board total	1.4	1.9	0.9	3.7

The 2006 Annual General Meeting decided on the following remuneration: Chairman SEK 400,000 (SEK 300,000), member who is not a permanent employee of the company SEK 200,000 (SEK 150,000). Chairman of Board committee SEK 100,000, member SEK 50,000.

The Board member Björn Haid received SEK 1.0m (SEK 3.5m) during the period from May to August 2006, pertaining to work in product range development on behalf of Clas Ohlson.

The gender distribution among the Board members elected by the AGM during the financial year was five men and two women. The distribution is thus 71 per cent male and 29 per cent female. In the previous year the distribution was the same.

REMUNERATION OF SENIOR MANAGEMENT

Remuneration paid to the Chief Executive Officer and other senior management is made up of basic salary, bonuses and pension contributions. Other senior management pertains to the eight individuals who together with the Chief Executive Officer make up the Senior management team. For the composition of the senior management, see page 71 of the printed annual report.

	2006/07			2005/06		
	Salaries	Bonuses	Benefits	Salaries	Bonuses	Benefits
Salaries paid to senior management						
Chief Executive Officer	4.1	2.1	0.2	3.9	2.0	0.2
Other senior management (8 persons)	11.3	2.1	0.6	10.4	2.2	0.5
Total management	15.4	4.2	0.8	14.3	4.2	0.7

	2006/07		2005/06	
	Defined-contribution	Defined-benefit	Defined-contribution	Defined-benefit
Pension provision for senior management				
Chief Executive Officer		1.9	1.9	0.0
Other senior management (8 persons)		4.0	4.1	0.4
Total management		5.9	6.0	0.4

Under the contract of employment with the Chief Executive Officer, the period of notice is two years on the part of the company and one year on the part of the Chief Executive Officer. Applicable salary and benefits are payable during the period of notice. The retirement age is 65, and the present level of pension

contribution is equivalent to SEK 1.5m plus ten base amounts per year. Salary and other remuneration payable to the CEO are decided by the Board and discussed by a remuneration committee appointed within the Board. Salary is revised at the end of each calendar year. A bonus is payable at one per cent of the Group's pre-tax profit above SEK 78.1m. This bonus amounts to a maximum of half an annual salary. The provision for the year is calculated on the basis of the maximum amount.

Two other members of senior management have separate agreements pertaining to periods of notice: two years in the case of notice by the company and one year for notice by the employee. Applicable salary and benefits are payable during the period of notice. Salaries and other remuneration payable to managing directors of subsidiaries are decided by the Board of the subsidiary concerned in accordance with guidelines from the Board's remuneration committee.

Salaries and other remuneration for other senior management are decided by the Chief Executive Officer, supported by the remuneration committee. Bonuses payable to all management are decided by the Board. The bonus is based on the Group's net margin and increases as a percentage on a sliding scale. Reservation is made continuously for bonuses in the year-end accounts of the year concerned. All senior management are entitled to annual pension contributions, based upon the applicable ITP plan. Retirement age varies between 65 and 67 years.

The gender distribution among the senior management during the financial year was eight men and one woman. The distribution is thus 89 per cent male and 11 per cent female. In the previous year the distribution was the same.

The gender distribution among the senior management in the Parent Company during the financial year was six men and one woman. The distribution is thus 86 per cent male and 14 per cent female. In the previous year the distribution was the same.

In addition to ordinary salary, there are three types of performance-based pay. For co-workers in the stores, a significant proportion of pay is based on sales in the store concerned. The same pay system is used in the company's distribution centre, but there pay is based on sales by the whole Group. Salaried employees have a bonus system based upon Group profits. Senior management receive bonuses based on the Group's profits and net margin. These bonuses can amount to a maximum of around 40 per cent of annual salary. They amounted to around 20 per cent during the financial year.

Further information on decision-making processes in the Group can be found on page 65 of the printed annual report.

NOTE 7 REMUNERATION OF AUDITORS

	Group		Parent Company	
	2006/07	2005/06	2006/07	2005/06
PricewaterhouseCoopers				
Remuneration for audit assignments	1.6	1.4	1.0	0.8
Remuneration for other assignments	0.4	0.6	0.3	0.5
Total	2.0	2.0	1.3	1.3

NOT 8 FINANCIAL INCOME AND EXPENSES

Financial income and expenses are broken down as follows:

Group	2006/07	2005/06
<i>Financial assets valued at fair value through the income statement:</i>		
– fair value gains	0.2	0.6
Interest income	6.9	6.3
Group total	7.1	6.9

Parent Company	2006/07	2005/06
<i>Financial assets valued at fair value through the income statement:</i>		
– fair value gains	0.2	0.6
Interest income	3.3	1.7
Total Parent Company	3.5	2.3

Financial expenses are broken down as follows:

Group	2006/07	2005/06
Interest expenses	–0.2	–0.4
Parent Company		
Interest expenses	–0.2	–0.3

NOTE 9 INCOME TAX

	Group		Parent Company	
	2006/07	2005/06	2006/07	2005/06
<i>Tax on net profit for the year</i>				
Income tax on net profit for the year	151.2	132.9	86.7	64.4
	151.2	132.9	86.7	64.4
<i>Deferred tax</i>				
Deferred tax pertaining to temporary differences	0.2	6.0	0.0	0.0
Deferred tax relating to value for tax in capitalised loss carry-forwards	0.6	0.0	0.0	0.0
	0.8	6.0	0.0	0.0
Total reported tax expense	152.0	138.9	86.7	64.4
<i>Reconciliation of applicable tax rate and effective tax rate</i>				
Reported profit before tax	537.8	491.0	464.1	358.8
Tax according to applicable tax rate for parent company 28%	–150.6	–137.5	–129.9	–100.5
Effect of different tax rates for foreign subsidiaries	0.0	0.0	0.0	0.0

<i>Tax effect of:</i>				
Non-deductible expenses	–1.4	–1.4	–1.4	–1.2
Income not liable to tax	0.0	0.0	0.0	0.0
Dividends from subsidiaries	0.0	0.0	44.6	37.3
Reported tax expense	–152.0	–138.9	–86.7	–64.4
Applicable tax rate for income tax, %	28.0	28.0	28.0	28.0
Effective tax rate, %	28.3	28.3	18.7	17.9

Group	2006/07	2005/06
<i>Reported deferred taxes recoverable and tax liabilities</i>		
Equipment, tools, fixtures and fittings	–2.7	–2.2
Inventories	0.9	0.3
Inter-company profit in inventories	15.2	8.2
Reserves	1.6	1.4
Pensions	0.3	0.2
Accelerated depreciation	–38.3	–30.7
Deficits in subsidiaries	4.6	5.2
Total deferred tax asset (+) deferred tax liability (–), net	–18.4	–17.6
Deferred tax asset	4.6	5.2
Deferred tax liability	–23.0	–22.8

The Group does not have any unreported deferred tax assets or tax liabilities on temporary differences.

