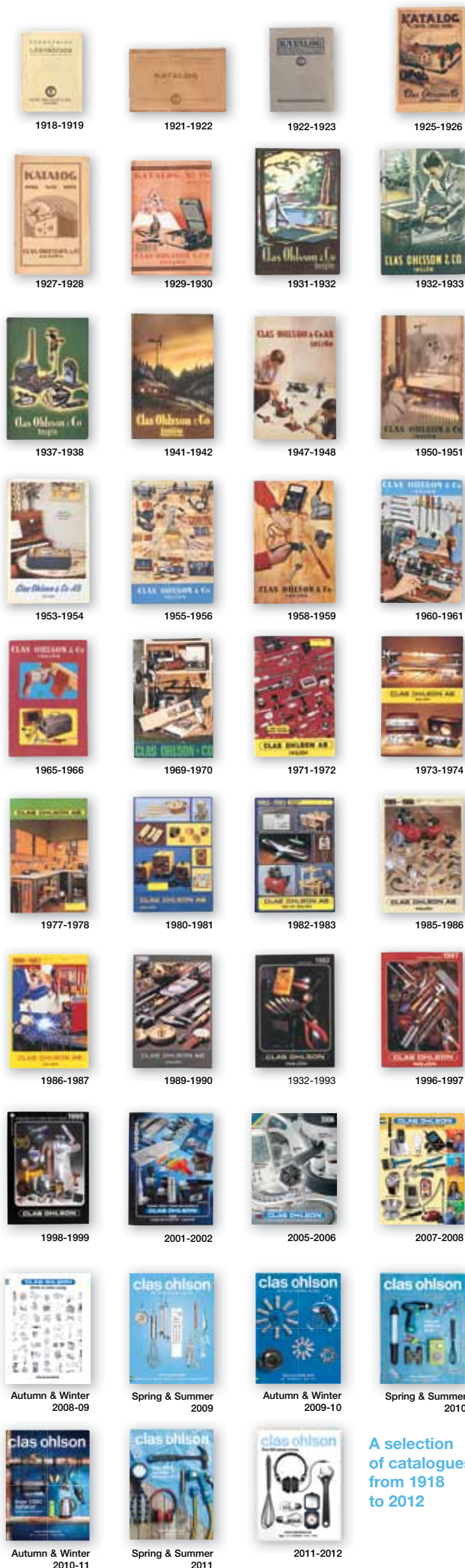


# clas ohlson



Annual Report 2011/12

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A selection of catalogues from 1918 to 2012

# Proud traditions and roots in Insjön



The first Clas Ohlson store was opened in 1918, in a small 25-square-metre Falun red cottage in Insjön. The store has been relocated and expanded over the years and, in May 2010, a store popularly known as “Mega-Clas” was inaugurated close to the original premises. The world’s first Clas Ohlson store is now the world’s largest, with our new and modern store concept and some 3,200 square metres filled with products. One of the most modern and efficient distribution centres in the Nordic region is also located in Insjön with the capacity to handle the growing flow of goods to our stores in Sweden, Norway, Finland and the UK, and to our mail order/Internet customers.

## Clas Ohlson reaches

### Clas Ohlson in one minute

Clas Ohlson is a listed retail company with great visions and ambitious goals. We are very proud of our origins and our strong customer focus.

Our head office, the base for all distribution and the first and largest store, is located in Clas Ohlson’s hometown of Insjön in Dalarna.

With a broad and affordable range, personal service and high availability, we assist our customers in finding solutions to practical, everyday problems.

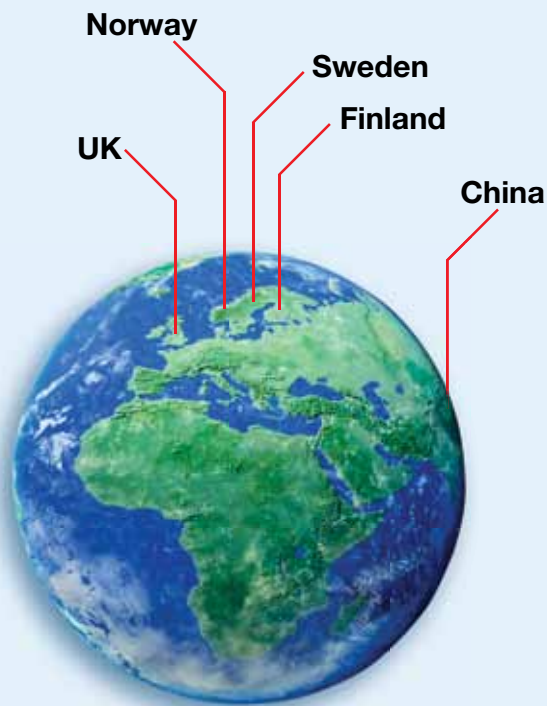
Our range comprises 15,000 products in the Hardware, Home, Multimedia, Electrical and Leisure categories. We also offer spare parts that can extend the service life of various products.

