

clas ohlson



Annual Report 2008/09

Contents

THE YEAR IN BRIEF	1
CEO'S STATEMENT	2
STRATEGIC ORIENTATION	4
MARKET OVERVIEW	8
OPERATIONS	12
The brand and our marketing	12
Sales channels	16
Purchasing and product range	20
Own brands	21
Logistics, IT and security	22
Risks and factors of uncertainty	24
SHARES AND SHAREHOLDERS	28
SUSTAINABLE DEVELOPMENT	34
Key steps for sustainable operations	34
Our employees and the Clas Ohlson spirit	36
Our social responsibility and human rights efforts	40
Our responsibility for the environment	44
Clas Ohlson's GRI profile	48
ANNUAL REPORT	
Directors' report	50
Five-year summary	54
Comments on the five-year trend	55
Consolidated income statement and cash-flow statement	56
Consolidated balance sheet and change in equity	57
Parent Company income statement and cash-flow statement	58
Consolidated balance sheet and change in equity	59
Accounting policies and notes	60
Certification of the annual accounts	72
Audit report	73
CORPORATE GOVERNANCE	74
Internal control	76
BOARD OF DIRECTORS	78
SENIOR MANAGEMENT	79
QUARTERLY RESULTS	80
DEFINITIONS	80
ADDRESSES	81



Clas Ohlson in brief

Clas Ohlson is a retailing company with sales in Sweden, Norway, Finland and the UK. At the end of the financial year, there were 106 stores in addition to our mail order/Internet service. We offer a broad range of products in the areas of electrical and electronics, mobile phones, computer accessories, hifi/stereo, tools, household, home and storage. We have 15,000 different products in our range. The company is listed on the Nordic Exchange. The head office and distribution centre are located in Insjön in Sweden. Our sales exceed SEK 4.9 billion and we have a total of around 3,100 employees.

The world



Strong purchasing organisation with long experience

Over the past 90 years, Clas Ohlson has built up solid purchasing expertise, extensive experience and a broad network of suppliers. As we grow, we can purchase even larger volumes at even better prices, thus further enhancing our competitiveness.



Efficient distribution

One of Sweden's most efficient logistics plants is located in Insjön in Dalarna. This is where we efficiently store, sort and deliver goods to more than 100 stores in four countries. During the financial year, Clas Ohlson was nominated for logistics awards from both Sweden Post and Schenker.



Centrally located stores and mail order/Internet channels with award-winning service

At the end of the financial year, Clas Ohlson had 106 stores in Sweden, Norway, Finland and the UK, and a mail order/Internet sales service in Sweden and Norway. Our store-opening strategy is based on the objective that our stores should be in central locations that people frequent in their everyday lives. We attach great importance to our corporate culture and service-mindedness, for which we received many awards during the financial year, such as Best In-store and Telephone Customer Service.



We solve customers' little practical problems

All of Clas Ohlson's work is focused on helping our customers solve their little practical problems and making their everyday lives simpler. A home has many things that need fixing, both big and small, and Clas Ohlson can provide a convenient way for customers to solve their problems as needs arise.



The interim reports for 2009/10 will be published on the following dates

First quarter (May-July)	10 September 2009
Second quarter (Aug-Oct)	9 December 2009
Third quarter (Nov-Jan)	10 March 2010
Year-end report 2009/10	10 June 2010

ANNUAL GENERAL MEETING

The Annual General Meeting for the 2008/09 financial year will be held on Saturday, 12 September 2009 in Insjön. Notice will be sent to all shareholders registered at the end of July 2009. 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 3.00 per share be paid for 2008/09 (preceding year: 5.00).

Clas Ohlson AB (publ), Corporate Identity Number: 556035-8672







Annual report 1 May 2008 to 30 April 2009.

of Clas Ohlson

SWEDEN

FINLAND

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

	Sweden and UK	Norway	Finland
Number of stores	50+2	38	16
Share of Group sales			
Share of Group number of employees			
Year started	1918 (SE) 2008 (UK)	1985	2002



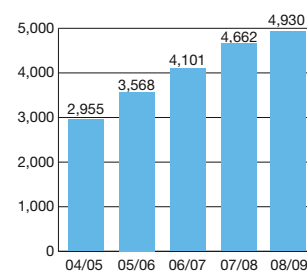
The story of Clas Ohlson

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 ran to only 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.

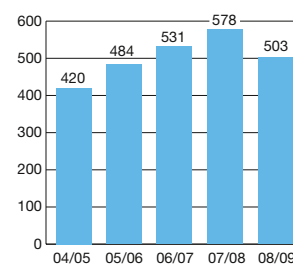
The year in brief

- Sales totalled SEK 4,930 M (4,662)
- Operating profit totalled SEK 503 M (578), corresponding to an operating margin of 10.2% (12.4)
- Profit after tax amounted to SEK 365 M (422)
- Earnings per share amounted to SEK 5.62 (6.43)
- Dividend of SEK 3.00 per share (5.00) is proposed
- 20 new stores opened
- Stores opened in the United Kingdom

Sales, SEK M



Operating profit, SEK M



Key ratios	2008/09	2007/08	Change
Net sales, SEK M	4,930	4,662	6 %
Operating profit, SEK M	503	578	-13 %
Profit before tax, SEK M	504	588	-14 %
Profit after tax, SEK M	365	422	-13 %
Operating margin, %	10.2	12.4	-2.2
Return on equity, %	24.4	29.4	-5.0
Return on capital employed, %	32.6	41.8	-9.2
Equity/assets ratio, %	58.1	68.4	-10.3
Earnings per share, SEK	5.62	6.43	-13 %
Dividend per share, SEK	3.00*	5.00	-40 %
Total number of stores	106	86	23 %
Number of full-time equivalent employees	1,927	1,801	7 %

* Proposed dividend



An eventful year



An eventful year

Returning to Insjön from the opening of our store in Manchester, UK, on 30 April, my thoughts turned to the events of the past year. How can I summarise such an intense and eventful financial year?

It was a financial year that began with our 90th anniversary, when we invited all of our employees to celebrate our illustrious history and set the tone for the next 90 years. Very few of us could have imagined then that only a few months later we would experience a collapse in global financial markets that would lead the economy into recession. The market downturn has affected many companies and has also left its mark on our earnings. Although we sell products that people need in their everyday lives, regardless of the economic climate, we have also been affected by the sharp fall in the retail sector.

Fast pace

A fast pace was maintained during the financial year to manage the economic downturn, but primarily to expand Clas Ohlson and make the company even better. I am convinced that this was necessary in a climate of increasingly fierce competition, and I know that it would have been

impossible without the support of a strong organisation. Our employees dealt with the year's changes and events fantastically. I was impressed to see employees who have worked at Clas Ohlson for many years step up to the new challenges with the same sense of inquisitiveness and pride as if it were their first day at work. I have the same feeling of assurance when new employees join the company and add their new skills and experiences to our operations. What unites us all is our passion to develop the company and offer our customers that little bit extra that makes their everyday lives a little simpler.

The heart and magic of Clas Ohlson is found in our employees, although this may be difficult to see in an annual report. It is better reflected in awards and prizes such as Best Customer Service and nominations for Chain Store of the Year and Logistics Company of the Year. With all this attention, it would be easy to rest on our laurels but our culture would never allow such behaviour. Instead, we take it simply as a pat on the back and continue on the path that we have set out and strive even harder to satisfy our customers.

From strategy to action

Clas Ohlson aims to be a European retail company. We believe that our business concept is viable and distinctive in Europe and, accordingly, has significant potential to ensure continued growth at high profitability. We have identified three key areas of development to reach this goal: growth and expansion, developing and strengthening the organisation, and simplicity and efficiency. I briefly describe below what we have achieved in these areas during the year.

Growth and expansion

We launched Clas Ohlson in the UK, our first market outside the Nordic region. This move signalled our entry into a market that is double the size of all of the Nordic markets combined. We received a warm welcome from customers at both of our UK stores, although we respect the fact that it takes time to build a brand in an entirely new market, particularly one that has been severely affected by the recession.

We also made extensive efforts to further develop sales and market communication to strengthen our position as the solver of practical problems in everyday life in our home markets. We opened more stores in a bid to come closer to our customers. In

addition, we launched a new store concept that will make it even more attractive for customers to make purchases at our stores and we published a new spring catalogue that makes us more flexible in terms of launching new products and pricing.

Developing and strengthening the company

We have developed our training centre, the Clas Ohlson Academy, in order to strengthen and nurture the Clas Ohlson spirit. Our British employees have been trained at Insjön and our employees based in China have visited us in Dalarna and received training in Clas Ohlson's values. Many of our highly skilled employees from our home markets also spent time working in the newly opened UK stores and gathered knowledge and experience that they could bring home.

We have developed our work processes and structures. New positions have been introduced as part of the expansion to new countries and to achieve economies of scale in all areas from purchasing to logistics, sales and marketing. Furthermore, we recruited a number of new employees from internationally successful retailers, thus providing the company with important experiences and the power to act.

Simplicity and efficiency

We are now constructing one of Scandinavia's most modern and efficient logistics plants in Insjön. The investment, which will cost more than SEK 600 M, will allow us to highly efficiently store and dist-

tribute goods to more than 150 stores.

Furthermore, we worked intensively on enhancing the efficiency of stores during the year. Sales in comparable stores fell by 7 per cent during 2008/09, as a direct result of the recession and the sharp downturn in the retail sector. We successively increased our productivity and adapted staffing levels to the current economic climate by altering scheduling and, in certain cases, changing the degree of capacity utilisation.

Regarding our responsibility for the environment, we adopt a long-term approach jointly with our logistics partners to identify new ways of reducing our impact on the environment, for example, by increasing the number of goods transported by rail.

To increase our proximity to our principal purchasing market in Asia, we opened a purchasing office in Shanghai for the company, which serves as a supplement to purchasing via handling agents. We can intensify our partnerships by being closer to our suppliers. In addition, we gain better control over efforts to ensure that our suppliers meet our environmental and ethical requirements and comply with our Code of Conduct. Our responsibility for people and the environment permeates our entire organisation.

Sales records and major investments for the future

Despite the economic downturn, we achieved another record with sales of almost SEK 5 billion. Lower consumption placed pressure on sales in comparable

stores, which stunted earnings for the year. Profit before tax of slightly more than SEK 0.5 billion was the third-highest figure in the company's history, but was lower than the preceding year. We have continued investment in areas that are important for the future: more stores, new markets and an expanded distribution centre. These investments will boost Clas Ohlson in the long term and will be something that we can benefit from when the economic outlook is brighter.

Although I take a modest approach to the ongoing expansion in the UK, it is a fantastic feeling to hear our British customers say that Clas Ohlson is a brand new concept that they had not had until now. When we are praised for our product range and service, it feels good to hear the same admiration that we receive at home but in a new language. It inspires and motivates us all for the future.

Finally, I would like to express my sincere gratitude to all of our employees who are working with us toward an exciting future, to all of our customers who put their trust in us every day and to all of our shareholders who, like me, want to be part of Clas Ohlson's journey in Europe.

Insjön, June 2009
Klas Balkow



The opening of the first store in the UK in Croydon, London, in November 2008 was a traditional affair. The ribbon was cut by Björn Haid, Board member and grandchild of the company's founder Clas Ohlson, Anders Moberg, Board Chairman and Klas Balkow, President and CEO.



A Clas Ohlson museum was opened during the year where visitors can find out about and reminisce about the company's history, catalogues and products from the past 90 years. The museum was opened by Clas Ohlson's daughter, Mary Haid, together with Klas Balkow, President and CEO.

Vision, business concept, objectives and strategies

Clas Ohlson's vision is to develop a European retail chain characterised by high profitability and healthy growth in shareholder value.

The potential to continue to grow in both new and existing markets and to develop Clas Ohlson into a European retailing business is significant. The concept is considered to be competitive and distinctive on a European basis, which makes expansion into a number of new markets possible.

A change process is being conducted to generate an even clearer position for Clas Ohlson. This process includes implementing new store concepts and further developing the product range and market communication. This, together with strengthening of the organisation, will create the conditions necessary for a continued high rate of growth with expansion into new markets and increased sales in existing stores.

Business concept

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."

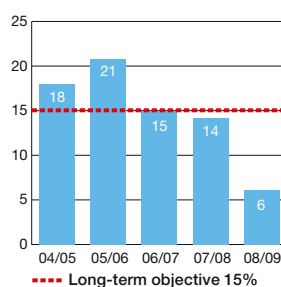
Vision and objectives

We will develop a strong European retail chain characterised by high profitability and healthy growth in shareholder value. 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 that sales will grow annually at a rate of 15 per

Growth in sales, %

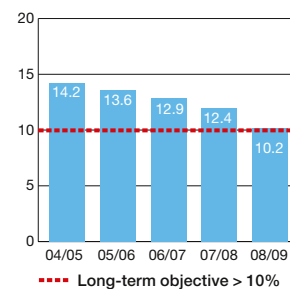


cent. The objective is measured in terms of the average annual increase in sales over five years. This growth in sales of 15 per cent will be achieved through increased sales in existing stores and continued new store openings in both existing and new markets. Sales rose 6 per cent in 2008/09 and sales growth over the past five years has averaged 15 per cent.

Profit margin more than 10 per cent

The profitability objective is an operating margin of at least 10 per cent. Clas Ohlson's profit 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 2008/09 financial year was 10.2 per cent. The operating margin over the past five years has averaged 12.7 per cent.

Operating margin, %



Strategies

An affordable and attractive range

Our product range will be adapted and focused on meeting the needs of customers in their everyday lives. The products are 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 employees who guide customers to simple solutions. Our employees have broad and thorough knowledge of the product range.

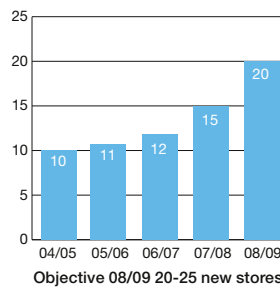
Accessible

Clas Ohlson will be present in attractive locations that people frequent in their everyday lives. Customers will find that



it is convenient to solve the little practical problems in everyday life through us. Our stores will preferably be located in strong central shopping centres. A total of 20 new stores were opened during the financial year, compared with 15 in the preceding year.

Number of new stores



Responsibility for people and the environment

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

Sub-objectives

As part of the work to meet our objectives, we have established a number of sub-objectives regarding market position, customer satisfaction and employees, logistics and sustainability.

Strengthening the Clas Ohlson brand

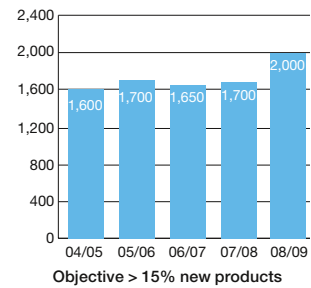
The Clas Ohlson brand is already regarded as strong in Sweden and Norway. The level of familiarity with the brand is lower in Finland and the UK because the company has been in operation in these countries for a shorter time. Marketing includes catalogue mailing, direct marketing and advertising. The 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. The breadth of the product range will be maintained

or expanded, while certain duplicates, for example similar goods, will be phased out. Greater variation between catalogue and store products will be introduced, partly in order to operate with a more seasonal range and items to order.

Number of new products



For the first time in Clas Ohlson's history, the company published a spring catalogue as a supplement to the annual catalogue traditionally published in the late summer. This venture provides greater flexibility in terms of adapting both the range and prices.

The year's catalogues contained almost 2,000 new products, compared with 1,700 in the preceding year. This means that 17 per cent of the catalogue range was changed in relation to 2008/09. Many new products and product lines have been added, for instance in computer accessories, boat accessories and household items.

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 objective is for the proportion of own-brand goods to account for at least 25 per cent of sales. At the end of the financial year, the proportion slightly exceeded 20 per cent.

High level of service

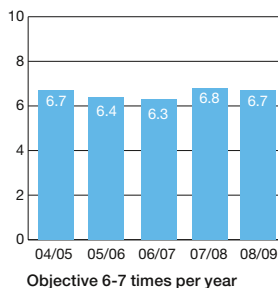
The level of service in both stores and in mail order/Internet channels is high. We achieve this by having an integrated and automated logistics and sales system. Our experience is that the level of service in stores, meaning that items are in the store when the customer wishes to purchase them, exceeds 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. We aim for a rate of stock turnover of 6–7 times in the distribution centre.



Rate of stock turnover, distribution centre



The rate of stock turnover in the distribution centre during the financial year was 6.7 times, compared with 6.8 times in the preceding financial year. This means that we replace the entire stock more often than once every two months.

Rate of stock turnover in in-store inventories

Inventories in our stores principally consist of the products held in the store. The objective is a rate of stock turnover of 8–10 times in stores. Our large stores meet the objective of 8–10 times a year, while the medium-sized stores have individual objectives based on their annual sales.

Satisfied and reassured customers

Good customer service is the key to Clas Ohlson's business concept. All employees in our stores are trained in dealing with complaints. Our customer-service 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 mail order/Internet shopping customers. Because we firmly believe that good customer care will be one of the principal 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 employees is evident in the low rate of staff turnover in the Group. Staff turnover among full-time employees in the Group averaged 8.8 per cent during the financial year (preceding year: 9.0 per cent).

Staff turnover among our staff at the head office and in the distribution centre in Insjön during the same period was 2.1 per cent (preceding year: 1.9 per cent). All new

During the year, Clas Ohlson received awards for Best In-store and Telephone/Internet Customer Service. The level of service and corporate culture is instilled at extensive training programmes held for all new employees in Insjön, Dalarna.

permanent employees begin their employment with introductory 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 56,123, compared with 69,630 hours in the preceding year.

Responsibility for people and the environment

We aim to offer our customers high-quality and affordable products while contributing to sustainable development for people and the environment. Clas Ohlson's general environmental objective is that, together with its suppliers, emissions of carbon dioxide will be reduced by 30 per cent per tonne-kilometre by 2020. Our customers should also feel assured that the products we sell have been manufactured under acceptable conditions with respect to people and the environment. The aim is to visit all manufacturers at least once every two years. During the financial year, Clas Ohlson conducted 357 plant audits to ensure compliance with the Code of Conduct. 

Weaker retail sales marked by global recession

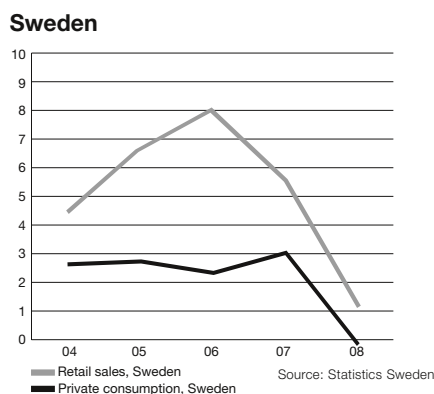
Retail trade in Sweden, Norway, Finland and the UK was negatively impacted by the strong slowdown in economic activity that became evident from September 2008. Although Clas Ohlson sells products that are needed in everyday life, sales were negatively affected by this weaker trend in retail trade.

Nevertheless, Clas Ohlson's broad and reasonably priced range is less sensitive to economic fluctuations than many other retailers. More than 80 per cent of the products sold by the company have a price that is lower than SEK 300. Clas Ohlson's wide range, with five different product categories, also entails less risk as demand in one product category can increase while demand in another category decreases.

Retail sales in Sweden

A lower rate of growth was noted for Swedish retail in 2008, which increased by an average of 1.1 per cent in terms of fixed prices compared with 5.6 per cent in 2007, according to Statistics Sweden. A similar trend was apparent in trading in consumer durables, which rose an average of 2.5 per cent in fixed prices in 2008, compared with 7.9 per cent in 2007.

Private consumption and retail sales
Trend in private consumption and retail sales in fixed prices in Sweden 2004-2008, %



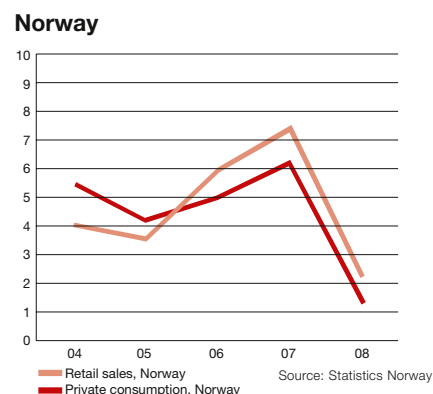
Private consumption declined by an average of 0.2 per cent, compared with a rise of 3.0 per cent in 2007. In current prices, Clas Ohlson's sales in Sweden and the UK dropped 1 per cent in 2008/09.

The Swedish Research Institute for Trade (HUI) anticipates continued sluggish growth in Swedish retail sales. This will mean an increase of 0.5 per cent in fixed prices in 2009 and of 1.5 per cent in 2010, according to HUI. Lower growth in sales of consumer durables is also expected. HUI forecasts unchanged sales in 2009 and an increase of 1.5 per cent in 2010.

Retail sales in Norway

A lower growth rate was reported for retail sales in Norway during the financial year. According to Statistics Norway, SSB, retail sales increased by an average of 2.2 per cent in fixed prices in 2008, compared with 7.4 per cent in 2007.

Private consumption and retail sales
Trend in private consumption and retail sales in fixed prices in Norway 2004-2008, %



Private consumption increased 1.3 per cent in 2008, compared with a rise of 6.1 per cent in 2007. Clas Ohlson's sales in Norway rose 12 per cent in current prices in 2008/09.

According to the Federation of Norwegian Commercial and Service Enterprises (HSH), the weak trend is expected to continue for the next few years. The forecast for 2009 is that retail sales will increase by 1.5 per cent in fixed prices.

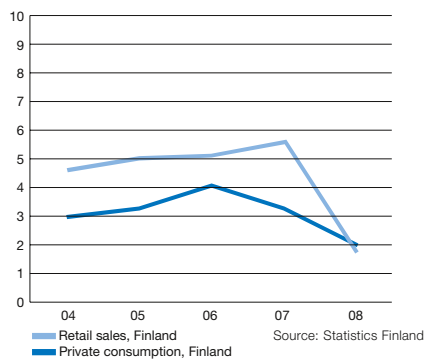
Retail sales in Finland

Lower growth in retail sales was also reported in Finland. According to Statistics Finland, retail sales increased by an average of 1.8 per cent in fixed prices in 2008, compared with 5.6 per cent in 2007.



Private consumption and retail sales
Trend in private consumption and retail sales in fixed prices in Finland 2004-2008, %

Finland



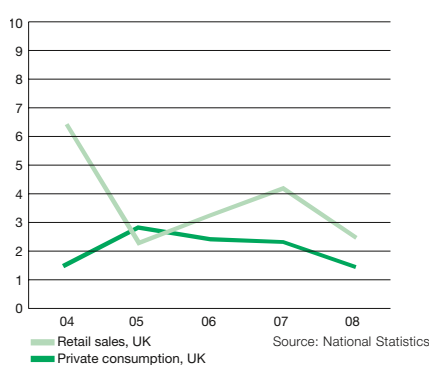
Private consumption in Finland rose 2.0 per cent during 2008, compared with 3.3 per cent in 2007. Clas Ohlson's sales in Finland increased 21 per cent in current prices during 2008/09.

Retail sales in the UK

Lower growth in retail sales was also reported in the UK during the financial year. According to UK National Statistics, retail sales rose an average of 2.6 per cent in fixed prices in 2008, compared with 4.2 per cent in 2007.

Private consumption and retail sales
Trend in private consumption and retail sales in fixed prices in the UK 2004-2008, %

UK



Private consumption in the UK increased 1.5 per cent in 2008, compared with 2.3 per cent in 2007.

Market trends

The market for the type of products sold by Clas Ohlson continues to increase throughout Europe, but is starting to become relatively mature. This applies in particular to the largest markets, including Germany, France and the UK. The sector has previously been dominated by local chains in each country, which have been able to grow

During the financial year, UK consumers became acquainted with a brand new business concept. The launch of Clas Ohlson was well-received, with positive feedback from customers regarding the product range, prices and stores, as well as the pleasant and knowledgeable service they received.

and increase their market shares, mainly at the expense of individual specialist retailers.

Large chains such as Clas Ohlson have major purchasing volumes, more efficient logistics and benefit from other economies of scale. Accordingly, larger chains are generally able to offer better prices and have more extensive resources to apply to marketing. They are often also able to offer completely new products at an earlier stage than individual specialist retailers. As the growth rate is now starting to decline, chains are increasingly branching out beyond national borders. In recent years, large chains in the Nordic countries have also captured market shares at the expense of individual specialist retailers. Chains tend to opt for large stores, often away from town centres. The exception is Clas Ohlson, whose stores are primarily located in town and city centres that 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 approximately 20 home improvement stores, Hornbach, which has opened three stores, and the German company Mediamarkt, which has 15 stores in Sweden. At the same time, the weaker retail sales have also resulted in a few players choosing to withdraw from the Swedish market, including PC City and Silvan. Examples of cross-border Nordic players, apart from Clas Ohlson, are the Swedish company Biltema with stores in Sweden, Norway, Finland and Denmark, the Danish company Harald Nyborg with stores in Denmark and Sweden, and the Finnish company K-rauta with home improvement stores in Finland and Sweden.

Larger stores

Another trend is that the size of stores is increasing. In large European countries, it is not unusual to find stores of between 5,000 and 10,000 square metres, primarily located close to out-of-town shopping centres. This runs completely contrary to Clas Ohlson's store-opening strategy, which aims instead to open stores of between 500 and 2,500 square metres in prime, preferably town-centre, locations.

Own-brand goods

It is becoming increasingly common for retail chains to market products under their own brands. By developing own brands, Clas Ohlson is able to offer customers high quality at lower prices since development costs and marketing costs are lower.

Competitors

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

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 conduct sales through stores and mail order/Internet channels. In addition, Clas Ohlson competes in specific product areas with a number of companies, such as Mediamarkt, Järnia, Bauhaus, K-rauta, Teknikmagasinet and Kjell & Co. The company also competes 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 above that 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 UK, Clas Ohlson will be competing in particular with the British retail chain Argos and such retailers as Maplin and Robert Dyas, which offer a range in some of Clas Ohlson's product areas. However, no competitor in the UK has a concept that resembles that of Clas Ohlson. 

Clas Ohlson compared with a selection of competitors

Main competitors and the number of stores in each country

	Sweden	Norway	Finland	UK	Year started*	Electrical	Multimedia	Leisure	Hardware	Home
clas ohlson	50	38	16	2	1918	•	•	•	•	•
Biltema	20	26	8		1963	•	•	•	•	•
Jula	28	6			1979	•	•	•	•	•
Teknikmagasinet	70	20	1		1989	•	•			
Kjell & Co	39				1990	•	•			
Jernia		160			1951				•	•
Obs		43			1907	•			•	•
Maxbo		75			1995	•			•	
Anttila			29		1953	•	•		•	•
K-rauta	20		42		1940	•	•		•	
Argos				700	1973	•	•		•	•
Maplin				160	1972	•	•			
Robert Dyas				105	1872	•			•	•

* Source: Websites



Clas Ohlson in the UK was launched through an intensive marketing campaign in the area around the first stores.



Since Swedish retailers have an excellent reputation in the UK, the advertising campaign highlighted Clas Ohlson's Swedish origins in a playful, attention-grabbing manner.