Group	Amount at start of year	Recognised in income statement	Amount at end of year
<i>Change in deferred tax in temporary differences during the year</i>			
Equipment, tools, fixtures and fittings	–2.2	–0.5	–2.7
Inventories	0.3	0.6	0.9
Inter-company profit in inventories	8.2	7.0	15.2
Reserves	1.4	0.2	1.6
Pensions	0.2	0.1	0.3
Depreciation in excess of plan	–30.7	–7.6	–38.3
Deficits in subsidiaries	5.2	–0.6	4.6
Total	–17.6	–0.8	–18.4

NOTE 10 EARNINGS PER SHARE

	2006/07	2005/06
<i>Basic earnings per share</i>		
Net profit for the year	385.8	352.1
Average number of outstanding shares	65.6	65.6
Basic earnings per share	5.88	5.37
<i>Diluted earnings per share</i>		
Net profit for the year	385.8	352.1
Average number of outstanding shares	65.6	65.6
Diluted earnings per share	5.88	5.37

BASIC AND DILUTED EARNINGS PER SHARE

The calculation of earnings per share has been based on the net profit for the year attributable to the Parent Company's equity holders totalling SEK 385.8m (SEK 352.1m) and on a weighted average of the number of outstanding shares during both 2005/06 and 2006/07 totalling 65.6 million shares.

NOTE 11 DIVIDEND PER SHARE

Dividends paid during 2006/07 and 2005/06 totalled SEK 262.4m (SEK 4.00 per share) and SEK 164.0m (SEK 2.50 per share) respectively. A dividend pertaining to 2006/07 of SEK 4.50 per share, total SEK 295.2m, will be proposed at the AGM on 8 September 2007. The proposed dividend has not been recognised in these financial reports.

NOTE 12 NON-CURRENT ASSETS

	Group		Parent Company	
	2006/07	2005/06	2006/07	2005/06
<i>Property, plant and equipment</i>				
Land and buildings				
Opening cost	346.5	317.9	345.4	316.8
Acquisitions for the year	16.6	23.9	16.6	23.9
Reclassifications	2.1	4.7	2.1	4.7
Translation differences	-0.6	0.0		
Closing accumulated cost	364.6	346.5	364.1	345.4
Opening depreciation	71.5	58.8	70.8	58.3
Depreciation for the year	13.8	12.7	13.7	12.5
Translation differences	-0.5	0.0		
Closing accumulated depreciation	84.8	71.5	84.5	70.8
Closing residual value according to plan	279.8	275.0	279.6	274.6
Assessed value, buildings	80.4	54.6	80.4	54.6
Assessed value, land	8.5	8.2	8.5	8.2
Book value of land	5.6	5.2	5.6	5.2

	Group		Parent Company	
	2006/07	2005/06	2006/07	2005/06
Equipment, tools, fixtures and fittings				
Opening cost	533.3	412.0	362.7	296.5
Acquisitions for the year	109.2	103.1	82.0	52.3
Reclassifications	11.8	28.1	11.8	28.1
Sales and disposals	-32.5	-16.3	-24.2	-14.2
Translation differences	-9.4	6.4		
Closing accumulated cost	612.4	533.3	432.3	362.7
Opening depreciation	185.0	146.1	125.3	104.0
Depreciation for the year	61.2	49.8	40.6	32.8
Sales and disposals	-29.5	-13.6	-21.3	-11.5
Translation differences	-2.7	2.7		
Closing accumulated depreciation	214.0	185.0	144.6	125.3
Closing residual value according to plan	398.4	348.3	287.7	237.4
Construction in progress				
Opening cost	13.9	33.0	13.9	33.0
Acquisitions for the year	0.5	13.7	0.5	13.7
Reclassifications	-13.9	-32.8	-13.9	-32.8
Closing accumulated cost	0.5	13.9	0.5	13.9
<i>Financial assets</i>				
Opening cost	5.4	5.7	30.6	27.0
Decrease/increase in non-current receivables	-0.6	-0.3	-0.1	0.0
Increase in interests in Group companies			0.0	3.6
Closing accumulated cost	4.8	5.4	30.5	30.6
Fair value	4.8	5.4	30.5	30.6
Investment commitments				
Contracted investments on the balance sheet date not yet recognised in the financial reports total the following amounts:				
Land and buildings	0.0	10.0	0.0	10.0
Equipment, tools, fixtures and fittings	0.0	30.2	0.0	30.2

NOTE 13 INVENTORIES

	Group		Parent Company	
	2006/07	2005/06	2006/07	2005/06
Merchandise	826.7	749.0	636.1	585.9
Total	826.7	749.0	636.1	585.9
Cost of goods sold	2,474.1	2,144.5	2,450.3	2,153.7
Of which obsolescence	26.2	22.3	19.6	18.1

Obsolescence is calculated according to individual assessment on the basis of age analysis in stores and the distribution centre.

NOTE 14 TRADE RECEIVABLES

	Group		Parent Company	
	2006/07	2005/06	2006/07	2005/06
Trade receivables	17.0	13.6	12.4	8.5
Reservation for doubtful debts	0.0	0.0	0.0	0.0
Total	17.0	13.6	12.4	8.5
Fair value	17.0	13.6	12.4	8.5

NOTE 15 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2006/07	2005/06	2006/07	2005/06
Prepaid rent	24.6	21.0	16.4	12.5
Other prepaid expenses	17.1	7.5	4.3	5.5
Accrued interest income	1.7	1.0	0.8	0.2
Other accrued income	3.6	2.7	3.5	2.7
Total	47.0	32.2	25.0	20.9

NOTE 16 CASH AND CASH EQUIVALENTS

Group	2006/07	2005/06
	Cash and bank balances	347.9
Swedish interest-bearing securities valued at fair value through the income statement	0.0	0.0
Group total	347.9	338.4

Unutilised bank overdraft facilities, which are not included in cash and cash equivalents, at the end of the year totalled SEK 15m (SEK 15m).

NOTE 17 EQUITY

The total number of ordinary shares is 65,600,000 (2005/06: 65,600,000) with a quotient value of 1.25. The number of A shares are 5,700,000, while the number of B shares are 59,840,000.

Each A share carries ten votes, while each B share carries one vote. All issued shares are fully paid up. The company does not have any outstanding share options. The Group's reserves consist solely of translation differences which have arisen on translation of foreign subsidiaries

NOTE 18 PENSION COMMITMENTS

The pension commitment pertains to employees in subsidiaries in Norway. The pension plan is defined-benefit, which means that payments to employees and former employees are based on final salary and number of years of service. The commitment is secured in the insurance company Storebrand AS.

Group	2006/07	2005/06
<i>Commitments on the balance sheet for:</i>		
Pension benefits	0.9	0.8
Group total	0.9	0.8

Group	2006/07	2005/06
<i>Recognition in the income statement pertaining to:</i>		
Pension benefits	3.0	2.7
Group total	3.0	2.7

Pension benefits

The amounts recognised on the balance sheet have been calculated as follows:

	2006/07	2005/06
Present value of funded commitments	17.9	15.1
Fair value of plan assets	-10.1	-7.9
Unrecognised actuarial gains/losses	-6.9	-6.4
Unrecognised expenses for service in previous years	0.0	0.0
Liability on balance sheet	0.9	0.8

The amounts recognised on the balance sheet are as follows:

	2006/07	2005/06
Expenses for service during current year	2.6	2.2
Interest expense	0.7	0.6
Expected return on plan assets	-0.5	-0.3
Actuarial gains/losses reported during the year	0.2	0.2
Expenses for service in previous years	0.0	0.0
Losses on curtailments	0.0	0.0
Total, included in personnel expenses	3.0	2.7

Of the total expense, SEK 0.6m (SEK 0.5m) was included in the item Cost of goods sold, SEK 1.2m (SEK 1.1m) in Selling expenses and SEK 1.2m (SEK 1.1m) in Administrative expenses.