Our customers can shop in 157 stores in Sweden, Norway, Finland and the UK and through e-commerce.

The Clas Ohlson spirit is based on a major and honest commitment to customers and employees. Equally important is our involvement in environmental and social issues.

Clas Ohlson has grown and reported a profit every year since 1918. Today, we have 3,920 employees and total annual sales of SEK 6.3 billion.

# More customers



## Sweden

Start: 1918. Number of stores: 68, including seven new stores opened during the financial year. Number of employees: 2,004 (1,992 in 2010/11). Sales: SEK 2,929 M (2,872 M in 2010/11).

## Norway

Start: 1985. Number of stores: 56, including six new stores opened during the financial year. Number of employees: 1,241 (1,193 in 2010/11). Sales: SEK 2,561 M (2,281 M in 2010/11).

## Finland

Start: 2002. Number of stores: 21, including four new stores opened during the financial year. Number of employees: 327 (286 in 2010/11). Sales: SEK 517 M (447 M in 2010/11).

## UK

Start: 2008. Number of stores: 12, including one new store opened during the financial year. Number of employees: 301 (454 in 2010/11). Sales: 254 M (228 M in 2010/11). Read more about our continued UK expansion on page 19.

## China

Shanghai and Shenzhen are the locations for Clas Ohlson's purchasing and CSR offices. Operations in China were established in 2008 to strengthen Clas Ohlson's purchasing operations and increase the share of purchases without intermediaries. Coming closer to suppliers and manufacturers permits us to reduce purchasing costs and gain greater control of compliance with our Code of Conduct. The number of employees in China is 47 (38 during 2010/11).

# Some key steps during the year



During the financial year, Clas Ohlson opened 18 new stores. Four new stores opened in Finland, and an increasing number of Finns are discovering the benefits of buying from Clas Ohlson.



Expansion in the UK continued during the financial year in the form of a new store in Newcastle. Overall, Clas Ohlson had 12 stores in the UK at the end of the financial year, thus gaining access to a third of the population within a driving distance of 30 minutes.



Compliance with Clas Ohlson's Code of Conduct among manufacturers and suppliers is a key feature of the company's purchasing operations. During the financial year, Clas Ohlson's CSR auditors who work at the purchasing offices in Shanghai and Shenzhen conducted more than 600 manufacturing audits.



During spring and summer 2012, Clas Ohlson launched a new e-commerce platform that offers its customers even greater access, service and inspiration.

# Sights set on Europe



Clas Ohlson's vision is to develop a strong European retail chain, characterised by high profitability and favourable value growth for our shareholders. We strive to become the obvious choice for people searching for solutions to practical problems in daily life.

During the fiscal year, we expanded by 7 per cent in a generally weak retail market in our countries of operation. Operating profit was SEK 561 M, up 11 per cent compared with the preceding year. The gross margin increased to 42.1 per cent and cash flow was significantly strengthened during the period.

Clas Ohlson received a number of new distinctions during the year, including Best Customer Service (Market), Sweden's second strongest retail brand (GFK) and an award for being best in the industry in a survey on sustainability (Sustainable Brands Image Survey 2012).

These distinctions give Clas Ohlson's employees, in combination with our customers and shareholders, the inspiration to continue developing the Company with the ambition that more customers in Europe gain access to what Clas Ohlson can offer!

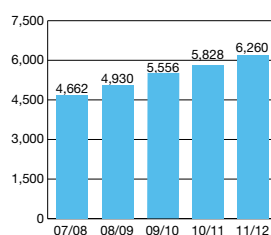
## The year in brief

- Sales amounted to SEK 6,260 M (5,828), up 7%
- Operating profit amounted to SEK 561 M (507), up 11%
- Profit after tax amounted to SEK 400 M (364), up 10%
- Earnings per share amounted to SEK 6.29 (5.71), up 10%
- A proposed dividend of 4.25 per share (3.75)
- 18 new stores opened

