

Contents

THE YEAR IN BRIEF	1
CEO'S STATEMENT	2
STRATEGIC ORIENTATION	4
NEW MARKETS	8
MARKET OVERVIEW	10
SUSTAINABLE DEVELOPMENT	14

Committed and knowledgeable staff – the core of the Clas Ohlson brand 14

Our social responsibility and human rights efforts 18

We take responsibility for the environment 20

OPERATIONS	22
------------	----

Sales channels 22

The brand and our marketing 26

Product range and purchasing 28

Own brands 31

Logistics and IT 32

Risks and factors of uncertainty 34

SHARES AND SHAREHOLDERS	38
-------------------------	----

ANNUAL REPORT	
---------------	--

Directors' report 42

Five-year summary 46

Comments on the five-year trend 47

Consolidated income statement and cash flow statement 48

Consolidated balance sheet and change in equity 49

Parent Company income statement and cash flow statement 50

Consolidated balance sheet and change in equity 51

Accounting policies and notes 52

Certification of the annual accounts 64

Audit report 65

CORPORATE GOVERNANCE	66
----------------------	----

Internal control 68

BOARD OF DIRECTORS	70
--------------------	----

SENIOR MANAGEMENT	71
-------------------	----

QUARTERLY RESULTS	72
-------------------	----

DEFINITIONS	72
-------------	----

ADDRESSES	73
-----------	----



Iron
Duster
Dust pan and brush
Clothes pegs



Life jackets
Anchor line
Wetsuit
Fishing gadgets



Paint brushes
Sand paper
Saw blades
Drills



WIRELESS NETWORK
PRINTER TONER
COMPACT DISCS
DIGITAL CAMERA



LIGHTING
RADIO
LOW-ENERGY LAMP
SPOTLIGHT

CLAS OHLSON IN BRIEF

Clas Ohlson is a retailing company with sales in Sweden, Norway and Finland. At the end of the year there were 86 stores, and home shopping.

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 around 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 4.5 billion and we have a total of around 3,000 employees. There are plans to open our first stores in the United Kingdom in 2008/09.

THE WORLD OF CLAS OHLSON



For a more detailed description of our stores and their locations, see our website www.clasohlson.se

The interim reports for 2008/09 will be published on the following dates

First quarter (May-July)	9 September 2008
Second quarter (Aug-Oct)	5 December 2008
Third quarter (Nov-Jan)	11 March 2009
Year-end report 2008/09	11 June 2009

ANNUAL GENERAL MEETING

The Annual General Meeting for the 2007/08 financial year will be held on Saturday 13 September 2008 in Insjön. Notice will be sent to all shareholders registered at the end of July 2008. Notice of the meeting can also be found on our website www.clasohlson.se under Financial information – Group. 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 5.00 per share be paid for 2007/08 (previous year SEK 4.50).

Clas Ohlson AB (publ), corporate identity number 556035-8672
Annual report 1 May 2007 to 30 April 2008.



SWEDEN

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

NORWAY

Arendal
 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
 Skien
 Stavanger, Kilden
 Stavanger, Madla
 Strømmen
 Trondheim, City Syd
 Trondheim, Lade
 Trondheim, Solsiden
 Tønsberg
 Ålesund

FINLAND

Espoo
 Helsinki, Kamppi
 Helsinki, Mannerheimintie
 Helsinki, Itäkeskus
 Kokkola
 Kuopio
 Lappeenranta
 Lempäälä
 Tampere
 Vantaa
 Vaasa
 Turku

	SWEDEN	NORWAY	FINLAND
Number of stores	45	29	12
Share of Group sales			
Share of Group number of employees			
Year started	1918	1985	2002



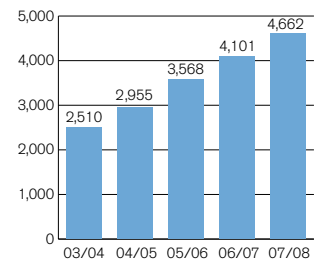
The story of Clas Ohlson

Clas Ohlson, who was very interested in technical products, started the company in Insjön 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.

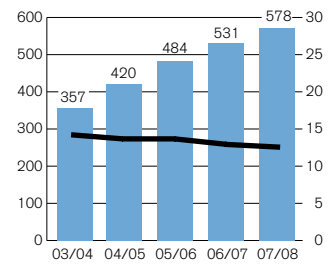
The year in brief

- Sales totalled SEK 4,662m (SEK 4,101m)
- Net profit totalled SEK 422m (SEK 386m)
- Earnings per share SEK 6.43 (SEK 5.88)
- Dividend of SEK 5.00 (SEK 4.50) per share is proposed
- Fifteen new stores opened
- Preparations for launch in the United Kingdom
- Decision to establish purchasing company in Asia

Sales, SEKm



Operating profit, SEKm
Operating margin, %



Key ratios	2007/08	2006/07	Change
Net sales, SEKm	4,662	4,101	14 %
Operating profit, SEKm	578	531	9 %
Pre-tax earnings, SEKm	588	538	9 %
Net profit, SEKm	422	386	9 %
Operating margin, %	12.4	12.9	-0.5
Return on equity, %	29.4	29.4	0.0
Return on capital employed, %	41.0	40.9	0.1
Equity/assets ratio, %	68.4	70.6	-2.2
Earnings per share, SEK	6.43	5.88	9 %
Dividend per share, SEK	5.00*	4.50	11 %
Total number of stores	86	71	21 %
Number of full-time equivalent employees	1,801	1,647	9 %

* Proposed dividend



Another record year and major plans for the future

Since it was founded more than 90 years ago, Clas Ohlson has undergone enormous development in terms of operation, organisation and finance. Our success has been based on finding the way into customers' hearts and attracting a share of their retail spending. We firmly believe that Clas Ohlson is one of the few retailing companies to have what it takes to become the next major Swedish export success.

We have therefore marked out the first stage in our European expansion, while reviewing how we can develop and improve in existing markets. Just as the step from mail order to a chain of stores required us to change the way we operate, the steps we are taking now will make it possible and necessary for us to do things in a new way.

Understanding the magic

During my first year I have devoted much of my attention to gaining an understanding of the strengths of Clas Ohlson and discovering the magic formula. My intention was to acquire a deep understanding of this magic, as it is the basis of our business and what we are building our future on. I feel that this is particularly important for us now, when more and more companies are competing for customers' attention. We are also in the process of introducing Clas Ohlson to new markets where we do not have our strong reputation to help us along.

We used to be almost unique in offering many people a broad product range – by mail order. We were one of the first companies to purchase products from various parts of the world without going through expensive intermediaries – something that gave us a strong price advantage. Today, when Clas Ohlson and many others have stores up and down the country and most people buy direct from manufacturers, it is not here that the magic formula is to be found.

Conveniently solving the little practical problems of everyday life

Since the answer to where the magic is to be found is provided by our customers, my staff and I have listened to them closely during the past year, and our customers say that what

we do is solve the little practical problems in everyday life in a convenient way. This creates a sense of satisfaction. We do this with an affordable, broad product range with a high level of service through knowledgeable and helpful staff, and we do it by being in places our customers frequent in their daily lives. The fact that we additionally offer clever, rather ingenious products or solutions provides inspiration and makes shopping at Clas Ohlson fun, which is an important factor in continuing our success story.

From this point of view we have looked long and hard at how we can develop the company and make it even better. We already achieve high sales in our stores, but the sales figures can be increased still further. We have reviewed both the big things and the little things to strengthen our competitiveness and develop further. We have defined our future strategy under three headings.

Growth with clearer positioning

We will expand into new markets to maintain strong long-term growth. Our entry into the United Kingdom creates great opportunities and represents a first step outside the Nordic Region. Growth will also be generated in our existing markets through clearer market positioning. The best time to speak to our customers is when they are shopping. We are developing a new store concept to make it easier for our customers to find their way around our stores. We are also reviewing the entire range, removing duplicates, emphasising what is good and adding new products where we discover that something is missing.

We also wish to be more involved in our customers' everyday lives. Because our products are a large part of our success, we need to showcase them better and more often. We therefore also need to be more visible away from the stores. Starting in 2009, we will be publishing the main catalogue twice a year instead of once. This will enable us to be more agile and to adapt better from season to season. To remind people that we exist and are part of everyday life, we will also be more visible on television and in other media.

Simplicity and efficiency

At the same time as "putting our foot on the accelerator", we are simplifying and introducing efficiencies to make ourselves stronger in an

increasingly competitive market. We are establishing a purchasing office in Asia and reviewing our suppliers and manufacturers to find the best possible partners to work with. 'Best' means working with those who develop good products at attractive prices, but who also treat their staff and the environment with respect. We are expanding our distribution centre in Insjön in Sweden to cope with the increased flow of goods. This will enable us to make efficient deliveries to at least 150 stores. We highlight and coordinate issues in the Group in order to simplify and make sure that we are cost-effective in everything we do. With this in mind we have recruited a chief operating officer, a marketing director and an information and IR director.

Developing the organisation

This recruitment also belongs to the third area – preparing the organisation for the European venture. While cherishing our origins, we are now developing the skills needed in an international retail chain. We are familiarising ourselves with new markets and analysing what is "universal" in what we do and how the Clas Ohlson spirit should be interpreted in other countries. For the Clas Ohlson Academy the move into Europe poses completely new challenges – having previously trained new staff who already know all about us, the Academy will now have to contribute to creating the Clas Ohlson spirit among future staff who have perhaps never set foot in the Nordic countries, still less in a Clas Ohlson store.

An exciting new year awaits

We once again ended the year by presenting new record figures. Revenues increased to SEK 4.6 billion, up 14 per cent. Pre-tax earnings were the highest in the company's history at SEK 588m. The Board is proposing that 78 per cent of the net profit for the year, SEK 5 per share, be distributed as a dividend. We achieved this profit in a year of increasing competition and a slight economic downturn.

There is plenty on the agenda for the next year. Our customers will encounter a more clearly focused Clas Ohlson and discover that we have more to give. We will become even better at conveniently solving the little practical problems in everyday life. The first stores in the United Kingdom will open, and we will continue to grow in established markets.



We will make sure that Clas Ohlson remains a company that breaks the mould.

When I was on my way home in March from one of the year's 15 store openings – this time in Visby on the island of Gotland – I was thinking about what I have seen and learnt over the past few months. It's a special feeling when customers come up to you and thank you for opening a store near where they live. That's what I call magic, and it's shared by experienced and new store staff and customers full of expectation. Meeting so many committed staff and satisfied customers, I firmly believe that we will be successful in taking Clas Ohlson to the next level.

This year we came to Gotland. The next large island will be Britain. My thanks to all our highly competent staff for their splendid efforts during the year, to all our customers who make our success possible and to all our shareholders who are continuing to place their trust in us. We look forward to another exciting year!

Insjön, June 2008
Klas Balçow

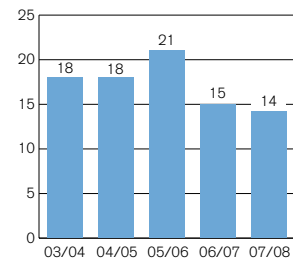


Business concept, goals and strategies

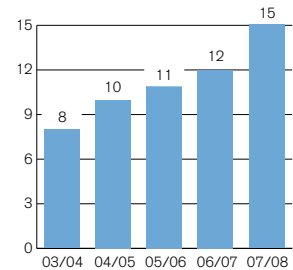
Financial goals

The objective is an annual growth rate in sales of 15 per cent. In terms of earnings, the objective is an operating margin of at least 10 per cent.

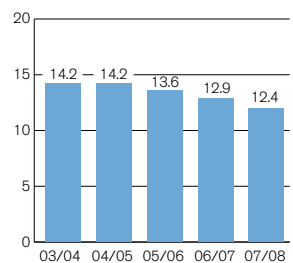
Growth in sales, %



Number of new stores



Operating margin, %



Clas Ohlson's vision is to develop a strong European retail chain with high profitability and good growth in value for our shareholders. This will be done by being the self-evident choice for people's practical problem solving in everyday life.

Clas Ohlson's Board and management undertook a review of the company's strategic orientation during the financial year. The conclusion drawn is that there is significant potential to continue to grow in both new and existing markets and to develop Clas Ohlson into a European retailing business.

Market surveys which we have commissioned in the United Kingdom, among other places, show that there is consumer demand for a chain like Clas Ohlson and that the company has a concept that is in demand and its own market niche. The concept is judged to be competitive and distinctive on a European basis, which makes expansion into a number of new markets possible.

The business concept was enhanced and developed during the financial year to position Clas Ohlson even more clearly in the market. A change process has been initiated which includes continued development of Clas Ohlson's store concept, product range and communication. This, together with strengthening of the organisation, will create the necessary conditions for a continued high rate of growth with expansion into new markets and increased sales in existing stores.

Business concept and strategies

Our business concept is to make it easy for people to solve the little practical problems in everyday life.

This business concept is based on the original saying of the founder Clas Ohlson: "We will sell dependable products at low prices and the right quality according to need."

A broad and attractive range

Our product range will be adapted and focused on providing answers to the customer's needs in everyday life. The products will be inexpensive and at the right

quality according to need. Clas Ohlson's range will be versatile and contain smart and affordable solutions to people's practical problems in everyday life.

High level of service

We will provide a high of service level through helpful and knowledgeable staff who guide customers to simple solutions. Our staff have broad and thorough knowledge of the product range.

Convenient and accessible

Clas Ohlson will be present in attractive locations people frequent in their everyday lives. The customer will find that it is convenient to solve the little practical problems in everyday life through us.

Responsibility for people and the environment

We take responsibility for our own operation and for our impact on people and the environment. We also stipulate requirements for our suppliers with regard to working conditions, the working environment and environmental impact.

Vision and goals

We intend to develop a strong European retail chain with high profitability and good growth in value for our shareholders. This will be done by being the self-evident choice for people's practical problem solving in everyday life.

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. The target is measured in terms of the average annual increase in sales over five years. This growth in sales of 15 per cent will be achieved through increased sales in existing stores and through continued new store openings in both existing and new markets. A total of 20-25 new stores are planned during the 2008/09 financial year in Sweden, Norway, Finland and the United Kingdom. The aim is to establish an operation in the United Kingdom by opening two to four stores in town-centre locations during the 2008/09 financial year.

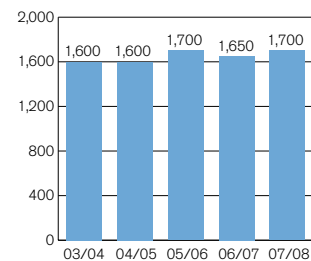
Fifteen new stores were opened during



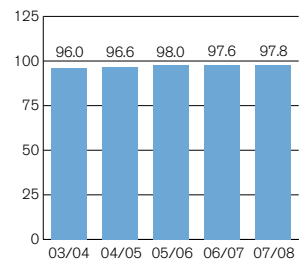
Other objectives

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 be at least 98 per cent.

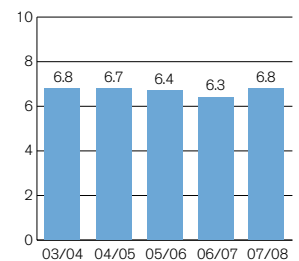
Number of new products



Level of service in home shopping



Rate of stock turnover, distribution centre



the 2007/08 financial year, seven in Sweden, five in Norway and three in Finland. Sales rose by 14 per cent, and the average rate of growth in the latest five-year period has been 17 per cent.

Profit margin more than 10 per cent

The profitability target is a minimum operating margin of 10 per cent. Clas Ohlson's profits will vary more over the next few years as a result of increased investments, partly in connection with entry into new geographical markets. The operating margin during the 2007/08 financial year was 12.4 per cent. The average operating margin for the latest five-year period has been 13.5 per cent.

Sub-targets

Own-brand goods at least 25 per cent

Clas Ohlson supplements familiar brands with a range of unknown brands and own-brand goods such as Clas Ohlson, Cotech, Cocraft, Coline and Exibel. The target is for the proportion of own-brand goods to account for at least 25 per cent of sales. The proportion at the end of the financial year was around 22 per cent.

Strengthening the Clas Ohlson brand

The Clas Ohlson brand is already regarded as a strong one in Sweden and Norway. The level of familiarity with the brand is lower in Finland, due to the fact that the company has been in operation there for a shorter time.

The marketing includes catalogue mailing, direct marketing and advertising. During the financial year Clas Ohlson also supplemented this marketing with brand-reinforcing advertising on television and radio. The brand will be further strengthened through continued development of the company's marketing, particularly in new markets where the company is not already known.

Adapting and modernising the product range

Since we aim to offer our customers a broad and attractive range, 10–15 per cent of the range is renewed every year, by introducing new product areas and adding to and replacing products in existing areas. Greater variation between catalogue and store will

be introduced, partly in order to operate with a more seasonal range and ordered items.

The year's catalogues contained 1,700 new products. This means that 12 per cent of the catalogue range was changed from 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 own brands. For further information on own-brand goods, see page 31.

High level of service

The aspiration in the ordering of goods is for customers to receive an average of at least 98 per cent of items in the first delivery. The average level of service in home shopping during the financial year was 97.8 per cent, compared with 97.6 per cent in the previous year.

Our experience is that the level of service in the stores, meaning that items are in the store when the customer wishes to purchase them, exceeds 95 per cent.

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

Warehouses tie up capital, which means that the rate of stock turnover is an important measure of efficiency. The target is a rate of stock turnover of 6–7 times in the distribution centre.

The rate of stock turnover during the financial year was 6.8 times, compared with 6.3 times in the previous financial year. This means that we replace the entire stock more often than once every two months.

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

Inventories in our stores principally consist of the products held in the store. The target is a rate of stock turnover of 8–10 times in stores.

The stores' annual rate of stock turnover averaged six 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.

The objective is satisfied, reassured customers

Good customer service is the key to our concept. All staff 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 reassurance we also apply a 30-day open purchase/cancellation right for customers in stores as well as home shopping customers. Because we firmly believe that good customer care will be one of the most important competitive tools in the future, we make continuous efforts to become even more professional in our contacts with customers.

Motivated, knowledgeable and committed staff

Our focus on our staff is evident in the low rate of staff turnover in the Group. Staff turnover among full-time employees in the Group averaged 9.0 per cent during the financial year (previous year 6.6 per cent). The increase was principally due to a generally strong labour market and consequently increased mobility.

Staff turnover among our staff at the head office and in the distribution centre in Insjön over the same period was 1.9 per cent (previous year 1.0 per cent).

All new permanently employed staff begin their employment with introduction training in Insjön in Sweden with the aim of creating shared values based on service-mindedness. The number of hours of training in the Group was 69 630, compared with 53 750 hours in the previous year.

Sustainable development

We will offer our customers high-quality and affordable products while contributing to sustainable development for people and the environment.



It should be easy to solve the little practical problems in everyday life at Clas Ohlson.

United Kingdom – contracts signed for the first store

Clas Ohlson is working on plans to enter the United Kingdom. The objective is to open two to four stores in town-centre locations during the 2008/09 financial year.

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 strong purchasing power that exists in the country and the generally favourable prices of our products. 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 having stores in strong shopping centres in town-centre locations.

Extensive customer surveys in the target group also show that there is demand for a chain like Clas Ohlson in the British market. No other chain today offers an equivalent concept in central retail locations.

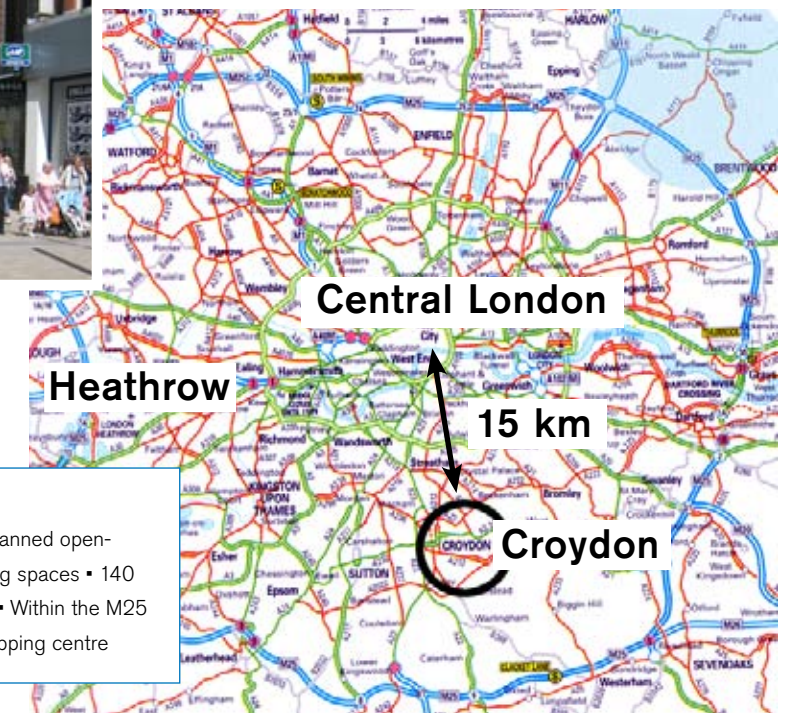
Product range and deliveries

A proportion of our range needs to be adapted to the British market, as there are some differences in standards, for instance with regard to electrical products. We are also conducting a review to ensure that we offer brands that the British consumer is familiar with and is used to buying. Deliveries to the British stores will initially be made from the distribution centre in Insjön. As the operation expands, we will regularly assess other alternatives that entail shorter transport routes.

The first store

Clas Ohlson has signed contracts for its first store in the United Kingdom. The new store will be located in the Whitgift Shopping Centre in Croydon in south-east London and will have 1,900 square metres of retail space. The catchment area for the store has a population of around 512,000. The shopping centre has a total of 140 stores and 2,000 parking spaces and receives 25 million visitors a year. The new Clas Ohlson store is expected to open during the third quarter of 2008/09.

The store, which will be on two levels, will have a main entrance from the pedestrianised street and another entrance inside the shopping centre.