The actual return on plan assets was SEK 0.4m (SEK 0.4m).

Note 18 cont.

Changes to the liability recognised on the balance sheet are as follows:

	2006/07	2005/06
At the start of the year	0.8	1.3
Exchange-rate differences	0.0	0.1
Total expenses recognised in the income statement	3.0	2.7
Contributions paid	-2.9	-3.3
At end of year	0.9	0.8

The most important actuarial assumptions used were as follows:

	2006/07	2005/06
Discount rate, %	4.5	4.5
Expected return on plan assets, %	5.5	5.5
Future pay increases, %	4.0	3.3
Future pension increases, %	2.5	2.5
Estimated average remaining period of service, years	21	21

Defined-contribution plans

Defined-contribution plans occur in Sweden and Finland. Payment to these plans takes place regularly according to the rules for the plan concerned.

	2006/07	2005/06
Group	35.6	25.5
Parent Company	28.5	19.5

The contractual retirement has taken place of the Board member Björn Haid in a sum of SEK 9.4m (SEK 0m).

Of the Group's total expense for defined-contribution plans, SEK 11.9m (SEK 10.7m) pertains to an ITP plan financed in Alecta. Alecta's surplus may be distributed to the policy-holders and/or the insured. At the end of 2006, Alecta's surplus in form of the collective consolidation level totalled 143.1 per cent (2005: 128.5 per cent). The collective consolidation level is made up of the market value of Alecta's assets as a percentage of the insurance commitments calculated according to Alecta's actuarial assumptions, which do not coincide with IAS 19.

NOTE 19 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	2006/07	2005/06	2006/07	2005/06
Accrued salary expenses	68.6	45.3	50.2	33.3
Accrued holiday pay expenses	75.0	66.0	49.4	47.6
Accrued social security contributions	48.1	42.3	42.2	36.9
Other items	9.4	15.4	5.6	5.5
Total	201.1	169.0	147.4	123.3

NOTE 20 OTHER PROVISIONS

Pertains to provisions for guarantee commitments, unredeemed gift cards and open purchase which are all expected to be utilised during the subsequent financial year. The provision for estimated future guarantee commitments is equivalent to the guarantee expenses for the year in consideration of the length of the warranty period. 30 days open purchase is applicable in the terms of purchase. The provision for open purchase is calculated according to these terms in consideration of the estimated return rate.

	Group		Parent Company	
	2006/07	2005/06	2006/07	2005/06
Opening provisions	15.5	12.4	9.7	9.0
Utilised during the year	-15.5	-12.4	-9.7	-9.0
Allocated during the year	16.8	15.5	10.6	9.7
Total other provisions	16.8	15.5	10.6	9.7
<i>Break-down of items:</i>				
Guarantee commitments	5.5	5.3	3.6	3.5
Open purchase and unredeemed gift cards	11.3	10.2	7.0	6.2
Total other provisions	16.8	15.5	10.6	9.7

NOTE 21 INTRA-GROUP TRANSACTIONS

Of the Parent company's invoiced sales, SEK 1,079.2m (SEK 847.7m) pertains to intra-Group sales. Of this sum, SEK 907.0m (SEK 690.2m) pertains to sale to Clas Ohlson AS in Norway and SEK 172.2m (SEK 157.5m) to sale to Clas Ohlson OY in Finland. No purchases have been made from subsidiaries.

NOTE 22 INTERESTS IN GROUP COMPANIES

The subsidiary Clas Ohlson AS in Norway, with corporate identity number NO 937402198 and registered office in Oslo, 10,000 shares with a par value of NOK 100. Shareholding 100 per cent. Book value SEK 50,457. A dividend has been paid by the Norwegian subsidiary to the Parent Company in the sum of SEK 159.4m (SEK 133.3m).

The subsidiary Clas Ohlson OY in Finland, with corporate identity number FI 1765891-7 and registered office in Helsinki, 500,000 shares with a par value of EUR 1. Shareholding 100 per cent. Book value SEK 30.4m, of which value of shareholders' contribution SEK 25.8m.

NOTE 23 APPROPRIATIONS

Parent Company	2006/07	2005/06
<i>The difference between book depreciation and depreciation according to plan on:</i>		
- equipment, tools, fixtures and fittings	-27.9	-23.0
- land and buildings	1.0	1.0
Change in tax allocation reserve	0.0	0.0
Total Parent Company	-26.9	-22.0

NOTE 24 CASH AND BANK BALANCES

Parent Company	2006/07	2005/06
Cash and bank balances	200.4	91.7
Total Parent Company	200.4	91.7

Unutilised bank overdraft facilities, which are not included in cash and cash equivalents, at the end of the year totalled SEK 15m (SEK 15m).

NOTE 25 UNTAXED RESERVES

Parent Company	2006/07	2005/06
<i>Accumulated difference between reported depreciation and depreciation according to plan on:</i>		
– equipment, tools, fixtures and fittings	125.8	97.8
– land and buildings	10.8	11.8
Total Parent Company	136.6	109.6

NOTE 26 PLEDGED ASSETS

	Group		Parent Company	
	2006/07	2005/06	2006/07	2005/06
Cash and cash equivalents	7.2	3.2	-	-
Property mortgages	23.0	23.0	23.0	23.0
Floating charges	44.0	44.0	44.0	44.0
Total pledged assets	74.2	70.2	67.0	67.0

Assets indicated above, for own commitments, are pledged to credit institutions as general security for currency forward contracts and unutilised loans, which at the end of the year totalled SEK 15m (SEK 15m) in the Group and SEK 15m (SEK 15m) in the Parent Company.

NOTE 27 CONTINGENT LIABILITIES AND COMMITMENTS

Parent Company	2006/07	2005/06
<i>Contingent liabilities</i>		
Guarantee in favour of Group companies pertaining to rental commitments	81.9	39.8

Commitments

All store premises, with the exception of Insjön, Sweden, are leased and are treated as operational leasing. The company's policy is that rent should be fixed and not based on store turnover. The average contract period at 30.04.2007 was six years.

Agreed leases have been calculated according to rent levels for 2007.

	2006/07	2005/06
Rents and leasing charges in financial year	76.1	68.0

	2007/08	2008/09	2009/10	2010/11	2011–
Contracted future rents	85.4	76.7	67.2	59.6	213.2

NOTE 28 RELATED-PARTY TRANSACTIONS

The number of shareholders in the Parent Company at the end of the financial year was 23,903. The largest shareholders are Clas Ohlson's descendants Mary Haid, Johan and Helena Tidstrand, with 50 per cent of the capital and 70 per cent of the votes. No transactions with these related parties took place during the financial year. Remuneration of the Board and senior management is the subject of Note 6 to the annual accounts.