The UK – our fourth market

During the financial year, Clas Ohlson launched its expansion into the UK. The first store was opened in November 2008 in Croydon, London. An additional store was opened in April 2009 in the Arndale Shopping Centre in Manchester. Clas Ohlson's business concept was well received and UK consumers that visited either of the stores were positive toward the range as well as prices and service. The objective is to open an additional four to eight stores in the UK during the 2009/10 financial year.

Excellent opportunities

With a population of 60 million, the UK presents excellent long-term opportunities for Clas Ohlson. The factors that have had a bearing on the choice of a new market include the number of potential customers. Other factors in favour of the UK are the country's strong purchasing power and the generally favourable prices of Clas Ohlson's products. Town-centre trading is strong and a large proportion of shopping is carried out in centrally located shopping malls. This fits Clas Ohlson's concept of having stores in strong shopping centres in city locations.

Extensive customer surveys of the target group also indicate favourable demand for a chain like Clas Ohlson in the UK market. No other chain currently offers an equivalent concept in central retail locations. Clas Ohlson's range, stores and service represent a new, sensational and appreciated element in UK retailing. However, Clas Ohlson expects it to take time to establish the brand and market position in an entirely new market.

Product range and deliveries

Certain aspects of Clas Ohlson's range require adaptation to the UK market, as certain standards differ, such as with regard to electrical products. Of the standard catalogue range, approximately 1,400 products will have to be adapted, changed or replaced. The company is also conducting a review to ensure that it offers brands with which the UK consumer is familiar and used to buying. Deliveries to the UK stores will initially be conducted from the distribution centre in Insjön. As the operation expands, Clas Ohlson will regularly assess other alternatives that entail shorter transport routes.

Clas Ohlson's first store in the UK


Clas Ohlson's first store was opened in November 2008 in the Whitgift Shopping Centre in Croydon, south-east London. The store has 1,900 square metres of retail space and a catchment area of approximately 512,000 inhabitants. The store, which is on two levels, has a main entrance from a pedestrian street and another entrance inside the shopping centre. The shopping centre has a total of 140 stores, 7,000 parking spaces and 25 million visitors per year.

In April 2009, Clas Ohlson opened its second store in the Arndale Shopping Centre in Manchester. The store space is 2,500 square metres on three levels. It is one of the five most-frequented shopping centres in the UK, with a total of 240 stores and 39 million visitors per year.

Clas Ohlson's entrance into the UK is a long-term venture and the deteriorating economic climate is entailing opportunities to sign contracts for attractive store locations that were not previously available. The rent levels have also decreased due to weakening retail sales.

Local marketing has an impact

Clas Ohlson's marketing focuses on highlighting the business concept in the catchment area in which its stores are established. Since Swedish retailers have an excellent reputation in the UK, the company has increased the emphasis on Clas Ohlson's origins and history. In the UK, it is common for retail chains to be named after their founders, which means that the Clas Ohlson name is excellent in this market as well. To clarify Clas Ohlson's offering, we have introduced the company as a modern hardware store that sells useful products that make everyday life easier. Marketing has reached consumers through outdoor advertisements, direct-mail advertising, radio commercials and local distribution of the Clas Ohlson catalogue in the area where stores are located.

Through surveys conducted in Clas Ohlson's stores in Croydon, London, and Arndale, Manchester, we know that customers generally appreciate the company's business concept in terms of range, prices and service, and readily recommend Clas Ohlson to others. 

Our brand and marketing

The Clas Ohlson brand is one of the company's greatest assets. Clas Ohlson's market position as a problem solver in everyday life was further strengthened during the year through the continued development of the business concept and communication with customers.

A number of changes were made during the year, including an updated store concept intended to make it easier for customers to navigate Clas Ohlson's stores, a more modern visual identity, an updated product range and a clearer approach to marketing.

New countries mean new challenges

Clas Ohlson is a well-established and well-known brand in Sweden and Norway, where we are focusing on strengthening relationships with existing customers. In new markets, such as the UK, many potential customers have not yet discovered Clas Ohlson. In both cases, however, a clear, consistent and, in certain respects, locally adapted approach to marketing is necessary.

Knowledge about our consumers

Customer surveys and competitor analyses form the basis of the continuous development of Clas Ohlson's business concept, offering and market communications, with the aim of establishing a distinct position in new and existing markets.

Customer surveys were performed in all of Clas Ohlson's markets during the financial year, which have provided us with a clear picture of how the Clas Ohlson brand is perceived and the frequency of visits. A total of 98 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 76 per cent in Finland. The proportion of female customers is slightly more than 40 per cent. The most-frequent visitors are men between the ages of 25 and 35.

Clas Ohlson received a number of distinctions during the year, including nominations as the retail chain of the year in Sweden and Norway (Swedish Federation of Trade and NSCS), and was named the third-hottest retail chain in Sweden (all categories). The company also received a distinction for outstanding customer service, both in stores and through Clas Ohlson's telephone/Internet channels.

Innovative product range

Clas Ohlson's range is renewed continuously, with a focus on finding smart, new solutions and new products based on vibrant trends.

A broad and attractive range is a key component of the company's success. Clas Ohlson's product range is divided into five categories: Hardware, Home, Multimedia, Electrical and Leisure. This classification reflects customer needs and areas of use. Clas Ohlson's range should have sufficient depth, with several price levels for different situations. The customer should always be offered an exciting shopping experience.

Continued focus on own-brand goods

Customers continue to appreciate our focus on own-brand goods, which accounted for slightly more than 20 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. →

Clas Ohlson's five product areas

Hardware



Home



Multimedia



Electrical



Leisure





Clas Ohlson has placed considerable emphasis on exporting its corporate culture to the UK. The store personnel were given a warm welcome to their introductory week in Insjön, in the midst of a snowstorm in March.



The store personnel from the new store in Manchester were handpicked based on their experience and personal attributes. Prior to the opening of the new store, the employees received support from experienced colleagues from Insjön, Sweden, and other parts of the company.

Export of Clas Ohlson's corporate culture


In March 2009, 11 employees from the UK travelled from Manchester to Insjön, Sweden, to undergo "Insjön training." Most of these employees had never visited Sweden and travelling to the town of Insjön in Sweden's Dalarna region was a major adventure and a memory for life. Upon arriving at Hjultorget in Insjön in the middle of a snow storm, many were wondering where they were – but our new colleagues quickly thawed out after receiving a warm welcome, an approach that characterised the entire training process in Insjön.

"We began recruiting at the end of January and selected our new colleagues from 250 people," explains Robert Rahm, head of the trainee group that recruited employees in Croydon and most recently in Manchester. In his everyday job, Robert works as a Store Manager at the Gallerian shopping centre in central Stockholm."

"A total of 90 per cent of the employees had previous retail experience, which is obviously a plus, but what they are like as people is more important."

To learn about the character and concept of Clas Ohlson, these full-time employees participated in a one-week introductory programme in Insjön.

"During that week, we mainly focused on our corporate culture, business concept, products and values, but we also organised various teambuilding activities," explains Per Dahler, who was also involved in the training programme.

Although the rigorous week involved considerable theoretical training for the Manchester employees, the programme also included various practical elements. For example, the employees were given the chance to attempt to assemble a PC. Carpentry and product-range knowledge were also included in the practical section of the training programme. The introductory week concluded with practical training at the store in Croydon, London. 

Catalogue showcases diversity

A total of 5,5 million copies of the main catalogue, printed in Swedish, Norwegian and Finnish, were published during the financial year. In March 2009, the company's first spring catalogue, which also contained a section on boat accessories, was published in Swedish, Norwegian and Finnish. The first Clas Ohlson catalogue in the UK was released in April and quickly gained popularity, particularly due to its convenient format. Special catalogues for multimedia and mobile phone accessories were published twice during the financial year, in August 2008 and March 2009.

The introduction of two main catalogues per year entails significant advantages, as it increases the company's flexibility to update its range and prices more often.

Prior to store openings

In the run-up to the establishment of a new store, Clas Ohlson markets itself in the local area for several months before the opening occurs. This is carried out through direct advertising, advertisements in publications, radio advertisements and public relations activities. Marketing efforts are intensified in the final few days prior to opening. Clas Ohlson conducted extensive marketing in conjunction with the launch of the company's first stores in the UK to ensure that the brand was established quickly in the respective catchment areas of the stores.

Trade fairs

When Clas Ohlson participates in trade fairs, the focus is on meeting existing and prospective customers. The company has the opportunity to sell its products, distribute its catalogues and gather valuable information through dialogue with visitors. During the financial year, Clas Ohlson had stands at three major trade fairs, including Stora Nolia, a consumer products fair held every year in Piteå, with approximately 120,000 visitors, and the Stockholm International Boat Show in Stockholm in March, at which we presented our new spring catalogue, which also included a range of boat accessories.

Sponsorship linked to Dalarna

Our policy regarding sponsorship is to primarily support clubs, associations and events in the Swedish region of Dalarna, where Clas Ohlson was founded and the company's head office and distribution centre are located. Our major commitments include sponsoring the ice hockey team Leksands IF and the Olympic rower Lassi Karonen. During the financial year, Clas Ohlson also supported Dalhalla outside Rättvik, one of the largest music scenes in Sweden. 



Photo: Jessica Ström/www.leksandsif.se

Clas Ohlson sponsors Leksands IF, having cooperated with the ice-hockey club for many years. This sponsorship is highly appreciated by both employees and customers, particularly in the Dalarna region, but also in other areas of Sweden where many fans support the club

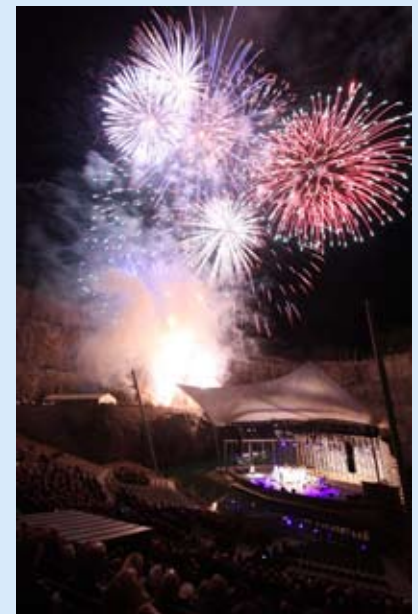


Photo: Martin Litens

Many of Clas Ohlson's sponsorship ventures are linked to the Dalarna region, where the company has its roots. Among other associations, the company sponsors Dalhalla outside Rättvik, one of the largest music scenes in Sweden.



Clas Ohlson is the main sponsor of Olympic rower Lassi Karonen and is supporting his quest for gold at the 2012 Olympic Games in London. Lassi competed in a race against a church boat on Lake Siljan in autumn 2008. His victory was witnessed by many enthusiastic spectators.


Lassi Karonen is employed by Clas Ohlson and works part-time in such areas as training and healthcare, as well as in stores. He spends the rest of his time training and competing, in preparation for the 2012 Olympics.

Clas Ohlson-main sponsor of Olympic rower Lassi Karonen

Clas Ohlson is supporting Olympic rower Lassi Karonen in his bid for gold at the 2012 Olympic Games in London. Lassi finished sixth at the Beijing 2008 Olympics and, with the support of Clas Ohlson and other sponsors, he has now set his sights on winning a medal at the 2012 Games in London. The collaboration, which started in 2008 and will end in 2012, means that Lassi is employed at Clas Ohlson working in such areas as training, healthcare and marketing, as well as in stores. He works part-time, thus giving him time to train and perform at his very best at the 2012 Olympics.

“I am very excited about this partnership with Clas Ohlson and becoming part of the company. Since I grew up here in Dalarna, it feels extra special to receive support from a company

that I know so well and that I like so much. As a Clas Ohlson employee, I will have the chance to try out various roles within the company and the opportunity to meet many new people, such as employees, customers and others associated with the company,” says Karonen.

Clas Ohlson’s decision to support Lassi in his Olympic bid is based on the many factors the two have in common in terms of origin and future plans, including the focus on London and the UK. Lassi’s modest and target-oriented approach reflects what Clas Ohlson stands for and makes him an excellent role model and representative for the company, both internally and externally. 

Sales channels

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 98 per cent of sales and the company had 106 stores in Sweden, Norway, Finland and the UK at the end of the financial year.

Stores

Store locations

Our stores should preferably be located in strong, centrally located 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 products are sold over the counter. Because Clas Ohlson manages its stores itself, it does not operate on a franchise basis. The store premises are rented on long-term leases. The company has three different concepts regarding its store sizes: large stores with 1,200-2,500 square metres for large catchment areas, medium-sized stores of 800-1,200 square metres and a new concept for smaller stores of 500-800 square metres. The new smaller concept, named Lill-Clas, or "Little Clas," enables the company to open stores in smaller towns or as a complement to existing stores in larger towns. These Lill-Clas stores have a smaller range of products than the larger stores and focus on the most popular products. Other items in the range can be ordered and collected from the store within 48 hours. The concept has been positively received and is now found in Motala, Hudiksvall, Marieberg (Örebro) and Kullagatan (Helsingborg).

Attractive stores in shopping centres

Clas Ohlson is an attractive store for a shopping centre. Its store openings often result in a substantial increase in the number of visitors to the entire centre. The stores attract new customer groups, and their 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) in 2008, Clas Ohlson is one of the five most popular stores in Sweden to be located next to. During the year, Clas Ohlson was also nominated for the award of Retail Chain of the Year in both Sweden and Norway (Swedish

Trade Federation and Nordic Council of Shopping Centers).

New store concept

Clas Ohlson launched a new store concept in 2008 that will make it easier for customers to find their way around the stores. The changes also involve generally updating and modernising stores in terms of, for example, décor, signs, customer terminals, information and order counters and checkouts.

The new concept was launched during the third quarter of 2008/09 and has generally been positively received by customers and personnel.

The new concept will be applied to all 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 about SEK 40 M per year. Up to ten stores are expected to be remodelled according to the new concept during the 2009/10 financial year.

Financial commitment

A new store initially entails a financial commitment of SEK 12-14 M, broken down into SEK 3 M in start-up expenses, SEK 4-5 M in investments in store interiors and computer systems and SEK 5-6 M in inventories. Start-ups costs for our first stores in the UK are initially higher, mainly due to higher marketing costs.

New stores in Sweden and Norway have already become profitable in the first twelve months of trading. The same applies to some stores in Finland. It generally takes longer to achieve profitability in countries in which Clas Ohlson is a new name and where the brand is new.

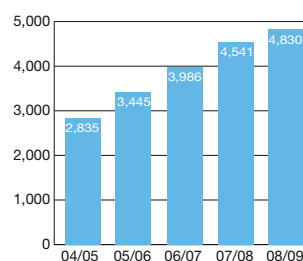
Rate of store openings

Clas Ohlson is continuing to open new stores in established markets but is adjust-

Increase in sales

Comparable stores in local currency	- 7 per cent
New stores	+ 12 per cent
Exchange-rate effects	+ 1 per cent
Total	+ 6 per cent

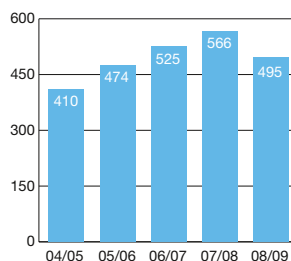
Sales in stores, SEK M





ing its rate of opening according to market conditions. The opening of 15-20 new stores is planned for the 2009/10 financial year, of which the UK will account for four to eight. The organisation will be continuously upgraded for continued growth in both existing and new markets. The breakdown between large, medium-sized and small stores has not been fixed and depends on the store locations for which contracts can be signed.

Operating profit, SEK M

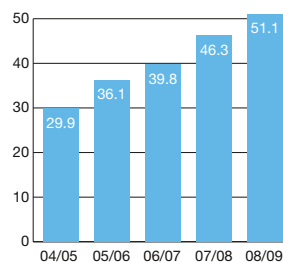


Sales and profits

Store sales during the financial year totalled SEK 4,830 M (4,541), up 6 per cent on the preceding year. Accordingly, store sales accounted for 98 per cent of total Group sales.

Operating profit for the stores totalled SEK 495 M (566), down 13 per cent up compared with the preceding year, resulting in an operating margin of 10.2 per cent compared with 12.4 per cent in the preceding year. New stores entailed start-up costs of SEK 67 M (51) during the financial year.

Number of visitors, millions



Sweden

Clas Ohlson's Swedish stores attracted 32.6 million visitors in 2008/09, an increase of 1.2 million or 4 per cent compared with 2007/08. Of these visitors, 15.8 million made purchases.

The number of stores increased by five during the financial year and the total number of stores in Sweden at the end of the financial year was 50. To date, contracts

Clas Ohlson's autumn catalogue, which is the oldest mail-order catalogue in Sweden, is traditionally published in August in conjunction with Insjö Day, one of the year's biggest festivals in Insjön and the surrounding area. Visitors were keen to get their hands on this year's catalogue and find out all about the new products in the catalogue.

have been signed for seven new stores for the 2009/10 financial year.

The company believes that the Swedish market has yet to reach the saturation point in terms of the continued opening of Clas Ohlson stores. Several stores with catchment areas with a population of 30,000-50,000 show that the company can also achieve favourable profitability in smaller towns. The new Lill-Clas smaller store concept allows Clas Ohlson to open stores in small towns or as a complement to existing stores in larger towns.

Norway

Our Norwegian stores attracted 12.2 million visitors in 2008/09, up 2.3 million or 23 per cent on 2007/08. Of these visitors, 7.9 million made purchases during their visit to the store. Nine stores were added during the financial year, and at the end of the financial year there were 38 stores →

in Norway. To date, decisions have been made to open a further four stores during the 2008/09 financial year. The Norwegian market has also not yet reached saturation in terms of continued openings of Clas Ohlson stores. Several stores have catchment areas with a population of 30,000-50,000, demonstrating that we can also achieve favourable profitability in smaller towns.

Finland

Our Finnish stores had 5.8 million visitors in 2008/09, an increase of 0.7 million or 14 per cent compared with 2007/08. Of these visitors, 2.5 million made purchases. Clas Ohlson strengthened its marketing activities in Finland at the beginning of the financial year, thus enhancing knowledge of the brand and sales. The Finnish retail sector weakened during the latter half of the year, something that also had a substantial impact on Clas Ohlson's operations.

Four stores were added during the financial year, and the number of stores in Finland at the end of the financial year was 16. To date, no decision has been made about opening additional stores in Finland in the 2009/10 financial year. Potential to increase sales in the existing store portfolio in Finland is considerable, for example, by continuing to clarify Clas Ohlson's offering in the Finnish market.

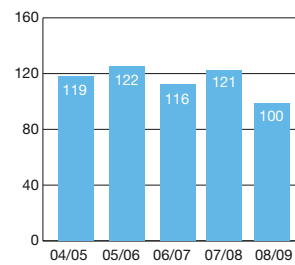
UK

Clas Ohlson opened its first stores in the UK during the financial year. The first store, with 1,900 square metres of retail space, opened in Croydon in south-east London in November 2008. The company's second UK store was opened in Manchester in April 2009. This store is located in the Arndale Shopping Centre and has 2,500 square metres of retail space. The response from customers in these new stores in the UK has been positive, with high visitor numbers in both the Croydon and Arndale stores. The number of visitors to date to the Croydon store is higher than the Group average. The conversion rate and the average purchase were lower in the UK than the Group average, which is a normal phenomenon associated with entry into a new market. Clas Ohlson expects the establishment of the brand and a position in a new market to take time and that the conversion rate and average purchase value will gradually increase over the next few years. Many attractive store locations are expected to become available in the future.

Mail order/Internet

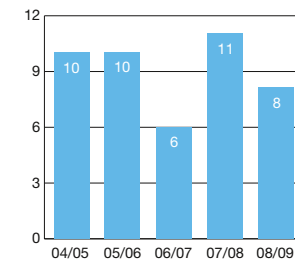
Mail order/Internet sales totalled SEK 100 M (121), corresponding to a 17 per cent decrease compared with the preceding year. The decline was primarily due to a general slowdown in the retail sector combined with Clas Ohlson opening stores during the

Mail order/Internet sales, SEK M



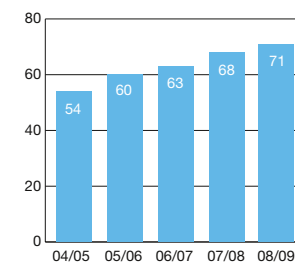
year in areas that previously were offered only the mail order/Internet channel. Mail order/Internet sales accounted for 2 per cent of the Group's total sales in 2008/09.

Operating profit from mail order/Internet sales, SEK M




The operating profit for mail order/Internet channel totalled SEK 8 M (11), down 27 per cent compared on the preceding year. Accordingly, the operating margin amounted to 7.8 per cent, compared with 9.5 per cent for the preceding financial year.

Percentage of Internet orders, %



The Internet accounted for 71 per cent (68) of the total number of orders received by the mail order/Internet operation during the financial year.

Clas Ohlson's mail order/Internet channel is of strategic importance to the Group. Customers are displaying a distinct trend of communicating via and making purchases both in stores and online. Our mail order/Internet channel is currently limited to Sweden and Norway, but we intend to expand the service to Finland and the UK in the future. The two channels, store and Internet, complement each other well and offer new opportunities to further strengthen relations with our customers. A new e-commerce platform will be developed in 2009/10, which will form the basis for expanding the mail order/Internet channel. 



Purchasing and product range

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 other key factors in the choice of products and suppliers

Extensive, high-quality purchasing activities

Clas Ohlson's product range should be adapted to and focused on solving customers' practical problems in their everyday lives. The product range is broad and contains a total of 15,000 items. In addition to the ordinary catalogue products, the range includes campaign products and accessories. Clas Ohlson does not conduct manufacturing itself, nor does it hold any product patents. The company does not depend on any individual product area and considers its broad product range to be a competitive advantage. The company is also not dependent on any single supplier. An international product range council was formed during the financial year, which is responsible for continuously developing Clas Ohlson's product range strategy. This work is taking on greater importance as the company enters into new geographical markets to ensure that Clas Ohlson's range is always attractive, distinctive and competitive at a European level.

High rate of renewal

The company has had a high rate of product-range renewal in recent years, replacing between 1,300 and 2,000 products every year. Annual profitability and the product lifecycle determine whether an item remains in the range. Many of the company's products have a high technical content, and we aim to be at the leading edge of technology, but without being pioneers or setting trends. The main selection criteria for potential new additions to the product range are technology, function and quality. 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.

Quality tests

Function tests and product-life tests are performed before a new product is added to the range. The products are tested in Clas Ohlson's own workshops, where stringent requirements have to be met with regard to quality, safety and function. Several prod-

ucts are also passed on to various testing organisations, such as Semko and the Swedish National Testing and Research Institute

Work of the purchasing department

The purchasing department is divided into five groups, one for each product area: Hardware, Home, Multimedia, Electrical and Leisure. 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 the work environment, working conditions and environmental impact.

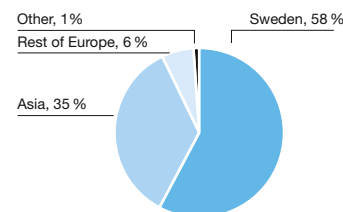
An experienced organisation

Many of our category and product managers have worked at Clas Ohlson for many years. Their knowledge and experience is passed on to the next generation of product managers, thus providing us with good continuity with regard to purchasing and range development. The company believes it important for present-day buyers and product managers to feel the same curiosity about new products as the company's founder Clas Ohlson did. This curiosity is part of our culture. Purchasers receive thorough training in the company's Code of Conduct and its methods and tools for checking and supporting suppliers. Purchasers have an important role to play in efforts to improve the work environment and working conditions, and to ensure that the environmental properties of the products are acceptable.

More than 600 suppliers from 30 different countries

Clas Ohlson's approximately 600 suppliers are located in 30 different countries.

Countries of purchase



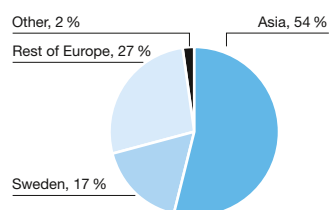
Swedish suppliers accounted for 58 per cent of total purchases during the financial year, compared with 62 per cent in the preceding year. The largest Swedish suppliers are trading houses or agents who hold import

Purchasing policy

One of the stipulations of Clas Ohlson's purchasing policy is that the company must purchase its products as close to the manufacturers as possible so as to avoid intermediaries.

rights or type approvals for various products. The places of origin of these products are usually countries in Asia or Europe. When combined with the company's 35 per cent of direct purchases from Asia, the percentage of Asian products exceeds 50 per cent, unchanged compared with the preceding year. This allows Clas Ohlson to develop long-term partnerships and also facilitates efforts to monitor compliance with the Code of Conduct.


Countries of origin



Purchasing company in Shanghai

Asia, and China in particular, is the single most important purchasing market for Clas Ohlson. During the financial year, the company founded a wholly owned purchasing company in Shanghai to further strengthen Clas Ohlson's competitiveness in its continued expansion. Clas Ohlson strives to reduce the number of suppliers and make bulk purchases from fewer suppliers than in the past. The aim is to reduce purchasing costs and intensify partnerships with suppliers and the manufacturers from whom the company makes direct purchases. Additional information on the company's sustainable development efforts is available on pages 33-48 of the Annual Report.

Purchasing policy

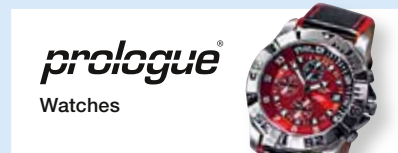
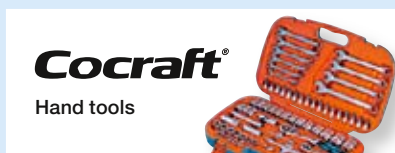
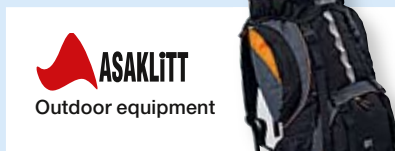
One of the stipulations of Clas Ohlson's purchasing policy is that the company must purchase its products as close to the manufacturers as possible so as to avoid intermediaries. 

Clas Ohlson offers a number of its own high-quality brands at attractive prices in a broad range of products. Along with other brands that are well known in the market for various product categories, this breadth allows customers to select from products in different price ranges and based on the features that they need.

Own brands

Clas Ohlson has about 15,000 products in its range. The range is divided into five different product areas: Hardware, Home, Multimedia, Electrical and Leisure.

In recent years, the company has invested heavily in own-brand goods, which now account for approximately 20 per cent of sales. The objective is to increase this figure to at least 25 per cent. The products sold as own-brand goods are hallmarked by their high quality and attractive prices.



Logistics, IT and security

The distribution centre in Insjön is now being expanded to accommodate the continued growth of the company. Automated systems facilitate high availability in stores and for mail order/Internet sales.

Logistics

The distribution centre in Insjön is the logistics hub of the entire Group, and all goods destined for Clas Ohlson stores and mail order/Internet customers pass through it. The average rate of stock turnover in the distribution centre during the financial year was 6.7 times (6.8). This means that the company replaces its entire stock of a full 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. During the year, Clas Ohlson was nominated for Sweden Post's and Schenkers' Logistics Awards based on the company's work on developing efficient logistics processes and its involvement in environmental issues related to inward and outward freight.