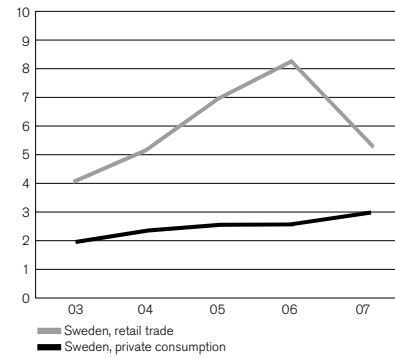
The Whitgift Centre Croydon
Attractive central store location in the shopping centre • Planned opening Q3 2008/09 • Retail space 1,900 sq.m • 2,000 parking spaces • 140 stores in the centre • Catchment area population 512,000 • Within the M25 in south-east London • 25 million visitors a year in the shopping centre

Lower growth in consumption is expected

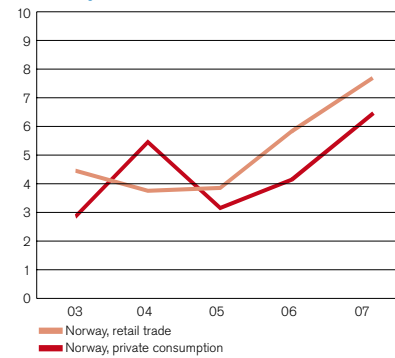
Private consumption and retailing

Trend in private consumption and retail trade in fixed prices in Sweden, Norway and Finland 2003-2007, %

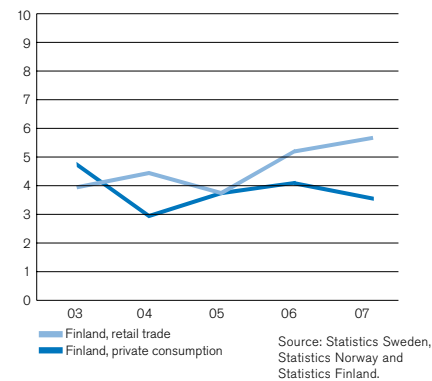
Sweden



Norway



Finland



2007 was a good year for retailing in Sweden, Norway and Finland. This was due to a good economic climate combined with low interest rates.

Clas Ohlson's current markets – Sweden, Norway and Finland – have shown steady consumption growth in the past few years. Some slowdown was noted during the financial year in Sweden. At the same time, competition is increasing, and international store chains are entering new markets.

The trend in retailing and private consumption affects Clas Ohlson, as our customer base largely consists of private individuals. The trade in consumer durables also affects us, because accessories for products such as computers, mobile phones, television, video, radio, cars and boats form part of our product range.

Historically, however, our sales have been affected less than the overall retail market during a slowdown. The fact that we are less sensitive to the economic climate than many other retailers is partially due to our product range strategy, with a large proportion of products needed in everyday life, but also due to our attractive prices.

We are now implementing a number of measures to increase sales in existing stores. These measures range from clearer market positioning and a new store concept that will make it easier for customers to find their way around our stores to a well-developed product range and enhanced marketing, including increased television advertising. Read more about Clas Ohlson's marketing on page 26.

Clas Ohlson gains market shares

It is difficult to measure Clas Ohlson's market share as our product range is broad and encompasses many different product groups in the statistical data of each country. However, market shares are increasing in all markets – Sweden, Norway and Finland. We can see that sales of Clas Ohlson's products groups are increasing at a quicker pace than the total market for these groups. Our aspiration is to continue to take market shares in all the countries where we operate.

Retail trade in Sweden

A lower rate of growth was noted for Swedish retail trade in 2007, which increased by an average of 5.7 per cent in fixed prices

compared with 8.2 per cent in 2006, according to Statistics Sweden. A similar trend was apparent in trading in consumer durables, which in 2007 increased by an average of 8.1 per cent in fixed prices, compared with 9.5 per cent in 2006.

Private consumption increased by an average of 3.0 per cent, compared with 2.5 per cent in 2006. Clas Ohlson's sales in Sweden increased by 10 per cent in 2007/08.

According to the Swedish Research Institute for Trade (HUI) some slowdown in growth is expected in Swedish retail trade. This means an increase of 4.0 per cent in fixed prices in 2008 and 3.0 per cent in 2009, according to HUI. Lower growth in trading in consumer durables is also expected. HUI forecasts growth of 6.0 per cent in 2008 and 4.5 per cent in 2009.

Retail trade in Norway

Retail trade in Norway continued to increase during the financial year. According to Statistics Norway, retailing increased by an average of 7.7 per cent in fixed prices in 2007, compared with 5.9 per cent in 2006. Trade in consumer durables is continuing to increase at a quicker pace than other retailing, rising by an average of 10.8 per cent in fixed prices in 2007, compared with 16.2 per cent in 2006.

Private consumption increased by 6.4 per cent in 2007, compared with an increase of 4.6 per cent in 2006. Clas Ohlson's sales in Norway increased by 18 per cent in 2007/08.

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 2008 is for retail trade to increase by 5.0 per cent in current prices and for trade in consumer durables to increase by 7.0 per cent.

Retail trade in Finland

Retail trade in Finland also increased during the financial year. According to Statistics Finland retail sales increased by an average of 5.7 per cent in fixed prices in 2007, compared with 5.1 per cent in 2006.

Finnish retail trade has grown strongly in the latest five-year period, with an average rate of growth of 4.9 per cent annually. Private consumption in Finland increased by



Life jackets
Anchor line
Wetsuit
Fishing gadgets

3.7 per cent in 2007, compared with 4.1 per cent in 2006. Clas Ohlson's sales in Finland increased by 21 per cent in 2007/08.

Market trends

Large chains branch out internationally

The market for the type of products that Clas Ohlson sells is continuing to increase throughout Europe, but is starting to become relatively mature. This trend applies in particular to 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 such as Clas Ohlson have significant purchasing volumes, more efficient logistics and other economies of scale. Larger chains are therefore 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 decline, more and more chains are branching out beyond national borders.

The market is continuing to grow in the Nordic countries, although some slowdown is expected in the next few years. Here too, large store chains have been gaining market share from individual specialist dealers in

recent years. Major retailers tend to opt for large stores, often away from town centres. The exception is Clas Ohlson, with stores principally in town and city centres which people frequent in their everyday lives.

International players are still quite rare in the Nordic region. Exceptions are the Swiss company Bauhaus, which has established a presence in the Nordic region with around twenty home improvement stores, and the German company Mediamarkt, which has eight stores in Sweden. Examples of cross-border Nordic players, apart from Clas Ohlson, are the Swedish firm of Biltema with stores in Sweden, Norway, Finland and Denmark, the Danish firm of Harald Nyborg with stores in Denmark and Sweden, and the Finnish company K-rauta with home improvement stores in Finland and Sweden.

Larger stores

Another trend is for stores to increase in size. In large European countries it is not 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, preferably town-centre, locations.

Own-brand goods

It is becoming increasingly common in Europe for retail chains to market products under their own brands. 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 retailing in general.

Clas Ohlson has also increased its proportion of own-label goods, especially in the last three years, and aims to continue to increase this proportion. The share proportion of own brands at the end of the financial year was around 22 per cent, which will increase gradually to around 25 per cent. In new markets, where the Clas Ohlson brand is not already familiar, it is important also to be able to offer familiar branded goods.

Competitors

Few competitors can rival the breadth of product range offered by Clas Ohlson (see comparison on page 12). The ones who come closest in the Nordic countries are Jula in Sweden and Norway and Biltema, with stores in all the Nordic countries, which have a similar product range and sell through stores and home shopping. In addition, we compete in specific product areas with a number of companies such as Mediamarkt, Järnia, Bauhaus, K-Rauta, Teknikmagasinet and Kjell & Co. We also compete to some extent with supermarkets and superstores such as Coop Forum and Ica Maxi in Sweden, Obs in Norway and Anttila in Finland.

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 competing in particular with the British retail chain Argos and retailers such as Maplin and Robert Dyas that offer a range in some of our product areas. However, no competitor offering is similar to that of Clas Ohlson in the United Kingdom.

Clas Ohlson in comparison with a selection of competitors		Number of stores*	Year started*	Electrical and electronics	Mobile phone accessories	Computer accessories	Boat accessories	Machinery	Tools	Plumbing and heating	Storage	Household	Artists' materials	Clocks and watches
Nordic	CLAS OHLSON	86	1918	•	•	•	•	•	•	•	•	•	•	•
	Biltema	49	1963	•	•	•	•	•	•	•	•	•	•	•
	Jula	24	1979	•	•	•	•	•	•	•	•	•	•	•
	Teknikmagasinet	81	1989	•	•	•	•	•	•	•	•	•	•	•
Swedish	Kjell & Co	33	1990	•	•	•	•	•	•	•	•	•	•	
Norwegian	Jernia	150	1951	•	•	•	•	•	•	•	•	•	•	•
	Obs	41	1907	•	•	•	•	•	•	•	•	•	•	•
	Maxbo	70	1995	•	•	•	•	•	•	•	•	•	•	•
Finnish	Anttila	28	1953	•	•	•	•	•	•	•	•	•	•	•
	K-Rauta	41	1940	•	•	•	•	•	•	•	•	•	•	•
British	Argos	700	1973	•	•	•	•	•	•	•	•	•	•	•
	Maplin	112	1972	•	•	•	•	•	•	•	•	•	•	•
	Robert Dyas	105	1872	•	•	•	•	•	•	•	•	•	•	•

* Source: Websites



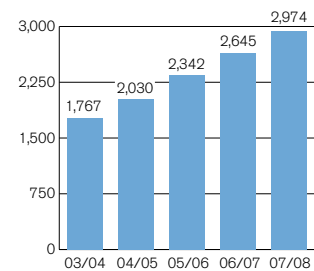
Few competitors can rival the breadth of product range offered by Clas Ohlson.

Committed and knowledgeable staff - the core of the Clas Ohlson brand

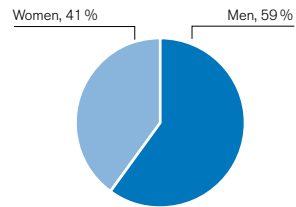
A more even gender distribution

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

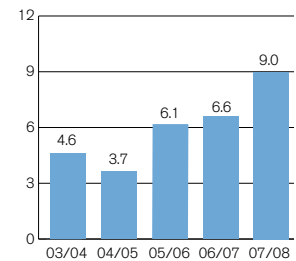
Total number of employees



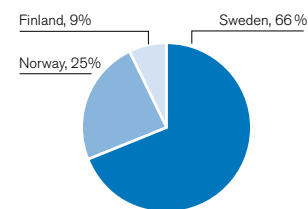
Number of employees, men/women



Staff turnover



Employees per country



Clas Ohlson's staff are the core of the Clas Ohlson brand and the trust our customers place in us. A comment we frequently hear from our customers is that they expect a little bit extra from Clas Ohlson, that we provide good service and that we have pleasant and knowledgeable staff. We aim to be an appealing employer that can attract and retain the best staff in the industry. To attain this goal we put great emphasis on recruitment, continuous development of skills and a corporate culture based on shared values.

The Clas Ohlson spirit

A distinctive feature of a corporate culture is the company's strong entrepreneurship and personal concern for both customers and staff. The special Clas Ohlson spirit developed over the years is characterised by a positive attitude, commitment, loyalty, service-mindedness, a familiar team spirit and innovative thinking. All contacts between staff and customers should be characterised by accessibility, warmth and service-mindedness. With the focus on customers, we work together, regardless of position, towards our established goals.

It is the responsibility of every member of staff to nurture and develop the corporate culture. Our rapid rate of expansion – with 15 new stores and more than 300 new members of staff during the financial year – makes this all the more important.

Interesting career opportunities

Clas Ohlson's rapid expansion creates the right conditions for our staff to develop and build a career in the company. We have high mobility between our stores, and interest in working in other countries is increasing. In connection with the establishment of new stores, project teams are appointed in which staff from head office, the distribution centre and various stores take part in the preparations required to open a new store. The forthcoming expansion in the United Kingdom provides new opportunities to work abroad for shorter or longer periods of time.

A high proportion of internal recruitment also ensures the continuity and tradi-

tion we aim for. Of 24 new managers in the financial year, nine come from within the company.

Clas Ohlson Academy

The Clas Ohlson Academy, our internal development centre, is a new initiative to bring together our development and training activity in a coherent unit. The Clas Ohlson Academy is intended to ensure that the organisation has the skills required for the future and to create the necessary conditions for internal career paths. Another important task is to nurture, develop and spread the Clas Ohlson spirit.

Activity during the financial year was principally focused on training courses targeted at managers and supervisors who wish to develop in terms of their leadership, but also on other staff who wish to develop their managerial qualities in a longer-term perspective.

The Clas Ohlson Academy is responsible for our in-store staff acquiring the skills required to provide our customers with good service. We put great effort and care into introductory training courses so that new staff are integrated into our corporate culture. Theory and practice are blended with other activities with the aim of strengthening team spirit in the working group responsible for a store or some other operation within the Group. The training covers Clas Ohlson's history and values, customer relations, customer service policy, product knowledge and work routines.

The training courses take place mainly on site in Insjön, but also interactively through our intranet and videoconferencing facility. The interactive product training courses have undergone further development and have become a popular way of quickly and simply acquiring new information. Our sales training courses are filmed and distributed through the Group's network of videoconferencing facilities. Through this channel we reach all staff, and knowledge of the product range and other relevant matters is raised in our stores. In that way we make sure that our staff are well prepared to deal with

customers and provide them with advice and guidance on our products and the everyday problems they need help with.

A popular employer

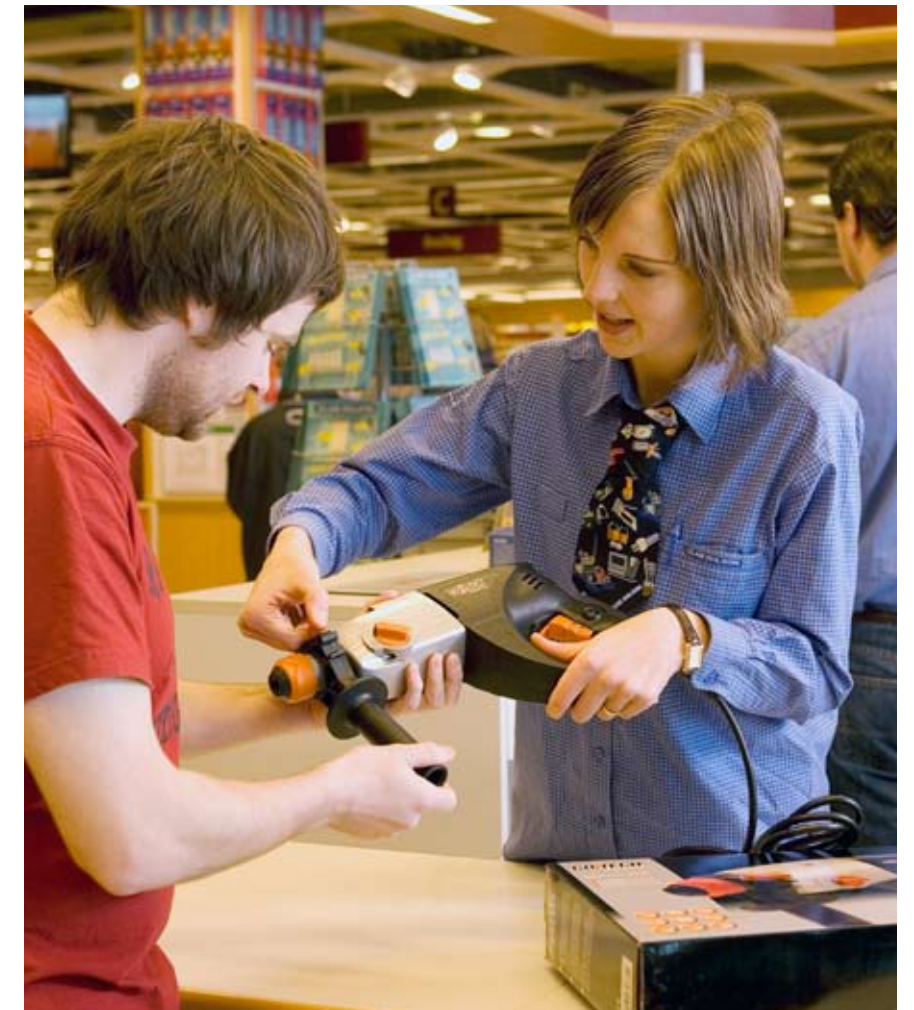
Clas Ohlson is regarded as an attractive employer, and there is great interest in working for us. This is particularly evident from the number of applications for jobs in our new stores. In Sweden we receive an average of 1,000 applications for each 20 vacancies, and from these we select 200 (or around 20 per cent) for interviews.

To make the recruitment process more effective and to assure its quality we have developed IT support which enables us to achieve greater quality in selection and ensure that we cover the skills required to deal with customers in the best possible way.

Clas Ohlson has a high level of job satisfaction and a good working environment, which is reflected in particular in a low rate of staff turnover compared with the industry average and low sick-leave rates. We have a generous personnel policy with competitive levels of pay and other benefits based on skills and performance.

Pay and benefits

Clas Ohlson's pay policy is that pay will be competitive and on a par with or better than that of other companies in the industry. All staff have some form of performance-based pay, in addition to their fixed pay, regardless of whether they work in-store, at the distribution centre or at head office. Part of the monthly pay of in-store sales staff is based on sales and profits in the country, region or store concerned. An equivalent arrangement applies to our warehouse staff, with the difference that pay is based on sales by the entire Group. Salaried employees have a profit-sharing system based on Group profits. Part of the pay received by senior executives in managerial or key positions is variable and linked to the Group's profits and fulfilment of targets by their own function. A long-term share-related incentive scheme has also been introduced for senior executives and others judged to be well placed to shape the long-term development of the Group. See also page 44.



Clas Ohlson's training courses

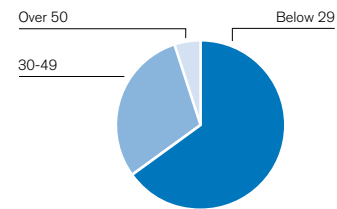
Managers and Supervisors		
Leadership from a health perspective, labour law, staff interviews etc.		
Specialist Training Courses		
Area managers of stores, product training courses etc.		
Broad-based Skills		
Sales-based customer relations, lectures on health and fitness, induction of new employees, fire safety, interactive product training etc.		
Training, internal time	Number of hours	Proportion %
Managers and Supervisors	10,805	15
Specialist Training Courses	8,120	12
Broad-based Skills	50,705	73
Total	69,630	100

We divide our training courses into three segments, Managers and Supervisors, Specialist Training Courses and Broad-based Skills. We devoted a total of 69,630 hours to training during the financial year.

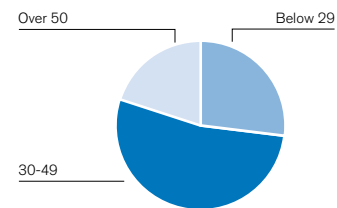
A young organisation

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

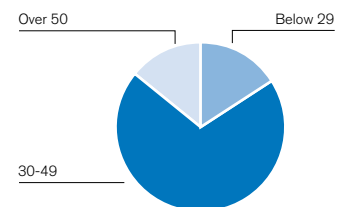
Age breakdown – Stores



Age breakdown – Distribution centre



Age distribution – Salaried employees



Examples of other benefits are topping-up of pay for those on parental leave, health and fitness subsidies, free access to fruit and coffee at work and staff discounts.

Staff turnover

Staff turnover among full-time employees in the Group averaged 9.0 per cent (previous year 6.6 per cent). The increase was principally due to a generally good labour market and consequently increased mobility. Turnover is higher among part-time employees, which is natural as we have large numbers of students working part-time during their studies. Staff turnover among our employees in Insjön, at the head office and in the distribution centre over the same period was 1.9 per cent (previous year 1.0 per cent).

Diversity enriches

We firmly believe that an inspiring working environment and good results are achieved through an even distribution of

staff with different experiences, gender, age and background.

The Group's gender equality policy underlies our gender equality plan, which is regularly updated. The aim in recent years has been to attain more even distribution of men and women in each department, firstly through strategic skills development and secondly by giving priority to even gender distribution in filling new vacancies. The objective is that no occupational category should have a breakdown of less than 40-60, that is to say that neither gender should have a lower proportion than 40 per cent in the occupational category concerned. Forty-one per cent of the Group's staff in the financial year were women, which is an increase of one percentage point in comparison with the previous year. Our efforts to raise the proportion of women in management positions have also produced results, and the proportion of female store managers has risen to 29 per cent. The equivalent proportion in Sweden was 36

per cent. The proportion of women among senior executives in the Group increased from 11 per cent to 22 per cent.

Health and fitness

The overall aim of our health and fitness efforts is to create a good working environment where our employees can have a sense of security, job satisfaction and community.

Total absence due to sickness in 2007/08 was 3.9 per cent, which is down 0.2 percentage points on 2006/07 (4.1 per cent). The proportion of total absenteeism accounted for by staff on long-term sick leave out fell over the same period from 37 per cent to 31 per cent.

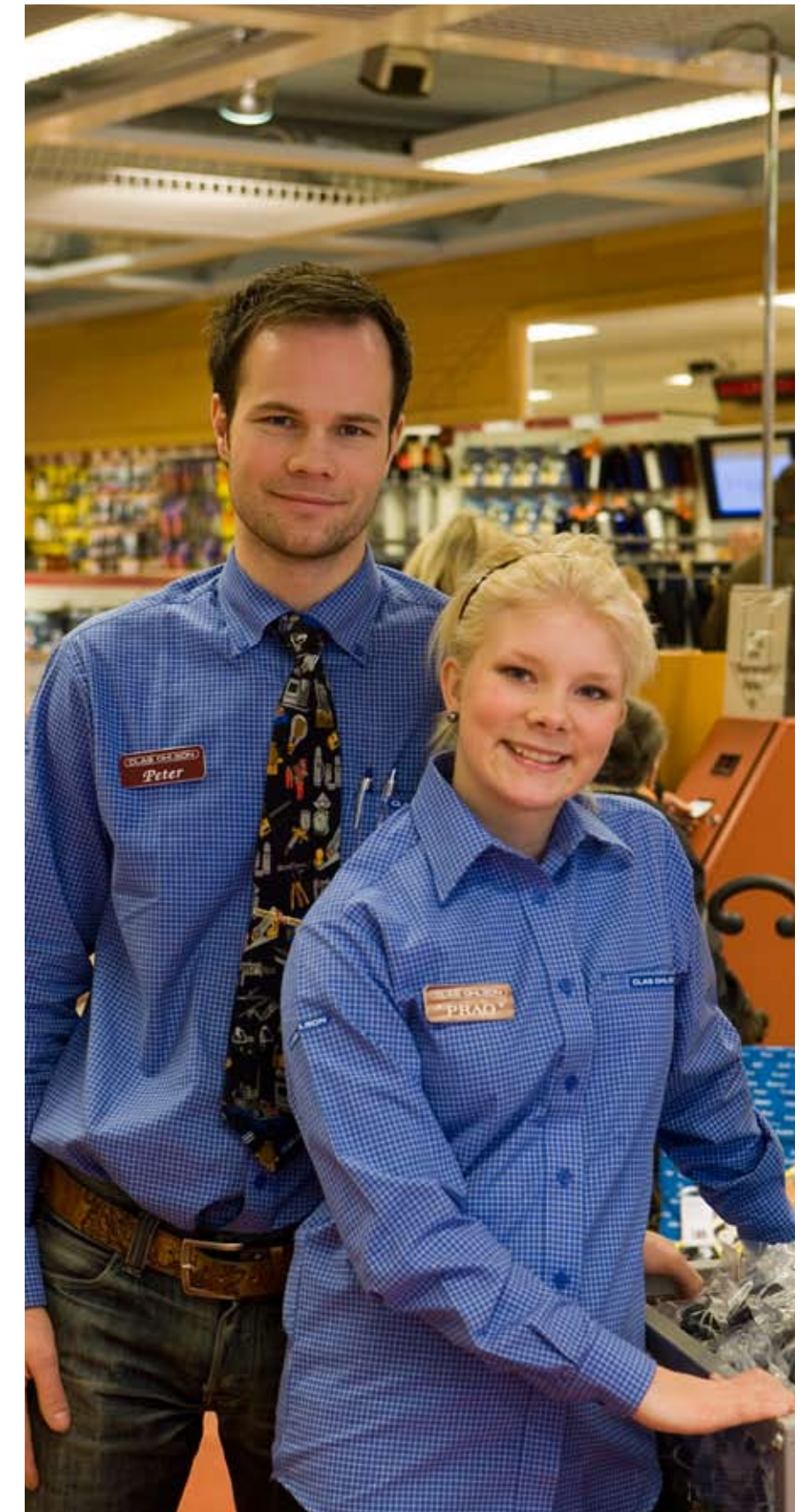
Our health strategy is based on creating the necessary conditions for both physical and mental well-being at the workplace. The health perspective forms a natural part of our systematic working environment activities. In order to keep this alive we regularly inform our union safety representatives and health promoters, who pass knowledge on to their colleagues.