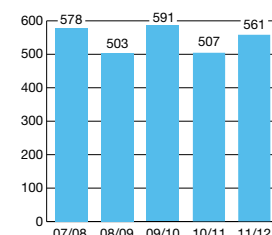
Key ratios	2011/12	2010/11	Change
Net sales, SEK M	6,260	5,828	+7%
Operating profit, SEK M	561	507	+11%
Profit before tax, SEK M	551	499	+10%
Profit after tax, SEK M	400	364	+10%
Operating margin, %	9.0	8.7	+0.3
Return on equity, %	23.1	22.5	+0.6
Return on capital employed, %	27.9	24.6	+3.3
Equity/assets ratio, %	60.3	51.5	+8.8
Earnings per share, SEK	6.29	5.71	+10%
Dividend per share, SEK	4.25*	3.75	+13%
Total number of stores	157	139	+13%
Number of full-time equivalent employees	2,370	2,219	+7%

\* Proposed dividend

Sales, SEK M



Operating profit, SEK M



## Calendar

Interim report, first quarter	5 September 2012
Annual General Meeting for the 2011/12 financial year	8 September 2012
Six-month report	12 December 2012
Interim report, third quarter	12 March 2013
Year-end report for the 2012/13 financial year	12 June 2013

# CEO's statement

For Clas Ohlson, the 2011/12 financial year was a period during which we continued to develop and strengthen the company to attain our European vision. We have never been stronger in our domestic markets and we are convinced that we have a business mission and concept that also function favourably outside our Nordic markets. But we must always exert ourselves and improve our offering to ensure we do not lose pace in a rapidly changing market – and our efforts have provided results. Clas Ohlson continues to win market shares, accompanied by 7 per cent growth and a 10 per cent increase in earnings per share. This trend must be viewed against a remarkably sluggish retail market during the past financial year.

## High energy level

At this point, it's time to sum up an eventful financial year!

During my years at Clas Ohlson, I have never seen so much energy and activity in the company as in the past financial year. There was a high work pace in studying every detail in an effort to make our customer offering even better and more attractive. Minor and major inputs are made continually throughout the chain – from product procurement to customer meetings, along with all intermediary aspects. New ideas are pondered over every day in a bid to perform a little better, be a little sharper.

These efforts are long term and are required to ensure that we remain strong in the years ahead. The retail market is now going through a period of rapid change, which has been further accentuated by the generally weak market, thereby compounding the pressure. In a number of areas, changes are in progress that we must accept and which impose requirements in terms of adjustment and development.

## Attractive customer offering

Naturally, the basis is to have an attractive and relevant customer offering at the right price. Clas Ohlson's concept is to facilitate people in solving their everyday practical problems – tasks that are usually found on "to-do lists" attached to refrigerator doors in most homes. We can help by offering attractively priced products that take due consideration of people and the environment alike, combined with excellent service and assistance from knowledgeable employees in customer-inspiring stores in locations that people frequent on a daily basis and are enjoyable to visit, and are easy for people to find their way around, as well as enabling them to gain suggestions and advice via e-commerce, catalogues and telephone.

## Multi-channel – additional sales channels for closer customer ties

There is also rapid change in progress in terms of how we as consumers purchase goods and services. The key underlying factor in this case is new technology and the potential it creates. The computer, tablet and smartphone are quickly becoming increasingly significant tools in planning and completing the purchase of goods and services. The development of new consumer behaviour and purchasing patterns are proceeding rapidly, with customers imposing new requirements in terms of convenience, service, and ease of access.

To meet this trend, we have devoted considerable efforts to developing our multi-channel strategy during the past year. This entails strengthening our e-commerce while creating, to a similar degree, a cohesive offering with our stores in a bid to achieve closer customer ties and strengthen our brand. We can use the web to inspire potential customers and provide an even greater range of suggested smart solutions, as well as enhancing customer service in other respects.

During the past financial year, we launched new e-commerce facilities in Sweden and Norway, which prompted a favourable market response. Similar launches in Finland and the UK are planned for summer 2012, which represent a key complement to our offering in these markets. Using e-commerce, we also gain a cost-effective opportunity to move into new markets. By initially establishing e-commerce channel in a new market, we can commence building our brand and gain prompt feedback regarding our product range offering. Meanwhile, we are clearly aware that our concept functions optimally over time when we offer a number of channels through which stores, call centre and e-commerce complement each other.

Using the multi-channel strategy, we are moving closer to the German-speaking countries in Europe, which we have identified as the next stage in our expansion. We have identified a need for our offering and the potential to win a position in these markets. We have decided to begin preparations for our next market by commencing the translation of products and user manuals into German. These preparations take time and a launch is not envisaged before the 2013/14 financial year.