NOTE 29 AVERAGE NUMBER OF EMPLOYEES

	Group		Parent Company	
	2006/07	2005/06	2006/07	2005/06
Insjön	473	450	473	450
Other stores in Sweden	658	575	658	575
Total Sweden	1,131	1,025	1,131	1,025
– of whom women	(451)	(385)	(451)	(385)
Total Norway	370	285		
– of whom women	(141)	(102)		
Total Finland	146	129		
– of whom women	(67)	(60)		
Total	1,647	1,439	1,131	1,025
– of whom women	659	547	451	385

The average number of employees is calculated on the total number of hours in relation to total annual working time. For further information on our employees, see page 10 of the printed annual report.

NOTE 30 ABSENCE DUE TO SICKNESS

	Group		Parent Company	
	2006/07	2005/06	2006/07	2005/06
<i>Average absence due to sickness, %</i>				
Total absence due to sickness	4.1	5.2	4.1	5.0
– of whom long-term sick leave	37	43	37	43
– of whom men	3.1	4.1	3.1	3.9
– of whom women	5.8	7.1	5.8	7.0
– of whom employees aged up to 29	3.2	4.0	3.0	4.0
– of whom employees aged 30–49	4.8	5.2	4.7	4.9
– of whom employees aged over 50	5.3	8.0	5.3	8.0

NOTE 31 SEGMENT REPORTING

Group	2006/07	2005/06
<i>Primary segment: sale of products for house and home, technology and hobbies</i>		
Sales	4,101.2	3,567.6
Operating profit	530.9	484.5
Total assets	1,937.7	1,785.3
Total liabilities	570.4	528.4
Investments in property, plant and equipment for the year (see Note 12)	126.3	140.7
Depreciation for the year	75.0	62.5

Group	2006/07	2005/06
<i>Secondary segments: sales by geographical market</i>		
<i>Sweden</i>		
Sales, external customers	2,345.4	2,127.2
Total assets	1,390.3	1,209.1
Investments in property, plant and equipment for the year	99.1	89.9
<i>Norway</i>		
Sales, external customers	1,458.2	1,199.0
Total assets	448.3	477.3
Investments in property, plant and equipment for the year	26.5	37.2
<i>Finland</i>		
Sales, external customers	297.6	241.4
Total assets	99.1	98.9
Investments in property, plant and equipment for the year	0.7	13.6

NOTE 32 EVENTS AFTER THE END OF THE PERIOD

No major events have occurred since the balance sheet date.

Sales during May totalled SEK 313.0m, compared with SEK 270.8m in the previous year, an increase of 16 per cent. The sales figure breaks down into SEK 305.0m (SEK 263.4m) from stores and SEK 8.0m (SEK 7.4m) from mail-order/Internet. The breakdown by country is SEK 186.4m (SEK 156.3m) in Sweden, SEK 104.6m (SEK 95.5m) in Norway and SEK 22.0m (SEK 19.0m) in Finland. Compared with the same period in the previous year, twelve stores have been added.

NOTE 33 CONTINGENT LIABILITIES AND COMMITMENTS

The Group does not have any contingent liabilities.

Commitments

All store premises, with the exception of Insjön, Sweden, are leased and are treated as operational leasing. The company's policy is that rent should be fixed and not based on store turnover. The average contract period at 30.04.2007 was six years.

Agreed leases have been calculated according to rent levels for 2007.

Group	2006/07	2005/06
Rents and leasing charges in financial year	184.0	149.2

	2007/08	2008/09	2009/10	2010/11	2011–
Contracted future rents	201.0	202.3	187.5	173.4	654.0

SIGNING OF THE ACCOUNTS

These annual accounts have been prepared in accordance with generally accepted accounting practice for listed companies in Sweden, the information supplied as far as is known is in agreement with actual circumstances and nothing of material significance has been omitted which might affect the picture of the company provided by the annual accounts.

INSJÖN 27.06.2006

ANDERS MOBERG
Chairman of the Board

BJÖRN HAID

ELISABET SALANDER BJÖRKLUND

LOTTIE SVEDENSTEDT

URBAN JANSSON

CARL-HENRIC ENHÖRNING

SÖLWE JOHNSON
Employee representative (Handels)

TONY DAHLSTRÖM
Employee representative (HTF)

GERT KARNBERGER
Chief Executive Officer

Our audit report was issued on 29.06.2007

PricewaterhouseCoopers AB

GÖRAN MELIN
Authorised Public Accountant

ANNIKA WEDIN
Authorised Public Accountant

The balance sheets and income statements are to be adopted at the Annual General Meeting to be held on 8 September 2007.

AUDIT REPORT

To the annual meeting of the shareholders of
Clas Ohlson Aktiebolag (publ)
Corporate identity number 556035-8672

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Clas Ohlson Aktiebolag (publ) for the financial year 01.05.2006–30.04.2007. The company's annual accounts and the consolidated accounts are included in the printed version on pages 40–62. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Falun, 29 June 2007

PricewaterhouseCoopers AB

GÖRAN MELIN
Authorized Public Accountant

ANNIKA WEDIN
Authorized Public Accountant



- ALL
- BIK BOK
- Foto Knudsen
- tegningsbureau
- THORN
- clinica
- vitus apotek
- LINEX
- video rebok
- Tilberds
- BIANCO
- carve
- MARONI
- LINDEX
- SECRET
- SECRET
- VINMONOPOLET
- LOTHARSEN
- JAGK & JONES
- SECRET
- OKaidi
- brilleland
- NIKITA
- W wedins
- OSKORP
- Oslo City Eksponenter
- Edvins
- Accessorize
- Gullåren
- Bygde
- CLAS OHLSON
- BIT
- humac
- Apple
- Burger King
- PRINCESS

CORPORATE GOVERNANCE

The governance of Clas Ohlson is based upon Swedish legislation, principally the Swedish Companies Act, the listing agreement with the Stockholmsbörsen stock exchange and the Swedish Code of Corporate Governance. In addition, governance follows the articles of association, internal instructions and policies and recommendations issued by relevant organisations.

Swedish Code of Corporate Governance

The Swedish Code of Corporate Governance is applicable to all major companies which are listed on the stock exchange. The aim is to meet the shareholders' requirements for yield, enhance efficiency and promote confidence in the equity market. The Code is based on the "comply or explain" principle, which means that it is possible to deviate from the Code if an explanation is provided as to why the deviation has been made. Clas Ohlson complies with the Code, and this report has been prepared in accordance with the Code. The corporate governance report does not form part of the formal annual report and has not been reviewed by the company's auditors.

Annual General Meeting (AGM)

The ultimate decision-making body within the Group is the Annual General Meeting of Shareholders, which since the initial public offering in 1999 has always been held in Insjön, Sweden, on a Saturday in early September. The AGM each year appoints the Board and Chairman of the Board for Clas Ohlson AB. It also appoints auditors for the company at four-year intervals. The AGM also decides how profits are to be appropriated. Other issues that arise are issues that are mandatory items under the Swedish Companies Act and Clas Ohlson's articles of association (the full text in Swedish can be found at www.clasohlson.com under financial information). The AGM has always been very well attended, and the latest one attracted nearly 1,500 participants, making it one of the largest in Sweden.