Number of employees*	Sweden	Norway	Finland	Total
Stores	1,289	692	232	2,213
Distribution centre	355	0	0	355
Salaried employees	318	63	25	406
Total	1,962	755	257	2,974
– of whom women, %	41	37	48	41

Average period of employment in the company is*	Sweden	Norway	Finland	Total
Salaried employees	7	6	3	6
Stores/Distribution centre	7	2	1	5

Average absence due to sickness, %	Sweden	Norway	Finland	Total
Total absence due to sickness	3.9	6.0	3.7	3.9
– of which, long-term sick leave	3.1	5.4	1.7	3.1
– of which, men	3.0	4.8	2.4	3.0
– of which, women	5.3	8.1	5.3	5.4
– of which, employees aged less than 29	3.0	5.1	3.9	3.2
– of which, employees aged 30–49	4.5	7.3	3.2	4.4
– of which, employees aged over 50	4.9	6.6	5.6	4.9

* 30 April 2008



Training in Insjön

We organise a training course in Insjön in Sweden for all staff recruited to work in new stores. Theory and practice are blended with activities with the aim of boosting team spirit in the Group.

Our social responsibility and human rights efforts

Our Code of Conduct

1. Statutory requirements
2. Working environment
 - Health and safety
 - Housing
3. Working conditions
 - Discrimination
 - Forced labour
 - Disciplinary measures
 - Child labour
 - Pay and working hours
 - Freedom of association and the right to collective pay bargaining
 - Alcohol and drugs
4. Environment
5. Application and follow-up

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, in cooperation with our CSR organisation, that is responsible for informing suppliers, as well as supporting the work and monitoring compliance with the Code.

The full Code of Conduct can be found on our website, www.clasohlson.se.

Clas Ohlson will contribute to promoting human rights in countries where we operate. We have responsibility not just for our own personnel but also for those who work for companies that manufacture the products we sell.

Our responsibility includes laying down requirements and supporting our suppliers and manufacturers in improving their operations in terms of human rights and environmental impact.

Clas Ohlson is becoming an ever larger purchaser of both goods and services in various countries, which increases our opportunities to contribute to an improved working environment and working conditions as well as the smallest environmental impact possible in the parts of the world where we operate. This is long-term and complex work that demands both commitment and effort from the whole of our organisation and the suppliers, manufacturers and other organisations with which we cooperate.

Our responsibility

Our responsibility is to maintain and develop a financially sound and successful company with a long-term sustainable operation that takes responsibility for people and the environment. From our founder Clas Ohlson there is a tradition of a sense of family and taking responsibility. The company has a strong internal culture, the Clas Ohlson spirit, which is based on a number of values and approaches. We take these core values with us into new countries through our store openings and in our approach to our partners. For further information on corporate culture, see the section on staff on page 14.

Clas Ohlson does not have its own manufacturing and does not own any factories. We are a pure retailing company that procures products from a large number of different

suppliers, agents and manufacturers around the world and sells them through our network of stores and by home shopping. Our CSR (Corporate Social Responsibility) work is focused on our own operations, that is our direct impact on the people and the environment, and how the operations of our suppliers affect people and the environment. We must take account of the whole of the product's life cycle, meaning how it is used and its impact on the environment at the end of its life.

Our aspiration

We shall offer our customers good-quality and affordable products while contributing to sustainable development for people and the environment. This is a long-term endeavour where we work on constant improvements. Our aspiration is to stay and exert influence in those countries where conditions for people and the environment have not progressed as far as they have in Sweden, for example.

Our Code of Conduct

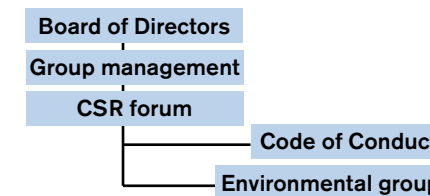
The Code of Conduct contains the demands we make on ourselves and our suppliers with regard to the working environment, working conditions and environmental impact in connection with manufacturing of the products and services we buy. More than half the products we sell have been manufactured in Asia. We procure a third of our range ourselves, through purchasing agents in Asia, directly from various suppliers and manufacturers. We have particularly great responsibility and opportunities to exert a positive influence on these purchases by checking and supporting the suppliers in their efforts to improve conditions for their employees and for the environment. At present Clas Ohlson depends on close cooperation with our purchasing agents whose task, together with our buyers and CSR auditors, is to conduct a dialogue with the suppliers.

Goals and strategies

Clas Ohlson aims to contribute to improving human rights in countries where we operate. The CSR perspective will feature in all major business decisions and be an integral part of our various processes. We will exploit the business opportunities that exist by looking for new answers to the challenges we and the world around us face in terms of social

responsibility and environmental impact.

During the financial year we created a new CSR Forum comprising the CEO and other members of Group management, who are responsible for the company's purchasing, logistics, working environment and other personnel-related issues and information. The Forum's task is to set goals, strategies and activities for the next few years and to monitor that the company is working towards the established goals in an effective manner. The Forum also includes Clas Ohlson's internal controller, Code of Conduct manager and environmental manager who coordinate operational activity in their particular areas.



Some of the measures we are taking include:

- Reduced number of manufacturers
- Greater control and proximity through a new purchasing office in China
- Cooperating with industry-wide organisations
- Expanded control organisation with recruitment of internal auditors focusing on sustainable development
- Continued training initiatives both internally and externally
- Expanded number of evaluations of suppliers and remedying of non-conformities

During the financial year we began setting up an office in Shanghai in order to come closer to our suppliers and build up a control and support organisation that can visit various suppliers and manufacturers regularly, check that the Code is being followed and help our suppliers in their efforts to improve the social and environmental aspects of their manufacturing by providing them with information and training.

Many challenges to be faced in checks on suppliers

Our range comprises 15,000 different articles, and we have more than 800 suppliers.

Due to the large number of suppliers and manufacturers ensuring that all items in the Code of Conduct are implemented is an extensive and challenging task. Information and training are of key significance in these efforts as it is necessary, together with the suppliers, to create a process that is based on constant improvements. The challenges we face in several countries in Asia include overtime work, no or weak trade unions, low level of knowledge among employees about their rights, defective working environment and inadequate protective equipment. Corruption also occurs, for example with falsified time reports, bribes and other practices that make it more difficult to conduct checks. All companies that directly or indirectly operate in Asia face these challenges and can, in various ways, contribute to an improvement in conditions. Clas Ohlson's strategy is to use a combination of its own CSR auditors and external audit firms to minimise the risk of checks being defective or inadequate.

Our tools and processes

The process begins when our Code of Conduct is sent to our suppliers and manufacturers. The vast majority of them are willing to sign the Code and to work, in interaction with us, towards improving any aspects that are not satisfactory at the outset. If a supplier is not willing to comply with the Code, cooperation is terminated.

During the 2007/08 financial year more than 97 per cent of our suppliers read and signed the Clas Ohlson Code of Conduct. Cooperation has been terminated with 13 manufacturers because of an unwillingness or inability to comply with our requirements. All new manufacturers have to be visited by us or one of our agents before being allowed to supply goods.

The various ways of assessing suppliers and manufacturers include audits. We also use self-assessments where the supplier can identify any deficiencies with regard to the requirements we specify. Around 300 of our suppliers have to date made a self-assessment that they have notified to us. Our own buyers make what is known as a quick assessment in connection with supplier visits. Twenty-six quick assessments were made during the financial year.

The most extensive check is made in a supplier audit.

When an audit is conducted at a manufacturer we examine the manufacturing facility and study various documents that show scheduling and other aspects. The visit is documented in a report that includes an action plan and measures that must be taken in cases where the manufacturer has not complied with the various criteria of the Code. If a serious non-conformity has been identified the fault must be rectified immediately for the manufacturer to be allowed to continue to act as a supplier to Clas Ohlson.

Separate control organisation built up in Shanghai

After the initial visit to a manufacturing facility, repeat visits take place, both pre-announced and unannounced. We conducted 40 audits during the financial year, the majority through an external audit company specialising in social responsibility and human rights. To be able to check that our suppliers are complying with the Code, and to help them with information and training, we will be recruiting five to ten CSR auditors, some of whom will be working on administration and system support to deal with the large volume of documents that arise in control activities. In June 2008 four people had been recruited for the CSR office in Shanghai. It takes two days to carry out a company visit, which means that one auditor can carry out around 75-80 visits a year. In addition, we will continue to conduct supplementary audits with the assistance of external audit firms.

As Clas Ohlson buys less than one per cent of its total production at some factories, it is highly advantageous to cooperate with other customer companies to assist the manufacturer in improving its operations towards established requirements and goals. The larger the customer or group of customers stipulating requirements, the greater the chances of making a breakthrough.

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 gradually adapted and developed.

History

- 1998 Policy concerning child labour
- 2001 Environmental policy
- 2004 Commenced 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
- 2008 Establishment of a Corporate Social Responsibility organisation in Shanghai

We take responsibility for the environment

Clas Ohlson regards it as essential to minimise the company's environmental impact and ensure sustainable operations. We continued working actively on the basis of our environmental objectives and action plans during the financial year.

Our environmental impact

Clas Ohlson sells products through its own stores and by home shopping. 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 operations

Our environmental policy

We aim to promote sustainable development of society for future generations through active environmental efforts.

We will do what we can to make sure that our direct and indirect environmental impact is reduced. Environmental efforts are an integral part of all Clas Ohlson operations. The environmental perspective will be considered in all important decisions with the focus on creating long-term value for Clas Ohlson's customers, staff and shareholders and for society at large. We will obviously also comply with applicable laws and other environmental requirements.

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

- continuous dialogue on environmental issues with our suppliers and manufacturers to set relevant requirements and attain set targets
- increasing the knowledge of our staff on environmental issues and encouraging participation in environmental efforts
- increasing the proportion of products with improved environmental performance in relation to materials, energy and quality

- improving the environmentally related information provided to customers
- measures to prevent environmentally harmful substances from arising and being dispersed (for example flame retardants)

Environmental objectives

Clas Ohlson's environmental efforts are focused on five different areas.

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 choose 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. Efforts will be directed towards specified savings targets in kWh per square metre and year for the distribution centre, head office and our stores.

From objectives to action

To facilitate our environmental efforts, we have broken the general environmental objectives down into detailed targets with clear ownership within the organisation. For more detailed information on our environmental efforts, visit our website www.clasohlson.se.

Total carbon dioxide emissions

Clas Ohlson's total carbon dioxide emissions from transportation and travel were 9.9 ktonnes in 2007, compared with 8.3 tonnes

in 2006. For transportation this signifies 5.4 grams/tonne-km compared with 5.5 grams/tonne-km in 2006.

Transportation

With regard to our greatest environmental impact, transportation, it is encouraging to note that this is continuing to decrease somewhat. Our emissions per tonne-kilometre continued to decrease in 2007 in comparison with 2006 with regard to both outgoing and incoming freight. With regard to outgoing freight, the decrease was due among other factors 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 was due to a decline in the proportion of transportation by air, in favour of rail and sea transport.

Products and packaging

We have started measuring the presence of PVC in our products and packaging. To date we have identified 301 products and 78 packaging items that contain more than 5% PVC. Our aim is to reduce the number of products and packaging items containing PVC year by year.

We also aim to reduce the presence of plasticisers in plastics. This applies in particular to products that entail skin contact. We also apply the rules regarding plasticisers in plastic toys to other product categories.

Printed matter

Clas Ohlson has issued a catalogue annually since 1918. The catalogue is printed in accordance with Nordic Swan ecolabel criteria and distributed principally with deliveries of products to our stores.

In addition to the catalogue we send out regular mailshots printed on Nordic Swan ecolabelled paper.

The Clas Ohlson annual report is only distributed to those shareholders who have requested to receive printed information from the company. This leads to a substantially reduced print run and therefore reduced environmental impact. We endeavour instead to bring about a situation in which everyone who can do so will read our

financial information on the Internet. The annual report is printed on Nordic Swan ecolabelled paper.

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 subjected to normal-year correction, meaning that they are adjusted to take account of any deviations in average temperatures. The key indicators have improved, particularly with regard to oil consumption, due to our using an electric boiler in Insjön to a greater extent than in the previous year. Another step will be taken during the 2008/09 financial year when parts of the facility will be heated by a biofuel-based district heating system.

In-store energy use varies sharply between different stores. Individual targets are set for each store together with an action plan and timetable. The improvements are achieved through a combination of training of staff, consistent use of low-energy lamps and other technical aids.

Laws and guidelines

Clas Ohlson is a member of Elkretsen, the electrical industry's jointly-owned company for the management of waste electrical and electronic products. As we sell many such 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 by the EU WEEE Directive (Waste Electrical and Electronic Equipment), which came into force in 2005. Clas Ohlson also complies with the RoHS (Restriction of certain Hazardous Substances) Directive, which aims to reduce the presence of four heavy metals and two types of brominated flame retardants. The EU's chemicals legislation REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) came into force in June 2007 and



Good environmental choice
In 2007, 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 recognition of our increased commitment to the transportation of goods by rail.

largely replaces national laws in the areas of chemicals management. The rules come into effect in stages and their application will be expanded over the next few years. Clas Ohlson is adapting its organisation so that it can also comply with future legislation.

Stores in central locations

Clas Ohlson's strategy involves primarily establishing stores in town and city centres, meaning places people frequent in their everyday lives. In most cases, this makes it possible for customers to easily reach the store without driving. We feel that this is preferable both for our customers and for the environment.

TRANSPORTATION			
Environmental impact per tonne-kilometre	2007	2006	
Outgoing freight			
Carbon dioxide, grams	49.60	51.60	
Nitrogen oxides, grams	0.373	0.372	
Hydrocarbons, grams	0.018	0.019	
Total energy consumption, kWh	0.189	0.193	
Incoming freight – Europe			
Carbon dioxide, grams	31.00	32.70	
Nitrogen oxides, grams	0.300	0.299	
Hydrocarbons, grams	0.024	0.023	
Total energy consumption, kWh	0.129	0.144	
Incoming freight – Asia			
Carbon dioxide, grams	3.71	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 km and year	2007	2006	
Store premises, kWh	128	126	
Head office, kWh	171	142	
Head office, litres of oil	0.1	3.9	
Distribution centre, kWh	100	95	
Distribution centre, litres of oil	1.5	1.8	

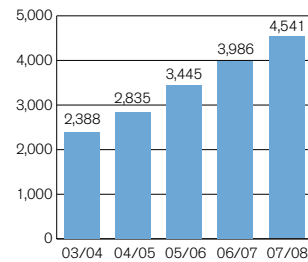
Energy use has been divided into three different areas: electricity consumption of stores and electricity consumption and oil consumption of head office and distribution centre. The goal is to improve the key indicators every year.

Sales channels

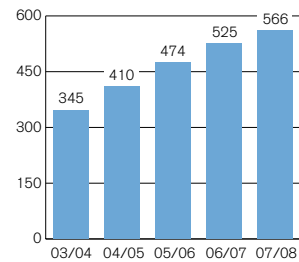
Stores

Store sales have increased over the past five years from SEK 2,388m to SEK 4,541m, a rise of 90 per cent. The number of annual visitors has increased over the same period from 24.9 million to 44.6 million.

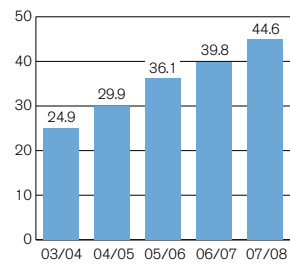
Sales, SEKm



Operating profit, SEKm



Number of visitors, millions



Increase in sales

Like-for-like stores in local currency	0 per cent
New stores	+ 12 per cent
Exchange-rate effects	+ 2 per cent
Total	+14 per cent

Clas Ohlson started as a mail-order company 90 years ago, and a long period of successful mail-order activity laid the foundation for what the company is today. The stores now account for 97 per cent of sales, and at the end of the financial year there were 86 stores in Sweden, Norway and Finland.

Stores

Store locations

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. Most of the product range is easily accessible for self-service in each store. Less than 10 per cent of the products are sold over the counter.

Because we run our stores ourselves, we do not operate on a franchise basis. The store premises are rented on long-term leases.

We have two different concepts with regard to size of store: large stores with 1,200 – 2,000 square metres for large catchment areas, and medium-sized stores of 700 – 1,200 square metres for areas with a smaller population.

Attractive stores

Clas Ohlson is an attractive store for a shopping centre. Our store openings often result in a substantial increase in the number of visitors to the whole centre. We attract new customer groups, and our broad range brings in visitors of all ages, both men and women. A Clas Ohlson store is often also 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.

New store concept

A new store concept will make it easier for customers to find their way around the stores. It is anticipated that the new concept will be ready for launch during the third quarter of 2008/09 and then be applied in new stores. Existing stores will be gradually adapted over the next few years. The new concept is expected to have a marginal impact on start-up costs for new stores.

Investments in and costs of conversion of existing stores are estimated to total around SEK 40m per year over a five-year period.

Financial commitment

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

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

Rate of store openings

The opening of 20–25 new stores is planned for the 2008/09 financial year, including two to four 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 profits

Store turnover during the financial year totalled SEK 4,540.6m, which was a rise of 14 per cent on the previous year (SEK 3,985.7m). Store sales thus accounted for 97 per cent of total Group sales.

Operating profit for the stores totalled SEK 566.0m, which is 8 per cent up on the previous year (SEK 525.0m) and was equal to an operating margin of 12.5 per cent compared with 13.2 per cent in the previous year.

The new stores entailed start-up costs of SEK 50.9m during the financial year (previous year SEK 38.5m). The average turnover rate for in-store stocks is 6 times. Our largest stores meet the target of eight to ten times a year, while the smaller ones attain a lower rate.

Sweden

Our Swedish stores attracted 30.3 million visitors in 2007, an increase of 3.3 million or 12 per cent on 2006. Of these visitors,

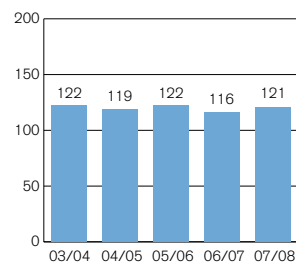


Paint brushes
Sand paper
Saw blades
Drills

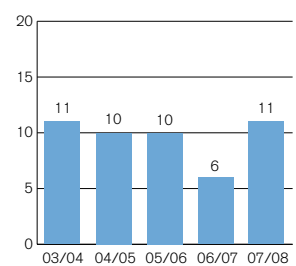
Home shopping

Home shopping sales have stabilised in the past five years at levels of around SEK 120m.

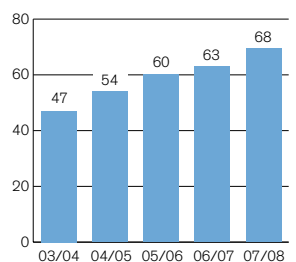
Sales, SEKm



Operating profit, SEKm



Proportion of Internet orders, %



New stores and future store openings*

Location	Month of opening	Retail space, m ²
Sweden		
Häggvik, Stockholm	May 2007	1,100
Piteå	Sep. 2007	1,380
Vällingby, Stockholm	Nov 2007	1,300
Sickla, Stockholm	Dec 2007	1,600
Kungsbacka	Mar. 2008	1,500
Visby	Apr. 2008	1,300
Birsta, Sundsvall	Apr. 2008	1,800
Skövde	Autumn 2008	1,150
Falun	Winter 2008	1,400
Västra Fölunda, Göteborg	Oct. 2009	1,700
Norway		
Kilden, Stavanger	Oct. 2007	1,250
Skien	Oct. 2007	1,200
Arendal	Nov 2007	1,300
Madla, Stavanger	Nov. 2007	1,100
Lade, Trondheim	Feb. 2008	1,650
Tromsø	June 2008	1,150
Storo, Oslo	June 2008	1,100
Asker	Oct. 2008	1,350
Kristiansand	Oct. 2008	1,400
Jessheim	Oct. 2008	1,320
Drammen	Nov. 2008	1,300
Hønefoss	Feb. 2009	1,350
Molde	Mar. 2009	1,340
Lillehammer	Winter 2009	1,390
Finland		
Kokkola	Sep. 2007	1,100
Lempäälä, Tampere	Nov. 2007	1,600
Lappeenranta	Nov. 2007	1,400
Seinäjoki	Sep. 2008	1,165
Rovaniemi	Oct. 2008	1,240
Joensuu	Autumn 2008	1,750
Espoo	Autumn 2008	1,320
United Kingdom		
Croydon, London	3rd quarter 2008/09	1,900

* Contracted in June 2008.

14.9 million made purchases.

The number of stores increased by seven during the financial year, and there were a total of 45 stores in Sweden at the end of the financial year. Contracts have so far been signed for two new stores for the 2008/09 financial year.

Our judgement is that the Swedish market is not yet saturated in terms of 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 9.5 million visitors in 2007, an increase of 1.0 million or 12 per cent on 2005. Of these visitors, 6.7 million 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 29 stores in Norway. Decisions have so far been taken on another eight stores for the 2008/09 financial year.