## Development of the product range and efficiency-enhancement of purchases

During the past financial year, we also devoted considerable efforts to the further development of our range, not least in terms of developing our own brands, for which we have strengthened the quality and cut prices. The mix of our own brands and other brands is one of our strengths that offers the customer considerable options. Currently, 25 per cent of product sales consist of own brands and we see long-term potential in raising this portion further.

We have also launched our spare-parts stock via e-commerce, offering more than 9,000 articles. This venture could play a major role in assisting customers to extend the service life of goods purchased from us. We also view this as a step forward for our sustainability programmes – we like wear, but not waste!

During the financial year, we developed the second Clas Ohlson purchasing office in China, which is located in Shenzhen. Our purchasing offices permit us to cut purchasing prices as a result of fewer intermediaries, which benefits customers in the form of more attractive prices, and offers superior margins for the company.

### **Focus on sustainability**

Thanks to our own offices in China, we have also been able to make major advances in sustainability programmes through the monitoring of compliance with our Code of Conduct in the supply chain. We now conduct more than 400 audits annually among our manufacturers and have an effective process in place and a constructive dialogue for ensuring that our manufacturers meet the set requirements. In cooperation with our suppliers, we identify potential areas for improvement as part of efforts to increase sustainability for people and the environment alike.

We can confirm that there is progress in the right direction, but we have to be humble in facing complex work that requires long-term development programmes. However, we have ambitious targets and continue to learn more each year.

In addition to monitoring our suppliers, during the year we efficiency-enhanced deliveries to our stores, thereby reducing carbon-dioxide emissions and costs. Similar effects were attained in stores through smarter lighting, which reduced energy consumption and offered other benefits.

Sustainability is a focus area for us at Clas Ohlson and permeates the entire company. Although we have a great deal to develop, it is gratifying to gain confirmation that we are moving in the right direction in this area too. During the year, our Swedish consumers nominated us as the sector leader in sustainability in the Swedish market.

We support the UN Global Compact initiative aimed at attaining sustainable development in cooperation with other companies and organizations. We also commenced long-term cooperation with the Save the Children Fund, through which we are participating in various projects in Asia to improve conditions for children and youth.

### **Our markets**

Again, we can conclude that we have never been stronger in our domestic markets in Sweden and Norway. The Swedish and Norwegian economies performed better than most other European economies, but households have also become cautious in these two markets. We have decided to add to the number of stores in these markets, meaning that we now have more customers than previously and have increased our market shares. This is reflected both in sales and earnings.

It is also gratifying to note that operations in Finland continue to develop positively. We are aware that it takes time to establish Clas Ohlson in new markets, since we have a unique concept with which our customers in new markets need to become familiar. In Finland, this is beginning to occur at an increasingly faster pace, since we are strengthening our brand and presence among Finnish consumers. Our growth, especially in the older stores, is developing in an evermore-positive direction, prompting us to raise the expansion rate for new stores in Finland.

The UK is the market that has experienced the most difficult progress. The UK government has implemented a number of economic austerity measures that are hitting hard at consumption. The market situation in the UK has led us to restrict store expansion and focus instead on the further development of our existing 12 stores. We also see potential



in the launch of our e-commerce channels to reach British consumers in an innovative manner and strengthen our brand. Sooner or later, the market trend in the UK will reverse and we will be in place and ready to increase our expansion rate.

### **Long-term change programmes that provide results**

In summing up the financial year, we can conclude that we increased our market shares in all markets, with sales growing 7 per cent to SEK 6.3 billion. Through, for example, our purchasing efforts we strengthened our gross margin, and thanks to cost control increased our operating profit during the year by 11 per cent to SEK 561 M. The operating margin advanced to 9 per cent. The generally sluggish market trend adversely impacted our potential to attain our long-term financial targets in terms of sales growth and profit margin.

In addition to these key data, we have focused intensively on controlling our stock to gain maximum efficiency. These efforts also had an impact by raising our stock turnover rate, both at our central distribution facility and in our stores, leading to a superior cash flow and a strong financial position.

### **Many thanks to our employees, customers and shareholders**

Overall, we can sum up the past financial year as a positive one for Clas Ohlson, with higher sales and earnings. We have coped well with the cutting wind from the economic turbulence that has created concern throughout Europe, and we are aware of the challenges taking shape in our business environment. Nonetheless, we look to the future with confidence. We stand firmly on a favourable financial base and see major potential to strengthen our position in a changing retail market.