Distribution centre expanded to accommodate continued growth

Clas Ohlson's distribution centre in Insjön is now being expanded to create capacity to store and distribute products to at least 150 stores in a highly efficient manner. The investment totals SEK 615 M and will be made in two stages. The new picking facility was deployed in May 2009 and the new additional high-bay warehouse is expected to be put into operation in late 2009. Following this expansion, the distribution centre in Insjön will be the most modern and efficient logistics facility in the Nordic region. Efficient logistics is one of Clas Ohlson's key success factors.

Distribution during year

The company's inward delivery unit received about 245,000 pallets and 1,746 freight containers during the financial year. The equivalent figures for 2007/08 were 225,000 pallets and 1,838 freight containers.

A total of 6.2 million (5.9) picking rows were supplied to the stores during the financial year, representing an increase of 5 per cent compared with the preceding year. The normal delivery time to the stores is 1-3 days and ordering takes place automatically via the in-store computer system. Clas Ohlson also delivered about 140,600 (176,600) mail order consignments, equivalent to 560 a day.

IT systems and security

Clas Ohlson has been working to develop IT systems that support the operations for many years. These systems make it easier to handle ordering, delivery, replenishing, picking and final delivery of goods. 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 ensure 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, etc. is registered in our shared central database system. Purchasing routines, warehousing routines and shared functions, such as financial and accounting 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 and accounting system, which is a standard system.

2. In-store computer system

All data relating to the flow of internal information within a store and between stores is available in the in-store computer system. Ordering points for all items in the store are entered into the system; for example, when an item reaches its re-ordering point, an order is automatically sent to the central system.

3. Checkout system

A special checkout system is linked to each in-store system that processes the sales transactions in the specific store. 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 a high priority

Since the operations are 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 time. This means quicker re-starts and a higher level of security than if the systems were run in a single-computer environment.

All of the systems and transactions are backed up every night. Firewalls and

virus protection are other elements of Clas Ohlson's security system.


Insurance cover

Clas Ohlson has insurance policies that provide the company with adequate cover for inventories, buildings, machinery and equipment, as well as interruptions and liability, including product liability. The company reviews its insurance cover every year in consultation with its insurer.

General safety activities

Clas Ohlson enhanced its general safety work at the company during the financial year. A central safety department was established that works with such issues as in-store safety, fire safety and crisis management. Shrinkage is a major problem for the retail sector as a whole. Clas Ohlson has adopted a long-term approach to its processes and procedures, training and technical tools to minimise shrinkage within the company.

To prevent fires, strict regulations govern all handling of flammable substances. All employees receive training in fire safety and have thorough knowledge of applicable fire-safety rules. A special emergency fire team specialised in fire prevention is also stationed in Insjön. The distribution centre in Insjön is divided into several fire compartments, which are separated by firewalls and fire shutters. The fire alarm system, which has about 625 fire detectors, is linked directly to the emergency services switchboard and to the internal on-call team.

The building is equipped with a sprinkler system, consisting of about 29,000 sprinkler valves. It is supplied with water via a sprinkler control room with direct-starting diesel pumps. The water is taken from two reservoirs linked to the sprinkler control room. 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 this specific purpose. Truck loading takes place in a special truck-loading room, which meets relevant requirements. 



Risks and factors of uncertainty

Clas Ohlson's operations are associated with risks that to a varying extent may have a negative impact on the Group's earnings. These risks can be divided into those related to operations, such as a competitive product range or a changed competitive situation, and those related to financial considerations, principally foreign-exchange exposure.

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

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 mail order/Internet customers. Further expansion is underway, which will further enhance the efficiency of logistics. 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 also involves higher overheads, which could have a negative impact on profitability if Clas Ohlson's growth rate declines. For further information, see pages 22-23.

Key individuals

An increasingly important factor for success is the 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 page 76. The company's geographical location necessitates flexible work patterns, which are a key 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)

Society is increasingly focusing on issues involving Corporate Social Responsibility (CSR). Clas Ohlson works actively on these issues, which are regarded as strategically important and as an element in pursuing sustainable operations. If the company fails from this point of view, it risks losing sales and market shares. For further information on Clas Ohlson's sustainable development activities, see pages 33-48.

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, this could result in lower growth and profitability. →

Both operating and financial risks can have an impact in the short and long term on the ability to attain the goals set out in the business plan. The scope of work on the company's general risks was further extended during the financial year, firstly by continuing to conduct audits of the company's risk profile, and secondly by continuing to develop processes for pursuing regular work on the company's risks. 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 Organizations of the Treadway Commission) will continue to be assigned a high priority as the company grows and develops.

Operating risks

Store openings in the United Kingdom

The store openings in the United Kingdom, with its population of 60 million, give rise to opportunities for Clas Ohlson in the form of another market, but also entail risks. One of the risks is that the brand is unknown to most people and is expected to take a long time to establish. Further information on the start-up of the UK operation is provided on page 11.

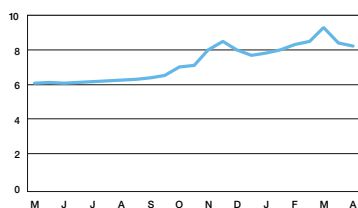
Purchasing in Asia

Clas Ohlson currently purchases about 35 per cent of its products from Asia, mostly from China. The percentage of purchases made in Asia is to be further increased by establishing Clas Ohlson's own purchasing company, thus strengthening the company's competitiveness in its continued expansion. The increased exposure to a single country will entail an increased risk (political risks, transport risk, etc.).

Competition

There is a clear trend in the European retail sector for large nationwide chains to grow, generally at the expense of smaller, indi-

USD/SEK exchange rate

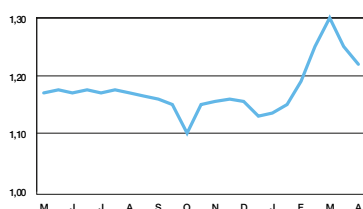


The USD is Clas Ohlson's principal purchasing currency. The exchange rate against the SEK at the start of the financial year on 1 May 2008 was SEK 6.05. The exchange rate then strengthened slightly during the summer and autumn before subsequently strengthening again in the spring. On 30 April 2009, the rate was at SEK 8.00, up 32 per cent.

The highest exchange rate during the financial year was SEK 9.30, recorded in March 2009, while the lowest was SEK 6.00, noted in May 2008. The average exchange rate for 2008/09 was approximately SEK 7.30, compared with SEK 6.50 in 2007/08.



NOK/SEK exchange rate



Norway accounts for more than one third of Clas Ohlson's sales. At the start of the financial year on 1 May 2008, the exchange rate for the Norwegian krone (NOK) was SEK 1.17 against SEK. The exchange rate then weakened during the summer and autumn and subsequently appreciated considerably during the winter. On 30 April 2009, it was SEK 1.22, up 4 per cent.

The highest exchange rate during the financial year was SEK 1.30, recorded in March 2009, while the lowest was SEK 1.10, noted in October 2008. The average exchange rate for 2008/09 was approximately SEK 1.18, compared with SEK 1.17 in 2007/08.

Shrinkage

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

Financial risks

Economic climate

The retail sector in Sweden, Norway, Finland and the UK was negatively affected by the sharp downturn in the economy that emerged in September 2008. Although Clas Ohlson sells products that people need in their everyday lives, sales were adversely impacted by the weakening in retail sales.

Nevertheless, the company's broad and affordable product range is less sensitive to fluctuations in the economy than many other retail companies. More than 80 per cent of Clas Ohlson's products cost less than SEK 300. The company's wide range, with five different product categories, also entails a lower risk since demand in one category may rise, while demand in other diminishes.

Wage inflation in manufacturing countries

Clas Ohlson is affected by changes in wage levels in the countries where the company's products are manufactured. The change can vary between different products depending on the percentage of the manufacturing process that is labour related.

Commodities prices

Purchasing prices for the company's products are affected to a relatively large extent by prices for individual commodities on the world market. This applies in particular to electrical equipment (copper), batter-

ies (zinc), lighting (aluminium) and plastic products (oil). The company does not directly hedge its purchases of raw materials, which gives rise to a risk since the purchase prices for the products concerned are affected by trends in commodities prices, while selling prices are fixed during the catalogue period.

Currencies

The company has relatively high exchange-rate exposure through its sales in Norway and through the Group's purchasing. Approximately 42 per cent of purchases are denominated in currencies other than SEK.

The principal currencies for purchasing are the US dollar (USD), Hong Kong dollar (HKD) and euro (EUR). In addition, movements of SEK against the Norwegian krone (NOK) are significant to the Group since Norway accounts for more than a third of sales. Net exposure to EUR is low, since the company is increasing its sales in EUR through its expansion in the Finnish market.

The table below shows how profit is affected by a change in volume of sales for existing units and changes in the principal currencies.

Currency hedging

Estimated exchange rates for each currency, set in June and January each year, are used when pricing products in the main catalogue. About 50 per cent of the expected flow is hedged six months 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 in USD, HKD and NOK was carried out during the financial year.

Currency movements

NOK strengthened in relation to SEK during the financial year. The average exchange rate for NOK was SEK 1.18, up 1 per cent up on the average rate for the 2007/08 financial year, when it was SEK 1.17. This had a positive impact on sales since more than a third of sales take place in NOK.

USD strengthened against SEK in the preceding financial year. The average exchange rate during the 2008/09 financial year was 12 per cent higher than in the preceding year (about SEK 7.30 compared with SEK 6.50). The same applies to HKD, since it is pegged to the USD exchange rate, and both currencies have therefore shown an identical trend. The Chinese currency RMB strengthened 35 per cent against SEK. ●

Sensitivity analysis

Factor	Change	Impact on profit before tax, SEK M
Volume of sales	+/- 5 per cent	+107/-118
Currency		
– NOK	+/- 5 per cent	+/- 44
– USD	+/- 5 per cent	-/+ 29
– HKD	+/- 5 per cent	-/+ 13
– EUR	+/- 5 per cent	+/- 4

The company has relatively considerable exchange-rate exposure through its sales in Norway and through the Group's purchasing.

The table shows how earnings are affected by changes in the principal currencies. It also shows how earnings are affected by a change in volume of sales for comparable units.



One of Sweden's largest Annual General Meetings

Clas Ohlson B shares are listed on Nasdaq OMX Nordic Exchange and have been listed on the Stockholm Stock Exchange since 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.

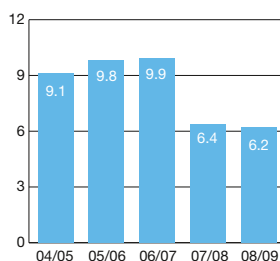
During the financial year, 1 May 2008 to 30 April 2009, the share price declined from SEK 98 to SEK 94, or by 4 per cent. The Affärsvärlden General Index decreased 26 per cent during the same period. The lowest price paid during the period was SEK 51, quoted in December, while the highest price paid during the period was SEK 104, recorded in May.

Share turnover

During the period, 12,958,612 Clas Ohlson shares were traded on the Nasdaq OMX Stockholm Exchange, equivalent to a turnover rate of 22 per cent. The total turnover rate on the OMX Nordic Exchange during the same period was 128 per cent.

Clas Ohlson's total market capitalisation on 30 April 2009 was SEK 6.2 billion.

Market capitalisation, SEK billion



Share capital

The share capital of Clas Ohlson totals SEK 82 million, represented by 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 dividends. Holders of A shares can request that their A shares be converted to B shares.

Treasury shares

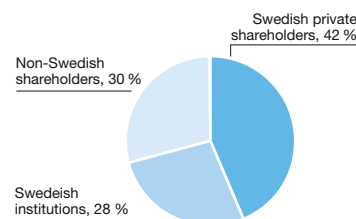
To ensure the company's undertaking regarding the conditional matching shares and the employee stock options under the LTI (Long Term Incentive) 2008, Clas Ohlson bought back 645,000 shares for a

total of SEK 58.0 M at an average price of approximately SEK 90 per share during the first quarter of the financial year. On 30 April 2009, the company held 645,000 shares corresponding to 1 per cent (0) of the total number of registered shares. The number of outstanding shares, net after the buy-back, was 64,955,000 at the end of the financial year.

Shareholders

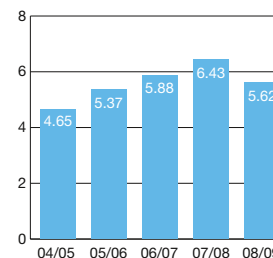
On 30 April 2009, the company had a total of 22,747 shareholders, according to the register of shareholders maintained by Euroclear Sweden, compared with 22,747 on 30 April 2008. The ten largest shareholders at that time held 68 per cent of the capital and 82 per cent of the votes.

Shareholder categories, percentage of capital



Non-Swedish shareholders accounted for 30 per cent of the capital and 38 per cent of the votes. Swedish institutions accounted for 28 per cent of the capital and 16 per cent of the votes. Swedish private individuals accounted for 42 per cent of the capital and 46 per cent of the votes.

Earnings per share, SEK



Dividend policy and dividend

Financially, Clas Ohlson is positioned to generate continued favourable growth in its operations and is 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.

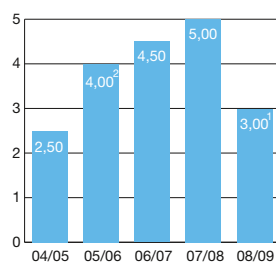


On this basis, the Board has considered that the level of dividend payments should be equivalent to around half the profit after tax. In addition, the Board may propose that surplus liquidity also be distributed.

For the 2008/2009 financial year, the Board proposes that a dividend of SEK 3.00 per share (5.00) be paid.

The Board's proposal is equivalent to about 54 per cent (78) of Group's profit after tax and 13 per cent (22) of Group equity.

Dividend per share, SEK



¹ Proposed dividend

² Including extraordinary dividend of SEK 1.00

Shareholder information

Since Clas Ohlson is intent on keeping the

market continuously informed of its sales figures, these figures are reported as often as once a month. The information is issued in a press release mid-way though the following month. Clas Ohlson's financial results are presented four times a year, at the end of each quarter. The company distributes a printed annual report by post to all shareholders who so request and also regularly sends 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 regarding Clas Ohlson is presented on the company's website. Both press releases and reports appear there the moment they are published. The website contains all the press releases, interim reports and annual reports that the company has published since its initial listing on the stock exchange in October 1999. The prospectus for the initial public offering can also be downloaded as a PDF file. In addition, analysts' presentations that the company holds around the time of the publication of its interim report can be viewed on the website, www.clasohlson.se.

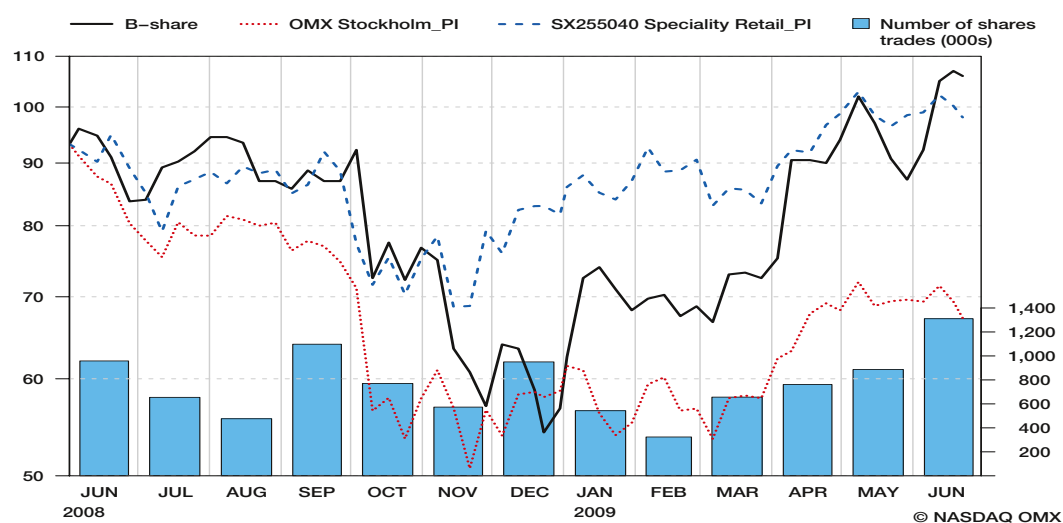
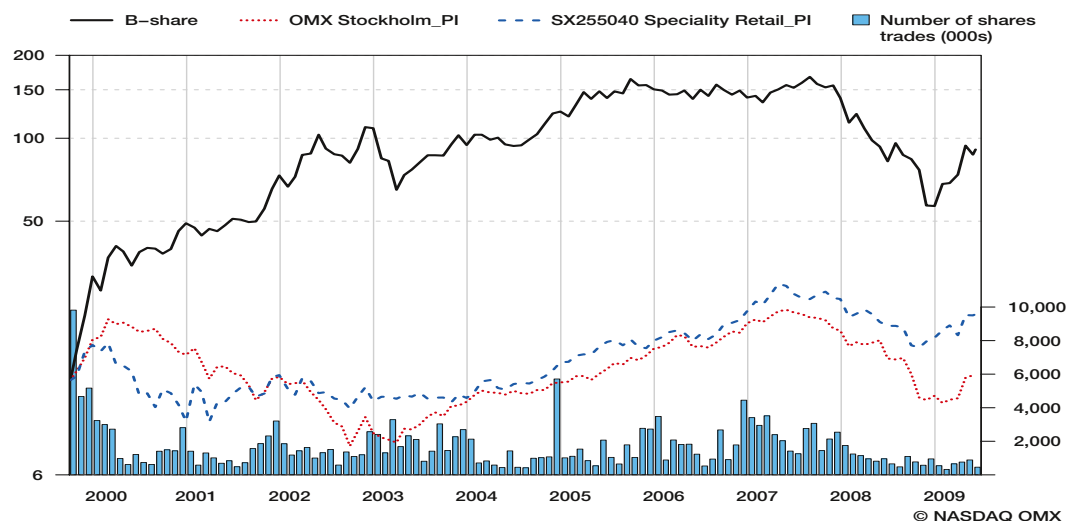
The Clas Ohlson Annual General Meeting is one of the most well-attended shareholder meetings, attracting nearly 2,000 participants. As tradition dictates, the 2008 Meeting was held at the distribution centre in Insjön.

External analyses

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

- ABG Sundel Collier
- Carnegie
- Danske Bank
- Erik Penser
- Handelsbanken
- HQ Bank
- Nordea
- Redeye
- SEB Enskilda
- Swedbank
- Ålandsbanken
- Öhman

Clas Ohlson



Data per share

	2008/09	2007/08	2006/07	2005/06	2004/05
Number of shares, millions ³	65.1	65.6	65.6	65.6	65.6
Earnings per share, SEK	5.62	6.43	5.88	5.37	4.65
Gross cash flow per share, SEK	7.04	7.71	7.02	6.32	5.40
Equity per share, SEK	22.99	22.86	20.84	19.16	16.14
Share price at 30 April, SEK	94	98	150	149	139
Dividend per share, SEK	3.00 ¹	5.00	4.50	4.00 ²	2.50
P/E ratio, multiple	17	15	26	28	30
Share price/gross cash flow, multiple	13	13	21	24	26
Price/equity ratio, %	409	430	722	778	861
Dividend yield, %	3.2	5.1	3.0	2.7	1.8
Payout ratio, %	54	78	77	74	54

¹ Proposed dividend.

² Including extraordinary dividend of SEK 1.00.

³ Average number of shares before and after dilution.

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 of capital	Percentage of votes
Mary Haid	2,735,880	11,905,200	22.3	33.4
Helena Tidstrand	1,368,060	7,229,328	13.1	17.8
Johan Tidstrand	1,368,060	4,809,328	9.4	15.7
Håkan Thylén	288,000	1,186,800	2.2	3.5
AFA Försäkring		4,170,026	6.4	3.6
IF Skadeförsäkring		3,134,097	4.8	2.7
Second Swedish National Pension Fund		2,682,800	4.1	2.3
Anders Moberg		1,380,000	2.0	1.1
Lannebo fonder		1,228,395	1.9	1.0
Skandia Liv		1,000,600	1.5	0.9
SEB Fonder		918,240	1.4	0.8
Other shareholders		20,195,186	30.9	17.3
Total	5,760,000	59,840,000	100.0	100.0

Shareholder categories*

Shareholder	Number of A-shares	Number of B-shares	Percentage of capital	Percentage of votes
Swedish private individuals	3,024,120	24,566,816	42.1	46.7
Swedish institutions		18,527,831	28.2	15.8
Non-Swedish shareholders	2,735,880	16,745,353	29.7	37.5
Total	5,760,000	59,840,000	100.0	100.0

Shareholding structure*

Size interval	Number of shares	Percentage	Number of shareholders
1–500	2,740,376	4.2	16,278
501–1,000	3,282,631	5.0	4,042
1,001–5,000	4,364,382	6.7	2,049
5,001–10,000	1,528,193	2.3	206
10,001–20,000	1,005,194	1.5	69
20,001–100,000	2,937,772	4.5	79
100,001–500,000	1,488,771	2.3	9
500,001–	48,252,681	73.6	15
Total	65,600,000	100.0	22,747

* at 30 April 2009



HAWKINS BAZAAR

sound and vision
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sound and vision
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sound and vision
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sound and vision

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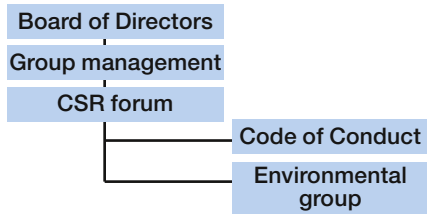
clas ohlson

Sustainability report
Pages 33 – 48



Important steps for long-term sustainable operations

Organisational outline



The establishment of a purchasing office in Shanghai is a vital step in Clas Ohlson's efforts to achieve sustainable development. For the 2008/2009 financial year, we are conducting sustainability reporting according to the Global Reporting Initiative for the first time.

Clas Ohlson is a pure retailer that offers a broad range of hardware, home, multimedia, electrical and leisure products. We have 106 stores in Sweden, Norway, Finland and the UK. In Sweden and Norway, we also sell through mail order/Internet.

Our head office and distribution centre is in Insjön, Dalarna, and we have a total of approximately 3,000 employees. We have 15,000 different articles in our range but own no factories. Instead we cooperate with 600 suppliers and 750 manufacturers in 30 countries. The impact of our operations on people and the environment is described in this report, as is our work on sustainability issues.

Basis for Clas Ohlson's CSR work

Our business concept is to make it easy for people to solve the little practical problems in everyday life. Our own operations and those of our suppliers and manufacturers are subjected to demands concerning working conditions and other human rights, work environment and environmental impact. Through a sustainable business concept and operations, Clas Ohlson aims to create value for its shareholders, customers and employees, as well as for the community as a whole.

Clas Ohlson aims to contribute to sustainable development and protect living conditions for future generations.

Work to contribute to sustainable community development is of critical importance to our business operations; in part due to increasing demands from customers, employees and other stakeholders and in part due to the new business opportunities that sustainability issues generate for Clas Ohlson. All major investment decisions shall also take human rights into account.

Our corporate culture is distinguished by the specific Clas Ohlson spirit, which is characterised by responsibility, team spirit, mutual respect and an open exchange of thoughts and ideas. Clas Ohlson's culture and tradition also include caring about customers, employees and the community as a whole.

Goals for Clas Ohlson's CSR work

Clas Ohlson shall be viewed as a responsible retailer whose environmental impact and control of human rights and the work environment are considered acceptable.

Clas Ohlson's CSR organisation and responsibility

Clas Ohlson's CSR forum comprises the CEO, Director of Information, Purchasing Manager, Head of the Distribution Centre, HR Manager, Environmental Coordinator, Internal Controller and the Code of Conduct Manager.

The CSR forum makes decisions pertaining to goals, strategies and activities for the entire Group's CSR work and monitors whether the company is effectively working toward the established goals.

The CEO has overall responsibility, and the CSR work is integrated into and encompasses the entire organisation.

The following strategies are used to achieve the targets:

Strategy	Activity
The CSR perspective shall be an integral part of Clas Ohlson's processes, such as purchasing, logistics, sales and communication, and HR.	<ul style="list-style-type: none"> - Training of managers and employees - CSR forum including representatives of Clas Ohlson's Group management.
Establishment of operations in Asia to develop cooperation with our suppliers and manufacturers.	<ul style="list-style-type: none"> - Formation of a CSR organisation in China
The CSR perspective shall be a commercial force and we shall rapidly act and react to relevant trends and opportunities in the business community and our market.	<ul style="list-style-type: none"> - Proactive search for strong trends that generate business opportunities involving: <ul style="list-style-type: none"> • Logistics and purchasing • New products featuring smart solutions that contribute to improving conditions for people and the environment
Cooperation with other organisations to develop our CSR work and our ability to report the improvements achieved.	<ul style="list-style-type: none"> - Comply with leading standards that are accepted among our stakeholders and opinion-builders. - GRI reporting. - Participation in the UN initiative for human rights, UN Global Compact.
Open dialogue with our stakeholders and opinion-builders pertaining to our CSR work.	<ul style="list-style-type: none"> - Identify and develop relationships with individuals and organisations in the CSR area. - Improved CSR communication both internally and externally.

Clas Ohlson works according to the philosophy that sustainability issues require an overall approach and that these issues must permeate the entire organisation and the various operations. This entails involving the entire organisation, down to each individual employee, in efforts to achieve a sustainable society.

Policies and reporting period for Clas Ohlson's sustainability report

This is the first sustainability report that Clas Ohlson has prepared, and it is based on recent guidelines from the Global Reporting Initiative (GRI). Clas Ohlson has chosen to report at C level.* A cross-reference table illustrating where in Clas Ohlson's Annual Report, sustainability report and website the various GRI indicators are found is presented on page 48.

The information and key figures provided in the sustainability report are selected based on significance and relevance from Clas Ohlson's sustainability perspective and according to requests from our stakeholders.

The sustainability report pertains to the 2008/2009 financial year, meaning the 1 May 2008 – 30 April 2009 period. In some sections, information, key figures and diagrams for the 1 January 2008 – 31 December 2008 period are presented.

Restrictions

The sustainability report encompasses Clas Ohlson's own operations, meaning our direct impact on people and the environment, but also the impact of our suppliers' and manufacturers' operations on people and the environment.

We consider the entire lifecycle of the product, meaning how it is manufactured and used and its impact on the environment when its operational life is over.

In terms of suppliers and manufacturers, we are responsible for placing demands, developing long-term relations and supporting these stakeholders in their efforts to achieve improvements concerning human rights, working conditions, the work environment and environmental impact. We also conduct continuous checks and audits and terminate cooperation with manufacturers that will not or cannot live up to our demands.



Clas Ohlson's stakeholders and target groups

Clas Ohlson's key stakeholders and target groups are customers, employees, shareholders, suppliers and manufacturers, as well as the public.

We engage in a continuous dialogue with key stakeholders and also conduct internal and external surveys to ensure that we keep abreast of opinions and requests concerning the company's operations and development.

Our stakeholders' expectations and demands concerning Clas Ohlson differ. An open dialogue will generate increased knowledge and assist in establishing the aspects of our sustainability efforts that need improvement.

We engage in regular meetings with a number of funds and asset management companies and their sustainability analysts concerning various CSR issues and the opportunities and challenges facing Clas Ohlson. Several of these analysts have also been on factory visits to monitor how we inspect and check our manufacturers in Asia.

Employee surveys

Our work environment survey shows a high level of job satisfaction and an excellent working environment. In the coming financial year, an employee survey that encompasses the entire Group will be developed.