Neither is the Norwegian market saturated with regard to continued openings of Clas Ohlson stores. There are several stores with catchment areas with a population of 50,000, which demonstrates that we can also attain good profitability in smaller towns.

Finland

Our Finnish stores had 4.8 million visitors in 2007, an increase of 0.5 million or 12 per cent on 2006. Of these visitors, 2.1 million made purchases.

Three stores were added during the financial year, and at the end of the financial year there were 12 stores in Finland. Decisions have so far been taken on another four stores for the 2008/09 financial year.

As we start to become better known in the market, we are being offered increasingly 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 home shopping as well.

Home shopping

Home shopping sales totalled SEK 121.0m,



which is 5 per cent up on the previous year (SEK 115.5m). This means that home shopping accounted for 3 per cent of total Group sales.

The operating profit for home shopping totalled SEK 11.5m, a rise of 95 per cent on the previous year (SEK 5.9m). This means

an operating margin of 9.5 per cent, compared with 5.1 per cent in the previous year. The Internet accounted for 68 per cent of the total number of orders received by the home shopping operation during the financial year (previous year 63 per cent).

The brand and our marketing



The Clas Ohlson brand is one of the company's greatest assets. Our market positioning as the problem solver in everyday life will be highlighted through enhanced communication with our customers. Marketing was broadened during the financial year to include radio and television advertising.

New countries mean new challenges

Clas Ohlson is a well-known brand in Sweden and Norway. Clear and consistent marketing is required in new markets to establish the Clas Ohlson brand. Extensive branding was undertaken during the year in terms of Clas Ohlson's market position, which will be of great benefit in our efforts to establish a distinct position in both new and existing markets.

Brand

Customer surveys were conducted in all Clas Ohlson's markets during the financial year, which have provided us with a clear picture of how the Clas Ohlson brand is viewed and what the frequency of visits looks like. A total of 96 per cent of the population between the ages of 18 and 69 are familiar with Clas Ohlson in Sweden. The equivalent figure is 97 per cent in Norway and 57 per cent in Finland. The proportion of female customers is just over 40 per cent. The commonest type of visitor is a man aged 25-35.

Our business concept is to make it easy for people to solve the little practical problems in everyday life. The Clas Ohlson brand should represent:

Ease of access

Our stores should be located in places people frequent in their everyday lives, we should be welcoming and easy to talk to. The same ease of access should apply in Internet shopping.

Reliability

We should provide a high level of service, be honest and generous and offer good-value products at high quality.

Helpfulness

We aim to have friendly and committed staff who have a genuine interest in helping

the customer. The stores should have a logical and instructive structure that helps customers to find their way around.

Innovative thinking

Clas Ohlson's purchasing activity should be notable for curiosity with regard to finding smart solutions and a willingness to respond to vital trends.

Versatility

Our product range should have sufficient depth, with several price levels for different situations. The customer should always be offered an exciting shopping experience.

The catalogue showcases diversity

The main catalogue had a print run of 4.1 million copies during the financial year. The catalogue is printed in Swedish, Norwegian and Finnish. The catalogue of boat accessories is released in March and is valid until August. In addition, special catalogues for multimedia and mobile phone accessories were published during the financial year.

Two catalogues per year

With effect from the 2008/09 financial year Clas Ohlson's main catalogue will be published twice a year instead of once. This allows for greater flexibility with regard to both product range and pricing.

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. The seasonal offers are distributed by mailshots, as a supplement to various newspapers and magazines or through advertisements. Altogether we ran eleven themed campaigns during the financial year, of which the Christmas campaign was by far the largest in terms of both size and print run. The campaigns were also targeted at the 108,000 customers in the Internet customer club who were informed of all offers 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, radio ads and public relations. Marketing is stepped up in the final few days prior to opening.

Television and radio advertising

Clas Ohlson's largest television advertising campaign to date was launched during the financial year. The commercial, which was run during Christmas trading and in the spring, attracted attention and gained several awards. Radio advertising was also used to supplement the marketing effort.

Shows and trade fairs

When Clas Ohlson attends exhibitions and trade fairs, the focus is on meeting existing and prospective 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 three major shows and trade fairs, including Stora Nolia, a consumer products fair held every year in Piteå, with around 120,000 visitors, and Stockholm International Boat Show 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, where Clas Ohlson was founded and where the head office and distribution centre are located. Our major commitments include sponsoring the Vasaloppet cross-country skiing event and the ice-hockey team Leksands IF. Clas Ohlson also supports the Dalhalla outside Rättvik, one of the largest music centres in Sweden, as well as Tällberg Forum.



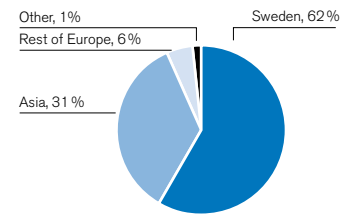
Our TV ad showing products that fall onto each other and create a domino attracted considerable attention.

Product range and purchasing

Mainly from Swedish suppliers

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 purchase



Clas Ohlson's product range is intended to help our customers to solve their little practical problems in everyday life. The rate of renewal of the range is high, focusing on technology, function and quality. Environmental and ethical issues are also key factors in the choice of products and suppliers.

A broad and attractive range is an important factor in our success. Clas Ohlson's product range was divided into five new categories during the financial year. The classification is based on the needs of customers and areas of use.

The everyday problem solver

Clas Ohlson's product range will be adapted and focused on providing answers to the customers' practical problems in everyday life. The range is broad and contains a total of 15,000 products. In addition to the ordinary catalogue range, which included 1,700 new items during the financial year, there are campaign products and accessories in the range. Clas Ohlson does not conduct manufacturing of its own, nor does it hold any product patents. We are not dependent on any individual product area and regard a broad range as a competitive advantage. Nor are we dependent on any single supplier.

Continued focus on own-brand goods

Our commitment to own-brand goods has continued to prove successful. Own-brand goods accounted for 22 per cent of sales during the financial year. The objective is to increase the proportion of own-brand goods to at least 25 per cent. The products sold as own-brand goods are notable for quality according to need at attractive prices. For a description of Clas Ohlson's own brands, see page 31.

High rate of renewal

We have had a high rate of renewal in recent years, replacing between 1,300 and 1,700 products every year. It is annual profitability and the product life cycle that determine whether an item is allowed to 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.

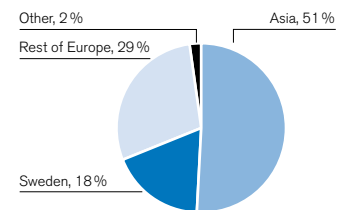
Clas Ohlson's five product areas



Half of manufacturing in Asia

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

Countries of origin



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.

Quality tests

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

Five product areas

The purchasing department is divided into four groups: home/household/leisure, machines/tools, electrical/electronics and multimedia. Category and product managers attend large trade fairs and visit suppliers around the world to find new products, but also to develop the existing range. By visiting the factories we can also influence design, choice of materials, manufacturing method and manufacturing conditions in terms of working environment, working conditions and environmental impact.

An experienced organisation

Many of our category and 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 provide us with good continuity with regard to purchasing and range development. We consider it important for present-day buyers and product managers to feel the same curiosity about new products as Clas Ohlson did. This curiosity is part of our culture.

Our product managers underwent thorough training during the financial year in our Code of Conduct and our methods and tools for checking and supporting our suppliers. Clas Ohlson's product managers have an important role to play in efforts to improve the working environment and conditions, thus ensuring that the environmental properties of the products are acceptable.

More than 800 suppliers from 30 different countries

Clas Ohlson's approximately 800 suppliers are located in 30 different countries. Swedish suppliers accounted for 62 per cent of total purchases during the financial year, compared with 56 per cent in the previous year. The largest Swedish suppliers are trading houses 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 31 per cent from Asia, the proportion of Asian products is more than 50 per cent, which is unchanged in comparison with the previous year.

The ten largest suppliers accounted for 40 per cent of deliveries, compared to 39 per cent in the previous year.

Purchasing company in Shanghai

Asia, and China in particular, is becoming an increasingly important purchasing market for Clas Ohlson. During the financial year we started setting up a wholly owned purchasing company in Shanghai to further strengthen Clas Ohlson's competitiveness in its continued expansion. The aim is to reduce purchasing costs and extend the scope of cooperation both with suppliers and with the manufacturers from which we make direct purchases. The organisation for purchasing and CSR will be further strengthened during the 2008/09 financial year. Additional information on our efforts towards sustainable development is available on pages 18-19 of the annual report.

Own brands

We have around 15 000 products in our range. The range is divided into five different product areas – Home/household, Leisure, Machines/tools, Electrical/electronics and Multimedia.

We have made an increasing commitment to own-brand goods in recent years. Today they account for 22 per cent of sales. The objective is to increase this share to 25 per cent. The products sold as own-brand goods are notable for quality according to need at attractive prices.

CLAS OHLSON

coline



Domestic appliances

prologue



Watches

ASAKLITT



Outdoor equipment

COITECH TOOLS



Power tools, batteries and electrical components

PROAGUA



Aquatic sports equipment

Capere



Kitchen utensils

EXIBEL



Telephony, video and audio

Sany



Artists' materials

Cocraft



Hand tools

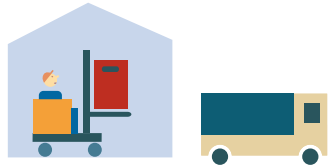
GAVIA



Fishing gear



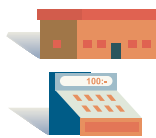
Logistics and IT



Central system
All information relating to products, customers and suppliers is registered in a joint database. Many of the software routines, such as purchasing and warehousing, 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.



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 should communication with the other systems fail.

The warehouse and distribution centre in Insjön is now being expanded so that it can service at least 150 stores quickly and efficiently. Automated systems are responsible for high availability in stores and more than 95 per cent of orders are delivered within 24 hours.

Logistics

The distribution centre in Insjön is the logistic hub of the entire Group, and all goods destined for our stores and remote customers pass through it. The average rate of stock turnover in the distribution centre during the financial year was 6.8 times (previous year 6.3 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.

We're building for the future

The distribution centre in Insjön is being expanded to create capacity to distribute products to around 150 stores. The investment is estimated to total SEK 370m, and it is anticipated that this delivery and handling facility will enter service in the spring of 2009.

In addition, the Board decided during the financial year to build an enlarged high-bay warehouse in Insjön so that storage capacity and efficiency can be improved. The cost of the expanded high-bay warehouse, which is expected to be in operation at the end of 2009, is estimated at SEK 245m. After this investment the warehouse and distribution centre in Insjön will be fully expanded with capacity to distribute and stock goods for at least 150 stores with a high level of efficiency.

Distribution during year

We received around 225,000 pallets and 1,838 freight containers during the financial year at our inward delivery unit. The equivalent figures for 2006/07 were 195,000 pallets and 1,628 freight containers.

A total of 5.9 million picking rows were supplied to the stores during the financial year, representing an increase of 15 per cent on the previous year (5.1 million). The

normal delivery time to the stores is 1-3 days and ordering takes place automatically via the in-store computer system. We also delivered around 176,600 mail-order consignments (previous financial year 172,500), equivalent to 675 a day.

IT systems and security

We have been working to develop IT systems intended to support our operations 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, meaning that 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 computer system and the checkout system.

1. Central system

All information relating to products, customers and suppliers is registered in our joint central database system. Purchasing routines, warehousing routines and joint 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 internal information is stored via the in-store computer system. Ordering points for all items in the store are entered into the system i.e. when an item reaches its re-ordering point, an order is automatically sent to the central system.

3. Check-out system

A special checkout system is linked to each in-store system that handles the sales transactions in the store concerned. 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

Since the operation is based on the integrated systems working with as few interruptions as possible, IT security is a high priority. All the systems are duplicated to ensure high availability and short down times. This means quicker 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 and virus protection are other parts of Clas Ohlson's security system. 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 which provide us with adequate cover for inventories, buildings, machinery and equipment, as well as 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 staff have received training in fire safety and are thoroughly familiar with applicable fire-safety rules. When new staff 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 emergency fire team among our staff, which has received special training in fire safety.

The building containing the central warehouse is divided into fire compartments, which are separated by firewalls and fire shutters. The fire alarm system, which has around 445 fire detectors, is linked directly to the SOS Alarm emergency services switchboard, as well as to our in-house duty team.

The property is equipped with a sprinkler system, consisting of around 21,700 ceiling-mounted sprinkler valves. 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



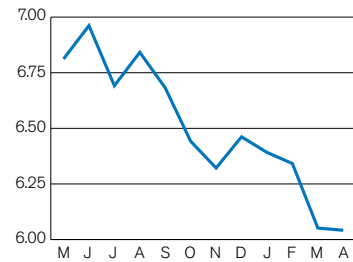
A total of 5.9 million picking rows were supplied to the stores during the financial year.

boiler house. A special fire pond has been created next to the high-bay warehouse section to ensure that water for fire 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 relevant requirements.

Risks and factors of uncertainty

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 2007 was SEK 6.84. The exchange rate then weakened during the summer and autumn before subsequently strengthening slightly during the spring. On 30 April 2008 it stood at SEK 6.05, down 12 per cent.

The highest exchange rate during the financial year was SEK 7.09, recorded in June, while the lowest was SEK 5.84, recorded in April. The average exchange rate for 2007/08 was approximately SEK 6.50, compared with SEK 7.20 in 2006/07.

Clas Ohlson's operations involve risks that may have a negative impact on 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 those that relate to financial considerations, principally foreign-exchange exposure.

Both operating and financial risks can have an impact in the short and long term on the prospects of attaining the goals set out in the business plan. The scope of work on the company's general risks was extended during the financial year, firstly by conducting an inventory of existing risks and secondly by developing a process on how regular work on the company's risks can continue to be pursued. The regular work undertaken in a coordinated and systematic manner is principally aimed at rapidly visualising new risks, limiting exposure to risk and limiting the impact in the event of a risk becoming reality. This work, which is undertaken in accordance with COSO (Committee of Sponsoring Organisations of the Treadway Commission) will continue to be given high priority as the operation grows and develops.

Operating risks

Start-up in the United Kingdom

The forthcoming start-up in the United Kingdom, with its population of 60 million, signifies opportunities for Clas Ohlson with another market, but also entails risks. One of the risks is that the brand is unknown to most people and expected to take time to establish in new markets. Further information on the start-up of the UK operation can be found on pages 8-9.

Purchasing in China

Clas Ohlson today buys around 31 per cent of its products from Asia. The proportion of purchases made in Asia is to be further increased through a separate purchasing company. This makes it possible to strengthen the company's competitiveness in its continued expansion. The increased exposure to a single country entails an increased risk (political risks, transport risk etc.).

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. Competition increased during the year, particularly in Sweden, as a result of more stores and shopping centres.

Clas Ohlson has a long-term objective to grow by 15 per cent a year. In Sweden, Norway and Finland, this will be done by opening more new stores, together with clearer positioning. In the United Kingdom two to four stores are planned during the next financial year.

Logistics

Clas Ohlson's distribution centre in Insjön represents the hub of the entire Group's logistic chain. Goods are distributed from here to all the stores and to home shopping customers. Decisions have been taken on expansion, which will further improve logistics efficiency. There are, however, risks in having logistics concentrated in one place. This applies for example to interruptions to communication and infrastructure, fires or strikes. The investment in the distribution centre simultaneously entails higher overheads, which can have a negative impact on profitability if Clas Ohlson's rate of growth declines. For further information, see pages 32-33.

Key individuals

An increasingly important factor of success is an ability to attract and retain key skills. Clas Ohlson's principles of remuneration were changed during the financial year to contain a long-term share-related incentive scheme. For further information, see pages 44-45. The company's geographical location necessitates flexible work patterns, which are an important element in attracting key individuals from elsewhere. Without these options the company would face the risk of key individuals moving to other work locations.

Corporate Social Responsibility (CSR)

There is increasing focus in society on issues relating to Corporate Social Responsibility (CSR). Clas Ohlson works actively on these issues, which are regarded as strategically important and as an element in pursuing a sustainable operation. If the company fails from this point of view there is a risk of falling sales and market shares. For further information on Clas Ohlson's Code of Conduct and efforts to audit its suppliers, see pages 18-19.

Product range

The company's most important task is to offer its customers a broad and attractive range. If Clas Ohlson misjudges new trends or product areas, the result may be lower growth and profitability.

Retail loss

Clas Ohlson is exposed daily to retail losses of various kinds, such as shoplifting and theft. The company makes efforts to reduce retail losses through long-term active prevention in the form of training programmes, technical equipment and continuous follow-up and evaluation of security measures.

Financial risks

Pay inflation in manufacturing countries

Clas Ohlson is affected by changes in levels of pay in those countries where the company's products are manufactured. This can vary between different products depending on how large a proportion of the manufacturing process is work-related. Pay levels in China increased by nearly 19 per cent in 2007 according to the national statistical office. This is the largest increase in six years.

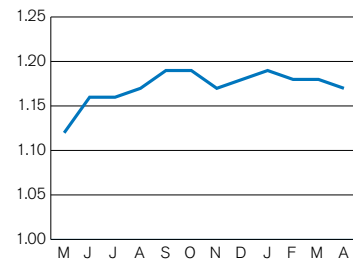
Raw-material prices

Purchasing prices for the company's products are affected to a relatively great extent by prices for individual raw materials on the world market. This applies in particular to electrical equipment (copper), batteries (zinc), lighting (aluminium) and plastic products (oil). The company does not directly hedge purchases of raw materials. This signifies a risk as the purchase prices for the products concerned are affected by trends in raw-material prices, while selling prices are fixed during the catalogue period.



Clas Ohlson solves many of the small practical problems of everyday life, as here in an Oslo store.

Exchange rate NOK/SEK



Norway accounts for more than a third of our sales. At the start of the financial year on 1 May 2007 the exchange rate for the Norwegian krone (NOK) was SEK 1.12 against the Swedish krona. The exchange rate then strengthened during the summer and autumn. On 30 April 2008 it stood at SEK 1.17, a rise of 4 per cent.

The highest exchange rate during the financial year was SEK 1.20, recorded in October, while the lowest was SEK 1.12, recorded in May. The average exchange rate for 2007/08 was approximately SEK 1.17, compared with SEK 1.13 in 2006/07.

Currencies

The company has relatively high exchange-rate exposure through its sales in Norway and through the Group's purchasing. Around 38 per cent of purchases are denominated 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 significant to the Group as Norway accounts for more than a third of sales. Due to our expansion in the Finnish market, and the increasing sales in EUR, the net exposure to the EUR is low.

The table below 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, are used in the pricing of products in the main catalogue. Around 50 per cent of the expected flow is hedged one year ahead. As a result, the company is guaranteed the estimated exchange rate for a large proportion of its purchases but at the same time takes 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.

Currency movements

The Norwegian krone strengthened in relation to the Swedish krona during the financial year. The average exchange rate for the Norwegian krone was SEK 1.17, which was 4 per cent up on the average rate for the 2006/07 financial year, when it was SEK 1.13. This has had a positive impact on sales as more than a third of sales take place in Norwegian kroner.

The US dollar weakened against the Swedish krona in the preceding financial year, and this has had a positive impact on gross margin when it generally has led to lower purchasing prices. The average exchange rate during the 2007/08 financial year was 10 per cent lower than in the previous year (around SEK 6.50 compared with SEK 7.20). The same applies to the Hong Kong dollar, as it is pegged to the exchange rate for the US dollar, and both currencies have therefore shown an identical trend. The Chinese currency RMB has weakened by 4 per cent against the Swedish krona over the same period, that is to say not as much as the US dollar.

Sensitivity analysis		
Factor	Change	Impact on profit before tax, SEKm
Volume of sales	+/- 5 per cent	+99/-108
Currency		
- NOK	+/- 5 per cent	+/- 39
- USD	+/- 5 per cent	-/+ 21
- HKD	+/- 5 per cent	-/+ 10
- EUR	+/- 5 per cent	+/- 4

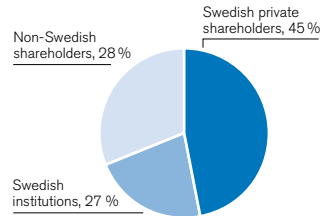
The table shows how earnings are affected by changes in the most important currencies. Note that the above excludes currency hedging. The company has relatively considerable exchange-rate exposure through its sales in Norway and through the Group's purchasing. The table also shows how earnings are affected by a change in volume of sales for like-for-like units.



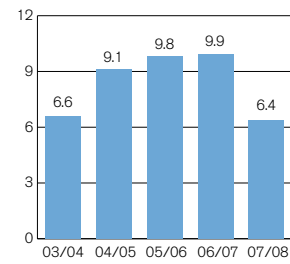
LIGHTING
RADIO
LOW-ENERGY LAMP
SPOTLIGHT

Increased dividend

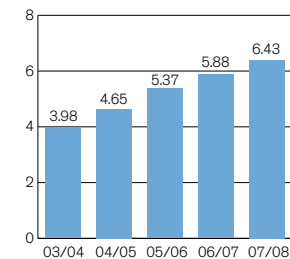
Shareholder categories, % of capital



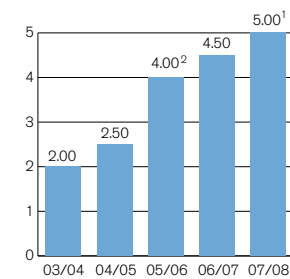
Market capitalisation, SEK billion



Earnings per share, SEK



Dividend per share, SEK



¹ Proposed dividend
² Including extra dividend of SEK 1.00

Clas Ohlson B shares are listed on the OMX Nordic Exchange and have been listed on the Stockholm Stock 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 became SEK 13.25.

The share price fell from SEK 150.50 to SEK 98.25 over the financial year covering the period 1 May 2007 to 30 April 2008, a drop of 35 per cent. The Affärsvärlden General Index fell by 24 per cent over the same period. The lowest price paid during the period was SEK 95.75, recorded in April, while the highest price paid during the period was SEK 167, recorded in August.

Share turnover

Over the period, 24,051,239 Clas Ohlson shares changed hands on the Stockholm Stock Exchange, equivalent to a turnover rate of 37 per cent. The total turnover rate on the OMX Nordic Exchange over the same period was 130 per cent.

Clas Ohlson's total market capitalisation on 30 April 2008 was SEK 6.4 billion.

Share capital

The share capital of Clas Ohlson totals SEK 82 million, divided into 5,760,000 A shares and 59,840,000 B shares, each with a quotient value of 1.25. Each A share carries ten votes, while each B share carries one vote. All shares carry equal rights to payment of dividend. Holders of A shares can request that their A shares be converted to B shares.