Nominating procedure

The AGM also decides on the membership of the company's nomination committee. The Nomination Committee's task is to submit proposals for Board members and auditors to the next AGM, at which the Board and auditors are due to be elected. At present the Nomination Committee consists of three individuals of which two are completely independent of the Board and the company. The work of the Nomination Committee for the year is described on page 43 of the annual report, with an account of what this work includes.

Auditors

The AGM appoints auditors for the Parent Company at four-year intervals. The present auditors are Göran Melin and PricewaterhouseCoopers (PwC), represented by Annika Wedin. Both are authorised public accountants at PwC. Göran Melin was elected for the first time in 1995 and has been elected to serve until the 2007 AGM. PwC was elected for the first

time in 2004 and has been elected to serve until the 2008 AGM. Remuneration for auditing engagements in the Group in the last three years has totalled SEK 1.6m, SEK 1.4m and SEK 1.1m respectively. Remuneration for other consultations in the last three years has totalled SEK 0.4m, SEK 0.6m and SEK 0.5m respectively. Work in addition to auditing relates to the adaptation of the Clas Ohlson Group to the new accounting rules IFRS and consultation on tax issues. The independent position of the auditors is ensured firstly by the internal policies of the auditing firm and secondly by the Board's guidelines which indicate what engagements the auditing firm may undertake in addition to auditing.

Board of Directors

The Board of Clas Ohlson comprises seven members who are elected by the AGM. In addition to these, it includes two representatives and two substitutes of the trade-union organisations in the company. These are elected annually by their own organisations. The present Board of Directors including the Chief Executive Officer is described on page 70 of the annual report.

Board meetings

The first meeting of the new Board, at which the rules of procedure for the Board are established, is held immediately following the AGM. Authorised signatories for the company are also appointed at this meeting. In addition to this first meeting, the Board normally meets six times during the year: once a quarter, at the time of publication of the company's financial reports, once in June at the time of concluding of the annual report and once during the winter half of the year for strategic discussions. The strategy meeting usually takes place over two days, while other meetings are held on one day. The Board held six Board meetings and one strategy meeting during the financial year. A brief summary of each ordinary Board meeting is given on page 43 of the annual report.

How the Board operates

The rules of procedure stipulate which items on the agenda are to be fixed and which may vary. Each Board meeting is normally devoted to a specific topic so that the Board can gain more in-depth knowledge and understanding of the various parts of the company's operations. There are also presentations on these topics by employees of the company. The work of the Board's committees is an important element of the Board's work. The remuneration committee and the audit committee prepare issues which fall within the committees' remit. Issues which have been dealt with in the committee meetings are minuted and notified to the other Board members at the Board meetings.

The rules of procedure also state that the Board must meet with the company's auditors at least twice a year as well as addressing certain formal matters such as rules for the calling of meetings and secrecy.

Distribution of work between Board and CEO

The Board appoints the Chief Executive Officer (CEO) of the company. The distribution of work between the CEO and the Board is indicated in the Board's rules of procedure. These state among other that the Board is responsible for the governance, supervision, organisation, strategies, internal control, budget and policies of the company. In addition, the Board decides on major investments and matters of principles relating to the governance of subsidiaries, as well as election of Board members and the CEO. The Board also establish the quality of the financial reporting.

The Chief Executive Officer is responsible for ensuring that the company is administered in accordance with Board's guidelines and instructions. In addition, the CEO is responsible for budgeting and planning the company's operations so that specified aims are attained. The CEO ensures that the control environment is good and that the Group's risk-taking at any time is compatible with the Board's guidelines. Any deviation is to be reported to the Board. The Board also receives regular information from the CEO every month through a monthly report. This contains a report on Group financial results, in which sales are broken down by store.

Clas Ohlson's Chief Executive Officer and President, Gert Karnberger, will reach the age of 64 in September 2007. The recruitment of a new CEO and President to take over on Gert Karnberger's forthcoming retirement was made during the financial year. The Board has appointed Klas Balkow as Chief Executive Officer and President. A more detailed description of Klas Balkow can be found on page 69 of the annual report. He began his employment on 1 June 2007 and will take over as Chief Executive Officer and President latest by the end of the year. The present Chief Executive Officer and President, Gert Karnberger, will remain in his position until that time.

Audit committee

At its first meeting following the AGM, the Board set up an audit committee comprising Carl-Henric Enhörning, chairman,

Björn Haid and Lottie Svedenstedt. The audit committee fulfils the guidelines regarding independence in the Swedish Code of Corporate Governance. The audit committee is responsible for preparing the work of the Board on quality assurance of financial reporting and work on issues relating to the company's internal control. The members of the audit committee met the auditors on three occasions during the financial year to learn about the auditor's focus and discuss views on the risks faced by the company. Important tasks for the audit committee are to serve as a communication link between the Board and the company's auditors and to establish what services over and beyond audit can be procured from the company's auditors. The auditing effort is evaluated annually, after which information is passed to the nomination committee on the outcome.

The audit committee held four meetings during the financial year. There were 100 per cent attendance. The meetings are minuted and reported at the next Board meeting. The company's management and internal controller attended several of the committee's meetings as co-opted members. Work on the company's internal control was reported.

Remuneration committee

The fees to be paid to the Board, Nomination Committee and auditors are decided each year at the AGM. Proposals for fees have been prepared beforehand by the Nomination Committee. The Board decides on the remuneration of the CEO. A special remuneration committee, appointed by the Board and consisting of the Chairman of the Board and two other members, Elisabet Salander Björklund and Urban Jansson, worked on creating a basis for decisions on this during the financial year. The Remuneration Committee fulfils the guidelines regarding independence in the Swedish Code of Corporate Governance. The employee representative on the Remuneration Committee was Emma Lindqvist.

The Remuneration Committee also submits proposals for guidelines relating to salary and bonuses for other senior

Composition of the Board and attendance record during the financial year⁷

Member	Elected	Independent ¹	Independent ²	Board meetings	Audit committee	Remuneration committee
Anders Moberg	2003	Yes	Yes	7/7 ⁶		2/2 ⁶
Gert Karnberger	1990	No ³	Yes	7/7		
Björn Haid	1990	No ⁴	No ⁵	7/7	4/4	
Carl-Henric Enhörning	2005	Yes	Yes	7/7	4/4 ⁶	
Lottie Svedenstedt	2004	Yes	Yes	6/7	4/4	
Elisabet Salander Björklund	2000	Yes	Yes	7/7		2/2
Urban Jansson	2005	Yes	Yes	7/7		2/2

¹ Independent in relation to the company and company management according to the Swedish Code of Corporate Governance.

² Independent in relation to major shareholders of the company according to the Swedish Code of Corporate Governance.

³ CEO and President.

⁴ Employed 1965–2006.

⁵ Grandson of Clas Ohlson, represents the single largest shareholder Mary Haid, see page 39.

⁶ Chairman.

⁷ The trade-union organisations have had two representatives on the Board and one representative on the remuneration committee.

For further information on Board members, see page 70. The work of the Board is described on pages 43 and 65 and the committees are described above.

management, including the managing directors of the subsidiaries. The decision-making process regarding the incentive programmes for all co-workers works in a similar way. The committee met twice during the financial year. There were 100 per cent attendance. The meetings are minuted and reported at the next Board meeting.