Local commitment

Clas Ohlson has a long tradition of supporting various local projects and organisations in Dalarna, where Clas Ohlson was founded and where the head office and distribution centre are located. Our major commitments include sponsoring the Leksands IF ice hockey team and the Olympic rower Lassi Karonen. Clas Ohlson also supports Dalhalla, outside Rättvik, one of Sweden's largest music stages. During the financial year, we also opened a Clas Ohlson museum where customers, employees and the public can learn more about the company's 90-year history.

For the 2008/2009 financial year, Clas Ohlson introduced sustainability reporting according to the international auditing standard Global Reporting Initiative (GRI).

Our stores


In conjunction with store establishments, Clas Ohlson cooperates with municipalities, regions and government authorities. The stores share a common interest in creating a vibrant local business community, particularly in the city locations where Clas Ohlson primarily establishes stores. Central locations mean that people are able to shop where they spend their workdays, thus reducing the need for car journeys to shopping centres outside the city centre.

Significant events during 2008/2009

During the financial year, considerable energy was devoted to establishing our purchasing office in Shanghai, where we now also have a CSR division for monitoring suppliers and manufacturers. During the financial year, 357 factory visits were conducted in Asia, compared with 40 in the preceding year.

Clas Ohlson is participating in the Carbon Disclosure Project, an international climate initiative. During the financial year, Clas Ohlson's report was ranked among the top ten in the CDP Nordic Report 2008.

We signed an agreement with Dalakraft pertaining to renewable electricity for the distribution centre and offices at Insjön, as well as some 25 stores in Sweden. In addition, bio-based district heating is being introduced in our properties at Insjön. These changes imply a significant reduction in CO₂ emissions.

A decision was made to join the UN Global Compact and that Clas Ohlson will report its sustainability work in accordance with GRI. 

***GRI application levels**

The guidelines have three different application levels: C, B and A. The reporting criteria at each level reflect a measure of the extent of application or coverage of the GRI Reporting Framework. At each level, a "plus" (+) may be added, meaning that the item in the report has been verified externally.

Our employees and the Clas Ohlson spirit

Clas Ohlson's employees are the core of the Clas Ohlson brand. A comment we frequently hear from our customers is that they expect a little bit more of Clas Ohlson, that we provide good service and that we have pleasant and knowledgeable staff

Clas Ohlson aims to be a responsible employer that can attract and retain the best employees in the industry. To attain this goal, we place great emphasis on recruitment, continuous development of skills and a corporate culture based on shared values.

The Clas Ohlson spirit

Our corporate culture is characterised by founder Clas Ohlson's strong entrepreneurship and personal concern for both customers and staff. The special Clas Ohlson spirit developed over the years is characterised by excellent ethics, mutual respect, cooperation and an open exchange of thoughts and ideas. All contacts between staff and customers should be characterised by respect, warmth and service-mindedness. The aim is that the customer shall always be satisfied with his/her visit to our stores.

Preserving and developing the corporate culture is one of our major challenges and the responsibility of each employee. Our managers have a specific responsibility to be role models, and great emphasis is placed on their ability to communicate, delegate and develop the employees in their teams. Our rapid rate of expansion – with 20 new stores and more than 700 new members of staff during the financial year – makes this all the more important.

Rules and guidelines

Naturally, Clas Ohlson always complies with applicable agreements and legislation concerning the line of business pursued in each country. With regard to work environment issues, we comply with EU legislation. To facilitate HR work and ensure that Clas Ohlson acts in the same manner in all markets, policies have been established by the Board of Directors that pertain to the entire Group

The key policies in the HR area are:

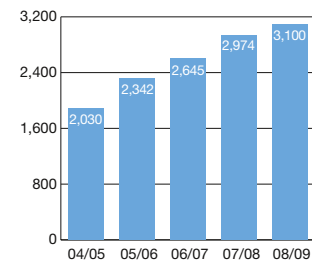
- Staff policy
- Work environment policy
- Gender equality policy

All new employees receive a personal copy of the staff manual, which contains policies and regulations as well as a detailed description of work assignments for various positions so that everyone is aware of what can be expected from the company and what the company expects of the employee.

Organisation and responsibility

On 30 April 2009, the number of employees totalled 3,100. Of these, 1,754 were full-time employees and 1,346 part-time employees. During the financial year, 700 new store employees were recruited. Of these, 40 per cent were employed in Norway, 21 per cent in Sweden, 16 per cent in the UK and 14 per cent in Finland.

Total number of employees



Successful HR work is crucial to the success of our expansion. In 2008, an HR manager, who is also a member of Group management, was appointed for the entire Group. We also have a Competency Development Manager and a Training Manager in each country.

Diversity enriches

We firmly believe that an inspiring work environment and good results are achieved through an even distribution of staff with different experiences and background. No one shall be discriminated against due to gender, age, belief, sexual preference

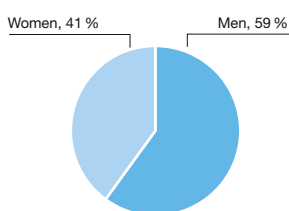
Total	Store employees	Supervisors	Store managers	Salaried workers	Other managers	Stockroom workers	Supervisors, Distribution centre	Total
Total number of training hours	46,310	3,137	4,537	763	149	1,143	84	56,123
Average per employee	22.1	14.2	42.8	3.0	4.6	2.8	4.9	30.0



or ethnic and national 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 gender distribution in each department, primarily through strategic skills development and secondarily by assigning priority to even gender distribution when filling new vacancies.

The objective is that neither gender should account for less than 40 per cent in the occupational category concerned.

Number of employees, men/women



During the financial year, women accounted for 41 per cent of Group employees, which is unchanged compared with the preceding year. The portion of women among senior management in the Group totalled 22 per cent, also unchanged compared with the preceding year. In Sweden, women accounted for 39 per cent of store managers, down 6 per cent, which also corresponds to the decrease at Group level.

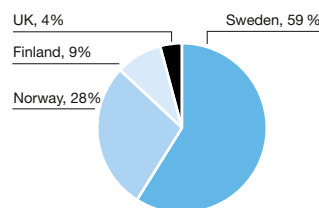
Many want to work at Clas Ohlson

Clas Ohlson is regarded as an attractive employer, and interest in working for us is

keen. This is particularly evident from the number of applications to work in our new stores. To make the recruitment process more efficient and to ensure quality, IT support has been developed. This enables us to improve quality in the selection process and ensure that we cover the skills required to deal with customers in the best possible way.

During the recruitment process, we also take into account the individual's potential to develop in the company, thus securing Clas Ohlson's future requirement of good leaders.

Employees per country



Expansion generates exciting career opportunities

Clas Ohlson's rapid expansion implies, and creates the right conditions for ensuring that, our employees develop within the company. A high proportion of internal recruitment also facilitates the continuity and tradition we aim for. Of the 50 new managers appointed in the financial year, 50 per cent were recruited within the company.

We regard internal recruitment as vital

to the development of the individual and the company. Vacancies are always advertised on our intranet to give all employees the opportunity to apply. Work is in progress to clarify internal career routes and incorporate career planning and career advancement in employee-development talks as part of managerial responsibility.

In connection with the establishment of new stores, project teams are appointed in which staff from head office, the distribution centre and various stores participate in the preparations required to open a new store. We have high mobility between our stores, and interest in working in other countries is increasing.

A solid introduction

At Clas Ohlson, considerable emphasis and care is devoted to introductory training courses to integrate new staff into our corporate culture. The training covers Clas Ohlson's history and values, customer relations, customer service policy, product knowledge, work procedures and information about Clas Ohlson's social responsibility. The training courses are mainly held on site at Insjön, in Dalarna.

During the financial year, we customised new training courses for the newly started operations in the UK, and slightly more than 30 individuals from these operations participated in training courses at Insjön. Other employees received the training on location in the UK.

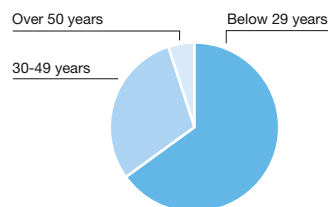
Continuous skills development

The Clas Ohlson Academy, our internal →

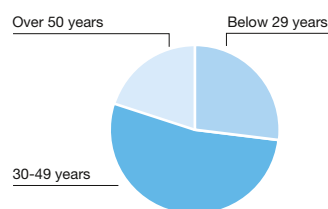
A young organisation

Employees younger than 29 account for a large proportion of our staff, which is natural as many of the employees in our stores work part-time. It is common for students to work in one of the Clas Ohlson stores at weekends and evenings.

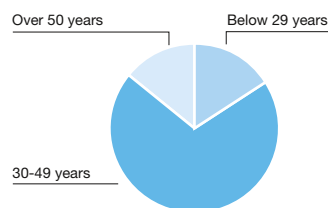
Age breakdown – Stores



Age breakdown – Distribution centre



Age distribution – Salaried employees



development centre, combines our development and training operations. The purpose of the Clas Ohlson Academy is to ensure that the company 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 disseminate the Clas Ohlson spirit.

A survey of the total training requirement for the Group is conducted annually, and the range of courses includes both mandatory and voluntary training programmes.

Through video conferences and interactive product training courses, we rapidly and easily reach all employees in an environmentally and cost-effective manner and make sure that our employees are well prepared to provide advice and guidance on our products.

The mandatory managerial courses include training in employee-development talks, labour law, the work environment and rehabilitation. In autumn 2009, a trainee programme for young employees who want to grow with the company will be introduced.

Competitive salaries

Clas Ohlson's annual work environment survey includes all markets and all employees. It is also evident that Clas Ohlson is characterised by a high level of job satisfaction and an excellent work environment, which is also apparent in low staff turnover and low sickness figures in relation to the industry.

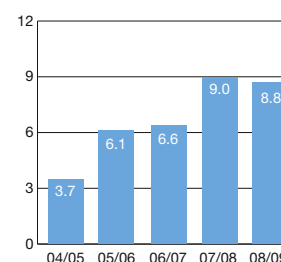
According to Clas Ohlson's salary policy, salaries shall be based on competency and performance, be competitive and match or surpass those of other companies in the industry, when the company achieves its goals. All employees have some form of profit-based salary, in addition to their fixed salary, regardless of whether they work in stores, at the distribution centre or at head office.

Our employees also receive such benefits as healthcare contributions and staff discounts.

Staff turnover

Staff turnover among full-time employees in the Group averaged 8.8 per cent (preceding year: 9.0 per cent). Turnover is higher among part-time employees (45.8), which is natural as we have large numbers of students working part-time during their studies. Staff turnover among our employees at Insjön, at the head office and in the distribution centre over the same period was 3.2 per cent (preceding year: 1.9 per cent).

Staff turnover



Preventive healthcare

The overall aim of our health and fitness efforts is that Clas Ohlson shall offer a good work environment where our employees can have a sense of security, job satisfaction and community. 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 work environment activities. In order to keep this alive, we regularly provide information to our trade union safety representatives and health promoters, who pass the information on to their colleagues.

Total sickness absence in 2008/09 was 3.6 per cent, down by 0.3 percentage points on 2007/08 (3.9 per cent). The proportion of total sickness absence accounted for by staff on long-term sick leave during the same period decreased from 31 per cent to 27 per cent.

Number of employees*	Sweden	Norway	Finland	UK	Total
Stores	1,170	796	270	108	2,344
Distribution centre	324	0	0	0	324
Salaried employees	332	78	16	6	432
Total	1,826	874	286	114	3,100
– of whom women, %	41	38	45	41	41

Average period of employment in the company is*	Sweden	Norway	Finland	UK	Total
Salaried employees	7	6	4	0.5	6
Stores/Distribution centre	6	2	2	0.5	4

Average absence due to sickness, %	Sweden	Norway	Finland	UK	Total
Total absence due to sickness	3.5	5.4	4.4	1.8	3.6
– of which, long-term sick leave	28	41	8	0	27
– of whom, men	2.7	3.8	4.0	1.9	2.8
– of whom women, %	4.7	8.0	4.7	1.6	4.8
– of whom, employees aged below 29	2.7	4.3	3.9	1.9	2.9
– of whom, employees aged 30–49	4.0	6.8	5.0	1.7	4.1
– of whom, employees aged over 50	4.4	7.1	0.0	0.2	4.5

* 30 April 2009



Our social responsibility and human rights efforts

Clas Ohlson aims to contribute to promoting human rights in countries where it operates. With our own employees on location in China, we are able to influence and strive to improve conditions for the people who are involved in the production of the products that we purchase for our range.

Clas Ohlson is a pure retailing company and purchases approximately 15,000 different articles from more than 750 manufacturers worldwide, which we sell through our store network and mail order/Internet.

We want to contribute to an improved work environment and working conditions for the staff of the manufacturers with whom we cooperate and to ensure that the environmental impact of the products is as low as possible throughout their entire life-cycle. These are long-term and complicated efforts that require commitment and input from the entire organisation and from the suppliers, manufacturers and other organisations with which we cooperate.

Challenges included in supplier-control efforts

Of the products we sell, slightly more than half are manufactured in Asia and one third of these are imported directly from various suppliers and manufacturers. We have a particular responsibility and major 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.

Challenges faced by Clas Ohlson when working with suppliers in Asia include:

- overtime work
- no or weak trade unions
- low level of knowledge among employees about their rights
- deficient work environment and inadequate protective equipment
- corruption, for example 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 improving the conditions. Clas Ohlson's strategy is to use a combination of in-house CSR auditors and external audit firms. Our new purchasing office in Shanghai, with five CSR auditors on site, has increased our capacity to ensure compliance with the Code of Conduct.

For many manufacturers, Clas Ohlson is a small customer. To increase our opportunities to influence and change, we will look for ways to cooperate with other companies and organisations to jointly influence various manufacturers.

During the 357 audits conducted in the financial year, 16 observations were made concerning discrimination, primarily in the form of specific age and gender requirements being stated in vacancy advertisements. In these cases, Clas Ohlson demanded that the advertisements be changed and that the company adopt a policy against discrimination.

During the audits, 29 observations were made concerning restrictions on freedom of association. Clas Ohlson has demanded that these suppliers introduce a system that will remove this obstacle.

During the financial year, Clas Ohlson made an observation at a manufacturer regarding a case of suspected child labour, meaning a worker under the age of 16 years. In 23 additional cases, various factories did not have satisfactory documentation in the form of ID documents to establish the age of employees. In these cases, Clas Ohlson demanded that the companies introduce a policy against child labour and procedures to maintain a register of ID documents.

During the financial year, five observations were made pertaining to the risk of forced labour. This involved requesting a salary deposit in order to work at the factory, the inability to guarantee that overtime work was voluntary or the absence of a policy for preventing forced labour. In these cases, Clas Ohlson demanded that these activities cease and that the factory introduce policies or procedures to prevent forced labour.

We shall contribute to promoting human rights

Clas Ohlson shall contribute to promoting human rights in the countries in which it operates. We have a responsibility not just for our own employees but also for those

The Code refers to:

- UN Convention on Human Rights
- UN Convention on the Rights of the Child (1989)
- ILO Convention on the Minimum Age for Employment (no. 138, 1973)
- ILO Convention concerning the prohibition and immediate action for the elimination of the worst forms of child labour (no. 182, 1999)
- ILO Declaration on Fundamental Principles and Rights at Work (1998)

Our Code of Conduct is currently available in Swedish, Norwegian, Finnish, English and Chinese.

History

- 1998 Policy concerning child labour
 - 2001 Environmental policy
 - 2004 Launched 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
-



who work for our suppliers.

Our responsibility includes exerting demands and developing long-term relationships and supporting our suppliers and manufacturers in their efforts to achieve sustainable improvements in working conditions, the work environment and the general environment.

Our Code of Conduct

The Clas Ohlson Code of Conduct refers to international conventions and national legislation and regulations. It supports the UN Global Compact and the OECD guidelines for multinational companies. The Code of Conduct includes the demands concerning working conditions, the work environment and environmental impact that we place on our own operations and those of our suppliers and manufacturers.

The Code of Conduct includes

- Statutory requirements
- Work environment
 - Health and safety
 - Housing
- 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
- Environment
- Application and follow-up

We aim for long-term relations with our suppliers and manufacturers and place our

trust in an active dialogue and cooperation. As we work with the Code and learn from our experiences in its implementation, it will be gradually adapted and developed.

Goals

Clas Ohlson aims to be a responsible company with acceptable influence and control of human rights and the work environment for its own employees as well as those of its suppliers and manufacturers.

During the financial year, Clas Ohlson formed a control organisation in China with the capacity to implement up to 400 factory visits per year. With this control organisation on site, we can conduct regular inspections (at least every other year) at our manufacturers, check that our Code of Conduct is followed and influence long-term conditions for people and the environment.

Organisation

Our CSR work shall be an integral part of Clas Ohlson. Certain divisions work more on our internal CSR responsibility, for example our HR division and the distribution centre, while others work more on our external CSR responsibility, primarily our purchasing division and the CSR division in Shanghai.

The work is targeted, planned and monitored by Clas Ohlson's CSR forum (read more on page 34).

Our CSR division in Shanghai comprises a CSR Manager, Supply Chain, a CSR coordinator and five CSR auditors to conduct audits on manufacturers throughout China. Our CSR division is responsible for assessing, checking, monitoring and training/

Clas Ohlson has established an office in Shanghai, China with purchasers and auditors who visit our suppliers and manufacturers to check compliance with our Code of Conduct.

informing suppliers and manufacturers.

Clas Ohlson's purchasing division and the CSR organisation are jointly responsible for ensuring that suppliers and manufacturers sign and comply with our Code of Conduct requirements. A major portion of the assignment involves supporting our suppliers in their efforts to implement continuous improvements in their operations.

Our tools and processes

Our Code of Conduct is the principal tool in our efforts to improve working conditions and the work environment. All suppliers, large and small, must sign the Code. The vast majority of them are willing to sign the Code and to work, through dialogue with us, toward improving any aspects that are not satisfactory at the outset. If a supplier is not willing to comply with the Code, cooperation is terminated.

Manufacturers must also sign the Code, and all new factories will receive an initial visit from us or one of our purchasing agents before they may supply products. We also work with self-assessments, whereby the manufacturer completes a comprehensive questionnaire to identify possible deficiencies.

The most extensive check is conducted during audits, when our own or external auditors review the manufacturing facility, interview the staff and study various documents. An audit normally takes one to two days, depending on the size of the →

factory and the number of employees. 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.

Our aim is to continue cooperating and supporting manufacturers in their work to improve the situation, providing that certain minimum criteria are met.

If a serious deviation is identified, it must be rectified immediately for the manufacturer to be allowed to continue to act as a supplier to Clas Ohlson. Otherwise the cooperation is terminated.

Evaluations and audits

At the end of the financial year, more than 97 per cent of our suppliers and manufacturers had read and signed the Clas Ohlson Code of Conduct.

Of the manufacturers with whom we cooperate, 90 per cent had conducted self-assessments that they reported to us.

During the financial year, we conducted 332 audits using our own auditors, and 25 external audits, through an independent audit firm specialised in social responsibility and human rights. During the preceding year, 40 audits were conducted, primarily through independent audit firms.

At the end of the financial year, 56 per cent of our manufacturers in Asia had undergone an internal or external audit. During the financial year, cooperation was terminated with 20 manufacturers due to unwillingness or inability to comply with our demands.

Training courses and information – a key part of improvement work
Training courses and information are probably the principal success factors in the CSR work. During the financial year, we developed a video training course about Clas Ohlson's social responsibility. When recruiting CSR auditors, we only employ experienced auditors. During the financial year, they primarily underwent internal training, but during 2009 they will undergo environmental training developed in cooperation with an external audit firm specialising in social responsibility, human rights and the environment.

Our purchasing and CSR divisions are working closely with these issues. Our purchasers have undergone a course in human rights organised by Amnesty, and we have held internal courses with employees from the purchasing division.

Our CSR division in Shanghai works as a control and support organisation that pays regular visits to suppliers and manufacturers to check compliance with the Code and assist them in their work to improve the social and environmental aspects of their manufacturing through information and training courses.

Continued development areas during 2009/2010

Clas Ohlson will:

- Continue efforts to assess, check and work to improve conditions for people and the environment at our suppliers and manufacturers
- Expand our work involving information and training courses at our manufacturers
- Continuously train our CSR auditors
- Strive to cooperate with other companies and organisations to be able to influence and make further improvements
- Strive for improved communication, internally and externally. 

CSR (Corporate Social Responsibility)

CSR means that companies, on their own initiative, demonstrate active commitment and responsibility in terms of social development.

Code of Conduct

A Code of Conduct encompasses guidelines that describe how a company should conduct operations, ethically, socially and environmentally. It is often based on various international agreements, such as UN and ILO conventions, national legislation and regulations. Requirements can also pertain to suppliers and manufacturers production of products. Assisted by the Code of Conduct, the company will ensure that products are manufactured under satisfactory working conditions.

Read more

The complete Code of Conduct is available on our website at www.clasohlson.se. More information about Clas Ohlson's human rights work is also available there.

ILO – International Labour Organisation
<http://www.ilo.org/global/lang-en/index.htm>

UN – United Nations <http://www.un.org/en>

How a CSR audit is carried out

At Clas Ohlson's office in Shanghai, a number of auditors are employed to check conditions in factories.

An audit normally takes one to two days, depending on the size of the factory and the number of employees working there.

Clas Ohlson carries out both internal audits using its own auditors and external audits through independent organisations.

An audit comprises the following steps:

- Opening meeting
- Review of current premises
- Checking documents
- Interviews
- Concluding meeting



A factory visit begins with a meeting with the manufacturer's management team where the various elements of the audit are reviewed.

One of Clas Ohlson's auditors at the office in Shanghai is Alina. She shares a responsibility-intensive assignment with several other auditors whose task is to do everything possible to ensure compliance with Clas Ohlson's Code of Conduct. Her day involves a considerable amount of travel in China, where she conducts checks on Clas Ohlson's various suppliers.

"I visit factories several days a week. We auditors start with an opening meeting where we normally meet the owner or a senior executive. At that meeting, we inform them about what will occur during the audit. The factory also receives a list of the documents that will be reviewed during the audit."



A visual inspection of the factory premises is conducted to inspect such items as safety and protective equipment.

After the opening meeting, a visual inspection of the factory and all its premises is conducted, including lunch rooms and residences. The auditors take photographs to document everything they see.

Items that are checked include:

- Are the fire extinguishers easily accessible and labelled?
- Are the exits and evacuation routes clear?
- Do workers have sufficient protective equipment?
- Do they use hearing protection?
- Are the chemicals labelled?
- Are the machines protected?
- Is there first-aid equipment?



Various documents are checked and employees are interviewed, both individually and in groups. The visit concludes with a review of any deficiencies, and a plan is prepared that specifies when the deficiencies must be rectified.

The next phase is to review such documents as salary lists, timesheets, ID cards, employment contracts and various types of certificates and licenses needed by the factory. This is followed by interviews with employees at the factory. Primarily, these occur individually, but sometimes they may also occur in groups. All interviews are voluntary and it is vital to protect the individual employee. All interviews are confidential.


"Finally, we have a concluding meeting at the factory where the auditors provide information about became evident during the audit," says Alina. "If there are deviations, Clas Ohlson's auditors and the factory representatives discuss the improvements that must be implemented, and they also decide on a schedule for implementation."

"Later, a follow-up is conducted to ensure that the factory implemented the improvements requested by Clas Ohlson's auditors. This follow-up can be carried out by Clas Ohlson, our representatives or an independent organisation."

Liselott Holmgren is CSR Manager (Supply Chain) at the office in Shanghai.

"We reserve the right to conduct both announced and unannounced audits of our suppliers. Clas Ohlson pays for these audits."

Liselott believes that the CSR efforts are challenging and involves several aspects of development.

"Clas Ohlson shall sell good products, and price, quality, service and the CSR efforts are linked. We have long-term agreements with many of the suppliers in China with whom we cooperate, which is a clear advantage. Through our long-term relationships, we have greater opportunities to achieve favourable results in our CSR efforts." 

Our responsibility for the environment

Transport and travel

Outgoing freight

Environmental impact per tonne-kilometre	2008	2007
Carbon dioxide, grams	50.6	51.7
Nitrogen oxides, grams	0.52	0.61
Hydrocarbons, grams	0.023	0.020
Total energy consumption, kWh	0.19	0.20

Incoming freight – Europe

Environmental impact per tonne-kilometre	2008	2007
Carbon dioxide, grams	24.1	28.8
Nitrogen oxides, grams	0.23	0.28
Hydrocarbons, gram	0.016	0.022
Total energy consumption, kWh	0.19	0.23

Incoming freight – Asia

Environmental impact per tonne-kilometre	2008	2007
Carbon dioxide, grams	4.55	4.17
Nitrogen oxides, grams	0.111	0.104
Hydrocarbons, grams	0.004	0.004
Total energy consumption, kWh	0.060	0.058
Total carbon dioxide, tonnes	9,498	10,483

Corporate travel

Environmental impact per person-kilometre	2008	2007
Carbon dioxide, grams	108	119
Nitrogen oxides, grams	0.221	0.191
Hydrocarbons, grams	0.052	0.070
Total energy consumption, kWh	0.423	0.466
Total carbon dioxide, tonnes	385	389

Clas Ohlson purchases products from approximately 600 suppliers in 30 countries. The products are transported by boat, aircraft, truck and rail to the distribution centre in Insjön, Dalarna, where they are stored, sorted and distributed by truck to Clas Ohlson's stores in Sweden, Norway, Finland and the UK. Mail order/Internet sales account for 2 per cent of sales, which are also distributed by truck

Our environmental impact

Clas Ohlson impacts the environment in many ways, primarily through:

- transportation of products, from manufacturers via the distribution centre and stores to the customer
- products containing environmentally harmful substances
- printing and distribution of catalogues and brochures
- use of packaging
- energy consumption in stores, the distribution centre and offices
- travel

Clas Ohlson's long-term environmental work places specific emphasis on logistics and products, which are the areas with the largest environmental impact.

Active environmental efforts

Clas Ohlson regards it as essential to minimise the company's environmental impact, and we work actively to achieve our environmental goals. Respect and responsibility are part of our common core values.

Clas Ohlson's environmental policy establishes that, in addition to complying with applicable laws and other environmental requirements, we shall include the environmental perspective in all key decisions to create long-term value for Clas Ohlson's customers, employees, shareholders and for society in general. This means a lifecycle perspective that includes the entire chain from manufacturing, transport and use to waste management.

Organisation and responsibility

Environmental efforts are part of Clas Ohlson's sustainability initiatives and are coordinated in a CSR forum that formulates goals and strategies, and plans and follows up the sustainability initiatives. Read more about Clas Ohlson's CSR forum on page 34.

From objectives to action

To facilitate our environmental efforts, we have broken down our overall environmental objectives into detailed targets with clearly distributed responsibility within the organisation.

Transport

Our overall environmental goals for goods transport entail that emissions of fossil carbon dioxide per tonne/kilometre shall decrease by 30 per cent by 2020, compared with 2007.

Detailed environmental goals commencing in 2007

- Boat:** Reduction of fossil carbon dioxide by 5 per cent by 2012. From 3.7 g/tonne-km to 3.5 g/tonne-km.
- Vehicle:** Reduction of fossil carbon dioxide by 10 per cent by 2012. From 50.8 g/tonne-km to 45.7 g/tonne-km.
- Train:** Increase the portion of land transport by 10 per cent by 2012. From 17 per cent to 19 per cent.
- Air:** Decrease the proportion of total goods transport by 10 per cent by 2012. From 0.094 per cent to 0.085 per cent.