Shareholders

On 30 April 2008 there were a total of 22,744 shareholders according to the register of shareholders maintained by VPC (the Swedish Central Securities Depository), compared with 23,903 on 30 April 2007. The ten largest shareholders at that time held 71.5 per cent of the capital and 84.1 per cent of the votes.

Non-Swedish shareholders accounted for 28.2 per cent of the capital and 36.7 per cent of the votes. Swedish institutions accounted for 26.7 per cent of the capital and 14.9 per cent of the votes. Swedish private individuals accounted for 45.1 per cent of the capital and 48.4 per cent of the votes.

Dividend policy and dividend

Financially, Clas Ohlson will be well positioned for continued good growth in operations as well as being ready to exploit business opportunities. It is essential that expansion continues, as it has done 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 profit after tax. In addition, the Board may propose that surplus liquidity also be distributed.

For the 2007/2008 financial year, the Board proposes that a dividend of SEK 5.00 per share be paid (previous year 4.50).

The Board's proposal is equivalent to around 78 per cent of Group net profit (previous year 77 per cent) and 22 per cent of Group equity (previous year 22 per cent).

Shareholder 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. Clas Ohlson's financial results are presented four times a year, at the end of each quarter.

We distribute a printed annual report by post to all shareholders who so request 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 our website, www.clas-ohlson.se. Both press releases and reports appear there the moment they are published. The website contains all the press releases, interim reports and annual reports we have published since the initial public offering in October 1999. The prospectus for the initial public offering can also be downloaded as a PDF file. 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 analysts' presentations we hold around the time of the publication of our

interim report on our website. Reading these presentations is an excellent way of forming an impression of the company and its shares.

External analyses

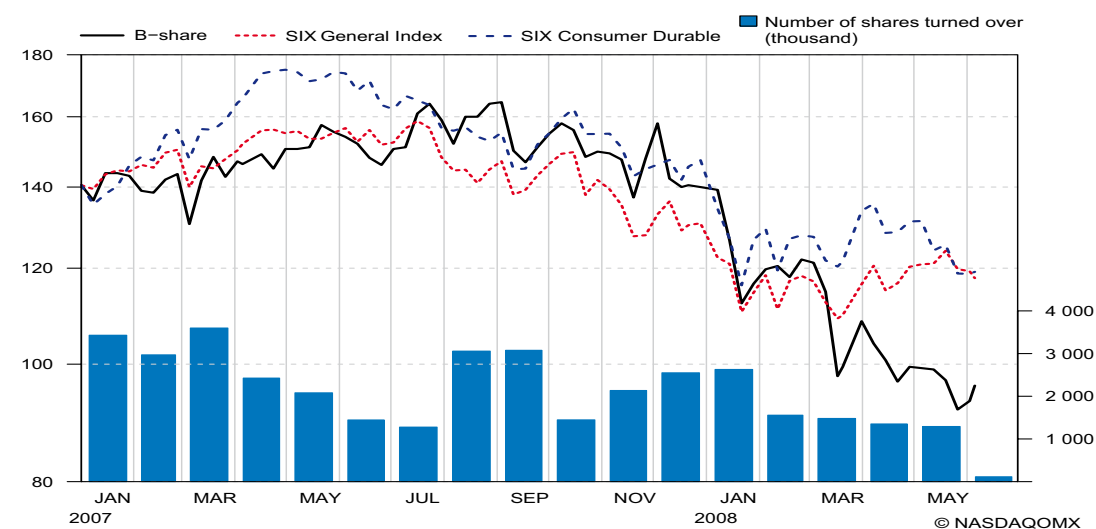
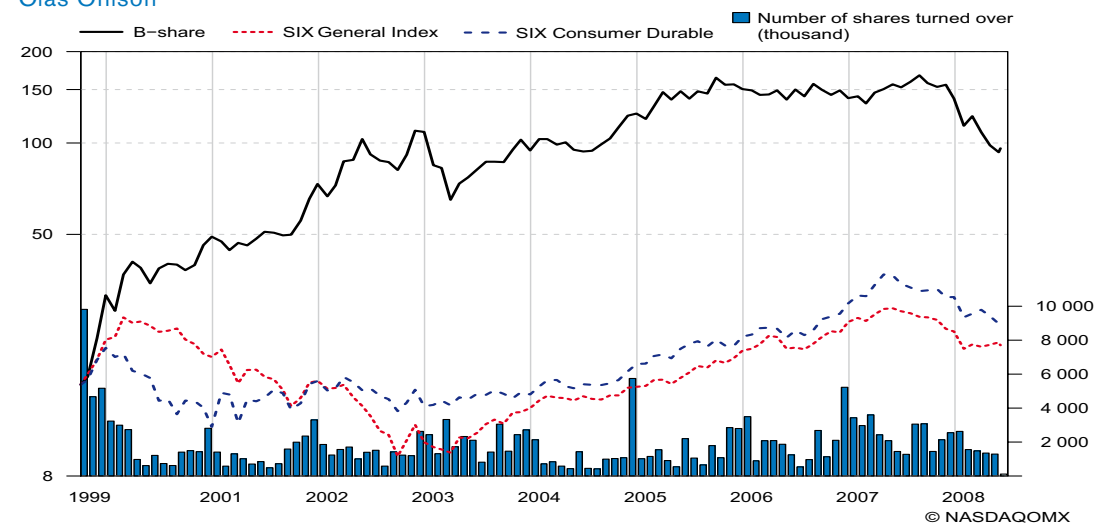
A number of stock market analysts regularly track Clas Ohlson and present analyses of the company and its shares. These include:

- ABG Securities
- Carnegie
- Danske Bank
- Erik Penser
- Handelsbanken
- Kaupthing
- Nordea
- Redeye
- SEB Enskilda
- Swedbank
- Öhman



The Clas Ohlson Annual General Meeting (AGM) is very well attended. Last year's AGM attracted an attendance of nearly 1,700, making it one of the largest AGMs in Sweden.

Clas Ohlson



Data per share

	2007/08	2006/07	2005/06	2004/05	2003/04
Number of shares, millions	65.6	65.6	65.6	65.6	65.6
Earnings per share, SEK	6.43	5.88	5.37	4.65	3.98
Gross cash flow per share, SEK	7.71	7.02	6.32	5.40	4.55
Equity per share, SEK	22.86	20.84	19.16	16.14	13.47
Share price at 30 April, SEK	98.25	150.50	149	139	100
Dividend per share, SEK	5.00 ¹	4.50	4.00 ²	2.50	2.00
P/E ratio, multiple	15	26	28	30	25
Share price/gross cash flow, multiple	13	21	24	26	22
Price-to-book-value ratio, %	430	722	778	861	746
Yield, %	5.1	3.0	2.7	1.8	2.0
Dividend payout ratio, %	78	77	74	54	50

¹ Proposed dividend.

² Including extra dividend of SEK 1.00.

Trend in share capital

Year	Transaction	Additional shares	Accumulated no. 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

The major shareholders*

Shareholder	Number of A shares	Number of B shares	Percentage equity	Percentage 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	1,186,800	2.2	3.5
AFA Försäkring		4,193,226	6.4	3.6
Andra AP-fonden		3,696,757	5.6	3.1
IF Skadeförsäkring		2,888,429	4.4	2.5
SEB Fonder		1,500,500	2.3	1.3
Anders Moberg		1,312,000	2.0	1.1
Fjärde AP-fonden		1,046,480	1.6	0.9
Swedbank Robur Fonder		547,382	0.8	0.5
Other shareholders		18,144,570	27.7	15.4
Total	5,760,000	59,840,000	100.0	100.0

Shareholder categories*

Shareholder	Number of A shares	Number of B shares	Percentage equity	Percentage votes
Swedish private individuals	3,024,120	26,558,428	45.1	48.4
Swedish institutions		17,504,691	26.7	14.9
Non-Swedish shareholders	2,735,880	15,776,881	28.2	36.7
Total	5,760,000	59,840,000	100.0	100.0

Shareholding structure*

Size class	Number of securities	Percentage	Number of shareholders
1-500	2,720,010	4.1	15,910
501-1000	3,471,233	5.3	4,277
1 001-5 000	4,737,250	7.2	2,191
5 001-10 000	1,475,479	2.2	200
10 001-20 000	1,087,287	1.7	74
20 001-100 000	2,502,343	3.8	72
100 001-500 000	1,625,768	2.5	8
500 001-	47,980,630	73.2	12
Total	65,600,000	100.0	22,744

* at 30 April 2008

Directors' report

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

The Board of Directors and Chief Executive Officer of Clas Ohlson AB (publ), with registered office and head office in Insjön, in the Municipality of Leksand, present herewith the annual accounts for the financial year 01.05.2007 to 30.04.2008. Unless otherwise stated, the figures relate 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 retail stores and by home shopping. The company has operated in Sweden, Norway and Finland. At the end of the period, the number of stores was 86, 45 of which were located in Sweden, 29 in Norway and 12 in Finland. The product range comprises around 15,000 items bought from a large number of suppliers in some 30 countries. The products are bought in to the distribution centre in Insjön and from there are distributed to customers through the company's own stores in Sweden, Norway and Finland or by home shopping direct to customers.

Clas Ohlson is continuing to grow and take market shares. The trend in Norway has remained strong. In Finland Clas Ohlson is continuing to grow, while sales per square metre remain lower than in equivalent stores in Sweden and Norway. The Swedish operation has been affected by a slowdown in retailing. Competition is intensifying in Sweden as a result of the opening of more stores and shopping centres, while Clas Ohlson's steady increase in market coverage entails some internal competition. As a result, sales in like-for-like stores in the Group were unchanged in comparison with the corresponding period of the previous year.

Major events

Fifteen new stores were opened during the financial year, seven in Sweden, five in Norway and three in Finland. In addition, one store in Helsinki in Finland was relocated.

Klas Balkow took over as President and CEO on the retirement of Gert Karnberger at the Annual General Meeting held in September 2007.

During the financial year Clas Ohlson began setting up a purchasing office in Shanghai (China), operation of which will be gradually expanded over the next few years. This initiative is being taken to strengthen the company's competitiveness in its continued expansion.

Sales and profits

Sales totalled SEK 4,661.6m, a rise of 14 per cent on the previous year (SEK 4,102.2m).

Sales are broken down as follows:

	2007/08	2006/07	Percentage change
Sales channels			
Stores	4,540.6	3,985.7	+14
Home shopping	121.0	115.5	+5
	4,661.6	4,101.2	+14
Country			
Sweden	2,585.9	2,345.4	+10
Norway	1,716.8	1,458.2	+18
Finland	358.9	297.6	+21
	4,661.6	4,101.2	+14

The 14 per cent increase in sales by stores is broken down as follows:

Like-for-like stores in local currency	0 per cent
New stores	+12 per cent
Exchange-rate effects	+2 per cent
Total	+14 per cent

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

Gross margin was 40.2 per cent, compared with 39.7 per cent in the previous year. The improvement is principally due to changes in exchange rates and more efficient logistics.

The share of selling expenses increased by 1.1 percentage points to 25.4 per cent (24.3 per cent). The increase is largely due to sales in like-for-like stores having remained unchanged. The share of selling expenses in new stores is also higher. Start-up costs for new stores totalled SEK 50.9m (SEK 38.5m). Fifteen new stores opened during the financial year (previous year 12), and one store was relocated.

Operating profit totalled SEK 577.5m, an increase of 9 per cent on the previous year (SEK 530.9m). The rise in profit is due to increased sales combined with an improved gross margin. Operating profit was SEK 566.0m (SEK 525.0m) for the stores and SEK 11.5m (SEK 5.9m) for home shopping. Expenses associated with setting up operations in the United Kingdom and China weighed upon earnings. Operating margin was 12.4 per cent (12.9 per cent). Operating margin was 12.5 per cent (13.2 per cent) for the stores and 9.5 per cent (5.1 per cent) for home shopping.

Profit after financial items during the financial year totalled SEK 587.8m, a rise of 9 per cent on the previous year (SEK 537.8m).

Depreciation for the year totalled SEK 83.7m, compared with SEK 75.0m in the previous year.

Remuneration for the former CEO Gert Karnberg up to the time of his retirement in September 2008, totalling SEK 10.9m, has been fully provided for and carried as an expense among administrative expenses. This expense is of a non-recurring nature. A non-recurring expense was included in the previous year, relating to pension payments of SEK 9.4m (Björn Haid).

The exchange rates for the most important currencies averaged 1.17 for the Norwegian krone and 6.50 for the US dollar, compared with 1.13 and 7.20 in the previous year.

Hedging has been done in USD, HKD and NOK. This had an adverse impact on earnings of SEK 28.2m compared with if trading had been done at current rates (previous year SEK +10.2m). Company policy is to hedge half the expected flow during a catalogue period. The current catalogue period is August 2007 – August 2008. With effect from the 2008/09 financial year Clas Ohlson will be issuing two catalogues a year. At the time of closing of the accounts there were no outstanding foreign-exchange forward contracts, which is unchanged from the previous year.

Prospects for the next financial year

Clas Ohlson's Board and management undertook a review of the company's strategic orientation during the 2007/08 financial year. The conclusion drawn is that there is significant potential to continue to grow in existing and new markets and to develop the company into a European retailing business. Market studies show that there is consumer demand for a chain like Clas Ohlson and that the company is uniquely placed in this niche. Clas Ohlson's concept is judged to be competitive and distinctive on a European basis, which makes expansion into a number of new markets possible.

The Board and management wish to further increase the level of activity in the Group in a number of areas in order to exploit the business potential that exists. By strengthening and developing the organisation, the brand, the market concept, storage and distribution capacity and processes, Clas Ohlson will create the necessary basis for maintaining strong competitiveness in the long term with a high rate of growth and healthy profit margins. In addition, the company will adapt its range to make more rapid international expansion possible.

During the financial year Clas Ohlson began setting up a purchasing office in Shanghai (China), operation of which will be gradually expanded over the next few years. This initiative is being taken to strengthen the company's competitiveness in its continued expansion. The number of suppliers will decrease to make closer cooperation with suppliers possible and improve the prospects of influencing work environment activities at suppliers. In addition to this we are gradually setting up our own CSR (Corporate Social Responsibility) organisation in China. The aim is to recruit 5-10 CSR auditors who, together with Clas Ohlson's buyers, will check and support our suppliers in their continued development of working conditions, working environment and environmental impact. As of 1 June 2008 four CSR auditors had been recruited. For further details on Clas Ohlson's focus on following up the company's code of conduct, see pages 18-19 of the printed annual report.

Clas Ohlson is making an investment in the distribution centre in Insjön totalling SEK 615m in two phases. The first phase involves an expanded delivery and handling facility which is expected to become operational in the spring of 2009.

The next phase, which is now at the planning stage, relates to an expanded high-bay warehouse in Insjön to boost storage capacity and efficiency. After this investment the warehouse and distribution centre in Insjön will be fully expanded with capacity to distribute and stock goods for at least 150 stores with high efficiency. SEK 143.8m of the investment had been made at 30 April 2008.

The long-term target for growth in sales is 15 per cent, measured as an average increase in sales over five years. The profitability target is a minimum operating margin of 10 per cent.

The opening of 20-25 new stores is planned for the 2008/09 financial year, including 2-4 in the United Kingdom.

Financial position

There was a positive cash flow from operating activities during the financial year of SEK 480.0m (SEK 405.1m). Cash flow after deducting investments was SEK 229.4m (SEK 280.0m).

Inventories increased during the financial year by SEK 125.9m to SEK 952.6m (+15 per cent). Of this sum, SEK 80.6m pertains to inventories in the 15 new stores opened during the financial year.

Cash and cash equivalents totalled SEK 280.3m (SEK 347.9m). There are no interest-bearing liabilities. The equity/assets ratio was 68.4 per cent (70.6 per cent).

Investments

Investments totalling SEK 251.6m (SEK 126.3m) were made during the financial year. Of this sum, SEK 67.5m (SEK 49.2m) pertains to investments in new and future stores. A further SEK 143.3m (SEK 35.0m) relates to investment in the enlargement of the distribution centre in Insjön. Other investments are mainly replacement investments.

Shares and share capital

Clas Ohlson B shares are listed on the OMX Nordic Exchange. The share capital totals SEK 82 million, broken down 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. The share capital is unchanged in comparison with the previous financial year.

On 30 April 2008 there were a total of 22,744 shareholders according to the register of shareholders held by VPC (the Swedish central securities depository), compared with 23,903 on 30 April 2007. The ten largest shareholders at the same time accounted for 71.5 per cent of the capital and 84.1 per cent of the votes. For a list of shareholders, see page 41 of the printed annual report.

The Articles of Association do not contain any reservations for right of first refusal or other restrictions on the transferability of shares, and there are no other circumstances of the

kinds the company is obliged to disclose under the provisions of Chapter 6 Section 2a (4-11) of the Annual Accounts Act. The company did not have any repurchased treasury shares at year-end. The Board has been authorised by an extraordinary general meeting to buy back shares to secure the company's commitment in connection with the introduction of a share-related incentive scheme, LTI 2008, with a maximum of 800,000 shares.

Employees

The number of full-time equivalent employees in the Group averaged 1,801 (1,647), of whom 731 (659) were women. The breakdown by country is 1,264 (1,131) in Sweden, 385 (370) in Norway and 152 (146) in Finland.

Further information about employees is contained in Notes 6, 30 and 31 to the annual accounts.

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 Officer sits on the Board.

The Board has written rules of procedure and instructions for the distribution 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 ten 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 corporate governance report on pages 66-69 of the printed annual report.

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 payroll inflation, prices of raw materials and exchange-rate exposure, while risks of an operational nature comprise the start-up in the United Kingdom, purchases in China, competition, logistics, key individuals, corporate responsibility, product range and retail losses. The financial risks are described and quantified in Note 2 to the annual accounts and on pages 34-36 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 in Sweden with

the organisation Elkretsen, which is the joint company owned by the electrical industry for waste disposal. We are affiliated to the 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 equivalent cooperation with Serty.

Environmental work is undertaken continuously in the Group, and this is described in greater detail on pages 20-21 of the printed annual report and on the website, www.clasohlson.se.

Guidelines for remuneration of senior management

The 2007 Annual General Meeting decided that remuneration would be paid as fixed and variable salary, pension and benefits where applicable. The level of remuneration is discussed by the Board's Remuneration Committee and decided by the Board. The current guidelines were adopted at an extraordinary general meeting held in April 2008. The current guidelines on the remuneration of senior management, which will also be proposed to the 2008 Annual General Meeting, are as follows:

The general principles of remuneration for senior management will be based on the position held, individual performance, the Group's financial results and the remuneration being competitive in the country of employment. The combined remuneration of senior management will consist of fixed salary, variable salary in the form of short-term incentive based on annual performance targets, long-term incentives based on performance over several years, pension and other benefits. In addition to this there are terms applicable on notice of termination and severance pay.

Fixed salary

Fixed salary will constitute the basis for total remuneration. The salary level will be related to the relevant market and reflect the degree of responsibility the work entails. The fixed salary will be reviewed annually to ensure fixed salary which is commensurate with the market and competitive.

Variable salary (Short-Term Incentive, "STI")

Senior management will receive, in addition to fixed salary, STI for results which surpass one or more predetermined levels of performance during a financial year. The remuneration from the STI programme may constitute no more than 50 per cent of fixed salary, which means that the company can calculate maximum levels of remuneration from the outset.

Long-Term Incentives

The Board of Directors will evaluate on an annual basis whether a long-term incentive scheme (for example based on shares or share price) will be proposed to a general meeting or not. An extraordinary general meeting held in April 2008 adopted the Board's proposal to introduce a long-term share-related incentive scheme, LTI 2008, for senior management and other key individuals (a maximum of 40 people) judged to have great potential to influence the long-term development of Clas Ohlson. The programme was implemented in May, and

all the invited participants in the scheme have chosen to meet the requirements to make an initial investment of their own in Clas Ohlson shares equivalent to a sum of between 5 and 10 per cent of their gross salary.

Pension

Pensions agreements will, if possible, be defined-contribution and formulated in accordance with levels and practice applicable in the country in which the member of senior management is employed.

Other benefits

Other benefits may occur in accordance with the terms applicable to the country in which the member of senior management is employed. Such benefits may not, however, constitute a major proportion of the combined remuneration.

Period of notice and severance pay

Senior management will be offered terms in accordance with the legislation and practice applicable to the country in which the person concerned is employed. A member of senior management will be prevented from working in a competing business during the period of notice. In certain cases prohibition of competition in return for continued remuneration may be applied for a maximum period of 24 months following expiry of the period of notice.

Authorisation for the Board to depart from the guidelines

The Board will be able to depart from these guidelines if there are special reasons for doing so. In the event of a major deviation, the shareholders will be informed of the reasons for this at the next annual general meeting.

For further information on remuneration, see Note 6 and pages 67-68 of the printed annual report.

Parent Company

Parent Company revenues totalled SEK 4,062.8m (SEK 3,424.7m), and profit after financial items totalled SEK 721.0m (SEK 491.0m). Profit has been positively affected by increased dividend from subsidiaries and changes in internal prices.

Liquidity has been healthy. Investments for the year totalled SEK 197.4m (SEK 99.1m). Contingent liabilities for the Parent Company totalled SEK 90.4m (SEK 81.9m).

Events after the end of the year

Clas Ohlson has entered into an agreement for lease relating to the terms for its first retail store contract in the United Kingdom. The new store will be located in the Whitgift Shopping Centre in Croydon in south-east London and will have 1,900 square metres of retail space. The catchment area for the store has a population of around 512,000. The shopping centre has a total of 140 stores and 7,000 parking spaces and receives 25 million visitors a year. The new Clas Ohlson store is expected to open during the third quarter of 2008/09.

The Board has decided to utilise the authorisation granted

by the general meeting of shareholders to buy back shares to secure the company's commitment in connection with the introduction of a share-related incentive scheme, LTI 2008. Clas Ohlson will buy back a maximum of 645,000 shares up to the time of the 2009 AGM. The shares will be acquired on Nasdaq OMX Nordic Exchange Stockholm at a price within the share price range registered from time to time.

Dividend

Clas Ohlson will be well positioned financially 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 done 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. In addition, the Board may propose that surplus liquidity also be distributed.

For the 2007/2008 financial year, the Board proposes that a dividend of SEK 5.00 per share be paid (previous year SEK 4.50). The Board's proposal is equivalent to around 78 per cent of the Group's net profit (77 per cent).