I would like to conclude by extending my sincerest thanks to all employees for the fantastic efforts you devoted to gradually taking Clas Ohlson to the next level, as well as thanking our customers and shareholders for their continuing confidence!

*Klas Balkow*

CEO and President, Clas Ohlson  
Insjön, June 2012





# Strategic orientation

**Clas Ohlson's vision is to develop a European retail chain characterised by high profitability and healthy growth in shareholder value. Since market penetration in the Nordic region is relatively high, new markets will be increasingly important for Clas Ohlson's future growth.**

**Clas Ohlson's business concept is assessed to be competitive and distinctive on a European basis, thus facilitating future expansion in a number of new markets.**

**To strengthen Clas Ohlson and our competitiveness, we are focusing on three strategic development areas: growth and expansion, simplicity and efficiency, and developing our organisation.**

## Business concept

Our business concept is to make it easy for people to solve their everyday practical problems.

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

## Vision and objectives

We want to develop a strong European retail chain characterised by high profitability and healthy growth in shareholder value. This will be achieved by being the self-evident choice for people's practical problem-solving in everyday life.

### Growth in sales of at least 10 per cent

The Group's long-term objective is that sales will grow annually at a rate of at least 10 per cent. The objective is measured in terms of the average annual increase in sales over five years. This growth in sales of 10 per cent will be achieved through increased sales in existing sales channels and continued new store openings in both existing and new markets. During the 2011/12 financial year, sales rose 7 per cent. Sales growth over the past five years has averaged 9 per cent.

### Profit margin at least 10 per cent

The profitability objective is an operating margin of at least 10 per cent. During coming years, it is estimated that establishment in new markets (currently the UK) will have a negative impact on Clas Ohlson's operating margin by up to 2-3 percentage points over a financial year. Growth in new markets in Europe will track the long-term financial objective. The operating margin during the 2011/12 financial year was 9.0 per cent. The operating margin over the past five years has averaged 10.2 per cent.

## Strategies

### An affordable and attractive range

Our product range will be adapted and focus on meeting the needs of customers in their everyday lives. The products



**BackTrack GPS compass.** Easy-to-use electronic GPS compass for forest walks, cross-country skiing treks and so on. Save your departure point in the GPS compass and afterwards navigate back using the display that shows both the direction and distance to the point of departure. The memory can store four different departure points. It can also be used as a basic compass. Backlit display with a clock and thermometer.  
**36-3761**

must be attractively priced and at the right quality according to need. Clas Ohlson's range will be versatile and contain smart and affordable solutions.

### High level of service

We will provide a high service level through helpful and knowledgeable employees who guide customers to simple solutions.

Our employees have broad and extensive knowledge of the product range. We will also offer DIY guides, inspiration, tips and advice through our website, social media and catalogues.

### Accessible and inspiring

Clas Ohlson aims to be present in attractive locations that people frequent in their everyday lives. Customers should find it easy and inspiring to solve their everyday practical problems with us. Our stores should preferably be located in strong central shopping centres. A total of 18 new stores were opened during the financial year, compared with 19 in the preceding year.

## Responsibility for people and the environment

We take responsibility for our own operations and our impact on people and the environment. We also make demands on our suppliers with regard to working conditions, the working environment and environmental impact. In addition, Clas Ohlson is engaged in important social issues and supports local associations and purposes in Dalarna where the company has its roots, and a few of selected national or international non-profit organizations where we can help to contribute in a broader context in the countries where we operate.

## Sub-objectives

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



## Strengthening the Clas Ohlson brand

The Clas Ohlson brand is one of the strongest retail brands in Sweden and Norway (read more on pages 13-14). In Finland, awareness increased significantly during the year (from 78 to 85 per cent), partly due to the four new stores. In the UK, awareness is considerably lower (14 per cent in our first survey) due to the short period that the company has been active in these markets. The brand will be further strengthened through continued development of the company's sales channels and marketing, particularly in new markets where the company is not already known.

## Adapting and modernising the product range

We offer our customers a broad and attractive product range. Accordingly, 10-15 per cent of the range is renewed each year by introducing new product areas, and adding and replacing products in existing areas. The breadth of our range is one of our most distinct competitive advantages and it will continue to be developed. There will be greater variation between catalogue, online shopping and stores, for example, to be able to work more with seasonal assortments and goods for order. We publish one main catalogue each year in the autumn, which is supplemented by other channels, mainly online shopping, where prices and the range can be updated continuously.