Of the major flow of goods arriving by boat in Gothenburg, more than 80 per cent is transported by rail to the terminal in Insjön, Dalarna. Goods from Swedish and European suppliers are collected for consolidated loading in several districts for further transport by truck to Insjön.

Roads are currently used for outgoing freight to stores. In cooperation with hired haulage contractors, we have increased the capacity level through extensive coordination. The objective is to transfer this transport to rail in the long term, and simulation models show that this would reduce both emissions and costs. A transition to inter-modal traffic, meaning cooperation among various types of transport, is conditional upon an expansion of the railway terminal in Insjön. In conjunction with SSAB and Kvarnsveden Mill, Clas Ohlson is also working to improve the rail capacity and quality of Dalabanan.

Results

Clas Ohlson's total carbon dioxide emissions from goods transport amounted to 9,498 tonnes in 2008, compared with 10,483 tonnes in 2007. This entails 6.4 grams/tonne-km compared with 5.8 grams/tonne-



Good Environmental Choice

In 2008, Clas Ohlson was one of the companies that fulfilled the criteria for Good Environmental Choice according to the transportation company Green Cargo.

km in 2007. The increase in key figures was attributable to lower capacity levels on freight vessels as a result of the prevailing economic decline.

Otherwise, our emissions per tonne-kilometre generally continued to decrease in 2008, both in terms of incoming freight and outgoing freight. With regard to incoming freight, the decrease was primarily attributable to the increased proportion of rail transport. The decrease in outgoing freight was primarily attributable to the demands we placed on our haulage contractors to use vehicles with engines that comply with at least EURO3 (an EU standard). This results primarily in lower emissions of nitrogen oxides and hydrocarbons.

Travel

Detailed environmental goals

The average value for air/vehicle/rail declined by 20 per cent fossil carbon dioxide from 2007 to 2012, from 119 g/pkm to 95 g/pkm (person-kilometre).

Clas Ohlson has suppliers and manufacturers in 30 countries and more than 100 stores in four countries. This entails numerous business trips. Our travel policy shall ensure that business trips take into account costs, time and environmental aspects.

All stores and conference premises within Clas Ohlson have video conference equipment. This is an appreciated and resource-efficient meeting alternative, and in 2008, Clas Ohlson was named the video conferencing equipment user of the year (Tandberg 2008).

Products

Overall environmental goals

We develop both our product range and product information to assist our customers to reduce their own environmental impact through smart choices. The products we sell shall at least correspond to our customers' expectations pertaining to material, energy consumption, quality and safety.

Quality assurance for products

With regard to demands on suppliers and manufacturers, we work continuously with our risk assessment model. In brief, this means that we classify products based on supplier category, brand, areas of use and user groups. This classification is then used as the basis for tough demands placed on documentation and checks of the product.



Substances that are environmentally harmful or hazardous to health

We exceed the legal requirements for phasing out plasticisers and polycyclic aromatic hydrocarbons (PAHs), in surfaces that come in contact with the skin. We also limit the amount of polyvinyl chlorides (PVCs) in our products, with the aim of also removing harmful additives, and have established an internal guideline stating that our products shall contain less than 5 per cent PVCs. The remaining amount consists of PVCs that are difficult to replace with other materials, for example in electrical cables. During a three-year period, we documented and limited PVCs in products and packaging, and at the end of the 2008/2009 financial year, 98 per cent of our product range met the PVC target. In 2007/2008, the proportion was 95 per cent. All our products are free from harmful heavy metals and selected

Most of the transports to the distribution centre in Insjön, Dalarna occur by rail.

plasticisers in surfaces that come in contact with the skin.

Similarly, we have reviewed and ensured that our products are free from PAHs, which may be found in plasticised plastics and rubber products, on surfaces that come in contact with the skin.

During the 2008/2009 financial year, we also increased our resources in the chemical area by adding a new position and increased our checks for hazardous additives including heavy metals in our products, using an XRF instrument that comprises proprietary testing equipment.

This entails that we have expanded our requirements to include more types of materials and hazardous substances →

Energy consumption

Per square metre and year	2008	2007
Store premises, kWh	136	128
Offices, kWh	138	171
Offices, litres of oil	0.86	0.12
Distribution centre, kWh	98	100
Distribution centre, litres of oil	1.75	1.70
Distribution centre, kWh/pallet	19.6	22.8

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

Total electricity consumption,

GWh	2008	2007
Store premises	19.2	15.5
Offices	2.5	2.5
Distribution centre	3.7	4.8
Total fuel oil, m ³	91.0	76.7

Fossil carbon dioxide, tonnes	2008	2007
Goods transport	9 499	10 484
Travel	385	389
Heating	233	196
Electricity	507	455

in accordance with the guidelines in the REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) ordinance; refer to page 46.

Energy efficiency

Much of the product range comprises electrical and electronic products. A review of the legislation pertaining to the energy efficiency of these products is in progress, including requirements for a decrease in electricity consumption in the standby and off positions. For Clas Ohlson, this entails adapting our product range. In this respect, we also have proprietary testing equipment to ensure that we can meet the new requirements as early as possible.

The phasing out of traditional light bulbs will commence early, in September 2009, and Clas Ohlson already offers a broad range of energy-saving alternatives for most types of light sources. As a phase in this change, we are continuously developing the range and product information to assist our customers.

Sustainability and quality

– After-sales service

Clas Ohlson has a large range of spare parts, with more than 9,000 different items for products that are sold in all of the company's markets. This is highly beneficial, since products can then be repaired, meaning that the lifecycle of the products is extended rather than discarding them. This service is appreciated by customers and results in environmental and other savings. Because of our employees' knowledge and high level of service as well as our spare parts inventory, Clas Ohlson was recognised for having Sweden's best customer service in 2008.

Laws and guidelines

Our operations and the products we sell shall at least fulfil the requirements of applicable laws and other environmental requirements. Environmental legislation has become more extensive and detailed, and this trend is expected to continue. A harmonisation of EU legislation pertaining to substances that are environmentally harmful or hazardous to health will benefit Clas Ohlson, which has operations in several different countries.

WEEE

Through the EU directive WEEE (Waste Electrical and Electronic Equipment), which came into force in August 2005, producer responsibility was tightened, and

since it includes responsibility for waste collection systems for electrical waste, it encompasses the entire lifecycle of the product.

RoHS

Clas Ohlson also complies with the RoHS (Restriction of Certain Hazardous Substances) Directive issued in August 2006, which aims to reduce the amount of environmentally hazardous waste and set tougher limit values for the use of mercury, cadmium, lead and chromium as well as two types of brominated flame retardants in new electrical and electronic articles.

REACH

The EU's REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) chemicals legislation came into force in June 2007 and largely replaces national laws pertaining to chemicals. The regulations will come into effect in stages, and their application will be expanded during the next few years. The basic principle is that manufacturers and importers are responsible for ensuring that the substances they manufacture or sell have no harmful impact on health or the environment.

Energy efficiency

The EuP directive (Energy-Using Products) regarding eco-design, which came into force in August 2007, is a framework directive aimed at improving products' energy efficiency by integrating environmental aspects early in the design phase. To date, the energy consumption of 20 different product groups is included. Examples of product groups for which decisions have been made and requirements have been established, which will affect our product range in the coming financial year, are:

- home lighting
- standby and off-mode losses for energy-consuming products
- external power supply
- simple digital boxes

Packaging

In cooperation with our suppliers, we shall reduce the proportion of environmentally harmful product packaging. Efforts to limit PVCs continue, and at the end of the 2008/2009 financial year, 98 per cent of our packaging met our PVC target.

Our stores sell 7.5 million carrier bags and 9 million bags annually. The majority of these are manufactured from polyethyl-

enes (PE), but Clas Ohlson also has paper bags. The packaging used for items purchased through Clas Ohlson's mail order/Internet sales has been environmentally adapted and comprises 38 per cent recycled fibre raw material as well as water- and bio-based adhesives. Clas Ohlson fulfils producer responsibility for packaging through its membership in Reparegistrert AB (REPA, the Swedish register for producer responsibility), which finances and manages recycling stations throughout Sweden.

Printed matter

Overall environmental goal

Environmental impact shall be part of the basis for decisions in the choice of communication channels. We strive to increase the proportion of customer and shareholder communication issued on the Internet. The production of our printed matter shall take place using technology and materials that have a well-documented low environmental impact. Printed matter shall be recoverable as high-quality fibre raw material.

Clas Ohlson has issued a catalogue annually since 1918. The catalogue is printed in accordance with the Nordic Swan eco-label criteria and distributed mainly with deliveries of products to our stores. From the 2008/2009 financial year, the catalogue will be published twice annually to increase flexibility in product range and prices. Clas Ohlson also has a specific catalogue for multimedia products.

In addition to the catalogue, we send out regular direct-mail advertising printed on Swan-labelled paper.

The Clas Ohlson Annual Report is printed on Nordic Swan eco-labelled paper. It is only distributed to shareholders who have requested printed information from the company. This has led to a substantial reduction in printing, fewer dispatches and a consequent reduction in environmental impact.

Energy consumption

Overall environmental goals

Energy use in our own and leased premises and properties will be documented. Efforts will be directed toward specified savings targets for the distribution centre, head office and stores. Energy from fossil sources will be discontinued in our own operations.

Detailed environmental goals

- the distribution centre and head office at Insjön will be heated using renewable energy.



- Electricity for the distribution centre, head office and stores in Sweden shall come from renewable sources.
- Operational electricity consumption at the distribution centre shall decrease by 25 per cent, from 22.8 kWh/pallet (2007) to 17.1 kWh/pallet (2010).

Distribution centre

During the year, the heating system was changed from electricity and oil to biofuel-based district heating. The change entails a significant reduction in climate impact.

Offices

Clas Ohlson's head office in Insjön, with Group-wide functions including management, finance, purchasing, marketing and HR, comprises two buildings totalling 20,000 square metres. From October 2008, only renewable electricity is used and the new office portion has bio-based district heating.

Stores


Clas Ohlson owns no store premises, with the exception of Insjön. The prerequisites for electricity and energy requirements vary strongly among various stores. Some stores have internal escalators, additional electric signs, etc., which entail increased electric-

ity consumption. Since October 2008, Clas Ohlson has purchased renewable electricity for 20 to 25 stores in Sweden. As electricity agreements for the company's other Swedish stores expire, they will be replaced with agreements for renewable electricity.

The annual increase in the key figure from 128 kWh/m² to 136 kWh/m² will be followed up with measures to turn the trend.

Waste

The WEEE directive is applicable to all our markets, and Clas Ohlson assumes its producer responsibility through membership in the national waste collection systems El-Kretsen in Sweden, Elretur in Norway, Serty in Finland and Valpak in the UK.

For many years, the distribution centre in Insjön has had efficient systems for sorting at source and recycling. Surplus packaging is pressed into large bales that are sold and become raw material for new products. This also pertains to various fractions of plastics. Other waste is sorted at source into approximately ten fractions. 

Read more

For more detailed information about our environmental work, please visit our website at www.clasohlson.se.

Clas Ohlson's GRI profile

A complete version is available at www.clasohlson.se . Clas Ohlson reports at C level.			
Performance indicators		Page	Extent
Economic impact			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	56	●
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	37	●
Environmental impact			
EN3	Direct energy consumption by primary energy source.	46	●
EN4	Indirect energy consumption by primary energy source.	46	●
EN16	Total direct and indirect greenhouse gas emissions by weight.	46	●
EN17	Other relevant indirect greenhouse gas emissions by weight.	46	
EN18	Initiatives to reduce greenhouse gas emissions, and reductions achieved.	35, 47	■
Social impact			
LA1	Total workforce by employment type, employment contract and region.	63, not 31	●
LA10	Average hours of training per year per employee per employee category.	36	●
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other diversity indicators.	37	●
Human rights			
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights, and actions taken.	42	●
HR4	Total number of incidents of discrimination, and actions taken.	40	●
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	40	●
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	40	●
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour.	40	●
Product responsibility			
PR1	Lifecycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	45	●

Symbol explanations: ● Reported, ■ Partly reported.



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 1 May 2008 to 30 April 2009. 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 mail order/internet. The company has operated in Sweden, Norway, Finland and the UK. At the end of the period, the number of stores was 106, 50 of which were located in Sweden, 38 in Norway, 16 in Finland and two in the UK. 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, Finland and the UK or by mail order/internet direct to customers.

Clas Ohlson is continuing to grow. The range is focused on reasonably priced products that are needed in everyday life regardless of the economic climate; however, the strong economic decline also had a negative impact on Clas Ohlson, in all markets and sales channels. As a result, sales in comparable stores were lower than the corresponding period of the preceding year.

Significant events

Twenty new stores were opened during the financial year, five in Sweden, nine in Norway, four in Finland and two in the UK. The stores in the UK were the company's first. Croydon in south London was opened in November and Manchester in April. The response from customers in the UK is positive, with many visitors to the Croydon and Manchester stores. To date, the number of visitors has been higher than the Group average. The conversion rate and average purchase have been lower than average in the UK, which is generally the case in conjunction with the penetration of new markets. Clas Ohlson anticipates that establishing its brand name and position in a completely new market will take time and that the conversion rate and average purchase value will gradually increase in the next few years. In the coming years, many attractive store locations are expected to become available.

In March 2009, Clas Ohlson launched its first spring catalogue. The catalogue contains a number of new features and includes a seasonal product range and the products that previously comprised a separate boat accessory catalogue. A new graphic profile that includes an update of Clas Ohlson's logotype was launched simultaneously. The spring catalogue was positively received and was the first catalogue launched in the UK. The aim of releasing two catalogues per year instead of one is to increase flexibility in terms of product range and prices.

Clas Ohlson's new store concept was launched in November and has been established in new stores to date. The concept will make it easier for customers to navigate the broad product range available at Clas Ohlson stores. The change also entails an updated design and modernisation of Clas Ohlson's current store concept. Existing stores will gradually be converted, which will lead to an estimated annual investment of SEK 40 M. To date, one store in Norrköping has been converted to the new concept.

In January 2009, Clas Ohlson opened its first store with a smaller store format in Motala, Sweden. The aim of the new format, with 500-800 square metres of retail space and some elements of the product range available for order, is to enable the establishment of profitable Clas Ohlson stores in smaller locations as a complement to large-scale stores in major locations. The new smaller store concept has also been launched in Marieberg outside Örebro, in Larvik in Norway and in Hudiksvall during the fourth quarter.

Sales and profits

Sales totalled SEK 4,930 M, a rise of 6 per cent compared with SEK 4,662 M in the preceding year.

Sales are broken down as follows:

	2008/09	2007/08	Percentage change
Sales channels			
Stores	4,830	4,541	+ 6
Mail order/internet	100	121	- 17
	4,930	4,662	+ 6
Country (SEK)			
Sweden and the UK	2,573	2,586	- 1
Norway	1,923	1,717	+ 12
Finland	434	359	+ 21
	4,930	4,662	+ 6

The 6 per cent increase in sales by stores is broken down as follows:

Comparable stores in local currency	- 7 per cent
New stores	+12 per cent
Exchange-rate effects	+ 1 per cent
Total	+ 6 per cent

The gross margin was 40.8 per cent, compared with 40.2 per cent in the previous year. The margin was affected positively by the sales mix and favourable exchange-rate effects, while a number of factors had a negative impact on the margin in the form of increased handling and distribution expenses as well as start-up costs for the purchasing company in Shanghai, China. Costs of SEK 15 M in conjunction with a reorganisation of the distribution centre at Insjön, Sweden had an adverse effect of 0.3 percentage points on the gross margin.

The share of selling expenses increased by 2.8 percentage points to 28.2 per cent (25.4). The increase is largely due to a decrease in sales in comparable stores and increased costs for

new stores. During the year, 20 new stores were opened (15 in the preceding year), which led to increased staff costs that have been partially offset by continued measures to increase productivity in comparable stores. Furthermore, the share of selling expenses was affected by the increase in lease expenses for existing stores compared with the same period in the previous year. Start-up costs for new stores totalled SEK 67 M (SEK 51 M). This includes start-up costs for the establishment of operations in the UK, with two new stores in Croydon and Manchester.

Depreciation for the year totalled SEK 92 M, compared with SEK 84.0 M in the previous year.

Operating profit amounted to SEK 503 M, down 13 per cent compared with the previous year (SEK 578 M). Operating profit was SEK 495 M (566) for stores and SEK 8 M (11) for mail order/internet.

The operating margin was 10.2 per cent (12.4). The operating margin for stores was 10.2 per cent (12.5) and 7.8 per cent (9.5) for mail order/internet.

Profit after financial items amounted to SEK 504 M, down 14 per cent compared with the previous year (588).

The exchange rates for the most important currencies averaged 1.18 for the Norwegian krone and 7.30 for the US dollar, compared with 1.17 and 6.50, respectively, in the previous year. Currency hedging was conducted in USD, HKD and NOK. The company's policy is to hedge 50 per cent of expected flows during a catalogue period.

Prospects for the next financial year

Clas Ohlson's business concept of offering a broad and reasonably-priced product range to conveniently solve the practical problems of everyday life is highly attractive in established markets. The concept is unique in Europe and has the potential to expand to several countries.

Clas Ohlson's long-term growth objectives stand firm. The powerful economic slowdown is generating opportunities and creating a need for adjustment. Although Clas Ohlson has also been affected by a general decline in consumption, the Group expects to be able to continue capturing market shares. The slowdown also improves the opportunities for contracting and establishing stores in attractive locations and at an attractive rent, primarily in the UK market.

Clas Ohlson will continue to open new stores in established markets, but will adjust its rate of establishment to the prevailing market conditions. During the 2009/2010 financial year, the aim is to establish 15-20 stores, of which four to eight are planned in the UK. The launch of Clas Ohlson's new store concept in new and existing stores, combined with the new, smaller store format known as "Mini-Clas," will generate additional growth opportunities for the company.

Clas Ohlson will continue adapting costs to mitigate the earnings effect of the lower growth rate caused by the decline in retail sales.

The objective for long-term sales growth is 15 per cent, measured as the average annual sales increase over a five-year period. The profitability objective is to achieve an operating margin of at least 10 per cent.

Financial position

Cash flow from operating activities during the financial year was SEK 340 M (480). Cash flow for the year was a negative SEK 203 M (neg: 66). In September, a cash dividend of SEK 325 M (295) was distributed to Clas Ohlson's shareholders.

The average value of inventories during the financial year was SEK 1,024 M (940), up 9 per cent. The turnover rate for inventories at the distribution centre during the financial year was a multiple of 6.7 (6.8).

At the end of the financial year, inventories amounted to SEK 1,117 M (953). Compared with the same month a year earlier, 20 new stores were added. Inventories in new stores amounted to SEK 107 M. At the end of the year, inventories were affected by advance purchases of seasonal products in conjunction with the new spring catalogue. The value of purchasing currencies (USD and EUR) also affected the value of inventories compared with the same date a year earlier.

The company's repurchase of own shares to secure LTI 2008 (long-term incentive program 2008) amounted to SEK 58.0 M (0) during the first quarter of the financial year.

Cash and cash equivalents totalled SEK 92 M (280). Interest-bearing liabilities pertaining to the utilisation of overdraft facilities and bank loans amounted to SEK 274 M (0). The increase was primarily due to current investments in the distribution centre at Insjön totalling SEK 615 M and investments in new stores. The high investment level implied an increase in capital requirements, which has been hedged for the coming years through external financing. The equity/assets ratio was 58.1 per cent (68.4).

Investments

During the financial year, investments totalling SEK 434 M (252) were made. Of this sum, SEK 108 M (68) pertained to investments in new stores. A further SEK 279 M (143) relates to investment in the expansion of the distribution centre at 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 series A shares and 59,840,000 series B shares, each with a quotient value of 1.25. Each series A share carries ten votes, while each series B 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 2009, there were a total of 22,747 shareholders according to the register of shareholders held by VPC (the Swedish central securities depository), compared with 22,744 on 30 April 2008. The ten largest shareholders at the same time accounted for 68 per cent of the capital and 82 per cent of the votes. For a list of shareholders, see page 31 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. Apart from authorisation pertaining to the repurchase of shares stated on page 53, 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. To secure the company's commitment regarding conditional matching shares and employee warrants in connection with LTI 2008, Clas Ohlson repurchased 645,000 shares during the first quarter of the financial year for a total of SEK 58.0 M at an average price of approximately SEK 90 per share.

As of 30 April 2009, the company had 645,000 shares (0), corresponding to 1 per cent of the total number of registered shares. The number of shares outstanding, net after repurchase, amounted to 64,955,000 at the end of the year.

Employees

The number of employees in the Group averaged 1,927 (1,801), of whom 790 (731) were women. The distribution by country is 1,265 (1,264) in Sweden, 458 (385) in Norway, 174 (152) in Finland and 30 (0) in the UK. Further information about employees is contained in Notes 6, 31 and 32 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 74-77 of the printed annual report.

Risks and uncertainties

Clas Ohlson's business operations are exposed to financial and operational risks. Financial risks comprise primarily wage inflation, raw-material prices and exchange-rate exposure, while operational risks relate to establishment in the UK, purchasing in China, competition, logistics, key employees, social responsibility, product range and shrinkage. With regard to the description and quantification of the financial risks, these are stated in Note 2 of the annual report and on pages 24-26 in 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

Clas Ohlson has 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. With regard to electrical and electronic waste, we cooperate with the Elkretsen organisation in Sweden, which is the joint company owned by the electrical industry for waste disposal. Clas Ohlson is affiliated to the recycling organisation Repa. In Norway, the company is affiliated to the recycling organisations AS Batteriretur, Renas AS, Elektronikkretur AS and Hvitvareretur AS. In Finland there is equivalent cooperation with Serty and in the UK with Valpak.

Environmental work is undertaken continuously in the Group, and this is described in greater detail on pages 44-48 of the printed annual report and on the website, www.clasohlson.se.

Guidelines for remuneration of senior management

The 2008 Annual General Meeting decided that remuneration would be paid according to the following principles, which will also be proposed to the 2009 Annual General Meeting.

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 objectives, 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 that it 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 ("LTI")

On an annual basis, the Board of Directors will evaluate 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 2008 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. The 2008 Annual General Meeting adopted a corresponding programme for the 2009/2010 financial year (LTI 2009).

Pension

Pension 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. However, such benefits may not 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 page 76 of the printed annual report.

Parent Company

Parent Company sales amounted to SEK 4,002 M (4,063) and profit after financial items totalled SEK 340 M (721). Profit has been negatively affected by decreased dividend from subsidiaries. Investments for the year totalled SEK 333 M (197). Contingent liabilities for the Parent Company totalled SEK 177 M (90).

Events after the end of the year

The Annual General Meeting of Clas Ohlson AB on 13 September 2008 authorised the Board to acquire not more than 930,000 shares during the period up to the next Annual General Meeting to ensure the company's commitment in connection with the introduction of the share-related incentive programme, LTI 2009, which was adopted by the 2008 Annual General Meeting.

Supported by this authorisation, the Board resolved to acquire 675,000 shares up to the time of the 2009 Annual General Meeting. The acquisition will occur on the NASDAQ OMX Nordic Exchange Stockholm at a price within the share

price range registered at any time. The company's holding of Clas Ohlson shares amounted to 645,000 as per 30 April 2009, corresponding to 1 per cent of the total number of registered shares.

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 retained high financial strength and continued 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 2008/2009 financial year, the Board proposes that a dividend of SEK 3.00 per share be paid (previous year SEK 5.00). The Board's proposal is equivalent to around 54 per cent of the Group's net profit (78 per cent).

Proposed allocation of earnings

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

Profit brought forward	708,519,760
Net profit for the year	183,108,548
Total	891,628,308

The Board and Chief Executive Officer propose:

Dividend payable to shareholders SEK 3.00 per share	196,800,000
Carried forward to new account	694,828,308
Total	891,628,308

The confirmed date for payment of dividend is proposed as 16 September 2009. It is anticipated that the dividend decided upon by the Annual General Meeting will be dispatched on 21 September 2009.

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 58.1 per cent before payment of dividend and 54.6 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

SEK M	2008/2009	2007/2008	2006/2007	2005/2006	2004/2005
INCOME STATEMENT					
Net sales	4,930.2	4,661.6	4,101.2	3,567.6	2,954.8
Operating profit	502.8	577.5	530.9	484.5	420.5
Pre-tax earnings	503.8	587.8	537.8	491.0	425.9
Income tax	-138.3	-166.0	-152.0	-138.9	-120.6
Net profit for the year	365.5	421.8	385.8	352.1	305.3
BALANCE SHEET					
Non-current assets	1,197.5	852.0	683.5	642.6	563.7
Inventories	1,117.2	952.6	826.7	749.0	542.9
Current receivables	164.5	107.1	79.6	55.3	46.4
Cash and cash equivalents, current investments	92.0	280.3	347.9	338.4	445.2
Total assets	2,571.2	2,192.0	1,937.7	1,785.3	1,598.2
Equity	1,493.1	1,499.5	1,367.3	1,256.9	1,058.6
Non-current liabilities, non-interest-bearing	86.4	26.9	23.9	23.6	18.3
Non-current liabilities, interest-bearing	65.0	-	-	-	-
Current liabilities, non-interest-bearing	718.1	665.6	546.5	504.8	521.3
Current liabilities, interest-bearing	208.6	-	-	-	-
Total equity and liabilities	2,571.2	2,192.0	1,937.7	1,785.3	1,598.2
CASH FLOW					
Cash flow from operations	339.7	480.0	405.1	187.8	355.4
Investments	-433.1	-250.6	-125.1	-140.7	-198.6
Cash flow after investments	-93.4	229.4	280.0	47.1	156.8
KEY RATIOS					
Growth in sales, %	5.8	13.7	15.0	20.7	17.7
Gross margin, %	40.8	40.2	39.7	39.9	40.4
Operating margin, %	10.2	12.4	12.9	13.6	14.2
Operating margin stores, %	10.2	12.5	13.2	13.8	14.5
Operating margin mail order/internet, %	7.8	9.5	5.1	8.6	8.6
Return on capital employed, %	32.6	41.8	40.9	42.4	43.9
Return on equity, %	24.4	29.4	29.4	30.4	31.4
Equity/assets ratio, %	58.1	68.4	70.6	70.4	66.2
Sales per square metre in store, SEK 000	38	44	45	48	48
Number of stores at year-end	106	86	71	59	48
Number of full-time equivalent employees	1,927	1,801	1,647	1,439	1,229
DATA PER SHARE¹					
Average number of shares before dilution	65,065,008	65,600,000	65,600,000	65,600,000	65,600,000
Average number of shares after dilution	65,075,701	65,600,000	65,600,000	65,600,000	65,600,000
Earnings per share before dilution, SEK	5.62	6.43	5.88	5.37	4.65
Earnings per share after dilution, SEK	5.62	6.43	5.88	5.37	4.65
Gross cash flow per share, SEK	7.04	7.71	7.02	6.32	5.40
Equity per share, SEK	22.99	22.86	20.84	19.16	16.14
Dividend, SEK	3.00 ²	5.00	4.50	4.00 ³	2.50

¹ Converted after split in October 2004.

² Proposed dividend.

³ Including extra dividend of SEK 1.00.