Proposed allocation of earnings

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

Profit brought forward	537,141,426
Net profit for the year	552,585,683
Total	1,089,727,109

The Board and Chief Executive Officer propose:

Dividend payable to shareholders	
SEK 5.00 per share	328,000,000
Carried forward to new account	761,727,109
Total	1,089,727,109

17 September 2008 is proposed as the confirmed day for payment of dividend. It is anticipated that the dividend decided upon by the Annual General Meeting will be dispatched on 22 September 2008.

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 68.4 per cent before payment of dividend and 62.8 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.

Five-year summary

SEKm	2007/2008	2006/2007	2005/2006	2004/2005	2003/2004 ¹
INCOME STATEMENT					
Net sales	4,661.6	4,101.2	3,567.6	2,954.8	2,509.5
Operating profit	577.5	530.9	484.5	420.5	356.6
Pre-tax earnings	587.8	537.8	491.0	425.9	363.6
Income tax	-166.0	-152.0	-138.9	-120.6	-102.7
Net profit for the year	421.8	385.8	352.1	305.3	260.9
BALANCE SHEET					
Non-current assets	852.0	683.5	642.6	563.7	411.7
Inventories	952.6	826.7	749.0	542.9	447.1
Current receivables	107.1	79.6	55.3	46.4	36.4
Cash and cash equivalents, current investments	280.3	347.9	338.4	445.2	417.9
Total assets	2,192.0	1,937.7	1,785.3	1,598.2	1,313.1
Equity	1,499.5	1,367.3	1,256.9	1,058.6	883.7
Non-current liabilities, non-interest-bearing	26.9	23.9	23.6	18.3	63.3
Current liabilities, non-interest-bearing	665.6	546.5	504.8	521.3	366.1
Total equity and liabilities	2,192.0	1,937.7	1,785.3	1,598.2	1,313.1
CASH FLOW					
Cash flow from operations	480.0	405.1	187.8	355.4	296.6
Investments	-250.6	-125.1	-140.7	-198.6	-162.9
Cash flow after investments	229.4	280.0	47.1	156.8	133.7
KEY RATIOS					
Growth in sales, %	13.7	15.0	20.7	17.7	17.8
Gross margin, %	40.2	39.7	39.9	40.4	40.2
Operating margin, %	12.4	12.9	13.6	14.2	14.2
Operating margin stores, %	12.5	13.2	13.8	14.5	14.5
Operating margin home shopping, %	9.5	5.1	8.6	8.6	9.4
Return on capital employed, %	41.0	40.9	42.4	43.9	45.2
Return on equity, %	29.4	29.4	30.4	31.4	32.2
Equity/assets ratio, %	68.4	70.6	70.4	66.2	67.3
Sales per square metre in store, SEK 000	44	45	48	48	49
Number of stores at year-end	86	71	59	48	38
Number of full-time equivalent employees	1,801	1,647	1,439	1,229	1,067
DATA PER SHARE²					
Number of shares, thousands	65,600	65,600	65,600	65,600	65,600
Earnings per share, SEK	6.43	5.88	5.37	4.65	3.98
Gross cash flow per share, SEK	7.71	7.02	6.32	5.40	4.55
Equity per share, SEK	22.86	20.84	19.16	16.14	13.47
Dividend, SEK	5.00 ³	4.50	4.00 ⁴	2.50	2.00

¹ Comparison figures have not been prepared in accordance with IFRS.

² Converted after split in October 2004.

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 2,509.5m to SEK 4,661.6m, a rise of 86 per cent. The growth has been entirely organic, i.e. without acquisitions. The price trend over the period is neutral. Sale prices in the last two financial years 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 0 per cent, 2 per cent, 4 per cent, 5 per cent and 4 per cent in the last five years.

Number of stores

The principal reason for the increase in sales is that the number of new stores has gradually increased. Fifteen new stores were opened in 2007/08, twelve in 2006/07, eleven in 2005/06, ten in 2004/05 and eight in 2003/04.

There were 30 stores at the start of the 2003/04 financial year, compared with 86 at the end of the 2007/08 financial year.

Operating profit

Operating profit has increased over the last five years from SEK 356.6m to SEK 577.5m, a rise of 62 per cent. Profit has therefore not increased at the same rate as sales. This is principally due to three factors, firstly our start-up in Finland, where to date we have lower margins, secondly the fact that the rate of new store openings has increased and thirdly the fact that new smaller stores have lower profitability than existing ones. In addition there have been start-up costs for the commencement of operations in the United Kingdom and China.

Gross margin

Gross margin during the financial year was 40.2 per cent, which is unchanged in comparison with 2003/04.

Margin has been positively affected by foreign-currency effects, while a number of factors have had an adverse impact. These are principally increased freight costs due to increased world market prices and longer freight distance, increased purchase prices due to higher raw-material costs, increased environmental charges on products due to changes in legislation and changes in the sales mix.

Operating margin

Operating margin has fallen in the past five years from 14.2 per cent to 12.4 per cent. This is principally due to the three factors described in the section on operating profit.

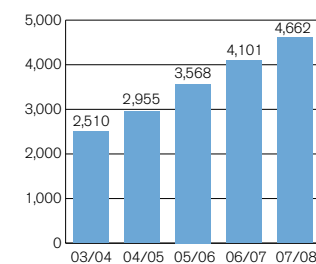
Cash flow

Cash flow from operations has increased over the last five years from SEK 296.6m to SEK 480.0m, a rise of 62 per cent. This means that cash flow has increased at the same rate as operating profit. Average annual investments in the last five years total SEK 175.6m.

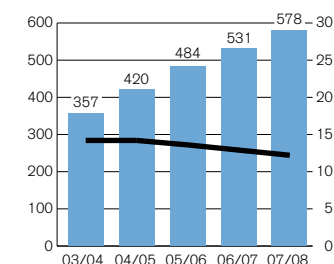
Return

Return on capital employed has fallen over the last five years from 45.2 per cent to 41.0 per cent, while return on equity has fallen from 32.2 per cent to 29.4 per cent. The fall is principally due to the reduced operating margin.

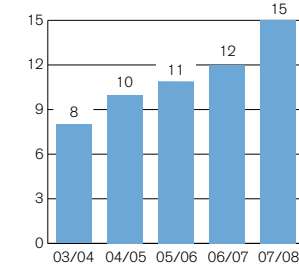
Sales, SEKm



Operating profit, SEKm
Operating margin, %



Number of new stores



Group

Income statement

SEKm	Note	01.05.07 –30.04.08	01.05.06 –30.04.07
	1.2		
Net sales		4,661.6	4,101.2
Cost of goods sold	4	–2,788.7	–2,474.1
Gross profit		1,872.9	1,627.1
Selling expenses	4, 5, 6	–1,183.1	–996.4
Administrative expenses	4, 5, 6, 7	–110.9	–100.0
Other operating income	3	1.0	1.1
Other operating expenses	3	–2.4	–0.9
Operating profit		577.5	530.9
<i>Financial items</i>			
Financial income	8	10.9	7.1
Financial expenses	8	–0.6	–0.2
Pre-tax earnings		587.8	537.8
Income tax	9	–166.0	–152.0
Net profit for the year		421.8	385.8
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	6.43	5.88
Proposed dividend per share, SEK	11	5.00	4.50

Cash flow statement

SEKm	01.05.07 –30.04.08	01.05.06 –30.04.07
<i>Operating activities</i>		
Operating profit	577.5	530.9
<i>Adjustment for items not included in cash flow</i>		
– depreciation	83.7	75.0
– profit from sale/disposal of non-current assets	1.6	0.2
– other non-cash items	0.7	0.0
Interest received	9.2	6.3
Interest paid	–0.6	–0.2
Tax paid	–150.3	–143.2
Cash flow from operating activities before change in operating capital	521.8	469.0
<i>Cash flow from changes in working capital:</i>		
– trade receivables	3.9	–3.6
– inventories	–115.3	–87.4
– other receivables	–25.8	–19.9
– trade payables	71.1	12.7
– other current interest-free operating liabilities	24.3	34.3
Cash flow from operating activities	480.0	405.1
<i>Investing activities</i>		
Investments in property, plant and equipment	–251.6	–126.3
Sale of equipment	1.0	1.1
Acquisition of non-current receivables	0.0	0.1
Cash flow from investing activities	–250.6	–125.1
<i>Financing activities</i>		
Divided to shareholders	–295.2	–262.4
Cash flow from financing activities	–295.2	–262.4
Cash flow for the year	–65.8	17.6
Cash and cash equivalents at start of year	347.9	338.4
Exchange-rate difference in cash and cash equivalents	–1.8	–8.1
Cash and cash equivalents at end of year	280.3	347.9

Group

Balance sheet

SEKm	Note	30.04.08	30.04.07
Assets			
<i>Non-current assets</i>	12		
<i>Property, plant and equipment</i>			
Land and buildings		273.0	279.8
Equipment, tools, fixtures and fittings		431.9	398.4
Construction in progress		143.8	0.5
Total tangible assets		848.7	678.7
<i>Financial assets</i>			
Shares and interests		0.1	0.1
Deferred tax asset	9	2.5	4.6
Non-current receivables		0.1	0.1
Surplus in pension plan	18	0.6	0.0
Total financial assets		3.3	4.8
Total non-current assets		852.0	683.5
<i>Current assets</i>			
Inventories	13	952.6	826.7
Trade receivables	14	13.3	17.0
Other receivables		5.3	15.6
Prepaid expenses and accrued income	15	88.5	47.0
Cash and cash equivalents	16	280.3	347.9
Total current assets		1,340.0	1,254.2
Total assets		2,192.0	1,937.7

Balance sheet

SEKm	Note	30.04.08	30.04.07
Equity and liabilities			
<i>Equity</i>	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		–8.2	–13.8
Profit brought forward including net profit for the year		1,335.3	1,208.7
Total equity		1,499.5	1,367.3
<i>Non-current liabilities</i>			
Deferred tax liabilities	9	23.0	23.0
Pension obligations	18	0.0	0.9
Other provisions		3.9	0.0
Total non-current liabilities		26.9	23.9
<i>Current liabilities</i>			
Trade payables	19	238.0	165.7
Tax liability		149.3	137.6
Other current liabilities	19	30.8	25.3
Accrued expenses and deferred income	20	227.9	201.1
Other provisions	21	19.6	16.8
Total current liabilities		665.6	546.5
Total equity and liabilities		2,192.0	1,937.7

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 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 ¹				9.1		9.1
Cash flow hedging recognised in income statement, after tax ²				–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 expenditure in equity	0.0	0.0	–13.0	0.0	385.8	372.8
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
Opening balance at 1 May 2007	82.0	90.4	–13.8	0.0	1,208.7	1,367.3
Exchange-rate differences			5.6			5.6
Cash flow hedging recognised in equity, after tax ¹				–26.8		–26.8
Cash flow hedging recognised in income statement, after tax ²				21.2		21.2
Cash flow hedging included in inventories				5.6		5.6
Total transactions recognised directly in equity	0.0	0.0	5.6	0.0	0.0	5.6
Net profit for the year					421.8	421.8
Total recognised income and expenditure in equity	0.0	0.0	5.6	0.0	421.8	427.4
Dividend					–295.2	–295.2
Closing balance at 30 April 2008	82.0	90.4	–8.2	0.0	1,335.3	1,499.5

¹ Tax has been taken into account at SEK +10.4m (SEK –3.5m)

² Tax has been taken into account at SEK –8.2m (SEK +2.9m)

Parent Company

Income statement

SEKm	Note	01.05.07 –30.04.08	01.05.06 –30.04.07
	1, 2		
Net sales	22	4,062.8	3,424.7
Cost of goods sold	4, 22	–2,750.8	–2,450.3
Gross profit		1,312.0	974.4
Selling expenses		–665.4	–561.5
Administrative expenses		–97.6	–84.9
Other operating income	3	0.8	1.0
Other operating expenses	3	–0.5	–0.7
Operating profit	4, 5, 6, 7	549.3	328.3
<i>Financial items</i>			
Dividend from Group companies	23	165.8	159.4
Interest income	8	6.5	3.5
Interest expenses	8	–0.6	–0.2
Profit after financial items		721.0	491.0
Appropriations	24	–16.0	–26.9
Profit before tax		705.0	464.1
Income tax	9	–152.4	–86.7
Net profit for the year		552.6	377.4
Proposed dividend per share, SEK (basic and diluted)	11	5.00	4.50

Cash flow statement

SEKm	01.05.07 –30.04.08	01.05.06 –30.04.07
<i>Operating activities</i>		
Operating profit	549.3	328.3
<i>Adjustment for items not included in cash flow</i>		
– depreciation	59.8	54.3
– profit from sale/disposal of fixed assets	–0.1	0.2
– other non-cash items	0.9	0.0
Dividends received	165.8	159.4
Interest received	4.2	4.1
Interest paid	–0.6	–0.2
Tax paid	–82.5	–57.3
Cash flow from operating activities before change in operating capital	696.8	488.8
<i>Cash flow from changes in working capital:</i>		
– trade receivables	4.2	–3.9
– inventories	–67.8	–50.2
– other receivables	–216.1	14.0
– trade payables	58.8	4.6
– other current interest-free operating liabilities	14.3	15.7
Cash flow from operating activities	490.2	469.0
<i>Investing activities</i>		
Investments in property, plant and equipment	–197.4	–99.1
Sale of equipment	0.8	1.1
Sale of financial assets	0.0	0.1
New formation of subsidiaries	–4.0	0.0
Cash flow from investing activities	–200.6	–97.9
<i>Financing activities</i>		
Divided to shareholders	–295.2	–262.4
Cash flow from financing activities	–295.2	–262.4
Cash flow for the year	–5.6	108.7
Cash and cash equivalents at start of year	200.4	91.7
Cash and cash equivalents at end of year	194.8	200.4

Parent Company

Balance sheet

SEKm	Note	30.04.08	30.04.07
Assets			
<i>Non-current assets</i>			
<i>Property, plant and equipment</i>			
Land and buildings		273.0	279.6
Equipment, tools, fixtures and fittings		287.9	287.7
Construction in progress		143.8	0.5
Total property, plant and equipment		704.7	567.8
<i>Financial assets</i>			
Interests in Group companies	23	34.4	30.4
Shares and interests		0.1	0.1
Total financial assets		34.5	30.5
Total non-current assets		739.2	598.3
<i>Current assets</i>			
<i>Inventories</i>			
Merchandise	13	703.9	636.1
Total inventories		703.9	636.1
<i>Current receivables</i>			
Trade receivables	14	8.2	12.4
Receivables from Group companies	22	252.0	65.6
Other receivables		0.7	0.1
Prepaid expenses and accrued income	15	56.5	25.0
Total current receivables		317.4	103.1
Cash and bank balances	25	194.8	200.4
Total current assets		1,216.1	939.6
Total assets		1,955.3	1,537.9

Balance sheet

SEKm	Note	30.04.08	30.04.07
Equity and liabilities			
<i>Equity</i>			
<i>Restricted equity</i>			
Share capital, 65,600,000 shares with a quotient value of 1.25		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		537.1	454.9
Net profit for the year		552.6	377.4
Total unrestricted equity		1,089.7	832.3
Total equity		1,278.5	1,021.1
<i>Liabilities</i>			
<i>Untaxed reserves</i>			
	26	152.6	136.6
<i>Provisions</i>			
Other provisions	21	11.5	10.6
Total provisions		11.5	10.6
<i>Current liabilities</i>			
Trade payables	19	195.9	137.0
Tax liability		138.6	73.4
Other current liabilities	19	11.0	11.8
Accrued expenses and deferred income	20	167.2	147.4
Total current liabilities		512.7	369.6
Total equity and liabilities		1,955.3	1,537.9
Pledged assets	27	67.0	67.0
Contingent liabilities	28	90.4	81.9

Change in Parent Company equity

SEKm	Share capital	Statutory reserve	Non-restricted equity	Total
Opening balance at 1 May 2006	82.0	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	106.8	832.3	1,021.1
Opening balance at 1 May 2007	82.0	106.8	832.3	1,021.1
Dividend			–295.2	–295.2
Net profit for the year			552.6	552.6
Closing balance at 30 April 2008	82.0	106.8	1,089.7	1,278.5

Accounting policies and notes

Amounts are in SEKm unless stated otherwise

Note 1 Accounting and valuation principles

Compliance 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 Annual Accounts Act.

Information on future standards

The following new standards, as well as amendments to and interpretations of existing standards, have been published. They are mandatory for consolidated accounts for financial years starting on or after 1 May 2008, but have not been applied early by the Group:

Standard or interpretation (date of entry into force)

IAS 1 *	Amendment – Presentation of financial statements (01.01.2009)
IAS 23 *	Amendment – Borrowing costs (01.01.2009)
IAS 27 *	Amendment – Consolidated and separate financial statements (01.07.2009)
IAS 32 *	Financial instruments: Presentation (01.01.2009)
IFRS 2 *	Amendment – Share-based payment (01.01.2009)
IFRS 3 *	Amendment – Business combinations (01.07.2009)
IFRS 8	Operating segments (01.01.2009)
IFRIC 12 *	Service concession arrangements (01.01.2008)
IFRIC 13 *	Customer loyalty programmes (01.07.2008)
IFRIC 14 *	IAS 19 –The limit on a defined benefit asset, minimum funding requirements and their interaction (01.05.2008)

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

Of the above standards, only IAS 1 and IFRS 8 are judged to have an impact on the company.

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 statements are presented in Swedish kronor. All sums, unless otherwise stated, are rounded to the nearest million Swedish kronor to one decimal point. Assets and liabilities 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 21.

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, Clas Ohlson OY and Clas Ohlson Ltd. 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. The translation difference resulting from this, and resulting from the net investment having been translated at a different exchange rate at the end of the year than at the start of the year, is recognised in equity. Intra-group sales and inter-company profits have been entirely eliminated in the consolidated accounts.

Translation of foreign currencies

Transactions in foreign currencies 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 income is generated through the sale of products to consumers, in accordance with the terms of sale. Sale income is reported net after deduction of VAT, returns, reservations for open purchase and discounts. Income 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 are recognised at cost after deduction of accumulated depreciation and any accumulated impairment losses. 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 depreciation, 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 apportioned accumulated depreciation are written off. Any profit or loss is recognised as income. Any interest expenses are not added to the cost of the assets, but are carried as expenses as they arise. All of Clas Ohlson's properties are used for business purposes.

Impairment

Assets which are depreciated are assessed 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 loss, assets are grouped at the lowest levels at which there are separate identifiable cash flows (cash-generating units).

Leases

Lease contracts only occur in the Group and in the Parent Company in the form of rental contracts for retail premises. All the stores except the one in Insjön 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 binds 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. There were only loan receivables and trade receivables at the time of closing of the accounts. However, currently during the financial year there are usually only financial instruments in the form of interest-bearing securities.

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 and recognised in cost of goods sold. 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 under 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 consisted of remuneration in the form of salary or pension premiums during the financial year. 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 full-year report. Clas Ohlson did not make any share-based payments to its employees during the financial year. 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 is both defined-contribution and defined-benefit pension insurance in the Parent Company. However, the defined-benefit supplementary pension for salaried employees (ITP) plan (Alecta) is treated as a defined-contribution pension policy in accordance with a statement from FAR SRS. There are both defined-contribution and defined-benefit pensions in the Parent Company. Future obligations with regard to defined-benefit pension insurance are calculated annually according to a method described in detail below.

In defined-contribution plans, the company pays set contributions to a separate legal entity and does not have any 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 fully 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 commitments 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 in 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 prepared 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 three 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. The 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 structured. 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 home shopping 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 of the Swedish Financial Accounting Standards Council, Accounting for Legal Entities. 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 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 Annual Accounts Act.

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

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 purchases in order 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 38 per cent of the company's 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.

on Currency	Change	Impact operating profit, SEKm
NOK	+/- 5 per cent	+/- 39
USD	+/- 5 per cent	-/+ 21
HKD	+/- 5 per cent	-/+ 10
EUR	+/- 5 per cent	+/- 4

Cash and cash equivalents are also exposed to foreign-exchange risk, and a certain proportion of the funds are invested in the subsidiaries. Out of a total of SEK 280.3m, SEK 194.8m is invested in Sweden, SEK 42.6m in Norway, SEK 39.4m in Finland and SEK 3.5m in the United Kingdom. No currency hedging is used to hedge liquid assets or equity in the subsidiaries.

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 low as the company buys from more than 800 suppliers. In addition, in accordance with its purchasing policy the company avoids entering into long-term supply contracts, so that it retains 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 in 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, Finland and the United Kingdom. The credit risk is judged to be insignificant.

Capital risk

The capital risk is regarded as low as the Group did not have any interest-bearing liabilities and had an equity/assets ratio of 68.4% at year-end.

Note 3 Other operating income and operating expenses

	Group		Parent Company	
	2007/08	2006/07	2007/08	2006/07
Other operating income				
Exchange-rate differences	0.8	1.1	0.6	1.0
Profit/loss on sale or disposal of property, plant and equipment	0.2	0.0	0.2	0.0
Total	1.0	1.1	0.8	1.0
Other operating expenses				
Exchange-rate differences	-0.7	-0.7	-0.4	-0.5
Profit/loss on sale or disposal of property, plant and equipment	-1.7	-0.2	-0.1	-0.2
Total	-2.4	-0.9	-0.5	-0.7

Note 4 Depreciation

Group	2007/08	2006/07
Depreciation broken down by type of asset		
Land and buildings	14.4	13.8
Equipment, tools, fixtures and fittings	69.3	61.2
Total	83.7	75.0
Depreciation broken down by function		
Cost of goods sold	16.8	15.7
Selling expenses	64.4	56.9
Administrative expenses	2.5	2.4
Total	83.7	75.0
Parent Company	2007/08	2006/07
Depreciation broken down by type of asset		
Land and buildings	14.1	13.7
Equipment, tools, fixtures and fittings	45.7	40.6
Total	59.8	54.3
Depreciation broken down by function		
Cost of goods sold	14.4	13.6
Selling expenses	42.9	38.3
Administrative expenses	2.5	2.4
Total	59.8	54.3

Note 5 Expenses broken down by type of cost

Payroll expenses Including social security expenses during the financial year totalled SEK 919.7m (SEK 810.4m) in the Group and SEK 647.9m (SEK 576.2m) in the Parent Company. Depreciation in the Group during the financial year totalled SEK 83.7m (SEK 75.0m) in the Group and SEK 59.8m (SEK 54.3m) in the Parent Company.