The Remuneration Committee worked during the financial year on the recruitment of a new Chief Executive Officer and President for Clas Ohlson. For further information, see page 69.

Governance of subsidiaries

The two wholly-owned subsidiaries Clas Ohlson AS in Norway and Clas Ohlson OY in Finland are governed by their own boards in the country concerned, which principally consist of representatives of Clas Ohlson AB in Sweden. These subsidiaries report to the Board in Sweden at every meeting. This report also includes the results and financial position of the company concerned.

Remuneration

Fees paid to be Board during the financial year totalled SEK 1.8m, in accordance with a decision of the AGM. Of the fees paid, SEK 0.4m pertained to remuneration for work on the Board's remuneration and audit committees. Of the Board's total fee, SEK 0.6m was paid to the Chairman of the Board. No fee is paid to Board members who are employees of the company.

Fees paid to be Nomination Committee during the financial year totalled SEK 0.2m, in accordance with a decision of the AGM. Of this sum, SEK 0.1m was paid to the Chairman of the Nomination Committee.

The company's CEO received pay totalling SEK 6.2m during the equivalent period, of which SEK 2.1m was in the form of a bonus. The bonus paid to the CEO is equivalent to the maximum sum allowed, which is half an annual salary per financial year. Pay received by the other eight members of senior management totalled SEK 13.4m, of which SEK 2.1m was in the form of bonuses. Five of these members of senior management, as well as the CEO, receive the additional benefit of a free car. The 2006 AGM decided on guidelines for the remuneration of senior management.

Severance pay

Under the contract of employment with the Chief Executive Officer, the period of notice is two years on the part of the company and one year on the part of the Chief Executive Officer. Applicable salary, bonus and benefits are payable during the period of notice. Two other members of senior management have equivalent agreements relating to periods of notice.

Pensions

The members of the Board do not receive any pension benefits for their Board engagements.

The retirement age is 65 for the CEO and varies between 65 and 67 for other senior management. The CEO has a defined-contribution pension into which SEK 1.9m was paid during

the year. Other senior management receive pension entitlements principally under the applicable ITP plan which also covers other salaried co-workers. In addition to this, supplementary pension contributions have been made for three other members of senior management.

Incentive schemes

Every employee receives some form of performance-based pay. The norms for this are established by the Board. For employees in the stores and distribution centre, this variable part is paid monthly and is based on sales in relation to the number of hours worked. Salaried co-workers have a bonus system based on Group earnings, and the bonus is paid twice a year. For senior management, a bonus is paid which is based on the Group's earnings. This bonus is paid once a year. All payments under Clas Ohlson incentive schemes are made with salary. No employee has received any form of share-related remuneration.

Deviations from the Code

Clas Ohlson followed the Swedish Code of Corporate Governance in detail during the financial year, with the exception of the following items:

Chairman of the Nomination Committee

The Chairman of the Nomination Committee according to the Code is not to be a Board member. The AGM appointed Elisabet Salander Björklund as chairman as this was judged to provide continuity in the work of the Nomination Committee.

INTERNAL CONTROL

The Board's report on internal control pertaining to the financial reporting for the 2006/07 financial year:

This report has been prepared in accordance with the Swedish Code of Corporate Governance and the guidance drawn up by FAR SRS and the Confederation of Swedish Enterprise and with application of the transitional rules communicated by the Swedish Corporate Governance Board on 5 September 2006. This briefly means:

- that the report is limited to internal control pertaining to financial reporting
- that the report is not a part of the formal annual accounts
- that the report is limited to a description of how internal control is organised (and does not contain any statement on how well the control has worked) and
- that the report has not been reviewed by the company's auditors

The work on internal control follows the framework developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The framework consists of five individual areas: control environment, risk assessment, control activities, information and communication and follow-up.

Control environment

The control environment consists of the organisational structure and the values, guidelines, policies, instructions etc. according to which the organisation works. Effective Board work forms the basis of good internal control and the Board of Clas Ohlson has established rules of procedure and clear instructions for its work. This also includes the Board's remuneration and audit committees.

Part of the Board's work involves forming and approving the policies that govern the Group's work on internal control. Another part involves creating the necessary conditions for an organisational structure with clear roles and responsibilities leading to effective management of the risks in the operation.

The executive management is responsible for implementing guidelines for the maintenance of good internal control. Work is continuously in progress to evaluate the company's routines according to the COSO-model. The executive management and the audit committee report continuously to the Board according to established routines.

All activity is executed in accordance to the ethical guidelines drawn up in the Group's code of conduct.

Risk assessment and control activities

A model has been devised in the company to assess the risk of errors in financial reporting, in which a number of items in the income statement and balance sheet and processes for drawing up financial information where the risk of material errors is judged to be substantial have been identified.

The Group's revenues consist to 97 per cent of sales in stores where payment is mostly received in cash or by credit card. These revenues are recognised in their entirety in bank accounts which are reconciled daily. The risk of errors in the reporting of revenues is limited. Group expenses principally consist of cost of goods-related expenses, carriage, wages and salaries and social security contributions, rental expenses and marketing. Budgets pertaining to income and expenses have been distributed to each store and department. The outturn is checked monthly against both the budget and the previous year. Deviations are documented in writing through non-conformity reports which are examined by both the line manager and the executive management.

Clas Ohlson's assets consists to 78 per cent of non-current assets and inventories. Particular emphasis has therefore been given in designing internal controls to prevent and detect deficiencies in these areas.

The processes and the control structure are documented in a separate financial manual which is regularly updated. Work is continuously in progress to evaluate the most material processes in the Group. The highest risks in each process are analysed. An assessment is then performed to evaluate if the controls are adequate. If there is a need, further compensatory controls are introduced to reduce the risk to an acceptable level. The inventory and pay routines were evaluated in accordance with the COSO-model during the financial year.

The Parent Company's IT security was audited by an external party during the financial year. The audit covered general IT controls in selected material areas.

Information and communication

Major policies, guidelines, instructions and manuals which are of significance to internal control are regularly updated and communicated to employees concerned. General guidelines and instructions are also posted on the company's intranet, to which all co-workers in the Group have access. There are both formal and informal information channels to the company management and the Board for information from co-workers. The Board receives regular feedback through the audit committee on activity pertaining to questions that relate to internal control. For external communication there are guidelines that support the requirement to provide the market with correct information.

Follow-up

The company management and the audit committee regularly report to the Board on the basis of established routines. Each month the Board receives a report on Group financial results in which sales are broken down by individual store. At each Board meeting the Board also receives a more detailed account and a report from the subsidiaries. This report also includes the results and financial position of the company concerned.

Each interim report is analysed by the audit committee with regard to the correctness of the financial information. The audit committee also has a key role in monitoring that there are sufficient control activities for the most material areas of risk pertaining to the financial reporting and in communicating material issues with the company's management and Board. An important aspect is to ensure that any deficiencies identified in the external audit are rectified.

Twice a year the whole Board meets the company's auditors to be informed of the external audit and discuss relevant issues. On the basis of the auditors' reporting, the Board forms an opinion on the internal control and the correctness of the financial information. The Chief Executive Officer does not take part in the discussion of any issues concerning the company management.