Comments on the five-year trend

Sales

Sales have increased over the past five years from SEK 2,955 M to SEK 4,930 M, a rise of 67 per cent. The growth has been entirely organic, i.e. without acquisitions. The price trend over the period is neutral. Sale prices in the past two financial years were raised, but previously prices were 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. However, the rates have fluctuated during the period. Consequently, it can be concluded that more than the entire increase in sales is due to greater sales volumes.

The increase in sales in comparable stores has been -7 per cent, 0 per cent, 2 per cent, 4 per cent and 5 per cent, respectively, in the past five years.

Number of stores

The principal reason for the increase in sales is that the number of new stores has gradually increased. Twenty new stores were opened in 2008/09, fifteen in 2007/2008, twelve in 2006/07, eleven in 2005/06 and ten in 2004/05. There were 38 stores at the start of the 2004/05 financial year, compared with 106 at the end of the 2008/09 financial year.

Operating profit

Operating profit has increased over the past five years from SEK 420 M to SEK 503 M, a rise of 20 per cent. Profit has therefore not increased at the same rate as sales. This is principally due to four factors: firstly, sales decrease in comparable stores during 2008/2009; secondly, our establishment in Finland and the UK where, to date, we have lower margins; thirdly, the increase in the establishment rate of new stores; and fourthly, the fact that new smaller stores have lower profitability than

existing ones. To this can be added, the recent years' start-up costs for the establishment of purchasing offices in China.

Gross margin

Gross margin during the financial year was 40.8 per cent, an increase of 0.4 percentage points compared with 2004/2005.

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

Operating margin

Operating margin has fallen in the past five years from 14.2 per cent to 10.2 per cent. This is principally due to the four factors described in the section on operating profit.

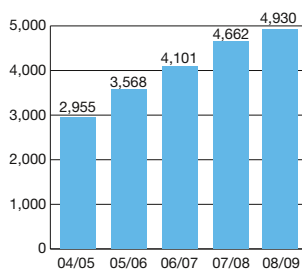
Cash flow

Cash flow from operations has decreased over the past five years from SEK 355 M to SEK 340 M, down 4 per cent. Inventories at the end of the year were impacted by the advance purchase of seasonal products in connection with the new spring catalogue. Furthermore, the value of purchase currencies (USD and EUR) affected the comparable stock value. Average annual investments in the past five years total SEK 230 M.

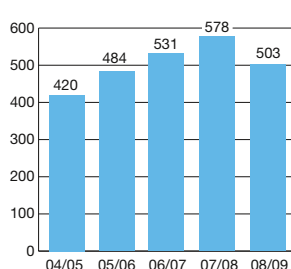
Return

Return on capital employed has fallen over the past five years from 43.9 per cent to 32.6 per cent, while return on equity has fallen from 31.4 per cent to 24.4 per cent. The fall is primarily due to the reduced operating margin.

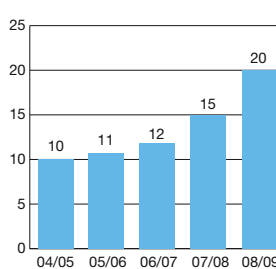
Sales, SEK M



Operating profit, SEK M



Number of new stores



Group

Income statement

SEK M	Note	1 May 2008 – 30 April 2009	1 May 2007 – 30 April 2008
	1, 2		
Net sales		4,930.2	4,661.6
Cost of goods sold	4	-2,916.5	-2,788.7
Gross profit		2,013.7	1,872.9
Selling expenses	4, 5, 6	-1,388.7	-1,183.1
Administrative expenses	4, 5, 6, 7	-119.4	-110.9
Other operating income	3	1.6	1.0
Other operating expenses	3	-4.4	-2.4
Operating profit		502.8	577.5
<i>Financial items</i>			
Financial income	8	6.8	10.9
Financial expense	8	-5.8	-0.6
Profit before tax		503.8	587.8
Income tax	9	-138.3	-166.0
Net profit for the year		365.5	421.8
Number of shares, million		65.1	65.6
Earnings per share, SEK (before and after dilution for earnings attributable to the Parent Company's shareholders during the year)	10	5.62	6.43
Proposed dividend per share, SEK	11	3.00	5.00

Cash flow statement

SEK M	1 May 2008 – 30 April 2009	1 May 2007 – 30 April 2008
<i>Operating activities</i>		
Operating profit	502.8	577.5
<i>Adjustment for non-cash item</i>		
– depreciation	92.4	83.7
– profit from sale/disposal of fixed assets	0.2	1.6
– other non-cash items	3.4	0.7
Interest received	9.9	9.2
Interest paid	-3.9	-0.6
Tax paid	-206.1	-150.3
Cash flow from operating activities before changes in operating capital	398.7	521.8
<i>Cash flow from changes in working capita</i>		
– accounts receivables	1.0	3.9
– inventories	-149.3	-115.3
– other receivables	-52.2	-25.8
– accounts payables	85.1	71.1
– other current interest-free operating liabilities	56.4	24.3
Cash flow from operating activities	339.7	480.0
<i>Investing activities</i>		
Investments in property, plant and equipment	-434.3	-251.6
Sale of equipment	0.5	1.0
Changes in financial assets	0.7	0.0
Cash flow from investing activities	-433.1	-250.6
<i>Financing activities</i>		
Changes in current interest-bearing liabilities	208.6	0.0
Changes in non-current interest-bearing liabilities	65.0	0.0
Repurchase of own shares	-58.0	0.0
Divided to shareholders	-324.8	-295.2
Cash flow from financing activities	-109.2	-295.2
Cash flow for the year	-202.6	-65.8
Cash and cash equivalents at start of year	280.3	347.9
Exchange-rate difference in cash and cash equivalents	14.3	-1.8
Cash and cash equivalents at end of year	92.0	280.3

Group

Balance sheet

SEK M	Note	30 April 2009	30 April 2008
Assets			
Non-current assets	12		
<i>Property, plant and equipment</i>			
Land and buildings		263.3	273.0
Equipment, tools, fixtures and fittings		509.2	431.9
Construction in progress		423.2	143.8
Total tangible assets		1,195.7	848.7
<i>Financial assets</i>			
Shares and interests		0.1	0.1
Deferred tax asset	9	1.6	2.5
Non-current receivables		0.3	0.1
Surplus in pension plan	19	0.0	0.6
Total financial assets		2.0	3.3
Total non-current assets		1,197.7	852.0
Current assets			
Inventories	13	1,117.2	952.6
Accounts receivables	14	12.5	13.3
Other receivables	17	55.3	5.3
Prepaid expenses and accrued income	15	96.5	88.5
Cash and cash equivalents	16	92.0	280.3
Total current assets		1,373.5	1,340.0
Total assets		2,571.2	2,192.0

Balance sheet

SEK M	Note	30 April 2009	30 April 2008
Equity and liabilities			
Equity	18		
<i>Capital and reserves attributable to Parent Company shareholders</i>			
Share capital, 65,600,000 shares with a quotient value of SEK 1.25		82.0	82.0
Other contributed capital		90.4	90.4
Translation differences		1.9	-8.2
Hedge reserve		-0.7	0.0
Profit brought forward including net profit for the year		1,319.5	1,335.3
Total equity		1,493.1	1,499.5
Non-current liabilities			
Deferred tax liabilities	9	84.4	23.0
Bank loans	20	65.0	0.0
Pension obligations	19	0.1	0.0
Other provisions		1.9	3.9
Total non-current liabilities		151.4	26.9
Current liabilities			
Utilised credit facilities	20	208.6	0.0
Accounts payables	20	323.4	238.0
Tax liability		36.8	149.3
Other current liabilities	17, 20	76.8	30.8
Accrued expenses and deferred income	21	259.3	227.9
Other provisions	22	21.8	19.6
Total current liabilities		926.7	665.6
Total equity and liabilities		2,571.2	2,192.0

Change in Group equity

SEK M	Attributable to Parent Company shareholders					Total
	Share capital	Other contributed capital	Translation differences	Hedge reserve	Profit brought forward	
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, after tax ³				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
Opening balance at 1 May 2008	82.0	90.4	-8.2	0.0	1,335.3	1,499.5
Exchange-rate differences			10.1			10.1
Cash flow hedging recognised in equity, after tax ¹				36.7		36.7
Cash flow hedging recognised in income statement, after tax ²				-14.6		-14.6
Cash flow hedging included in inventories, after tax ³				-22.8		-22.8
Total transactions recognised directly in equity	0.0	0.0	10.1	-0.7	0.0	9.4
Net profit for the year					365.5	365.5
Total recognised income and expenditure in equity	0.0	0.0	10.1	-0.7	365.5	374.9
Repurchase of own shares					-58.0	-58.0
Employee stock options plan: value of employees' service					1.5	1.5
Dividend					-324.8	-324.8
Closing balance at 30 April 2009 (see Note 18)	82.0	90.4	1.9	-0.7	1,319.5	1,493.1

¹ Tax has been taken into account at SEK -14.3 M (+10.4).

² Tax has been taken into account at SEK 8.2 M (-8.2). ³ Tax has been taken into account at SEK 8.1 M (-2.2).

Parent Company

Income statement

SEK M	Note	1 May 2008 30 April 2009	1 May 2007 30 April 2008
	1, 2		
Net sales	23	4,001.8	4,062.8
Cost of goods sold	4, 23	-2,857.6	-2,750.8
Gross profit		1,144.2	1,312.0
Selling expenses	4,5,6	-740.4	-665.4
Administrative expenses	4,5,6,7	-98.2	-97.6
Other operating income	3	1.3	0.8
Other operating expenses	3	-3.8	-0.5
Operating profit		303.1	549.3
<i>Financial items</i>			
Dividend from Group companies	24	39.4	165.8
Interest income	8	2.4	6.5
Interest expenses	8	-5.2	-0.6
Profit after financial items		339.7	721.0
Appropriations	25	-96.4	-16.0
Profit before tax		243.3	705.0
Income tax	9	-60.2	-152.4
Net profit for the year		183.1	552.6
Proposed divided per share, SEK (before and after dilution)	11	3.00	5.00

Cash flow statement

SEK M	1 May 2008 30 April 2009	1 May 2007 30 April 2008
<i>Operating activities</i>		
Operating profit	303.1	549.3
<i>Adjustment for items not included in cash flow</i>		
- depreciation	61.2	59.8
- profit from sale/disposal of fixed assets	0.2	-0.1
- other non-cash items	2.5	0.9
Dividends received	39.4	165.8
Interest received	5.5	4.2
Interest paid	-3.3	-0.6
Tax paid	-172.4	-82.5
Cash flow from operating activities before change in operating capital	236.2	696.8
<i>Cash flow from changes in working capital:</i>		
- accounts receivables	1.2	4.2
- inventories	-96.9	-67.8
- other receivables	-204.8	-216.1
- accounts payables	98.1	58.8
- other current interest-free operating liabilities	15.5	14.3
Cash flow from operating activities	49.3	490.2
<i>Investing activities</i>		
Investments in property, plant and equipment	-332.6	-197.4
Sale of equipment	0.5	0.8
New formation of subsidiaries	-6.5	-4.0
Cash flow from investing activities	-338.6	-200.6
<i>Financing activities</i>		
Repurchase of shares	-58.0	0.0
Change in current interest-bearing liabilities	426.3	0.0
Change in non-current interest-bearing liabilities	65.0	0.0
Divided to shareholders	-324.8	-295.2
Cash flow from financing activities	108.5	-295.2
Cash flow for the year	-180.8	-5.6
Cash and cash equivalents at start of year	194.8	200.4
Cash and cash equivalents at end of year	14.0	194.8

Parent Company

Balance sheet

SEK M	Note	30 April 2009	30 April 2008
Assets			
Non-current assets			
<i>Property, plant and equipment</i>			
Land and buildings		263.3	273.0
Equipment, tools, fixtures and fittings		283.9	287.9
Construction in progress		423.2	143.8
Total property, plant and equipment		970.4	704.7
<i>Financial assets</i>			
Participations in Group companies	24	41.0	34.4
Shares and participations		0.1	0.1
Total financial assets		41.1	34.5
Total non-current assets		1,011.5	739.2
Current assets			
<i>Inventories</i>			
Merchandise	13	800.8	703.9
Total inventories		800.8	703.9
<i>Current receivables</i>			
Accounts receivables	14	7.0	8.2
Receivables from Group companies	23	430.3	252.0
Other receivables		18.9	0.7
Prepaid expenses and accrued income	15	64.8	56.5
Total current receivables		521.0	317.4
Cash and bank balances	26	14.0	194.8
Total current assets		1,335.8	1,216.1
Total assets		2,347.3	1,955.3

Balance sheet

SEK M	Note	30 April 2009	30 April 2008
Equity and liabilities			
Equity			
<i>Restricted equity</i>			
Share capital, 65,600,000 shares with a quotient value of SEK 1.25		82.0	82.0
Statutory reserves		106.8	106.8
Total restricted equity		188.8	188.8
<i>Non-restricted equity</i>			
Profit brought forward		708.6	537.1
Net profit for the year		183.1	552.6
Total unrestricted equity		891.7	1,089.7
Total equity		1,080.5	1,278.5
Untaxed reserves	27	249.0	152.6
Provisions			
Other provisions	22	12.4	11.5
Total provisions		12.4	11.5
Non-current liabilities			
Bank loans	20	65.0	0.0
Total non-current liabilities		65.0	0.0
Current liabilities			
Utilised credit facilities	20	426.3	0.0
Accounts payables	20	293.9	195.9
Tax liability		36.6	138.6
Other current liabilities	20	10.6	11.0
Accrued expenses and deferred income	21	173.0	167.2
Total current liabilities		940.4	512.7
Total equity and liabilities		2,347.3	1,955.3
Pledged assets	28	97.0	67.0
Contingent liabilities	29	176.6	90.4

Change in Parent Company equity

SEK M	Share capital	Statutory reserve	Non-restricted equity	Total
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
Opening balance at 1 May 2008	82.0	106.8	1,089.7	1,278.5
Dividend			-324.8	-324.8
Repurchase of own shares			-58.0	-58.0
Employee stock options plan: value of employees' service			1.7	1.7
Net profit for the year			183.1	183.1
Closing balance at 30 April 2009 (see Note 18)	82.0	106.8	891.7	1,080.5

Accounting policies and notes

Amounts are in SEK M unless stated otherwise

Note 1 Accounting and valuation principles

Compliance with standards and legislation

The consolidated financial statements for Clas Ohlson have been prepared in accordance with the Annual Accounts Act, RFR 1.1 Supplementary Accounting Rules for Groups and International Financial Reporting Standards (IFRS) as approved by the EU. The financial statements were prepared in accordance with the cost method, apart from financial assets and liabilities measured at fair value.

The annual accounts of the Parent Company have been prepared in accordance with the Swedish Companies Act and RFR 2.1 Accounting for Legal Entities. The same accounting policies are applied for the Group except in cases indicated under "Parent Company accounting policies". The differences that occur between the policies applied for the Parent Company and Group derive from limitations on the possibilities to apply IFRS in the Parent Company resulting from the Swedish Annual Accounts Act.

Information on future standards

Standards, amendments and interpretations of current standards that have not yet come into effect and will not be applied in advance by the Group.

IAS 1 (Revised), "Presentation of Financial Statements" (pertains to financial years beginning 1 January 2009 or later). According to the revised standard, recognised income and expense must be presented in a single statement (statement of comprehensive income) or two statements (an income statement and a statement of comprehensive income), separate from transactions with shareholders. Components in other comprehensive income may not be presented in the report of changes in shareholders' equity since this must only include transactions with the company's shareholders. The Group will apply IAS 1 (Revised) as of 1 May 2009.

IAS 23 (Amendment), "Borrowing costs" (applies to financial years beginning 1 January 2009 or later). According to the amendment, a company must capitalise as part of the acquisition cost of the asset borrowing costs that are directly attributable to acquisition, construction or production of an asset that takes a considerable amount of time to complete for use or sale. The option to immediately expense these borrowing costs will be removed. The Group will apply IAS 23 (Revised) as of 1 May 2009, but it is not anticipated to have any significant impact on the consolidated financial statements.

IFRS 2 (Amendment), "Share-based Payment" (applies to financial years beginning 1 January 2009 or later). The amended standard addresses vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features in share-based payment refer to non-vesting conditions. These features must be taken into account when the fair value on the allocation day is adopted for transactions with employees and others that provide similar services. However, they do not affect the number of options expected to be vested or the valuation of these after allocation day. All cancellations, regardless of whether they were implemented by the company or other parties, should be subject to the same accounting treatment. The Group will apply IFRS 2 (Revised) as of 1 May 2009, but it is not expected to have any significant impact on the consolidated financial statements.

IFRS 8, Operating Segments (applies to financial years beginning 1 January 2009 or later). IFRS 8 will replace IAS 14. The new standard requires that segment information be presented based on management's perspective, which means that it must be presented in a manner that is used in internal reports. The Group will apply IFRS 8 as of 1 May 2009. Refer to Note 33.

In addition, there are new standards, amendments and interpretations of current standards that have not yet come into effect and that are not relevant to the Group.

Basis of preparation

The items included in the financial statements for the various units in the Group are valued in the currency used in the financial environment in which each company primarily operates (functional currency). The consolidated financial statements use Swedish kronor (SEK), which is the Parent Company's functional currency and the reporting currency for the Group. All sums, unless otherwise stated, are rounded to the nearest million Swedish kronor plus one decimal point.

The accounting policies for the Group indicated below have been applied consistently to all periods presented in the consolidated financial statements,

unless otherwise stated. The Group's accounting policies have been applied consistently to the reporting and consolidation of the Parent Company and subsidiaries.

Estimates and assumptions

Preparing the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that impact upon the application of the accounting policies and the carrying amounts for assets, liabilities, income and expenses. These are based on historical experience and a number of other factors that appear reasonable under the prevailing conditions. The estimates and assumptions are reviewed regularly and are not judged to entail any significant risk of material adjustment of carrying amounts for 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 is presented in Notes 13 and 22.

Consolidated financial statements

The consolidated financial statements pertain to the Parent Company and all companies over which the Parent Company directly or indirectly has controlling influence. The consolidated financial statements include the wholly owned subsidiaries Clas Ohlson AS, Clas Ohlson OY, Clas Ohlson (UK) and Clas Ohlson Ltd (Shanghai). The purchase method has been applied in preparing the consolidated financial statements. 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 eliminated in full from the consolidated financial statements.

Translation of foreign currencies

Transactions in foreign currencies are translated to the functional currency at the exchange rates applicable on the transaction date. Exchange-rate gains and losses arising from the payment of such transactions and from the translation of monetary assets and liabilities in foreign currency at the rate prevailing on the reporting date are recognised in profit and loss. An exception is when transactions represent hedging that fulfils the conditions for hedge accounting of cash flows, in which case gains/losses are recognised in equity. For derivatives, refer to the 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 less 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. Any interest-bearing securities are measured continuously at market value through profit and loss.

Income taxes

Income taxes comprise current tax and deferred tax. Income taxes are recognised in profit and loss except when an underlying transaction is recognised directly in equity, whereby the associated tax effect is recognised in equity. Current tax is tax that 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 prior periods. Deferred tax according to the balance-sheet method is calculated on all temporary differences arising between carrying amounts 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 and loss carryforwards are only recognised insofar as 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 from the depreciation of non-current assets, valuation of inventories and provisions for pensions.

Property, plant and equipment

Property, plant and equipment are recognised at cost less 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 the 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, while maintenance and repair costs are expensed. As assets are sold or disposed of, the cost and appurtenant accumulated depreciation are written off. Any profit or loss is recognised. Interest expenses are not added to the cost of the assets, but are expensed as they arise. All of Clas Ohlson's properties are owner-occupied properties.

Impairment

Depreciable assets are assessed to determine any decrease in value resulting from events or changes in circumstances indicating that the carrying amount might not be recoverable. An impairment loss is posted 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

In the Group and in the Parent Company, lease contracts only occur 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 at the lower of cost and net selling price on the balance-sheet date, applying the "first in, first out" principle. Net selling price is the estimated selling price in operating activities less selling expenses. Inter-company profits arising from delivery between companies forming part of the Group are deducted. Necessary provision for obsolescence has been made. Inventory expenses include transfers from equity of any gains/losses from cash flow hedging fulfilling 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, while others as regarded as current assets. Receivables are recognised at the amount expected to be paid after individual testing.

Accounts receivables are recognised initially at fair value and then at accrued cost applying the effective interest rate method, less any provision for depreciation. A provision for depreciation is posted 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 amount of the provision is recognised in profit and loss.

Financial instruments

The Group classifies its financial instruments in the following categories: financial assets measured at fair value through profit and loss, loan receivables and accounts 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 company's 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 sell the asset. Financial instruments are initially measured at fair value plus transaction expenses, which applies to all financial assets not measured at fair value through profit and loss. Fair value for listed securities is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group will establish the fair value by applying such the use of information concerning recently completed transactions on an arms-length basis, reference to the fair value of another instrument that is essentially equivalent, analyses of discounted cash flow and options valuation methods. In this connection, market information is widely used while company-specific information is used as little as possible. Financial instruments are derecognised 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 measured at fair value through profit and loss are recognised after the time of acquisition at fair value. In cases when the transactions constitute hedging that fulfils the conditions for hedge accounting of cash flows, gains/losses are recognised in equity (see under Translation of foreign currency). Loan receivables and accounts receivable 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 measured at fair value through profit and loss are included in profit and loss in the period during which they arise. Only loan receivables and accounts receivable existed when the accounts were closed. Financial instruments in the form of interest-bearing securities may occur on a current account basis during the financial year.

With regard to any derivatives that are not categorised as an instrument in currency hedging, changes in fair value are recognised in profit and loss. In hedging cash flow qualified for hedge accounting, the effective portion of changes in the fair value of the hedging instruments is recognised under equity in the hedge reserve until the underlying hedged item is recognised, whereby all appurtenant hedging items in equity are simultaneously transferred to profit and loss and recognised in cost of goods sold. Clas Ohlson applies hedge accounting for forward exchange contracts insofar as they qualify for hedge accounting according to the requirements. In all cases, the hedging pertains to cash flow hedging. For information concerning the Group's exchange hedging policy, see Note 2 under the section on Currency Risk.

Cash and cash equivalents

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

Employee benefits

The overall principles for remuneration of senior management must be based on the position, individual performance, Group profits and the fact that the remuneration must be competitive in the country of employment. The total remuneration of senior management shall comprise basic salary, variable remuneration in the form of short-term incentives based on annual performance targets, long-term incentives based on multi-year performance, pension and other benefits. Additional items are terms and conditions for termination and severance pay.

Clas Ohlson will strive to offer a competitive total remuneration level with an emphasis on performance-based payments. This means that variable remuneration may comprise a significant portion of the total remuneration. The aim is that the fixed remuneration shall be comparable to the average in the market while the total remuneration, when Clas Ohlson AB achieves or surpasses its targets, shall be in the upper quartile of the market. Refer also to Note 6. 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. The Finnish subsidiary has only defined-contribution pensions. There are both defined-contribution and defined-benefit pension plans in the Parent Company. However, in accordance with a statement from FAR SRS, the defined-benefit supplementary pension for salaried employees (ITP) plan (Alecta) is treated as a defined-contribution pension policy. There are both defined-contribution and defined-benefit pension plans in the Norwegian subsidiary. Future obligations with regard to defined-benefit pen-

Note 1 cont.

sion plans 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 is not obligated to pay any further contributions. Expenses are charged against Group profits as the benefits are vested. In defined-benefit plans, payments are made to employees and former employees based on final salary and the number of years of service. The Group bears the risk associated with the pledged payments 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 that the company can recover through reduced future contributions or repayments is recognised.

Regarding defined-benefit plans, the pension expense and pension obligation are calculated according to the Projected Unit Credit Method. Under this method, the expense is distributed as the employees perform services for the company that increase their entitlement to future remuneration. The calculation is performed annually by independent actuaries. The company's commitments are measured at the current value of expected future payments using a discount rate which is equivalent to the interest on municipal bonds (pertaining to Norway) with a term equivalent to the current commitments. The principal actuarial assumptions are stated in Note 19.

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 preceding year, exceeding 10 per cent of the greater of the present value of the obligations and the fair value of the plan assets is recognised in profit or loss over the average remaining period of service of employees.

Provisions

Provisions are recognised in the balance sheet among current and non-current liabilities when the Group has a legal or informal obligation resulting from 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.

Accounts payable

Accounts payable are initially recognised at fair value and thereafter at accrued cost applying the effective interest method.

Borrowing

Borrowing is initially recognised at fair value, net after transaction expenses. Borrowing is thereafter recognised at accrued cost and any difference between the amount received (net after transaction costs) and the repayment amount is recognised in profit and loss distributed over the borrowing period, applying the effective interest method.

Charges paid for credit facilities are recognised as transaction costs for borrowing insofar as it is probable that the credit will be utilised in full or in part. In such cases, charges are recognised when the credit has been utilised. When there is no evidence that the credit will be utilised in full or in part, the charges will be recognised as advance payment for financial services and distributed over the term of current credit facilities.

Borrowing is classified as current liabilities if the Group is not unconditionally entitled to postpone payment of the debt for at least 12 months after the balance-sheet date.

Cash flow statement

The cash flow statement is prepared according to the indirect method. The recognised cash flow comprises only transactions that entail receipts or disbursements. In addition to cash or bank balances, current financial investments that are subject only to an insignificant risk of fluctuation in value and 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 decisive factors when making this choice are the types of risks and opportunities that are dominant, how the company is organised and how the internal reporting system is structured. Because the operation consists in full of the sale of products for house, home, technology and hobbies, this is regarded as the primary segment. The division

into geographical customer markets is treated as a secondary segment. No sales between segments have occurred. A division could also be made between stores and mail orders/internet operations, but because 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 RFR 2.1 Accounting for Legal Entities, of the Swedish Financial Accounting Standards Council. 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 specifies the exceptions from and additions to IFRS that are to be made. At Clas Ohlson, the difference between the consolidated and Parent Company accounting policies is that IAS 1 is not applied with regard to preparation of the balance sheets and income statements for the Parent Company, 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 variety of financial risks through its operations: market risk (including currency 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 cooperation with the Group's operational units. The Board draws up policies for overall risk management and specific areas, such as currency risk, use of derivatives and investment of surplus liquidity.

MARKET RISK

Currency risk

A significant portion of accounts payable comprises liabilities in foreign currencies and is therefore subject to currency risks. In the Group, the principal currencies used in purchases are hedged in order to reduce any currency risks, in accordance with the financial policy. Approximately 50 per cent of the anticipated flow six months ahead is hedged when prices in the main catalogue are set.

Approximately 42 per cent of the company's purchases are made in currencies other than Swedish kronor (SEK). The principal currencies for purchasing are the US dollar (USD), Hong Kong dollar (HKD) and euro (EUR). In addition, movements of SEK against the Norwegian krone (NOK) are very significant to the Group, because more than a third of sales take place in Norway. Net exposure to EUR is low, because the company has higher EUR-denominated sales due to its expansion in the Finnish market. The table below shows how profit is affected by changes in the principal currencies.

Currency	Change	Impact on profit after tax, SEK M
NOK	+/- 5 per cent	+/- 32
USD	+/- 5 per cent	-/+ 21
HKD	+/- 5 per cent	-/+ 9
EUR	+/- 5 per cent	+/- 3

Cash and cash equivalents are also exposed to currency risk since a certain proportion of the funds is invested in the subsidiaries. No currency hedging is used to hedge cash and cash equivalents or equity in the subsidiaries.