Note 6 Expenses in employee benefits

	2007/08	2006/07
Salaries and other remuneration		
Parent Company	465.0	406.4
Subsidiaries	232.0	199.5
Group total	697.0	605.9

	2007/08		2006/07	
	Social security expenses	of which pension expenses	Social security expenses	of which pension expenses
Social security expenses				
Parent Company	182.9	34.0	169.8	32.2
Subsidiaries	39.8	9.9	34.7	10.1
Group total	222.7	43.9	204.5	42.3

Of the Parent Company's pension expenses, SEK 4.7m (SEK 12.6 m) pertains to the group consisting of the Board, CEO and Deputy CEO. The early retirement of the Board member Björn Haid took place in the previous year in a sum of SEK 9.4m. 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 in the Group totalled SEK 37.9m (SEK 35.6m) and defined-benefit pensions totalled SEK 0.2m (SEK 3.0m). Both defined-contribution and defined-benefit pension plans occur in the Parent Company. However, the defined-benefit supplementary pension for salaried employees (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 28.2m (SEK 28.5m). Expenses for special salary tax on pension contributions totalled SEK 5.8m (SEK 3.7m) for the year. For further information on the defined-benefit pension plans in the Group, see Note 18.

Remuneration of Board members, managing directors and other senior management

	2007/08	2006/07
Parent Company		
Salaries and other remuneration	23.4	17.2
- of which bonuses	4.5	3.5
Pension expenses	7.0	15.1
Number of individuals in group	16	13
Group		
Salaries and other remuneration	28.2	21.6
- of which bonuses	5.2	4.2
Pension expenses	7.6	15.7
Number of individuals in group	18	15

The early retirement of the Board member Björn Haid took place in the previous year with a payment of SEK 9.4m.

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 0.2m) to external members. No other Board fees have been paid in the subsidiaries.

	2007/08		2006/07	
	Board fee	Other remuneration	Board fee	Other remuneration
The Board				
Anders Moberg, Chairman	0.4	0.1	0.4	0.2
Björn Haid, member	0.2	0.1	0.2	1.2
Cecilia Tufvesson Marlow, member	0.2	0.1	-	-
Elisabet Salander Bjöklund, member	0.2	0.2	0.2	0.2
Klas Balkow, member and CEO	0.0	4.7	-	-
Lottie Svedenstedt, member	0.2	0.1	0.2	0.1
Urban Jansson, member	0.2	0.1	0.2	0.1
Carl-Henrik Enhörning, member in previous year	-	-	0.2	0.1
Gert Karnberger, outgoing CEO	0.0	8.3	0.0	6.2
Board total	1.4	13.7	1.4	8.1

Other Board remuneration principally pertains to payment for work on Board committees in accordance with AGM resolutions. The gender breakdown among Board members elected by the AGM during the financial year was four men and three women. The breakdown is thus 57 per cent male and 43 per cent female. The equivalent breakdown in the previous financial year was five men (71 per cent) and two women (29 per cent).

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 means the eight individuals who together with the Chief Executive Officer make up the Group management team. For the composition of the senior management at 30 April 2008, see page 71 of the printed annual report.

	2007/08			2006/07		
	Salaries	Bonuses	Benefits	Salaries	Bonuses	Benefits
Salaries paid to senior management						
Klas Balkow, CEO	3.3	1.4	0.2	-	-	-
Gert Karnberger, outgoing CEO	6.1	2.2	0.3	4.1	2.1	0.2
Deputy CEO	3.3	0.5	0.1	3.2	0.6	0.1
Other senior management (7)	8.3	1.2	0.4	8.1	1.5	0.5
Total management	21.0	5.3	1.0	15.4	4.2	0.8
	2007/08		2006/07			
	Defined-contribution	Defined-benefit	Defined-contribution	Defined-benefit		
Pension expenses for senior management						
Klas Balkow, CEO	1.3	0.0	-	-		
Gert Karnberger, outgoing CEO	2.1	0.0	1.9	0.0		
Deputy CEO	1.3	0.0	1.3	0.0		
Other senior management (7)	2.9	0.0	2.7	0.4		
Total management	7.6	0.0	5.9	0.4		

Under the contract of employment with the Chief Executive Officer, the mutual period of notice is six months. Twelve months' salary is payable in the event of termination by the company. Applicable salary and benefits are payable during the period of notice. The retirement age is 65, and the current pension contribution is equivalent to SEK 1.3m. 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. Three other people in the senior management have separate agreements relating to periods of notice. In the event of termination by the company between one year and two years and by the employee between six months and one year. 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 has been based on the Group's net margin 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, principally in accordance with the applicable ITP plan. Retirement age varies between 65 and 67 years.

The gender breakdown among the senior management of the Parent Company and the Group is seven men and two women. The breakdown is thus 78 per cent male and 22 per cent female. The breakdown in the previous year was 89/11.

In addition to ordinary salary, there were three different types of performance-based pay. For staff 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 central warehouse, but there pay is based on sales by the whole Group. Salaried employees have a bonus system based upon Group profits. Senior management received bonuses based on the Group's profits and net margin. These bonuses were maximised at around 40 per cent of annual salary. They amounted to around 15 per cent during the financial year.

Further information on decision-making processes in the Group can be found on pages 66-68 of the printed annual report.

Note 7 Remuneration of auditors

	Group		Parent Company	
	2007/08	2006/07	2007/08	2006/07
Öhrlings PricewaterhouseCoopers				
Remuneration for audit engagements	1.6	1.6	1.0	1.0
Remuneration for other consultations	0.4	0.4	0.3	0.3
Total	2.0	2.0	1.3	1.3

Note 8 Financial income and expenses

Financial income and expenses are broken down as follows:

Group	2007/08	2006/07
<i>Financial assets valued at fair value through the income statement:</i>		
– fair value gains on securities	1.2	0.2
Interest income	9.7	6.9
Group total	10.9	7.1

Parent Company	2007/08	2006/07
<i>Financial assets valued at fair value through the income statement:</i>		
– fair value gains on securities	1.2	0.2
Interest income	5.3	3.3
Total Parent Company	6.5	3.5

Financial expenses are broken down as follows:

Group	2007/08	2006/07
Interest expenses	-0.6	-0.2
Group	-0.6	-0.2
Parent Company	2007/08	2006/07
Interest expenses	-0.6	-0.2
Parent Company	-0.6	-0.2

Note 9 Income tax

	Group		Parent Company	
	2007/08	2006/07	2007/08	2006/07
<i>Tax on net profit for the year</i>				
Income tax on net profit for the year	163.9	151.2	152.4	86.7
	163.9	151.2	152.4	86.7
<i>Deferred tax</i>				
Deferred tax pertaining to temporary differences	0.0	0.2	0.0	0.0
Deferred tax pertaining to loss carry-forwards	2.1	0.6	0.0	0.0
	2.1	0.8	0.0	0.0
Total reported tax expense	166.0	152.0	152.4	86.7
<i>Reconciliation of applicable tax rate and effective tax rate</i>				
Reported profit before tax	587.8	537.8	705.0	464.1
Tax according to applicable tax rate for Parent Company 28%	-164.6	-150.6	-197.4	-129.9

Tax effect of:

Non-deductible expenses	-1.4	-1.4	-1.4	-1.4
Dividends from subsidiaries	0.0	0.0	46.4	44.6
Reported tax expense	-166.0	-152.0	-152.4	-86.7
Applicable tax rate for income tax, %	28.0	28.0	28.0	28.0
Effective tax rate, %	28.2	28.3	21.6	18.7

Group	2007/08	2006/07
<i>Reported deferred taxes recoverable and tax liabilities</i>		
Equipment, tools, fixtures and fittings	-2.8	-2.7
Inventories	0.6	0.9
Inter-company profit in inventories	20.1	15.2
Reserves	2.0	1.6
Pensions	-0.2	0.3
Accelerated depreciation	-42.7	-38.3
Deficits in subsidiaries	2.5	4.6
Total deferred tax receivable (+) deferred tax liability (-), net	-20.5	-18.4
Deferred tax asset	2.5	4.6
Deferred tax liability	-23.0	-23.0

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 the end of year
<i>Change in deferred tax in temporary differences during the year</i>			
Equipment, tools, fixtures and fittings	-2.7	-0.1	-2.8
Inventories	0.9	-0.3	0.6
Inter-company profit in inventories	15.2	4.9	20.1
Reserves	1.6	0.4	2.0
Pensions	0.3	-0.5	-0.2
Accelerated depreciation	-38.3	-4.4	-42.7
Deficits in subsidiaries	4.6	-2.1	2.5
Total	-18.4	-2.1	-20.5

Note 10 Earnings per share

	2007/08	2006/07
<i>Basic earnings per share</i>		
Net profit for the year	421.8	385.8
Average number of outstanding shares	65.6	65.6
Basic earnings per share	6.43	5.88
<i>Diluted earnings per share</i>		
Net profit for the year	421.8	385.8
Average number of outstanding shares	65.6	65.6
Diluted earnings per share	6.43	5.88

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 421.8m (SEK 385.8m) and on a weighted average number of outstanding shares during both 2006/07 and 2007/08 totalling 65.6 million shares.

Note 11 Dividend per share

The dividends paid in 2007/08 and 2006/07 totalled SEK 295.2m (SEK 4.50 per share) and SEK 264.4m (SEK 4.00 per share) respectively. A dividend pertaining to 2007/08 of SEK 5.00 per share, totalling SEK 328.0m, will be proposed at the Annual General Meeting to be held on 13 September 2008. The proposed dividend has not been recognised in these financial statements.

Note 12 Non-current assets

	Group		Parent Company	
	2007/08	2006/07	2007/08	2006/07
<i>Property, plant and equipment</i>				
Land and buildings				
Opening cost	364.6	346.5	364.1	345.4
Acquisitions for the year	7.5	16.6	7.5	16.6
Reclassifications	0.0	2.1	0.0	2.1
Translation differences	0.0	-0.6	0.0	0.0
Closing accumulated cost	372.1	364.6	371.6	364.1
Opening depreciation	84.8	71.5	84.5	70.8
Depreciation for the year	14.4	13.8	14.1	13.7
Translation differences	-0.1	-0.5	0.0	0.0
Closing accumulated depreciation	99.1	84.8	98.6	84.5
Closing residual value according to plan	273.0	279.8	273.0	279.6
Assessed value, buildings	98.2	80.4	98.2	80.4
Assessed value, land	13.6	8.5	13.6	8.5
Book value of land	5.6	5.6	5.6	5.6

	Group		Parent Company	
	2007/08	2006/07	2007/08	2006/07
<i>Equipment, tools, fixtures and fittings</i>				
Opening cost	612.4	533.3	432.3	362.7
Acquisitions for the year	100.8	109.2	46.6	82.0
Reclassifications	0.0	11.8	0.0	11.8
Sales and disposals	-32.2	-32.5	-16.7	-24.2
Translation differences	7.8	-9.4	0.0	0.0
Closing accumulated cost	688.8	612.4	462.2	432.3
Opening depreciation	214.0	185.0	144.6	125.3
Depreciation for the year	69.3	61.2	45.7	40.6
Sales and disposals	-29.7	-29.5	-16.0	-21.3
Translation differences	3.3	-2.7	0.0	0.0
Closing accumulated depreciation	256.9	214.0	174.3	144.6
Closing residual value according to plan	431.9	398.4	287.9	287.7
<i>Construction in progress</i>				
Opening cost	0.5	13.9	0.5	13.9
Acquisitions for the year	143.3	0.5	143.3	0.5
Reclassifications	0.0	-13.9	0.0	-13.9
Closing accumulated cost	143.8	0.5	143.8	0.5
<i>Financial assets</i>				
Opening cost	4.8	5.4	30.5	30.6
Decrease/increase in non-current receivables	-1.5	-0.6	0.0	-0.1
Increase in interests in Group companies	0.0	0.0	4.0	0.0
Closing accumulated cost	3.3	4.8	34.5	30.5
Fair value	3.3	4.8	34.5	30.5
<i>Investment commitments</i>				
Contracted investments on the balance-sheet date not yet recognised in the financial statements total the following amounts:				
Land and buildings	228.2	0.0	228.2	0.0
Equipment, tools, fixtures and fittings	104.0	0.0	104.0	0.0

Note 13 Inventories

	Group		Parent Company	
	2007/08	2006/07	2007/08	2006/07
Merchandise	952.6	826.7	703.9	636.1
Total	952.6	826.7	703.9	636.1
Cost of goods sold	2,788.7	2,474.1	2,750.8	2,450.3
Of which obsolescence	21.4	26.2	14.2	19.6

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	
	2007/08	2006/07	2007/08	2006/07
Trade receivables	13.3	17.0	8.2	12.4
Total	13.3	17.0	8.2	12.4
Fair value	13.3	17.0	8.2	12.4

Note 15 Prepaid expenses and accrued income

	Group		Parent Company	
	2007/08	2006/07	2007/08	2006/07
Prepaid rent	32.5	24.6	20.5	16.4
Prepaid costs of materials	4.7	3.6	4.7	3.5
Other prepaid expenses	47.8	17.1	28.2	4.3
Accrued interest income	3.5	1.7	3.1	0.8
Total	88.5	47.0	56.5	25.0

Note 16 Cash and cash equivalents

	Group		Parent Company	
	2007/08	2006/07	2007/08	2006/07
Cash and bank balances			280.3	347.9
Group total			280.3	347.9

Unutilised bank overdraft facilities, which are not included in cash and cash equivalents, totalled SEK 100m (SEK 15m) in the Group at the end of the year.

Note 17 Equity

The total number of ordinary shares is 65,600,000 (2006/07: 65,600,000) with a quotient value of 1.25. The number of A shares is 5,760,000 while the number of B shares is 59,840,000. Each A series share entitles the holder to ten votes, while each B series share entitles the holder to 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 obligations

The pension obligation 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 obligation is secured in the insurance company Storebrand AS.

Group	2007/08	2006/07
<i>Surpluses/obligations in the balance sheet for:</i>		
Pension benefits	-0.6	0.9
Group total	-0.6	0.9

Group	2007/08	2006/07
<i>Recognition in the income statement pertaining to:</i>		
Pension benefits	0.2	3.0
Group total	0.2	3.0

Pension benefits

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

	2007/08	2006/07
Present value of funded obligations	9.4	17.9
Fair value of plan assets	-6.6	-10.1
Unrecognised actuarial gains/losses	-3.4	-6.9
Asset/liability in balance sheet	-0.6	0.9

The amounts recognised in the balance sheet are as follows:

	2007/08	2006/07
Expenses for service during current year	2.8	2.6
Interest expense	0.2	0.7
Expected return on plan assets	-0.3	-0.5
Actuarial gains/losses reported during the year	0.1	0.2
Gains on reduction	-2.6	0.0
Total, included in personnel expenses	0.2	3.0

Of the total expense, SEK 0.0m (SEK 0.6m) was included in the item Cost of goods sold, SEK 0.1m (SEK 1.2m) in Selling expenses and SEK 0.1m (SEK 1.2m) in Administrative expenses.

The actual return on plan assets was SEK 0.3m (SEK 0.4m).

Changes to the asset/liability recognised in the balance sheet are:

	2007/08	2006/07
At the start of the year	0.9	0.8
Exchange-rate differences	0.1	0.0
Total expenses recognised in the income statement	0.2	3.0
Contributions paid	-1.8	-2.9
At end of year	-0.6	0.9

Note 18 cont.

The most important actuarial assumptions used were as follows:

	2007/08	2006/07
Discount rate, %	4.5	4.5
Expected return on plan assets, %	5.5	5.5
Future pay increases, %	4.5	4.0
Future pension increases, %	1.8	2.5
Estimated average remaining period of service, years	13	21

Defined-contribution plans

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

	2007/08	2006/07
Group	37.9	35.6
Parent Company	28.2	28.5

The early retirement of the Board member Björn Haid took place in the previous year in a sum of SEK 9.4m.

Of the Group's total expense for defined-contribution plans, SEK 11.7m (SEK 11.9m) pertains to a supplementary pension for for salaried employees (ITP) plan financed in Alecta. Alecta's surplus may be distributed to the policy-holders and/or the insured. At the end of 2007, Alecta's surplus in the form of the collective consolidation level was 152 per cent (2006: 143 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 Financial liabilities

At year-end there only financial liabilities as specified below.

	Group		Parent Company	
	2007/08	2006/07	2007/08	2006/07
Trade payables	238.0	165.7	195.9	137.0
Other current liabilities	30.8	25.3	11.0	11.8
Total	268.8	191.0	206.9	148.8
Fair value	268.8	191.0	206.9	148.8

The average period of credit for trade payables is 17 days (17 days) and for other current liabilities is 13 days (15 days).

Note 20 Accrued expenses and deferred income

	Group		Parent Company	
	2007/08	2006/07	2007/08	2006/07
Accrued salary expenses	72.5	68.6	51.6	50.2
Accrued holiday pay expenses	93.0	75.0	61.3	49.4
Accrued social security contributions	53.4	48.1	46.0	42.2
Other items	9.0	9.4	8.3	5.6
Total	227.9	201.1	167.2	147.4

Note 21 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	
	2007/08	2006/07	2007/08	2006/07
Opening provisions	16.8	15.5	10.6	9.7
Utilised during the year	-16.8	-15.5	-10.6	-9.7
Allocated during the year	19.6	16.8	11.5	10.6
Total other provisions	19.6	16.8	11.5	10.6
<i>Break-down of items:</i>				
Guarantee commitments	6.6	5.5	4.1	3.6
Open purchase and unredeemed gift cards	13.0	11.3	7.4	7.0
Total other provisions	19.6	16.8	11.5	10.6

Note 22 Intra-Group transactions

Of the Parent Company's invoiced sales, SEK 1,476.9m (SEK 1,079.2m) relates to intra-Group sales. Of this sum, SEK 1,271.6m (SEK 907.0m) relates to sale to Clas Ohlson AS in Norway and SEK 205.3m (SEK 172.2m) to sale to Clas Ohlson OY in Finland. No purchases were made from subsidiaries.

Note 23 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 NOK 50,475. A dividend has been paid from the Norwegian subsidiary to the Parent Company in the sum of SEK 165.8m (SEK 159.4m).

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.

The subsidiary Clas Ohlson Ltd in England, with company registration number 6298382, 300,000 shares with a par value of GBP 1. Shareholding 100 per cent. Book value SEK 4.0m.

Note 24 Appropriations

Parent Company	2007/08	2006/07
<i>The difference between book depreciation and depreciation according to plan on:</i>		
- equipment, tools, fixtures and fittings	-17.0	-27.9
- land and buildings	1.0	1.0
Change in tax allocation reserve	0.0	0.0
Total Parent Company	-16.0	-26.9

Note 25 Cash and bank balances

Parent Company	2007/08	2006/07
Cash and bank balances	194.8	200.4
Total Parent Company	194.8	200.4

Unutilised bank overdraft facilities, which are not included in cash and cash equivalents, totalled SEK 100m (SEK 15m) in the Group at the end of the year.

Note 26 Untaxed reserves

Parent Company	2007/08	2006/07
<i>Accumulated difference between reported depreciation and depreciation according to plan on:</i>		
– equipment, tools, fixtures and fittings	142.8	125.8
– land and buildings	9.8	10.8
Total Parent Company	152.6	136.6

Note 27 Pledged assets

	Group		Parent Company	
	2007/08	2006/07	2007/08	2006/07
Cash and cash equivalents	8.8	7.2	-	-
Property mortgages	23.0	23.0	23.0	23.0
Floating charges	44.0	44.0	44.0	44.0
Total pledged assets	75.8	74.2	67.0	67.0

Assets indicated above, for own obligations, are pledged to credit institutions as general security for currency forward contracts and unutilised loans, which at the end of the year totalled SEK 100m (SEK 15m) in the Group and SEK 100m (SEK 15m) in the Parent Company.

Note 28 Contingent liabilities and commitments

Parent Company	2007/08	2006/07
<i>Contingent liabilities</i>		
Guarantee in favour of Group companies pertaining to rental commitments	90.4	81.9

Commitments

All store premises, with the exception of Insjön, are leased and treated as operating leases. The company's policy is that rent should be fixed and not based on store turnover. The average contract period at 30.04.2008 was six years.

Agreed leases have been calculated according to rent levels for 2008.

	2007/08	2006/07
Rents and lease payments in financial year	101.7	76.1

	2008/09	2009/10	2010/11	2011/12	2012–
Contracted future rents	119.0	113.3	103.5	100.0	390.1

Note 29 Related-party transactions

The number of shareholders in the company at the end of the financial year was 22 744. The largest shareholders are Clas Ohlson's descendants Mary Haid and Johan and Helena Tidstrand, with 47 per cent of the capital and 68 per cent of the votes. No transactions with 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 30 Average number of employees

	Group		Parent Company	
	2007/08	2006/07	2007/08	2006/07
Insjön	501	473	501	473
Other stores in Sweden	763	658	763	658
Total Sweden	1,264	1,131	1,264	1,131
– of whom women	(518)	(451)	(518)	(451)
Total Norway	385	370		
– of whom women	(143)	(141)		
Total Finland	152	146		
– of whom women	(70)	(67)		
Total	1,801	1,647	1,264	1,131
– of whom women	731	659	518	451

The average number of employees is calculated on the total number of hours worked in relation to total annual working time. For further information on our employees, see pages 14–17 of the printed annual report.

Note 31 Absence due to sickness

	Group		Parent Company	
	2007/08	2006/07	2007/08	2006/07
<i>Average absence due to sickness, %</i>				
Total absence due to sickness	3.9	4.1	3.9	4.1
– of whom long-term sick leave	31	37	31	37
– of whom men	3.0	3.1	3.0	3.1
– of whom women	5.4	5.8	5.3	5.8
– of whom employees aged up to 29	3.2	3.2	3.0	3.0
– of whom employees aged 30–49	4.4	4.8	4.4	4.7
– of whom employees aged over 50	4.9	5.3	4.9	5.3

Note 32 Segment reporting

Group	2007/08	2006/07
<i>Primary segment: sale of products for house and home, technology and hobbies constitutes the primary segment</i>		
Sales	4,661.6	4,101.2
Operating profit	577.5	530.9
Total assets	2,192.0	1,937.7
Total liabilities	692.5	570.4
Investments in property, plant and equipment for the year (see Note 12)	251.6	126.3
Depreciation for the year	83.7	75.0

Group	2007/08	2006/07
<i>Secondary segments: sales by geographical market</i>		
Sweden		
Sales, external customers	2,585.9	2,345.4
Total assets	1,599.3	1,390.3
Investments in property, plant and equipment for the year	197.4	99.1
Norway		
Sales, external customers	1,716.8	1,458.2
Total assets	436.8	448.3
Investments in property, plant and equipment for the year	39.2	26.5
Finland		
Sales, external customers	358.9	297.6
Total assets	152.4	99.1
Investments in property, plant and equipment for the year	15.0	0.7
United Kingdom		
Sales, external customers	0.0	-
Total assets	3.5	-
Investments in property, plant and equipment for the year	0.0	-

Note 33 Events after the end of the period

Sales during May totalled SEK 330.4m, compared with SEK 313.0m in the previous year, a rise of 6 per cent. The sales figure breaks down into SEK 322.4m (SEK 305.0m) from stores and SEK 8.0m (SEK 8.0m) from home shopping. The breakdown by country is SEK 185.9m (SEK 186.4m) in Sweden, SEK 118.1m (SEK 104.6m) in Norway and SEK 26.4m (SEK 22.0m) in Finland. Compared with the same period in the previous year, fifteen stores have been added.