Internal audit

Following evaluation in 2006/07 and previous years, the Board has not so far found it necessary to establish an internal audit function. The company's Group-wide controller function was expanded during the financial year, resulting in increased focus on the area of internal control. The question of whether to set up a separate internal audit function will be re-examined annually.

This report is not a part of the formal annual accounts and has not been reviewed by the company's auditors.

Insjön, 27 June 2007

The Board

A WORD FROM THE CHAIRMAN

Clas Ohlson's Board appoints new CEO and President

Dear Shareholders, 2006/07 was a strategically important year for Clas Ohlson. After eleven very successful years, the time is approaching for the CEO Gert Karnberger to retire. To anticipate the issue of the company's future management, the Board conducted an extensive recruitment process which began in the autumn of 2006. It turned out that the interest in Clas Ohlson was high, which prolonged the process, but at the same time the process was very rewarding.

In March 2007 the Board decided to appoint Klas Balkow as the new CEO and President of Clas Ohlson. He comes to us from a senior position in the Axel Johnson Group.

Klas Balkow, aged 41, has been managing director of a subsidiary of the Axel Johnson Group, where he has been responsible for AxImage, a business area that comprises several retail chains and the agency for Fujifilm in both Sweden and Norway. Previously he was involved in the establishment of the broadband company Bredbandsbolaget. Prior to that he held a number of senior positions in Procter & Gamble over a period of ten years in both the Nordic countries and the United States.

Klas's solid background as a manager in companies with a strong customer focus made it natural to select him. The Board of Clas Ohlson are very pleased to have been able to attract Klas to lead the company's continued internationalisation and further strengthen our customer offerings both in our stores and on the Internet.

Klas began his employment on 1 June 2007 and will take over as CEO and President latest by the end of 2007. The present CEO and President Gert Karnberger will remain in his position until then.



Klas Balkow
Incoming CEO and President

The work of the Board has otherwise been largely focused on the company's continued expansion in the Nordic Region, as well as the establishment of a presence in the United Kingdom. It will be exciting for the whole organisation to take the step from being a Nordic retailer to a European one. There are several of us on the Board who have that experience.

Other priority issues have included corporate responsibility and the company's code of conduct, logistics issues, where the Board decided on a further expansion of the distribution centre in Insjön, Sweden, and purchasing issues, where we have discussed future strategies.

In order to focus more strongly on internal control, we introduced an audit committee on the Board during the year. This has also enabled us to further improve the efficiency of ordinary Board meetings. There has been a remuneration committee under the Board for some time.

On behalf of the Board I would also like to thank Gert and the all the co-workers of Clas Ohlson for their hard work and for yet another successful year.

I hope that you, the shareholders, sense the commitment and service-mindedness that are characteristic of all Clas Ohlson co-workers. We look forward to seeing you at the AGM in September.

Anders Moberg
Chairman of the Board



BOARD OF DIRECTORS



From left, front row: Elisabet Salander Björklund, Gert Karnberger, Emma Lindqvist.
Second row: Carl-Henric Enhörning, Urban Jansson, Lottie Svedenstedt, Conny Helgesson.
Third row: Anders Moberg, Tony Dahlström, Björn Haid and Sölwe Johnson.

ANDERS MOBERG

Born in 1950
Chairman of the Board since 2004, Board member since 2003
Professional experience: Becomes CEO of the retail company MAF Group in Dubai on 1 July 2007. Previously employed for a number of years by IKEA, where he was CEO and President 1986–1999. President of division in Home Depot 1999–2002. CEO of Royal Ahold 2003–2007.
Other Board assignments: Member of the Boards of ICA, Husqvarna, DFDS and Velux.
Number of shares in Clas Ohlson AB: 1,312,000
Independent*

GERT KARNBERGER

Born in 1943
CEO since 1996,
Board member since 1990.
Professional experience: CEO and President of Clas Ohlson since 1996. Previously own consultancy with employees in organisational development, company management, administration and production development.
Other Board assignments: Deputy Chairman of the Board of Svensk Distanshandel and Svensk Handel. Member of Swedish Confederation of Industry.
Number of shares in Clas Ohlson AB: 4,000

* Independent in relation to the company and company management and major shareholders in the company.

BJÖRN HAID

Born in 1945
Member of the Board since 1990.
Grandson of Clas Ohlson.
Professional experience: Product range development at Clas Ohlson 1965–2006.
Number of shares in Clas Ohlson AB: 226,000

CARL-HENRIC ENHÖRNING

Born in 1943
Member of the Board since 2005.
Professional experience: Works at H&M as senior adviser. Started at H&M in 1969. Financial manager at H&M 1970–2001. Head of Investor Relations at H&M 2001–2005.
Number of shares in Clas Ohlson AB: 5,000
Independent*

LOTTIE SVEDENSTEDT

Born in 1957
Member of the Board since 2004.
Professional experience: Has her own consultancy in organisational and leadership development. CEO of KID Interiör 2006–2007. Head of business area IKEA of Sweden 1998–2000. President Inter IKEA Systems AS 1993–1996. Regional manager H&M 1989–1992.
Other Board assignments: Member of the boards of Björn Borg AB, Expert ASA, Kid Interiör AS, Stadium AB, Stampen AB and mkt media ab.
Number of shares in Clas Ohlson AB: 3,300
Independent*

ELISABET SALANDER BJÖRKLUND

Born in 1958
Member of the Board since 2000
Professional experience: Has been employed since 1995 at Stora Enso, now as Senior Executive Vice President for Forest Products. Previously Domänverket/ AssiDomän 1981–1995.
Other Board assignments: Deputy Chairman of Swedish National Road Administration. Member of the Boards of Skogsindustrierna, Bergvik AB, Marcus Wallenberg Foundation, Kungliga Skogs och Lantbruksakademien, Ingenjörsvetenskapsakademien and a number of subsidiaries of Stora Enso.
Number of shares in Clas Ohlson AB: 3,000
Independent*

URBAN JANSSON

Born in 1945
Member of the Board since 2005
Professional experience: CEO of Ratos 1992–1998, Executive Vice President of Incentive 1990–1992, CEO HNJ Intressenter 1984–1990, various senior positions in SEB 1972–1984.
Other Board assignments: Chairman of HMS, Jetpak Group AB, Rezidor Hotel Group, Siemens AB and Tylö. Deputy Chairman of Ahlstrom Corp. Member of the boards of AddTech, Beckers, Capman, Ferd A/S, Höganäs, SEB and the companies committee of the Stockholmsbörsen stock exchange.
Number of shares in Clas Ohlson AB: 10,000
Independent*

SÖLWE JOHNSON

Born in 1950
Employee representative (Handels)
Member of the Board since 1990
Number of shares in Clas Ohlson AB: 2,000

TONY DAHLSTRÖM

Born in 1964
Employee representative (HTF)
Member of the Board since 2000
Number of shares in Clas Ohlson AB: 2,000

Deputy members

EMMA LINDQVIST

Born in 1976
Employee representative (Handels)
Number of shares in Clas Ohlson AB: 0

CONNY HELGESSON

Born in 1980
Employee representative (Handels)
Number of shares in Clas Ohlson AB: 100