Interest-rate risk

The interest-rate risk is very low as the company's interest-bearing liabilities are lower in relation to profit and total assets.

Price risk

The price risk is regarded as low as the company buys from more than 600 suppliers. In accordance with its purchasing policy, the company also avoids entering into long-term supply contracts, to retain flexibility with regard to suppliers and products.

Credit risk

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

Short-term investments normally pertain to investments in commercial papers in the Swedish interest-rate market. The loss risk is low because the policy is to choose commercial papers with a very high credit rating. At the end of the year there were no short-term investments, but they may occur on a current-account basis 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 UK. The credit risk is considered insignificant.

Capital risk

The capital risk is regarded as low because the Group had a low portion of liabilities at the end of the financial year and an equity/assets ratio of 58.1 per cent.

Note 3 Other operating income and operating expenses

	Group		Parent Company	
	2008/09	2007/08	2008/09	2007/08
Other operating income				
Exchange-rate differences	1.6	0.8	1.3	0.6
Gain/loss on sale or disposal of property, plant and equipment	0.0	0.2	0.0	0.2
Total	1.6	1.0	1.3	0.8
Other operating expenses				
Exchange-rate differences	-3.0	-0.7	-2.4	-0.4
Gain/loss on sale or disposal of property, plant and equipment	-1.4	-1.7	-1.4	-0.1
Total	-4.4	-2.4	-3.8	-0.5

Note 4 Depreciation

Group	2008/09	2007/08
Depreciation broken down by type of asset		
Land and buildings	14.5	14.4
Equipment, tools, fixtures and fittings	77.9	69.3
Total	92.4	83.7
Depreciation broken down by function		
Cost of goods sold	17.8	16.8
Selling expenses	71.9	64.4
Administrative expenses	2.7	2.5
Total	92.4	83.7

Parent Company	2008/09	2007/08
Depreciation broken down by type of asset		
Land and buildings	14.5	14.1
Equipment, tools, fixtures and fittings	46.7	45.7
Total	61.2	59.8
Depreciation broken down by function		
Cost of goods sold	14.7	14.4
Selling expenses	43.8	42.9
Administrative expenses	2.7	2.5
Total	61.2	59.8

Note 5 Expenses distributed by type of cost

Payroll expenses including social security expenses during the financial year totalled SEK 1,040.6 M (919.7) in the Group and SEK 690.0 M (647.9) in the Parent Company. Depreciation during the financial year totalled SEK 92.4 M (83.7) in the Group and SEK 61.2 M (59.8) in the Parent Company.

Note 6 Expenses for employee benefits

	2008/09		2007/08	
Salaries and other remuneration				
Parent Company	487.7			465.0
Subsidiaries	297.4			232.0
Group total	785.1			697.0
	2008/09		2007/08	
	Social security expenses	of which, pension expenses	Social security expenses	of which, pension expenses
Social security expenses				
Parent Company	202.3	50.4	182.9	34.0
Subsidiaries	53.2	16.8	39.8	9.9
Group total	255.5	67.2	222.7	43.9

Of the Parent Company's pension expenses, SEK 2.7 M (4.7) pertained to the group consisting of the Board, CEO and Deputy CEO. Of the subsidiaries' pension expenses, SEK 0.9 M (0.6) pertained to managing directors of subsidiaries. In the Group, expenses for defined-contribution pensions amounted to SEK 57.0 M (37.9) and defined-benefit pensions to SEK 1.0 M (0.2).

The Parent Company's pension expenses include negotiated pensions totalling SEK 11.8 M (0) resulting from restructuring of the distribution centre. The Parent Company only has defined-contribution pensions (including Alecta), for which the year's expenses amounted to SEK 29.4 M (28.2). In the Parent Company, the year's expenses for special employer's contribution on pension premiums totalled SEK 9.2 M (5.8). For further information on the defined-benefit pension plans in the Group, see Note 19.

Note 6 cont.

Remuneration of Board members, managing directors and other senior management

	2008/09	2007/08
<i>Parent Company</i>		
Salaries and other remuneration	18.9	23.4
– of which variable remuneration	0.0	4.5
Pension expenses	5.8	7.0
Number of individuals in group	15	16
	2008/09	2007/08
<i>Group</i>		
Salaries and other remuneration	26.7	28.2
– of which variable remuneration	0.0	5.2
Pension expenses	6.7	7.6
Number of individuals in group	19	18

Board remuneration

Fees are paid to the members of the Board according to a resolution by the Annual General Meeting. Board members who are employed in the company do not receive director fees. No pensions or other remuneration under incentive schemes are paid to the company's Board.

In subsidiaries, director fees to external members were paid in the amount of SEK 0.1 M (0.2). No other director fees were paid in the subsidiaries.

	2008/09		2007/08	
	Director fees	Other remuneration	Director fees	Other remuneration
<i>The Board</i>				
Anders Moberg, Chairman	0.50	0.12	0.40	0.10
Björn Haid, member	0.25	0.06	0.20	0.05
Cecilia Marlow, member	0.25	0.06	0.20	0.10
Elisabet S Bjöklund, member	0.25	0.18	0.20	0.15
Klas Balkow, member and CEO	0.00	0.00	0.00	0.00
Lottie Svedenstedt, member	0.25	0.06	0.20	0.05
Urban Jansson, member	0.25	0.12	0.20	0.05
Board total	1.75	0.62	1.40	0.50

Board member Klas Balkow received remuneration as President and CEO of the company.

During the financial year, the gender distribution among Board members elected by the AGM was four men and three women. In percentage terms, the distribution was thus 57 per cent male and 43 per cent female. The equivalent distribution in the preceding financial year was the same.

Remuneration of senior management

Remuneration paid to the Chief Executive Officer and other members of senior management is made up of basic salary, variable remuneration and pension contributions. Other members of senior management are the eight individuals who together with the Chief Executive Officer made up the Group management team during the financial year.

For the composition of the senior management at 30 April 2009, see page 79 of the printed annual report.

	2008/09			2007/08 ³		
	Basic salary	Variable remuneration ²	Benefits	Basic salary	Variable remuneration	Benefits
<i>Salaries paid to senior management</i>						
Klas Balkow, CEO	3.6	0.6	0.2	3.3 ¹	1.4	0.2
Deputy CEO	3.4	0.4	0.1	3.3	0.5	0.1
Other senior management (7)	7.8	1.3	0.3	8.3	1.2	0.4
Total management	14.8	2.3	0.6	14.9	3.1	0.7

¹ Remuneration paid to CEO Klas Balkow in the preceding year pertained to 11 months.

² Of the variable remuneration, recognised expenses and unpaid remuneration pertaining to LTI 2008 were as follows: CEO SEK 0.2 M, Deputy CEO SEK 0.2 M, other senior management SEK 0.3 M.

³ The preceding year's remuneration included remuneration of former CEO Gert Karnberger totalling SEK 6.1 M in basic salary, SEK 2.2 M in variable remuneration, SEK 0.3 M in benefits and SEK 2.1 in pension.

	2008/09		2007/08 ³	
	Defined-contribution	Defined-benefit	Defined-contribution	Defined-benefit
<i>Pension expenses for senior management</i>				
Klas Balkow, CEO	1.3	0.0	1.3	0.0
Deputy CEO	1.3	0.0	1.3	0.0
Other senior management (7)	3.2	0.0	2.9	0.0
Total management	5.8	0.0	5.5	0.0

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 1.3 M.

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 reviewed at the end of each calendar year. Salaries and other remuneration of managing directors of subsidiaries are decided by the Board of each subsidiary according to guidelines issued by 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. Terms of employment comply with applicable collective agreements. The period of notice is three to six months. Applicable salary and benefits are payable during the period of notice. Up to six months' severance pay is payable in the event of termination by the company.

The principles for variable remuneration are decided by the Annual General Meeting and processed by the Remuneration Committee. During the year, two different types, STI and LTI, were payable. Refer to the description below.

Provisions for STI and LTI are posted continuously. All members of senior management are entitled to annual pension contributions, primarily in accordance with the ITP plan. Retirement age varies between 65 and 67 years.

The gender distribution among the senior management of the Parent Company, and of the Group, is seven men and two women. In percentage terms, the distribution is thus 78 per cent male and 22 per cent female. The distribution in the preceding year was unchanged.

Further information on decision-making processes in the Group is presented on pages 74-76 of the printed annual report.

Remuneration principles

The overall principles for remuneration of senior management are to be based on position, individual performance, Group profits and the fact that remuneration must be competitive in the country of employment. The total remuneration of senior management must comprise basic salary, variable remuneration in the form of short-term incentives based on annual performance targets, long-term incentives based on multi-year performance, pension and other benefits. Additional principles comprise terms and conditions for termination and severance pay.

Clas Ohlson shall strive to offer a competitive remuneration level with an emphasis on performance-based payment. This means that variable remuneration may comprise a significant portion of total remuneration. The aim is that the fixed remuneration shall be comparable to the average in the market while the total remuneration, when Clas Ohlson AB achieves or surpasses its targets, shall be in the upper quartile of the market.

Basic salary

The basic salary shall comprise the basis for total remuneration. The salary shall be related to the relevant market and reflect the extent of the responsibilities included in the position. The basic salary's trend shall depend on how well work is performed and how well the employee develops his/her competencies to assume future work assignments with greater responsibility. The basic salary shall be reviewed annually to ensure that it is market-based and competitive.

Short-term Incentive "STI"

In addition to basic salary, senior management shall be able to receive STI for profits that exceed one or several predetermined performance levels during a financial year. Clearly defined performance targets are decided annually by the Board or by individuals elected by the Board. The performance targets may be connected to operational, financial or personal results.

Remuneration from the STI plan is subject to a ceiling, which means that Clas Ohlson can calculate maximum remuneration levels from the beginning. Insofar as performance does not match the lowest performance level, no STI will be paid. STI will depend on the position and may not exceed 50 per cent of salary if the ceiling is achieved, which also represents the maximum outcome of STI.

Long-term Incentive "LTI"

The aim of long-term incentive plans is to create the prerequisites for recruiting competent employees and retaining them in the Group, provide competitive remuneration and unite the interests of shareholders and senior management.

Long-term incentive plans that entitle employees to acquire shares are subject to approval by the Annual General Meeting. LTI 2008 is currently in effect. In addition, LTI 2009 was launched after the close of the financial year. LTI 2008 and LTI 2009 are share matching and profit-based employee stock option plans.

Long-term incentive plan LTI 2008

An Extraordinary General Meeting held in April 2008 resolved to adopt a performance-based incentive plan (LTI 2008). The LTI 2008 included a maximum of 40 individuals, comprising certain members of senior management and other individuals regarded as having a long-term impact on Clas Ohlson's development.

To participate in the plan, employees must acquire series B shares in Clas Ohlson corresponding to a value of not less than 5 per cent and not more than 10 per cent of their annual basic salary. Participants acquired series B Clas Ohlson shares, at market price, which the company will later match (1:1 in LTI 2008) free of charge through allotment of shares. If the employee holds the acquired shares and is still employed by the Group three years after the date of acquisition, the company will issue matching shares to the employee.

The employee may also be allotted profit-based employee stock options. Employee stock options are allocated free of charge and each stock option entitles the holder to acquire one series B Clas Ohlson share. When the option is exercised, the price per share will amount to SEK 107.60 per share, corresponding to 110 per cent of the volume-weighted average of the most recent price paid for series B Clas Ohlson shares on the Nasdaq OMX Nordic Exchange during a period of 10 trading days prior to the day the options were allocated. The options may be exercised not earlier than three years and not later than seven years from the day they were allotted. For an option to be exercised, the holder must still be employed by the Clas Ohlson Group and have retained his/her personal investment for three years from the date of allotment. The option holdings do not provide entitlement to receive dividends on the underlying shares.

The number of employee stock options that may be exercised depends on the number of series B shares that the employee has acquired within the framework of the LTI 2008 plan, and whether the company's growth and profit growth per share for 2008/2009 and the subsequent two financial years increase to the levels set by the Board. These established levels are: Entry, Target and Stretch, with a straight-line increase between each profit level.

Entry is a minimum level that must be exceeded in order for an employee stock option to be exercised. The three levels correspond to the following number of employee stock options:

- Entry: five options per acquired series B share
- Target: ten options per acquired series B share
- Stretch: 15 options per acquired series B share

Accordingly, the total number of employee stock options that may be exercised by each participant is limited to 15 per acquired series B share. Changes in the number of stock options outstanding were as follows:

Number of employee stock options	
As of 1 May 2008	0
Allocated	520,875
Forfeited	34,070
As of 30 April 2009	486,805

It was not possible to exercise any of the above options at 30 April 2009. The number of allotted options is based on the maximum outcome in the plan. However, the number that may be exercised after three years is based on achievement of growth and profit targets. The sum that is expensed is based on the level of five options per share.

In accordance with the above, LTI 2008 will include the following number of series B shares and employee stock options for the various participant categories if the Target level is achieved:

Participant	Matching shares No. of B shares ¹	No. of employee stock options ¹	Target value SEK M ²
CEO	3,650	36,500	0.8
Other members of Group management	11,080	110,800	2.6
Other participants	19,995	199,950	4.6
Total	34,725	347,250	8.0

¹ The number of shares and employee stock options may be recalculated due to decisions concerning a new share issue

² The target value of the plan is calculated based on the fair value on the date of allotment. The share value on the date of allotment was SEK 82.83 and the fair value of the option was SEK 14.97. To calculate the fair value of the options, the binomial model for option valuation was used. The valuation was conducted with an anticipated dividend of SEK 5.00 per share, an anticipated term of five years, an interest rate of 3.95 per cent and volatility of 26.99 per cent. The volatility was measured as standard deviation for the anticipated return on the share price based on a statistical analysis of daily share prices for the past three years. The values were adjusted for the discounted value of future dividends.

Accounting policies

The LTI 2008 was reported in accordance with IFRS 2 Share-based Payment. The Group posts a provision for anticipated social security contributions that will be paid when the shares are allotted and when the options are exercised. The provision for social security contributions is reassessed every balance-sheet date based on the fair value. The cost recognised in profit and loss for 2008/2009 totalled SEK 2.0 M, of which social security contributions accounted for SEK 0.4 M.

Share repurchased for the LTI plan

During 2008, Clas Ohlson repurchased series B Clas Ohlson shares to fulfil the company's long-term obligations under the incentive plan. The shares will be allotted or sold to participants in the plan. Clas Ohlson intends to sell additional shares in the market in conjunction with options being exercised or shares being allotted to cover payment of social security contributions.

Note 7 Remuneration of auditors

	Group		Parent Company	
	2008/09	2007/08	2008/09	2007/08
<i>Öhrlings</i>				
<i>PricewaterhouseCoopers</i>				
Remuneration for audit engagements	1.9	1.6	1.0	1.0
Remuneration for other consultations	0.6	0.4	0.4	0.3
Total	2.5	2.0	1.4	1.3

Note 8 Financial income and expenses

Financial income and expenses are broken down as follows:

Group	2008/09	2007/08
<i>Financial assets measured at fair value through profit and loss:</i>		
– capital gains on securities held to maturity	1.0	1.2
Interest income	5.8	9.7
Group total	6.8	10.9

Parent Company	2008/09	2007/08
<i>Financial assets measured at fair value through profit and loss:</i>		
– capital gains on securities held to maturity	1.0	1.2
Interest income	1.4	5.3
Total Parent Company	2.4	6.5

Financial expenses are broken down as follows:

Group	2008/09	2007/08
Interest expenses	–5.8	–0.6
Parent Company	2008/09	2007/08
Interest expenses	–5.2	–0.6

Note 9 Income tax

	Group		Parent Company	
	2008/09	2007/08	2008/09	2007/08
<i>Tax on net profit for the year</i>				
Income tax on net profit for the year	76.0	163.9	60.2	152.4
	76.0	163.9	60.2	152.4
<i>Deferred tax</i>				
Deferred tax pertaining to temporary differences	62.8	0.0	0.0	0.0
Effect of change in the Swedish tax rate	–3.0	0.0	0.0	0.0
Deferred tax pertaining to capitalised loss carry-forwards	2.5	2.1	0.0	0.0
	62.3	2.1	0.0	0.0
Total reported tax expense	138.3	166.0	60.2	152.4

	Group		Parent Company	
	2008/09	2007/08	2008/09	2007/08
<i>Reconciliation of applicable tax rate and effective tax rate</i>				
Reported profit before tax	503.8	587.8	243.3	704.9
Income tax calculated according to national tax rates pertaining to profit in each country	–141.1	–164.6	–68.1	–197.4
Effect of other tax rates for international subsidiaries	0.0	0.0	0.0	0.0
<i>Tax effect of:</i>				
Non-deductible expenses	–3.5	–1.4	–3.1	–1.4
Non-taxable income	0.0	0.0	0.0	0.0
Dividends from subsidiaries	0.0	0.0	11.0	46.4
Temporary differences	2.1	0.0	0.0	0.0
Revaluation of deferred tax – change in the Swedish tax rates	4.2	0.0	0.0	0.0
Recognised tax expense	–138.3	–166.0	–60.2	–152.4
Applicable tax rate for income tax, %	28.0	28.0	28.0	28.0
Effective tax rate, %	27.4	28.2	24.8	21.6
Deferred tax items recognised directly in equity	0.2	0.0	0.0	0.0

Group	2008/09	2007/08
<i>Recognised deferred tax assets and tax liabilities</i>		
Equipment, tools, fixtures and fittings	–2.7	–2.8
Inventories	0.6	0.6
Inter-company profit in inventories	–18.9	20.1
Provisions	3.6	2.0
Pensions	0.0	–0.2
Accelerated depreciation	–46.6	–42.7
Tax allocation reserve	–18.8	0.0
Deficits in subsidiaries	0.0	2.5
Total deferred tax asset (+) deferred tax liability (–), net	–82.8	–20.5
Deferred tax asset	1.6	2.5
Deferred tax liability	–84.4	–23.0

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

Group	Amount at start of year	Recognised in profit and loss	Amount at the end of year
<i>Change in deferred tax in temporary differences during the year</i>			
Equipment, tools, fixtures and fittings	–2.8	0.1	–2.7
Inventories	0.6	0.0	0.6
Inter-company profit in inventories	20.1	–39.0	–18.9
Provisions	2.0	1.6	3.6
Pensions	–0.2	0.2	0.0
Accelerated depreciation	–42.7	–3.9	–46.6
Tax allocation reserve	0.0	–18.8	–18.8
Deficits in subsidiaries	2.5	–2.5	0.0
Total	–20.5	–62.3	–82.8

Note 10 Earnings per share

	2008/09	2007/08
<i>Earnings per share before dilution</i>		
Net profit for the year	365.5	421.8
Average number of shares outstanding	65.1	65.6
Earnings per share before dilution	5.62	6.43
<i>Earnings per share after dilution</i>		
Net profit for the year	365.5	421.8
Average number of shares outstanding	65.1	65.6
Earnings per share after dilution	5.62	6.43

Earnings per share before and after dilution

The calculation of earnings per share has been based on net profit for the year attributable to the Parent Company's shareholders, totalling SEK 365.5 M (421.8), and on a weighted average number of shares outstanding before and after dilution during both 2007/08 and 2008/09.

Note 11 Dividend per share

The dividends paid in 2008/09 and 2007/08 totalled SEK 328.0 M (SEK 5.00 per share) and SEK 295.2 M (SEK 4.50 per share) respectively. A dividend pertaining to 2008/09 of SEK 3.00 per share, totalling SEK 196.8 M, will be proposed at the Annual General Meeting to be held on 12 September 2009. The proposed dividend has not been recognised as a liability in these financial statements.

Note 12 Non-current assets

	Group		Parent Company	
	2008/09	2007/08	2008/09	2007/08
<i>Property, plant and equipment</i>				
Land and buildings				
Opening cost	372.1	364.6	371.6	364.1
Acquisitions for the year	4.8	7.5	4.8	7.5
Closing accumulated cost	376.9	372.1	376.4	371.6
Opening depreciation	99.1	84.8	98.6	84.5
Depreciation for the year	14.5	14.4	14.5	14.1
Translation differences	0.0	-0.1	0.0	0.0
Closing accumulated depreciation	113.6	99.1	113.1	98.6
Closing residual value according to plan	263.3	273.0	263.3	273.0
Assessed value, buildings	123.8	98.2	123.8	98.2
Assessed value, land	13.8	13.6	13.8	13.6
Carrying amount, land	5.8	5.6	5.8	5.6

	Group		Parent Company	
	2008/09	2007/08	2008/09	2007/08
Equipment, tools, fixtures and fittings				
Opening cost	688.8	612.4	462.2	432.3
Acquisitions for the year	150.1	100.8	48.4	46.6
Reclassifications	0.0	0.0	0.0	0.0
Sales and disposals	-41.4	-32.2	-24.3	-16.7
Translation differences	16.6	7.8	0.0	0.0
Closing accumulated cost	814.1	688.8	486.3	462.2
Opening depreciation	256.9	214.0	174.3	144.6
Depreciation for the year	77.9	69.3	46.7	45.7
Sales and disposals	-35.6	-29.7	-18.6	-16.0
Translation differences	5.7	3.3	0.0	0.0
Closing accumulated depreciation	304.9	256.9	202.4	174.3
Closing residual value according to plan	509.2	431.9	283.9	287.9
Construction in progress				
Opening cost	143.8	0.5	143.8	0.5
Acquisitions for the year	279.4	143.3	279.4	143.3
Reclassifications	0.0	0.0	0.0	0.0
Closing accumulated cost	423.2	143.8	423.2	143.8
<i>Financial assets</i>				
Opening cost	3.3	4.8	34.5	30.5
Decrease/increase in noncurrent receivables	-1.3	-1.5	0.0	0.0
Increase in participations in Group companies	0.0	0.0	6.6	4.0
Closing accumulated cost	2.0	3.3	41.1	34.5
Fair value	2.0	3.3	41.1	34.5

Investment commitments

Contracted investments on the balance-sheet date not yet recognised in the financial statements total the following amounts:

	Group	Parent Company
Land and buildings	77.0	228.2
Equipment, tools, fixtures and fittings	115.0	104.0

Note 13 Inventories

	Group		Parent Company	
	2008/09	2007/08	2008/09	2007/08
Merchandise	1,117.2	952.6	800.8	703.9
Total	1,117.2	952.6	800.0	703.9
Cost of goods sold	2,916.5	2,788.7	2,857.6	2,750.8
Of which, obsolescence	12.6	21.4	9.4	14.2

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

Note 14 Accounts receivables

	Group		Parent Company	
	2008/09	2007/08	2008/09	2007/08
Accounts receivables	12.5	13.3	7.0	8.2
Total	12.5	13.3	7.0	8.2
Fair value	12.5	13.3	7.0	8.2

Note 15 Prepaid expenses and accrued income

	Group		Parent Company	
	2008/09	2007/08	2008/09	2007/08
Prepaid rent	45.5	32.5	23.3	20.5
Prepaid costs of materials	18.6	18.7	14.6	12.7
Other prepaid expenses	32.2	37.3	26.9	23.3
Total	96.5	88.5	64.8	56.5

Note 16 Cash and cash equivalents

Group	2008/09	2007/08
Cash and bank balances	92.0	280.3
Group total	92.0	280.3

At the end of the year, utilised overdraft facilities, which are not included in cash and cash equivalents, totalled SEK 208.6 M in the Group; refer to Note 20.

Unutilised overdraft facilities in the Group, which are not included in cash and cash equivalents, amounted to SEK 11.4 M at year-end.

Note 17 Forward contracts

As per the balance-sheet date, outstanding cash-flow hedging existed according to the following table.

Currency pair	Carrying amount and fair value		Nominal amount		Average remaining term in months	
	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
Sell/buy						
NOK/SEK	-2.5	-	266.9	-	2	-
EUR/SEK	1.6	-	44.3	-	2	-
Total	-0.9	-	311.2	-		

In both currency pairs, there are positive and negative market values. Forward contracts with positive market values totalled SEK 2.5 M (0), which was recognised in the item Other current receivables. Forward contracts with negative market values totalled SEK 3.4 M (0), which was recognised in the item Other current liabilities.

Deferred tax of SEK 0.2 M was taken into account and the remaining fair value of SEK 0.7 M (0) was recognised in the hedging reserve within equity.

Note 18 Equity

The total number of ordinary shares is 65,600,000 (2007/08: 65,600,000) with a quotient value of 1.25. The number of series A shares is 5,760,000, while the number of series B shares is 59,840,000. Each series A series share carries ten votes, while each series B series share carries one vote. All issued shares are fully paid up. The company has one outstanding stock option plan, LTI 2008, whose outcome was hedged through the repurchase of 645,000 B shares. The number of shares outstanding at the end of the year was 64,955,000. The average number of shares before and after dilution is reported in Note 10.

The Group's provisions consist of translation differences that have arisen on the translation of foreign subsidiaries' financial accounts, as well as the hedging reserve.

Note 19 Pension obligations

The pension obligation pertains to employees in subsidiaries in Norway. It is a defined-benefit pension plan, 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	2008/09	2007/08
Surpluses (-)/obligations (+) in the balance sheet for:		
Pension benefits	0.1	-0.6
Group total	0.1	-0.6

Group	2008/09	2007/08
Recognition in profit and loss pertaining to:		
Pension benefits	1.0	0.2
Group total	1.0	0.2

Pension benefits

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

	2008/09	2007/08	2006/07
Present value of funded obligations	9.7	9.4	17.9
Fair value of plan assets	-8.0	-6.6	-10.1
Unrecognised actuarial gains/losses	-1.6	-3.4	-6.9
Asset/liability in balance sheet	0.1	-0.6	0.9

The amounts recognised in the balance sheet are as follows:

	2008/09	2007/08	2006/07
Expenses for service during current year	0.7	2.8	2.6
Interest expense	0.4	0.2	0.7
Expected return on plan assets	-0.3	-0.3	-0.5
Actuarial gains/losses reported during the year	0.2	0.1	0.2
Gains on reduction	0.0	-2.6	0.0
Total, included in personnel expenses	1.0	0.2	3.0

Of the total expense, SEK 0.2 M (0.0) was included in the item Cost of goods sold, SEK 0.4 M (0.1) in Selling expenses and SEK 0.4 M (0.1) in Administrative expenses.

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

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

	2008/09	2007/08
At the start of the year	-0.6	0.9
Exchange-rate differences	-0.3	0.1
Total expenses recognised in profit and loss	1.0	0.2
Contributions paid	0.0	-1.8
At end of year	0.1	-0.6

The principal actuarial assumptions used were as follows:

	2008/09	2007/08
Discount rate, %	3.8	4.5
Expected return on plan assets, %	5.8	5.5
Future pay increases, %	4.0	4.5
Future pension increases, %	1.5	1.8
Estimated average remaining period of service, years	9	13

Defined-contribution plans

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

	2008/09	2007/08
Group	57.0	37.9
Parent Company	41.6	28.2

The Parent Company's pension expense includes pensions negotiated totaling SEK 11.8 M (0) resulting from restructuring of the distribution centre.