Clas Ohlson has entered into an agreement for lease relating to the terms for its first retail store contract in the United Kingdom. The new store will be located in the Whitgift Shopping Centre in Croydon in south-east London and will have 1,900 square metres of retail space. The catchment area for the store has a population of around 512,000. The shopping centre has a total of 140 stores and 7,000 parking spaces and receives 25 million visitors a year. The new Clas Ohlson store is expected to open during the third quarter of 2008/09.

The Board has decided to utilise the authorisation granted by the general meeting of shareholders to buy back shares to secure the company's commitment in connection with the introduction of a share-related incentive scheme, LTI 2008. Clas Ohlson will buy back a maximum of 645,000 shares up to the time of the 2009 AGM. The shares will be acquired on Nasdaq OMX Nordic Exchange Stockholm at a price within the share price range registered from time to time.

No other major events have occurred since the balance-sheet date.

Note 34 Contingent liabilities and commitments

The Group does not have any contingent liabilities

Commitments

All store premises, with the exception of Insjön, are leased and treated as operating leases. The company's policy is that rent should be fixed and not based on store turnover. The average contract period at 30.04.2008 was six years.

Agreed leases have been calculated according to rent levels for 2008.

Group	2007/08	2006/07
Rents and lease payments in financial year	231.0	184.0

	2008/09	2009/10	2010/11	2011/12	2012–
Contracted future rents	272.9	282.5	268.4	253.5	1,015.9

Certification

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial positions and results of operations. The statutory Administration Report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Insjön, 25.06.2008

ANDERS MOBERG
Chairman of the Board

BJÖRN HAID

ELISABET SALANDER BJÖRKLUND

LOTTIE SVEDENSTEDT

URBAN JANSSON

CECILIA TUFVESSON MARLOW

SÖLWE JOHNSON
Employee representative (Handels)

CAROLINE PERSSON
Employee representative (Unionen)

KLAS BALKOW
Chief Executive Officer

Our audit report was issued on 30.06.2008

Öhrlings PricewaterhouseCoopers AB

ANNIKA WEDIN
Authorised Public Accountant

PETER BLADH
Authorised Public Accountant

The balance sheets and income statements are to be adopted at the Annual General Meeting to be held on 13 September 2008.

Audit report

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

We have examined 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 01.05.2007 - 30.04.2008. The company's annual accounts and the consolidated accounts are included in the printed version on pages 42-64. 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 (IFRS) 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 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 and the consolidated 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 IFRS as adopted by the EU and the Annual Accounts Act, and give a true and fair view of the 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.

Insjön, 30 June 2008

Öhrlings PricewaterhouseCoopers AB

ANNIKA WEDIN
Authorised Public Accountant

PETER BLADH
Authorised Public Accountant

Corporate governance

The governance of Clas Ohlson is based upon Swedish legislation, principally the Companies Act, the listing agreement with the OMX Nordic Exchange Stockholm 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. The corporate governance report has been prepared in accordance with the Code. It does not form part of the formal annual report and has not been reviewed by the company's auditors.

Swedish Code of Corporate Governance

The Swedish Code of Corporate Governance is applicable to all major companies which are listed on the OMX Nordic Exchange Stockholm stock exchange. The aim is to improve corporate governance in listed companies and foster trust in companies both among the general public and in the capital 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 followed the Swedish Code of Corporate Governance during the financial year, with the exception of the following item:

Chairman of the Nomination Committee

The chairman of the Nominations 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 Nominations Committee.

Annual General Meeting

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 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 Companies Act and Clas Ohlson's articles of association (the full text in Swedish can be found at www.clasohlson.se under Financial Information). The AGM has always been very well attended, and the latest one attracted nearly 1 700 participants, making it one of the largest in Sweden. In April 2008 an extraordinary general meeting was held in Stockholm which adopted the Board's proposals for new principles for the remuneration of senior management including a long-term share-related incentive scheme.

Nominating procedure

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

A Nomination Committee consisting of Elisabet Salander Björklund, chairman, Per Karlsson and Lars Öhrstedt was

elected at the Annual General Meeting held on 8 September 2007. Elisabet Salander Björklund is a member of the Board, while the other two are independent of both the Board and company. The Nomination Committee represents broad experience of work in boards of directors and nominating procedures.

The group has worked on the nominating procedure for the Annual General Meeting of Clas Ohlson on 13 September 2008 and held five meetings, at which the composition of the Board was considered and discussed. 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 the second week of August at the time when the notice of the Annual General Meeting is published.

Auditors

The Annual General Meeting appoints auditors for the Parent Company at four-year intervals. The current auditors are Öhrlings PricewaterhouseCoopers (ÖPwC), who are represented by Annika Wedin (auditor in charge) and Peter Bladh. Both are authorised public accountants at Öhrlings PricewaterhouseCoopers (ÖPwC). ÖPwC was first elected in 2004 and has been elected to serve up to the time of the 2008 Annual General Meeting. Payment for audit engagements in the Group in the last three years has totalled SEK 1.6m, SEK 1.6m and SEK 1.4m respectively. Remuneration for other consultations in the last three years has totalled SEK 0.4m, SEK 0.6m and SEK 0.6m 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, including the CEO, who are elected by the AGM. As well as these, it includes two representatives of the trade-union organisations in the company. These are elected annually by their own organisations. The present Board of Directors 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. The members of the Board's audit and remuneration committees and authorised signatories for the company are also appointed at this meeting. In addition to this meeting, the Board holds at least six further meetings 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 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 strategy meeting principally discusses issues of a strategic nature such as the Group's

goals and strategies, product range, store-opening strategy, major investments and so on. Other meetings principally deal with the usual Board issues, the company's reports and reporting by the Board committees. The company's auditors attend two of the Board meetings to report on what has emerged during the audit. The Board held nine Board meetings and one strategy meeting during the financial year.

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 to be 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 Board has prepared instructions for the committee's work. The Remuneration Committee and Audit Committee discuss 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 per 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 Board and CEO is indicated in the Board's rules of procedure. These state 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 principle relating to the governance of subsidiaries, as well as election of Board members and the CEO. The Board also establishes the quality of the financial reporting. The CEO in turn is responsible for ensuring that the company is adminis-

tered 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 goals 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 deviations have to be reported to the Board. The Board also receives regular information from the CEO every month through a monthly report.

Audit Committee

At its first meeting following the AGM, the Board established an Audit Committee comprising Cecilia Tufvesson Marlow, 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 two occasions during the financial year to learn about the auditor's focus and discuss views on the risks faced by the company. In addition, the auditors attended the committee's other meetings. 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 eight meetings during the financial year. The attendance is shown in the table below. The meetings are minuted and reported at the next Board meeting. Representatives of the company's management and the company's internal controller attended the committee's meetings as co-opted members. Work on the company's internal control was reported.

Remuneration Committee

The fees paid to the Board, Nomination Committee and audi-

Composition of the Board and attendance during the financial year⁷

Member	Elected	Independent ¹	Independent ²	Board meetings	Audit Committee	Remuneration Committee
Anders Moberg	2003	Yes	Yes	10/10 ⁶		7/7 ⁶
Klas Balkow ³	2007	No ³	Yes	6/6 ³		
Björn Haid	1990	No ⁴	No ⁵	8/10	6/8	
Cecilia Tufvesson Marlow ⁸	2007	Yes	Yes	6/6 ⁸	4/4 ^{6 8}	
Lottie Svedenstedt	2004	Yes	Yes	10/10	8/8	
Elisabet Salander Björklund	2000	Yes	Yes	9/10		7/7
Urban Jansson	2005	Yes	Yes	9/10		6/7

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

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

³President and CEO. Klas Balkow took over as President and Chief Executive Officer at the Annual General Meeting held on 08.09.2007.

⁴Employed 1965–2006.

⁵Grandson of Clas Ohlson, represents the single largest shareholder Mary Haid, see page 41.

⁶Chairman.

⁷The 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 and its committees is described on pages 66–67.

⁸Cecilia Tufvesson Marlow was elected to the Board at the AGM held on 08.09.2007.

tors are decided each year at the Annual General Meeting. Proposals for fees have been discussed beforehand by the Nomination Committee. On the other hand, the Board decides on the remuneration of the CEO. A special Remuneration Committee, appointed by the Board and consisting of Anders Moberg the Chairman of the Board and two other members, Elisabet Salander Björklund and Urban Jansson, worked towards 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 Remuneration Committee also submits proposals for guidelines relating to salary and bonuses for other senior management, including the managing directors of the subsidiaries concerned. The process regarding the incentive programmes for all staff works in a similar way. The Committee met seven times during the financial year. Attendance is shown in the table on page 67. The meetings were minuted and reported at the next Board meeting. Work during the year focused principally on the drafting of guidelines for the remuneration of senior management and the long-term incentive programme adopted at the extraordinary general meeting held on 10 April 2008.

Governance of subsidiaries

The three wholly-owned subsidiaries Clas Ohlson AS in Norway, Clas Ohlson OY in Finland and Clas Ohlson Ltd in the United Kingdom are governed by their own boards in the country concerned, principally consisting 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 of operations 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 0.5m was paid to the Chairman of the Board. No fee is paid to Board members who are employees of the company.

The fee paid to the Nomination Committee during the financial year totalled SEK 0.2m. Of this sum, SEK 0.1m was paid to the chairman of the Nomination Committee. The committee member Lars Öhrstedt declined to receive a fee.

The company's CEO received pay totalling SEK 4.7m during the equivalent period, of which SEK 1.4m was in the form of a bonus. Pay received by the other eight members of senior management totalled SEK 13.3m, of which SEK 1.7m 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 2007 Annual General Meeting decided on guidelines for senior management pertaining to the 2007/08 financial year.

Severance pay

Under the contract of employment with the CEO, the mutual period of notice is six months. Twelve months' salary is payable in the event of termination by the company. Applicable salary, bonus and benefits are payable during the period of notice.

Three of the other senior management also 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 for the CEO is 65 and for other senior management varies between 65 and 67. The CEO has a defined-contribution pension into which SEK 1.3m was paid during the year. Other senior management receive pension entitlements principally under the applicable supplementary pension for salaried employees (ITP) plan which also covers other salaried staff. In addition to this, supplementary pension contributions have been made for four 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 staff have a bonus system based on Group earnings, and the bonus is paid twice a year. For senior management, a bonus has been paid which has been based on the Group's earnings. This bonus has been paid once a year. All payments under Clas Ohlson incentive schemes during the financial year were made with salary.

At an extraordinary general meeting held on 10 April 2008 new guidelines for the remuneration of senior management and a long-term incentive scheme applicable with effect from the 2008/09 financial year were adopted. The long-term incentive scheme is share-related and focuses on increased shareholding among the company's senior management.

Internal control

The Board's report on internal control pertaining to the financial reporting for the 2007/08 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 does not form 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 drawing up 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 committees report continuously to the Board according to established routines. All activity is undertaken in accordance with 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 elevated have been identified.

The Group's income consists to 97 per cent of sale in stores where payment is principally made in cash or by credit card. This income is documented in its entirety in bank accounts which are reconciled daily. The risk of errors in the reporting of income is limited. Group expenses principally 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 nonconformance reports which are reviewed by the immediate superior.

Clas Ohlson's assets consist to 82 per cent of non-current assets and inventories. Particular emphasis has therefore been put on preventing and detecting deficiencies in these areas in designing internal controls.

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 essential processes in the Group. The greatest risks in each process are analysed. An assessment is then made of whether the controls that take place are adequate. If there is a need, further compensatory controls are introduced to reduce the risk to an acceptable level. Work was undertaken during the financial year to evaluate parts of the purchasing and sales routines in accordance with the COSO model.

An updated survey of the company's greatest risks was made during the financial year. The survey was made at Group level and represents a tool for the Group's and company manage-

ment's strategic and operational control. The survey enables a focus on reducing the company's exposure to risk and the consequences of any risks that have occurred.

The Parent Company's IT security was audited by an external party during the financial year. The audit covered general IT controls in selected major 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 staff in the Group have access. There are both formal and informal information channels to the company management and the Board for information from staff. 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 equities market with correct information.

Follow-up

The company management and the audit committee regularly report to the Board on the basis of established routines. The Board also receives regular information from the CEO every month through a monthly report for the Group. At each Board meeting the Board also receives a more detailed presentation 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 plays a key role in monitoring that there are sufficient control activities for the most material areas of risk pertaining to the financial reporting and communicating material issues with the company's management, Board and auditors. 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 Boards forms a picture of the internal control and the correctness of the financial information. The CEO does not take part on any issues that relate to the company management.

Internal audit

Following evaluation in 2007/08 and previous years, the Board to date has not found it necessary to establish an internal audit function. The companies Group-wide controller function has instead been adapted so that it also deals with work on the company's internal control. The question of whether to establish a separate internal audit function will be re-examined annually.

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

Insjön, 25 June 2008

The Board

Board of Directors



From left, standing: Anders Moberg, Elisabet Salander Björklund, Lottie Svedenstedt, Sölwe Johnson, Klas Balkow and Urban Jansson. From left, sitting: Cecilia Tufvesson-Marlow, Emma Lindqvist, Björn Haid and Caroline Persson.

Anders Moberg

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

Klas Balkow

Born in 1965
President and CEO with effect from 8 September 2007.
Professional experience: Formerly managing director of a subsidiary of the Axel Johnson Group, where he was responsible for AxImage, a business area that comprises several store chains and the agency for Fujifilm in both Sweden and Norway. Previously Bredbandsbolaget. Prior to that a number of senior positions in Procter & Gamble over a period of ten years in both the Nordic countries and the United States.
Other directorships: Member of the Board of Fujifilm Sverige AB.
Number of shares in Clas Ohlson AB: 7,650

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: 266,400

Cecilia Tufvesson Marlow

Born in 1960
Member of the Board since 2007
Professional experience: CEO of JC/J-Store 2006-2007, CEO of Polarn&Pyret 2004-2006, CEO of Ordning&Reda 2001-2003, CEO of Publicis Welinder 1997-2001.
Other directorships: Member of the Board of Catella Capital.
Number of shares in Clas Ohlson AB: 0
Independent*

Lottie Svedenstedt

Born in 1957
Member of the Board since 2004
Professional experience: CEO of KID Interiör 2006-2007. Own consultancy business in organisational and leadership development 2000-2006. Head of business area IKEA of Sweden 1998-2000. President of Inter IKEA Systems AS 1993-1996. Regional manager H&M 1989-1992.
Other directorships: Chairman of the Board of MiL Institute. Member of the Boards of Björn Borg AB, Stadium AB, Stampen AB,

Promedia AB, mkt media ab, Global Health Partner Plc.
Number of shares in Clas Ohlson AB: 3,300
Independent*

Elisabet Salander Björklund

Born in 1958
Member of the Board since 2000
Professional experience: Employed since 1995 at Stora Enso, now as Senior Executive Vice President for Forest Products. Previously Domänverket/AssiDomän 1981-1995.
Other directorships: Deputy chairman of Swedish National Road Administration. Member of the boards of the Swedish Forest Industries Federation, Bergvik AB, Marcus Wallenberg Foundation, the Royal Swedish Academy of Agriculture and Forestry, the Royal Swedish Academy of Engineering Sciences 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 of HNJ Intressenter 1984-1990, various senior positions in SEB 1972-1984.
Other directorships: Chairman of EAB, Global Health Partner Plc, HMS Networks, Jetpak Group, Rezidor Hotel Group and OMX Nordic Exchange Stockholm AB Listing Committee. Member of the Boards of Addtech, W Becker, Ferd A/S, Höganäs and SEB.
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

Caroline Persson

Born in 1978
Employee representative (Unionen)
Member of the Board since 2007
Number of shares in Clas Ohlson AB: 0

Deputy members

Emma Lindqvist

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

Senior management



Klas Balkow

Born in 1965
President and CEO
CEO since 2007
Number of shares in Clas Ohlson AB: 7,650



Susanne Löfås-Hällman

Born in 1964
Head of HR
Employee since 2001
Number of shares in Clas Ohlson AB: 598



Bo Heyman

Born in 1952
Director of New Store Openings
Employee since 1983
Number of shares in Clas Ohlson AB: 1,519



Lars Wallén

Born in 1947
Deputy CEO and Chief Financial Officer
Employee since 1987
Number of shares in Clas Ohlson AB: 5,407



Ulrika Göransson

Born in 1970
Group Market Director
Employee since 2008
Number of shares in Clas Ohlson AB: 1,216



Rolf Andersson

Born in 1946
Director of Distribution Centre
Employee since 1989
Number of shares in Clas Ohlson AB: 847



John Womack

Born in 1966
Director of Information and IR
Employee since 2008
Number of shares in Clas Ohlson AB: 5,034



Mats Bortas

Born in 1948
Director of Purchasing
Employee since 1976
Number of shares in Clas Ohlson AB: 3,712



Peter Jelkeby

Born in 1963
Director of Operations
Employee since 2008
Number of shares in Clas Ohlson AB: 1,947

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

Quarterly results

SEKm	2007/2008				2006/2007			
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
	01.05.07 -31.07.07	01.08.07 -31.10.07	01.11.07 -31.01.08	01.02.08 -30.04.08	01.05.06 31.07.06	01.08.06 31.10.06	01.11.06 31.01.07	01.02.07 30.04.07
Sales	1,031.9	1,146.1	1,496.2	987.4	878.7	1,020.4	1,331.2	870.9
Cost of goods sold	-624.9	-676.8	-875.7	-611.3	-540.1	-616.0	-788.7	-529.3
Gross profit	407.0	469.3	620.5	376.1	338.6	404.4	542.5	341.6
Selling expenses	-242.5	-308.0	-333.8	-298.8	-210.3	-261.9	-268.7	-255.5
Administrative expenses	-22.8	-36.2 ¹	-25.9	-26.0	-20.2	-30.7 ²	-24.4	-24.7
Other operating income/expense	0.1	-0.1	0.1	-1.5	0.0	-0.5	0.6	0.1
Operating profit	141.8	125.0	260.9	49.8	108.1	111.3	250.0	61.5
Net financial items	2.5	1.9	2.1	3.8	1.9	1.6	1.8	1.6
Pre-tax earnings	144.3	126.9	263.0	53.6	110.0	112.9	251.8	63.1
Income tax	-40.4	-35.6	-73.5	-16.5	-30.9	-31.6	-70.4	-19.1
Profit for the period	103.9	91.3	189.5	37.1	79.1	81.3	181.4	44.0
KEY RATIOS FOR THE PERIOD								
Gross margin, %	39.4	40.9	41.5	38.1	38.5	39.6	40.8	39.2
Operating margin, %	13.7	10.9	17.4	5.0	12.3	10.9	18.8	7.1
Earnings per share, SEK	1.58	1.39	2.89	0.57	1.21	1.24	2.77	0.67

¹ Includes a non-recurring expense of SEK 10.9m pertaining to severance pay for the former CEO Gert Karnberger.

² Includes a non-recurring expense of SEK 9.4m pertaining to early retirement pension for Björn Haid.

Definitions

Cash flow from operations

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, in per cent, of net sales for the financial year.

Return on equity

Net profit for the year as stated in the income statement and expressed as a percentage of average equity.

Equity/assets ratio

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

Sales per square metre in store

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

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

HEAD OFFICE

Clas Ohlson AB
793 85 Insjön
Tel +46 247-444 00
Fax +46 247-444 25
www.clasohlson.se

HEAD OFFICE NORWAY

Clas Ohlson AB
Torggata 2-6
N-0105 Oslo
Tel +47 23 21 40 05
Fax +47 23 21 40 80
www.clasohlson.no

HEAD OFFICE FINLAND

Clas Ohlson OY
Yrjönkatu 23 A
FIN-00100 Helsinki
Tel +358 9 5840 0231
Fax +358 20 1112 234
www.clasohlson.fi

HOME SHOPPING SWEDEN

Clas Ohlson AB
SE-793 85 Insjön
Tel +46 247-444 44
Fax +46 247-445 55
www.clasohlson.se

HOME SHOPPING NORWAY

Clas Ohlson AS
Postboks 485
N-0105 Oslo
Tel +47 23 21 40 00
Fax +47 23 21 40 80
www.clasohlson.no

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
Kungsbacka – Kungsmässan
Linköping – Centre
Luleå – Smedjan
Malmö – Triangeln
Norrköping – Domino
Nyköping – Nyckeln
Piteå – Gallerian Piteå
Skellefteå – Citykompaniet
Stockholm – Farsta
Stockholm – Gallerian
Stockholm – Haninge
Stockholm – Häggvik
Stockholm – Kista Galleria
Stockholm – Nacka
Stockholm – Sickla
Stockholm – Skärholmen
Stockholm – Solna
Stockholm – Täby
Stockholm – Vällingby
Stockholm – Väsby
Sundsvall – Birsta
Sundsvall – Nya hamnen
Trelleborg – Valen
Uddevalla – Centrum
Umeå – MVG
Uppsala – St Per Gallerian
Visby – Centre
Västerås – Arosian
Växjö – Affärshuset Tegnér
Örebro – Krämaren
Örnsköldsvik – Magasinet
Östersund – Mittpunkten

NORGE

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

FINLAND

Espoo – Sello
Helsinki – Kamppi
Helsinki – Mannerheimintie
Helsinki – Itäkeskus
Kokkola – Chydenia shopping centre
Kuopio – Centre
Lappenranta – Gallerian shopping centre
Lempäälä – Ideapark
Tampere – Centre
Vantaa – Jumbo shopping centre
Vaasa – Rewell Center
Turku – Forum shopping centre

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

Investor Relations contacts

John Womack
Director of Information and IR
Tel: +46 - 247 - 444 00

Klas Balkow
President and CEO
Tel: +46 - 247 - 444 00

Jan Skarner
Group controller
Tel: +46 - 247 - 444 00

Michael Ehrling
IR production
Tel: +46 - 247 - 444 00

Production: Clas Ohlson AB in cooperation with Sund Kommunikation AB
Printed by: Strokirk-Landströms AB, Lidköping
Photography: Lars Dahlström, Sune Fridell (Board photograph)

SE-793 85 Insjön
Tel: +46 247-444 00
Fax: +46 247-444 25
www.clasohlson.se

Corporate identity number: 556035-8672

CLAS OHLSON