SENIOR MANAGEMENT

GERT KARNBERGER

Born in 1943
CEO and President
CEO since 1996
Number of shares in Clas Ohlson AB: 4,000

LARS WALLÉN

Born in 1947
Executive Vice President and Deputy CEO
Employee since 1987
Number of shares in Clas Ohlson AB: 2,000

MATS BORTAS

Born in 1948
Head of purchasing
Employee since 1976
Number of shares in Clas Ohlson AB: 2,800

ROLF ANDERSSON

Born in 1946
Director of distribution centre
Employee since 1989
Number of shares in Clas Ohlson AB: 0

SUSANNE LÖFÅS-HÄLLMAN

Born in 1964
Head of human resources
Employee since 2001
Number of shares in Clas Ohlson AB: 0

BO HEYMAN

Born in 1952
Head of new store openings
Employee since 1983
Number of shares in Clas Ohlson AB: 400

MIKAEL PALMBERG

Born in 1966
Head of business area Sweden
Employee since 2005
Number of shares in Clas Ohlson AB: 0

OLA AURTANDE

Born in 1944
Managing director of Clas Ohlson AS, Norway
Employee since 1992
Number of shares in Clas Ohlson AB: 0

TAPIO KUITTINEN

Born in 1959
Managing director of Clas Ohlson OY, Finland
Employee since 2002
Number of shares in Clas Ohlson AB: 1,000



Standing from left to right: Tapio Kuittinen, Ola Aurtande, Gert Karnberger, Lars Wallén, Rolf Andersson, Mats Bortas and Mikael Palmberg. Sitting: Susanne Löfås-Hällman and Bo Heyman.

QUARTERLY RESULTS

SEKm	2006/2007				2005/2006			
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
	01/05/06 -31/07/06	01/08/06 -31/10/06	01/11/06 -31/01/07	01/02/07 -30/04/07	01/05/05 -31/07/05	01/08/05 -31/10/05	01/11/05 -31/01/06	01/02/06 -30/04/06
Net sales	878.7	1,020.4	1,331.2	870.9	759.4	880.4	1,164.8	763.0
Cost of goods sold	-540.1	-616.0	-788.7	-529.3	-453.3	-524.5	-700.8	-465.9
Gross profit	338.6	404.4	542.5	341.6	306.1	355.9	464.0	297.1
Selling expenses	-210.3	-261.9	-268.7	-255.5	-169.1	-220.0	-238.7	-227.8
Administrative expenses	-20.2	-30.7	-24.4	-24.7	-17.7	-19.8	-20.6	-22.5
Other operating income/expense	0.0	-0.5	0.6	0.1	-0.6	0.1	-0.2	-1.7
Operating profit	108.1	111.3	250.0	61.5	118.7	116.2	204.5	45.1
Net financial items	1.9	1.6	1.8	1.6	1.6	1.5	1.5	1.9
Profit before tax	110.0	112.9	251.8	63.1	120.3	117.7	206.0	47.0
Income tax	-30.9	-31.6	-70.4	-19.1	-33.8	-33.2	-57.9	-14.0
Net profit for the period	79.1	81.3	181.4	44.0	86.5	84.5	148.1	33.0
KEY RATIOS FOR THE PERIOD								
Gross margin, %	38.5	39.6	40.8	39.2	40.3	40.4	39.8	38.9
Operating margin, %	12.3	10.9	18.8	7.1	15.6	13.2	17.6	5.9
Net margin, %	12.5	11.1	18.9	7.2	15.8	13.4	17.7	6.2
Earnings per share, SEK	1.21	1.24	2.77	0.67	1.32	1.29	2.26	0.50

DEFINITIONS

Cash flow from operating activities

Internally generated funds including change in operating capital.

Working capital

Total of current assets excluding liquid assets, less current liabilities.

Capital employed

Balance sheet total less non-interest-bearing liabilities and provisions. Average capital employed is calculated as the average of opening and closing capital employed during the year.

Gross margin

Gross profit in the income statement as percentage of net sales for the financial year.

Operating margin

Operating profit as a percentage of net sales for the financial year.

Net margin

Profit after net financial items as a percentage of the net sales for the financial year.

Return on equity

Net profit for the year as a percentage of average equity.

Sales per square metre in store

Store sales in relation to effective store floor area. For new stores, a conversion has been made in relation to how long the store has been open.

Equity/assets ratio

Equity at the end of the year as a percentage of balance sheet total.

Earnings per share

Profit after tax in relation to average number of shares.

Gross cash flow per share

Profit after tax plus depreciation in relation to average number of shares.

ADDRESSES

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SWEDEN

Borås – Knalleland
Eskilstuna – Cityhuset
Gävle – Affärshuset Nian
Göteborg – Bäckebo
Göteborg – Nordstan
Göteborg – Partille
Halmstad – Combihuset
Helsingborg – Väla centrum
Insjön – Dalarna
Jönköping – A6
Kalmar – Baronen
Karlstad – Mitt i City
Kristianstad – Domus-huset
Linköping – Centrum
Luleå – Smedjan
Malmö – Triangeln
Norrköping – Domino
Nyköping – Nyckeln
Skellefteå – Citykompaniet
Stockholm – Farsta
Stockholm – Gallerian
Stockholm – Haninge
Stockholm – Häggvik
Stockholm – Kista Galleria
Stockholm – Nacka
Stockholm – Skärholmen
Stockholm – Solna
Stockholm – Täby
Stockholm – Väsby
Sundsvall – Nya hamnen
Trelleborg – Valen
Uddevalla – Centrum
Umeå – MVG
Uppsala – S:t Per Gallerian
Västerås – Arosian
Växjö – Affärshuset Tegnér
Örebro – Krämmaren
Örnsköldsvik – Magasinet
Östersund – Mittpunkten

NORWAY

Bergen – Bergen Storsenter
Bergen – Laguneparken
Bergen – Sartor
Bergen – Åsane
Fredrikstad – Torvbyen
Gjøvik – CC Mart'n
Hamar – Maxi
Haugesund – Oasen Storsenter
Kristiansand – Sørlandssenteret
Lørenskog Storsenter
Moss – Amfi Moss
Oslo – Alna Senter
Oslo – Oslo City
Oslo – Torggata
Porsgrunn – Down Town
Sandnes – Kvadrat
Sandvika Storsenter
Sarpsborg – Storbyen
Ski Storsenter
Strømmen Storsenter
Trondheim – City Syd
Trondheim – Solsiden
Tønsberg – Farmandstredet
Ålesund – Stormoa

FINLAND

Espoo – Sello
Helsinki – Centre
Helsinki – Kamppi
Helsinki – Itäkeskus
Kuopio – Centre
Tampere – Centre
Vantaa – Jumbo
Vaasa – Rewell Center
Turku – Forum shopping Centre

For information on the addresses and telephone numbers of stores, see www.clasohlson.com

Production: Clas Ohlson AB in cooperation with Sund Kommunikation AB
Printed by: Strokirk-Landströms AB, Lidköping
Photography: Lars Dahlström

"WE MUST SELL DEPENDABLE PRODUCTS AT LOW PRICES
AND THE RIGHT QUALITY ACCORDING TO NEED."

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