Of the Group's total expense for defined-contribution plans, SEK 8.6 M (8.6) pertained to the ITP plan financed in Alecta. Alecta's surplus may be distributed to the policyholders and/or the insured. At the end of 2008, Alecta's surplus in the form of the collective funding ratio was 112 per cent (2007: 152 per cent). The collective funding ratio comprises the market value of Alecta's assets as a percentage of the insurance commitments calculated according to Alecta's actuarial assumptions, which do not comply with IAS 19.

Note 20 Financial liabilities

	Group		Parent Company	
	2008/09	2007/08	2008/09	2007/08
Accounts payables	323.4	238.0	293.9	195.9
Other current liabilities	76.8	30.8	10.6	11.0
Total	400.2	268.8	304.5	206.9
Fair value	400.2	268.8	304.5	206.9

The average period of credit is 20 days (17 days) for accounts payable and 23 days (13 days) for other current liabilities.

	Group		Parent Company	
	2008/09	2007/08	2008/09	2007/08
Non-current portion				
Bank loans	65.0	0.0	65.0	0.0
Current portion				
Overdraft facilities	208.6	0.0	426.3	0.0
Total borrowing	273.6	0.0	491.3	0.0

All bank loans and overdraft facilities are denominated in SEK. The bank loan is renewed on a monthly basis and is estimated to extend until 2011. The current average interest rate is 2.5 per cent per year. The overdraft facility carries floating interest rates. During the year, the average interest rate was 4.4 per cent.

The total borrowing includes secured bank loans and overdraft facilities totalling SEK 97.0 M (67.0). Collateral for bank loans consists of chattel and property mortgages. The credit limit on the overdraft facilities totalled SEK 220 M (100). The Parent Company's credit is included in a cash pool for the Group in which utilised credit totalled SEK 208.6 M.

The fair value on borrowing corresponds to its carrying amount, since the discounting effect is not significant.

Note 21 Accrued expenses and deferred income

	Group		Parent Company	
	2008/09	2007/08	2008/09	2007/08
Accrued salary expenses	76.1	72.5	52.9	51.6
Accrued holiday pay expenses	106.6	93.0	64.4	61.3
Accrued social security contributions	56.2	53.4	47.4	46.0
Other items	20.4	9.0	8.3	8.3
Total	259.3	227.9	173.0	167.2

Note 22 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 with respect to the length of the warranty period. Thirty days open purchase is applicable in the terms of purchase. The provision for open purchase is calculated according to these terms with respect to the estimated return rate.

	Group		Parent Company	
	2008/09	2007/08	2008/09	2007/08
Opening provisions	19.6	16.8	11.5	10.6
Utilised during the year	-19.6	-16.8	-11.5	-10.6
Allocated during the year	21.8	19.6	12.4	11.5
Total other provisions	21.8	19.6	12.4	11.5
Break-down of items:				
Guarantee commitments	11.0	6.6	8.2	4.1
Open purchase and unredeemed gift cards	10.8	13.0	4.2	7.4
Total other provisions	21.8	19.6	12.4	11.5

Note 23 Intra-Group transactions

Of the Parent Company's invoiced sales, intra-Group sales accounted for SEK 1,444.1 M (1,476.9). Of this sum, SEK 1,235.7 M (1,271.6) related to sales to Clas Ohlson AS in Norway, SEK 199.5 M (205.3) to sales to Clas Ohlson OY in Finland and SEK 8.9 M (0) to sales to Clas Ohlson Ltd in the UK. No purchases were made from subsidiaries.

Note 24 Participations in Group companies

The subsidiary Clas Ohlson AS in Norway, with corporate registration number NO 937402198 and registered office in Oslo; 10,000 shares with a par value of NOK 100. Shareholding 100 per cent. Carrying amount NOK 50,475. A dividend has been paid from the Norwegian subsidiary to the Parent Company amounting to SEK 39.4 M (165.8).

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

The subsidiary Clas Ohlson Ltd in the UK, with corporate registration number 6298382, 300,000 shares with a par value of GBP 1. Shareholding 100 per cent. Carrying amount SEK 4.0 M.

The subsidiary Clas Ohlson Ltd in Shanghai, with corporate registration number 3110000400574190, 900,000 shares with a par value of USD 1. Shareholding 100 per cent. Carrying amount SEK 6.5 M.

Note 25 Appropriations

Parent Company	2008/09	2007/08
<i>The difference between book depreciation and depreciation according to plan on:</i>		
– equipment, tools, fixtures and fittings	–25.8	–17.0
– land and buildings	1.0	1.0
<i>Provision for tax allocation reserve</i>		
Tax 2010	–71.6	0.0
Total Parent Company	–96.4	–16.0

Note 26 Cash and bank balances

Parent Company	2008/09	2007/08
Cash and bank balances	14.0	194.8
Total Parent Company	14.0	194.8

At the end of the year, utilised overdraft facilities, which are not included in cash and bank balances, totalled SEK 426.3 M. The credit is included in a cash pool for the Group in which utilised credit totalled SEK 208.6 M; refer to Note 20.

Unutilised overdraft facilities, which are not included in cash and bank balances, totalled SEK 11.4 M at the end of the year.

Note 27 Untaxed reserves

Parent Company	2008/09	2007/08
<i>Accumulated difference between book depreciation and depreciation according to plan on:</i>		
– equipment, tools, fixtures and fittings	168.6	142.8
– land and buildings	8.8	9.8
<i>Provision for tax allocation reserve</i>		
Tax 2010	71.6	0.0
Total Parent Company	249.0	152.6

Note 28 Pledged assets

	Group		Parent Company	
	2008/09	2007/08	2008/09	2007/08
Cash and cash equivalents	11.1	8.8	-	-
Property mortgages	23.0	23.0	23.0	23.0
Floating mortgages	74.0	44.0	74.0	44.0
Total pledged assets	108.1	75.8	97.0	67.0

Assets indicated above, for own obligations, are pledged to credit institutions as general security for currency forward contracts and utilised overdraft facilities, which at the end of the year totalled SEK 208.6 M in the Group and SEK 426.3 M in the Parent Company (refer also to Note 26). In the preceding year, unutilised overdraft facilities totalled SEK 100 M in the Group and Parent Company.

Note 29 Contingent liabilities and commitments

Parent Company	2008/09	2007/08
<i>Contingent liabilities</i>		
Guarantee in favour of Group companies pertaining to future rental commitments	176.6	90.4

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 April 2008 was five years.

Agreed leases have been calculated according to rent levels for 2009.

	2008/09	2007/08			
Rents and lease payments in financial year	134.4	101.7			
	2009/10	2010/11	2011/12	2012/13	2013–
Contracted future rents	132.4	126.6	123.5	118.7	431.3

Note 30 Related-party transactions

The number of shareholders in the company at the end of the financial year was 22,747. The largest shareholders are Clas Ohlson's descendents Mary Haid and Johan and Helena Tidstrand, with 45 per cent of the capital and 67 per cent of the votes. No transactions with related parties took place during the financial year. Remuneration of the Board and senior management is presented in Note 6 to the annual report.

Note 31 Average number of employees

	Group		Parent Company	
	2008/09	2007/08	2008/09	2007/08
Sweden	1,265	1,264	1,265	1,264
– of whom women	(525)	(518)	(525)	(518)
Total Norway	458	385		
– of whom women	(174)	(143)		
Total Finland	174	152		
– of whom women	(78)	(70)		
Total UK	30			
– of whom women	(13)			
Total	1,927	1,801	1,265	1,264
– of whom women	790	731	525	518

The average number of employees is based on the total number of hours worked in relation to total annual working time. For further information on our employees, see pages 36-38 of the printed annual report.

Note 32 Sickness absence

	Group		Parent Company	
	2008/09	2007/08	2008/09	2007/08
Average sickness absence, %				
Total sickness absence	3.6	3.9	3.5	3.9
– of whom long-term sick leave	27	31	28	31
– of whom men	2.8	3.0	2.7	3.0
– of whom women	4.8	5.4	4.7	5.3
– of whom employees aged up to 29	2.9	3.2	2.7	3.0
– of whom employees aged 30-49	4.1	4.4	4.0	4.4
– of whom employees aged over 50	4.5	4.9	4.4	4.9

Note 33 Segment reporting

Group	2008/09	2007/08
<i>Primary segment: sale of products for house and home, technology and hobbies constitutes the primary segment</i>		
Sales	4,930.2	4,661.6
Operating profit	502.8	577.5
Total assets	2,571.2	2,192.0
Total liabilities	1,078.1	692.5
Investments in property, plant and equipment for the year (see Note 12)	434.3	251.6
Depreciation for the year	92.4	83.7
Group	2008/09	2007/08
<i>Secondary segments: sales by geographical customer market</i>		
<i>Sweden, the UK, China</i>		
Sales, external customers	2,572.9	2,585.9
Total assets	1,789.1	1,602.8
Investments in property, plant and equipment for the year	368.6	197.4

Norway

Sales, external customers	1,923.5	1,716.8
Total assets	618.5	436.8
Investments in property, plant and equipment for the year	48.9	39.2

Finland

Sales, external customers	433.8	358.9
Total assets	163.6	152.4
Investments in property, plant and equipment for the year	16.8	15.0

From the next financial year, Clas Ohlson will be applying IFRS 8 pertaining to segment reporting. In this connection, the distribution into primary and secondary segments will cease. The segment will instead be geographic customer markets according to the following: Sweden, Norway and other segments. At present, other segments include Finland, the UK and China.

Note 34 Events after the end of the period

Sales during May rose 13 per cent to SEK 372 M. In local currency, sales increased by 10 per cent. Compared with the same month in the preceding year, 20 stores have been added and the total number of stores at the end of May 2009 totalled 107. Mail orders/internet sales totalled SEK 7 M compared with SEK 8 M in the corresponding year-earlier period.

Sales channels (SEK M)	2009	2008	Percentage change	Percentage change, local currency
Countries				
Sweden	191	186	+ 2	+ 2
Norway	143	118	+ 22	+ 21
Finland and UK	38	26	+ 42	+ 32
	372	330	+ 13	+ 10

On 13 September 2008, the Board decided to utilise the authorisation granted by the Annual General Meeting of Clas Ohlson AB to buy back not more than 930,000 shares to secure the company's commitment in connection with the introduction of a share-related incentive plan, LTI 2009. Supported by the authorisation, the Board decided to acquire 675,000 shares up to the 2009 Annual General Meeting. The shares will be acquired on Nasdaq OMX Nordic Exchange Stockholm at a price within the share price range registered at the particular time. The company's holding of Clas Ohlson treasury shares at 30 April 2009 totalled 645,000 shares, corresponding to 1 per cent of the total number of registered shares.

Note 35 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 April 2008 was six years.

Agreed leases have been calculated according to rent levels for 2009.

Group	2008/09	2007/08			
Rents and lease payments in the financial year	320.4	231.0			
	2009/10	2010/11	2011/12	2012/13	2013–
Contracted future rents	339.5	344.4	330.2	316.1	1,220.7

Certification of the annual report

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 and give a true and fair view of the Parent Company's financial positions and results of operations. The Directors' Report for 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, 30 June 2009

ANDERS MOBERG
Chairman of the Board

BJÖRN HAID

ELISABET SALANDER BJÖRKLUND

LOTTIE SVEDENSTEDT

URBAN JANSSON

CECILIA MARLOW

MIKAEL ÖBERG
Employee representative (Handels)
Deputy

CAROLINE PERSSON
Employee representative (Unionen)

KLAS BALKOW
Chief Executive Officer

Our audit report was issued on 2 July 2009

Öhrlings PricewaterhouseCoopers AB

ANNIKA WEDIN
Authorised Public Accountant
Auditor-in-charge

PETER BLADH
Authorised Public Accountant

The balance sheets and income statements are to be adopted at the Annual General Meeting to be held on 12 September 2009.

Audit report

To the Annual General Meeting 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 CEO of Clas Ohlson Aktiebolag (publ) for the financial year from 1 May 2008 to 30 April 2009. The company's annual accounts and the consolidated accounts are included in the printed version of this document on pages 50-72. The Board of Directors and the CEO 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 high but not absolute 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 policies used and their application by the Board of Directors and CEO and significant estimates made by the Board of Directors and the CEO 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 to be able to determine the liability, if any, to the company of any Board member or the CEO. We also examined whether any Board member or the CEO 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 Group's financial position and results of operations. The statutory directors' report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting 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 directors' report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Insjön, 2 July 2008

Öhrlings PricewaterhouseCoopers AB

ANNIKA WEDIN
Authorised Public Accountant
Auditor-In-Charge

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 listed on the OMX Nordic Exchange Stockholm. 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 Nomination Committee according to the Code is not to be a Board member. The AGM appointed Elisabet Salander Björklund as Chairman since this was judged to provide continuity in the work of the Nomination 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. Each year, the AGM 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 1,800 participants, making it one of the largest in Sweden.

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 Chairman 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 13 September 2008. 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 12 September 2009 and held six meetings, at which the composition of the Board was considered and discussed. The focus has been on candidates having to bring the right expertise to Clas Ohlson. The evaluation made of the Board's work has also formed the basis for the assessments. The Nomination Committee has also worked to ensure that the directors' fees and committee fees are set at an appropriate level.

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 ÖPwC. ÖPwC was elected in 2008 to serve up to the time of the 2012 Annual General Meeting. Payment for audit engagements in the Group in the past three years has totalled SEK 1.9 M, SEK 1.6 M and SEK 1.6 M, respectively. Remuneration for other consultations in the past three years has totalled SEK 0.6 M, SEK 0.4 M and SEK 0.4 M, respectively. Work in addition to auditing relates to the adaptation of the Clas Ohlson Group to the new IFRS accounting rules 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 indicating 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 members, the Board includes two representatives of the trade-union organisations in the company. These individuals are elected annually by their own organisations. The present Board of Directors is described on page 78 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 primarily 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 for the Board of Directors 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 committees' work. The Remuneration Committee and Audit Committee discuss issues that fall within the committees' remit. Issues that 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 the 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 administered in accordance with Board's guidelines and instructions. In addition, the CEO is responsible for budgeting and planning the company's operations so that specified goals are attained. The CEO ensures that the control environment is favourable 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 Urban Jansson, Chairman, Cecilia Marlow 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 focus of the audit 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 auditing 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 and risk management was reported. Issues concerning such topics as accounting and liquidity were also addressed by the Committee.

Remuneration Committee

The fees paid to the Board, Nomination Committee and auditors are decided each year at the Annual General Meeting. Proposals for fees are 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 Chairman of the Board Anders Moberg and two other members, Elisabet Salander Björklund and Urban Jansson, worked towards

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		3/3 ⁶
Klas Balkow ³	2007	No ³	Yes	10/10		
Björn Haid	1990	No ⁴	No ⁵	9/10	3/4 ⁸	3/3
Cecilia Marlow ⁸	2007	Yes	Yes	9/10	8/8	
Lottie Svedenstedt	2004	Yes	Yes	10/10	8/8	
Elisabet Salander Björklund	2000	Yes	Yes	9/10		3/3
Urban Jansson	2005	Yes	Yes	10/10	4/4 ^{6,8}	1/1 ⁶

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

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

³ President and CEO.

⁴ Employed from 1965 to 2006.

⁵ Grandson of Clas Ohlson, represents the single largest shareholder Mary Haid. See page 31.

⁶ Chairman.

⁷ The trade-union organisations have had two representatives on the Board.

For further information on Board members, see page 78. The work of the Board and its committees is described on pages 74-76.

⁸ The composition of the committees was changed at the first Board meeting following the 2008 AGM.

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 fixed salary and variable remuneration for other senior management, including the presidents of the subsidiaries concerned. The process regarding variable remuneration for all staff works in a similar way. The Committee met three times during the financial year. Attendance is shown in the table on page 75. The meetings were minuted and reported at the next Board meeting. Work during the year focused primarily on issues concerning variable remuneration and pensions.

Governance of subsidiaries

The four wholly owned subsidiaries Clas Ohlson AS in Norway, Clas Ohlson OY in Finland, Clas Ohlson Ltd in the UK and Clas Ohlson Ltd (Shanghai) in China are governed by their own boards in the country concerned, principally consisting of representatives of Clas Ohlson AB in Sweden. The Board in Sweden receives continuous information about the subsidiaries through the monthly reports presented by the presidents of the subsidiaries. These reports also include the results of operations and financial position of the company concerned.

Remuneration

Fees paid to be Board during the financial year totalled SEK 2.3 M, in accordance with a decision of the AGM. Of the fees paid, SEK 0.6 M pertained to remuneration for work on the Board's Remuneration and Audit Committees. Of the Board's total fee, SEK 0.6 M 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 0.2 M. Of this sum, SEK 0.1 was paid to the Chairman of the Nomination Committee. Committee member Lars Öhrstedt declined to receive a fee.

The company's CEO received pay totalling SEK 4.2 M during the equivalent period, of which SEK 0.6 M was in the form of variable remuneration. Pay received by the other eight members of senior management totalled SEK 12.9 M, of which SEK 1.7 M was in the form variable remuneration. Four of these members of senior management, as well as the CEO, receive the additional benefit of a free car. The 2008 Annual General Meeting decided on guidelines for senior management pertaining to the 2008/09 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 fixed salary, variable remuneration and benefits are payable during the period 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 1.3 M was paid during the year. Other members of 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.

Remuneration principles

The general principles of remuneration for senior management are to 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 shall consist of fixed salary, variable salary in the form of short-term incentive based on annual performance objectives, 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.

Clas Ohlson shall strive to offer a competitive total level of remuneration, focusing on payments based on performance. This means that variable remuneration may comprise a significant portion of total remuneration. The aim is for fixed remuneration to be in line with the median of the comparable market, while total remuneration, when Clas Ohlson meets or exceeds its objectives, shall be in the upper quartile of the market. For further information about remuneration, see Note 6 on pages 63-65.

INTERNAL CONTROL

The Board's report on internal control pertaining to the financial reporting for the 2008/09 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 issued by the Swedish Corporate Governance Board. This briefly means that:

- the report is limited to internal control pertaining to financial reporting
- the report does not form part of the formal annual accounts
- 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
- 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 comprises the organisational structure and the values, guidelines, policies, instructions and so on 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, which identifies 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.

The Group's income consists to 98 per cent of sales 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. During the financial year, the checkout system was inspected by an external party. The controls were performed through an IT-based review. Group expenses primarily comprise goods-related expenses, carriage, salaries and social security contributions, rental expenses and marketing. Budgets pertaining to income and expenses have been distributed to each store and department. The outcome is checked monthly against both the budget and the previous year. Deviations are documented in writing through non-conformance reports, which are reviewed by the immediate superior.

Clas Ohlson's assets consist to 90 per cent of non-current assets and inventories. Accordingly, particular emphasis has been placed on preventing and detecting deficiencies in these areas when designing internal controls.

The processes and the control structure are documented in a separate financial manual, which is updated regularly. 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.

During the year, work was performed on the company's overall risk management to ensure that an up-to-date survey of the company's risk situation was maintained, thereby determining the measures to be taken in prioritised areas. This survey was conducted at Group level and represents a tool for the Board's and company management'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.

Information and communication

Major policies, guidelines, instructions and manuals that 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 from the operations on questions that relate to internal control through the Audit Committee. For external communication, there are guidelines that support the requirement to provide the equities market with correct information.

Follow-up

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. This monthly report contains information on the results and financial positions of the subsidiaries.

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 to ensure that there are sufficient control activities for the most material areas of risk pertaining to the financial reporting and communicating material issues to 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 entire Board meets the company's auditors to be informed of the external audit and discuss relevant issues. On the basis of the auditors' reporting, the Board forms a picture of the internal control and the correctness of the financial information. The CEO does not take part in any issues that relate to company management.

Following evaluations in 2008/09 and previous years, the Board has not found it necessary to date to establish an internal audit function. The company's 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, 30 June 2009

The Board of Directors

Board of Directors



Anders Moberg

Born in 1950
Chairman of the Board since 2004, Board member since 2003. Professional experience: CEO of the retail company Majid Al Futtaim Group in Dubai 2007-2008. CEO of Royal Ahold 2003-2007. Division President at Home Depot 1999-2002. Previously employed for a number of years by IKEA, where he was President and CEO 1986-1999.
Other directorships: Sweden: Husqvarna, Byggmax AB, ZetaDisplay AB. Denmark: DFDS. Finland: Ahlstrom OY and Sofia Bank OY. Netherlands: HemA B.V.
Number of shares in Clas Ohlson AB: 1,380,000
Independent*



Klas Balkow

Born in 1965
President and CEO from 8 September 2007. Professional experience: Formerly Managing Director of a subsidiary of the Axel Johnson Group, where he was responsible for Axlimage, a business area that comprises several store chains and the agency for Fujifilm in both Sweden and Norway. Previously worked at Bredbandsbolaget and held a number of senior positions in Procter & Gamble over a period of ten years in both the Nordic countries and the US.
Other directorships: Member of the Board of Fujifilm Sverige AB.
Number of shares in Clas Ohlson AB: 13,252



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

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



Cecilia Marlow

Born in 1960. Member of the Board since 2007. Professional experience: Managing Director of Kronans Droghandel since 2008. Previously President of JC/JStore 2006-2007, President of Polarn&Pyret 2004-2006, President of Ordning&Reda 2001-2003, President 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 at 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: Executive Vice President at Stora Enso since 1995. AssiDomän 1981-1995.
Other directorships: Member of the Boards of SJ AB, the Swedish Forest Industries Federation, Arbio, the Marcus Wallenberg Foundation, a number of associated companies and subsidiaries of the Stora Enso Group. Member of the Royal Swedish Academy of Agriculture and Forestry and the Royal Swedish Academy of Engineering Sciences.
Number of shares in Clas Ohlson AB: 8,000
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 Bergendahls, Global Health Partner, HMS Networks, Rezidor Hotel Group and others. Member of the Boards of Addtech, Höganäs, SEB and others.
Number of shares in Clas Ohlson AB: 15,000
Independent*



Deputy member

Mikael Öberg

Born in 1963
Employee representative (Handels)
Number of shares in Clas Ohlson AB: 2



Caroline Persson

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



Deputy member

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:
13,252



SUSANNE LÖFÅS-HÄLLMAN

Born in 1964
Head of HR
Employee since 2001
Number of shares in Clas Ohlson AB:
1,348



BO HEYMAN

Born in 1952
Director of New Store Openings
Employee since 1983
Number of shares in Clas Ohlson AB:
2,519



GÖRAN ATTERLING

Born in 1958
Chief Financial Officer
Employee since 2009
Number of shares in Clas Ohlson AB:
1,921



ULRIKA GÖRANSSON

Born in 1970
Group Market Director
Employee since 2008
Number of shares in Clas Ohlson AB:
2,416



ROLF ANDERSSON

Born in 1946
Director of Distribution Centre
Employee since 1989
Number of shares in Clas Ohlson AB:
1,697



JOHN WOMACK

Born in 1966
Director of Information and IR
Employee since 2008
Number of shares in Clas Ohlson AB:
6,034



MATS BORTAS

Born in 1948
Director of Purchasing
Employee since 1976
Number of shares in Clas Ohlson AB:
4,640



PETER JELKEBY

Born in 1963
Director of Operations
Employee since 2008
Number of shares in Clas Ohlson AB:
3,868

Lars Wallén, Deputy CEO and Chief Financial Officer, retired in April 2009.

Quarterly results

SEK M	2008/09				2007/08			
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
	1 May 2008 -31 July 2008	1 Aug. 2008 -31 Oct. 2008	1 Nov. 2008 -31 Jan. 2009	1 Feb. 2009 -30 Apr. 2009	1 May 2007 -31 July 2007	1 Aug. 2007 -31 Oct. 2007	1 Nov. 2007 -31 Jan. 2008	1 Feb. 2008 -30 Apr. 2008
Sales	1,114.3	1,223.9	1,538.6	1,053.4	1,031.9	1,146.1	1,496.2	987.4
Cost of goods sold	-669.6	-724.6	-888.9	-633.4	-624.9	-676.8	-875.7	-611.3
Gross profit	444.7	499.3	649.7	420.0	407.0	469.3	620.5	376.1
Selling expenses	-312.4	-351.9	-376.5	-347.9	-242.5	-308.0	-333.8	-298.8
Administrative expenses	-24.7	-30.8	-31.4	-32.5	-22.8	-36.2 ¹	-25.9	-26.0
Other operating income/expense	-0.1	-1.4	-0.1	-1.2	0.1	-0.1	0.1	-1.5
Operating profit	107.5	115.2	241.7	38.4	141.8	125.0	260.9	49.8
Net financial items	1.8	1.5	-1.5	-0.8	2.5	1.9	2.1	3.8
Pre-tax earnings	109.3	116.7	240.2	37.6	144.3	126.9	263.0	53.6
Income tax	-30.6	-33.2	-65.9	-8.6	-40.4	-35.6	-73.5	-16.5
Profit for the period	78.7	83.5	174.3	29.0	103.9	91.3	189.5	37.1
KEY RATIOS FOR THE PERIOD								
Gross margin, %	39.9	40.8	42.2	39.9	39.4	40.9	41.5	38.1
Operating margin, %	9.6	9.4	15.7	3.6	13.7	10.9	17.4	5.0
Earnings per share, SEK ²	1.20	1.29	2.68	0.45	1.58	1.39	2.89	0.57

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

² Refers to before and after dilution.

Definitions

Cash flow from operations

Internally generated funds including changes in working capital.

Working capital

Total of current assets excluding cash and cash equivalents, less current liabilities.

Capital employed

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

Gross margin

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

Operating margin

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

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 the 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.

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SWEDEN

Borås – Knalleland
Eskilstuna – Cityhuset
Falun – Falan Gallerian
Gävle – Affärshuset Nian
Gothenburg – Bäckebo
Gothenburg – Nordstan
Gothenburg – Partille
Halmstad – Combihuset
Helsingborg – Väla centrum
Helsingborg – Kullagatan
Hudiksvall – Gallerian Fyren
Insjön – Dalarna
Jönköping – A6
Kalmar – Baronen
Karlstad – Mitt i City
Kristianstad – Domus-huset
Kungsbacka – Kungsmässan
Linköping – Centre
Luleå – Smedjan
Malmö – Triangeln
Motala – Centre
Norrköping – Domino
Nyköping – Nyckeln
Piteå – Gallerian Piteå
Skellefteå – Citykompaniet
Skövde – Centre
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
Strömstad – Norby
Sundsvall – Birsta
Sundsvall – Nya hamnen
Trelleborg – Valen
Uddevalla – Centre
Umeå – MVG
Uppsala – S:t Per Gallerian
Visby – Centre
Västerås – Arosian
Växjö – Affärshuset Tegnér
Örebro – Marieberg
Örebro – Krämaren
Örnsköldsvik – Magasinet
Östersund – Mittpunkten

NORWAY

Arendal – Amfi Arena
Asker – Trekanten Kjøpesenter
Bergen – Bergen Storsenter

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

FINLAND

Espoo – Entresse Shopping Centre
Espoo – Sello
Helsinki – Kamppi
Helsinki – Mannerheimvägen
Helsinki – Itäkeskus
Joensuu – Centre
Kokkola – Chydenia Shopping Centre
Kuopio – Centre
Lappeenranta – Gallerian Shopping Centre
Lempäälä – Ideapark
Rovaniemi – Centre
Seinäjoki – Centre
Tampere – Centre
Vantaa – Jumbo Shopping Centre
Vaasa – Rewell Center
Turku – Forum Shopping Centre

UK

Croydon – The Whitgift Centre
Manchester – Arndale Centre

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

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