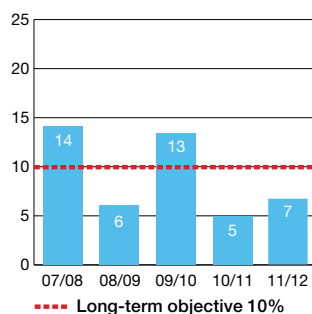
This year's catalogues contained almost 2,100 new products, compared with 2,250 in the preceeding year. This means that 14 per cent of the catalogue range has been renewed since 2010/11.

Clas Ohlson supplements familiar brands with a range of unknown brands, as well as its own brands such as Clas Ohlson, Cotech, Cocraft, Coline and Exibel. The objective is that the proportion of our own brands will account for at least 25 per cent of sales. At the end of the financial year, the proportion was 25 per cent.

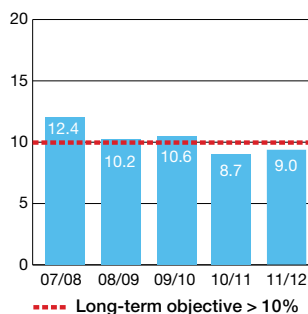
## High level of service

The level of service in both stores and mail order/Internet channels is high. We achieve this through integrated and automated logistics and sales systems. Our experience is that the level of service in stores, meaning the availability of items in stores when customers want to buy them, exceeds 95 per cent.

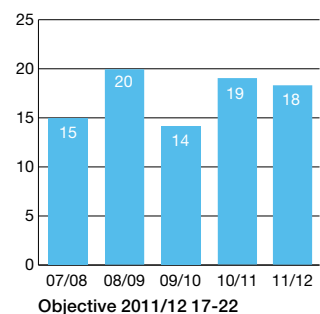
Growth in sales, %



Operating margin, %



Number of new stores



## Rate of stock turnover

Warehouses tie up capital, which means that the rate of stock turnover is an important measure of efficiency. We aim for a stock turnover rate of 6-7 times in the distribution centre. The stock turnover rate in the distribution centre during the financial year was 6.1 times, compared with 5.4 in the preceding financial year. This means that we replace the entire stock approximately every second month. The higher turnover rate is primarily due to an improved inventory control.

Inventories in our stores primarily consist of the products that are available for sale. Clas Ohlson's stores have individual objectives based on their annual sales.

## Customer satisfaction and confidence

Good customer service is key to Clas Ohlson's business concept. Our customer-service policy specifies that politeness and service-mindedness should permeate every customer contact. The aim is a satisfied customer after every contact. To inspire customer confidence, we also apply a 30-day open purchase/cancellation right for customers in stores as well as mail order/Internet shopping customers. All employees in our stores are trained to deal with complaints. Because we firmly believe that good customer care will be one of the principal competitive tools in the future, we strive to become even more professional in our contact with customers.

## Motivated, knowledgeable and committed staff

Our Group-wide employee survey was conducted for the second time during the financial year. Some 85 per cent (84) of our employees responded to the survey, which is a high response frequency. The survey was conducted in all of our countries. The total outcome for the Group was an ESI (Employee Satisfaction Index) of 74 per cent (74 per cent) which, according to an external comparison, stands up well against other companies. The employee survey provides a solid basis for developing the way we attract, reward and motivate our employees and for developing leadership within the company.

## Sustainable development

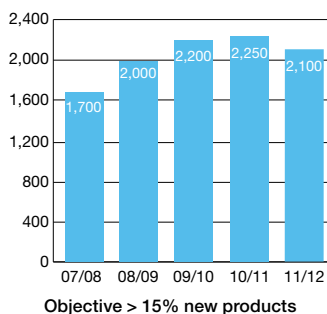
We aim to offer our customers high-quality and affordable products, while contributing to sustainable development for people and the environment. Clas Ohlson's overall



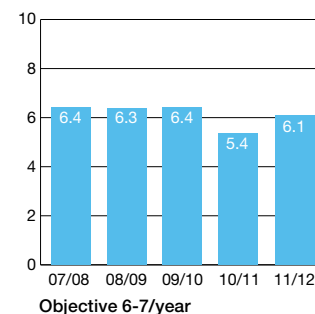
**Loke LED-spotlight.** Sturdy spotlight with spring-clip fixing and LED lamp. Metal screen.  
**36-4871** White, **36-4872** Black, **36-4873** Green, **36-4874** Cerise.

environmental objective is to work together with our suppliers to reduce our carbon dioxide emissions by 30 per cent per tonne-kilometre by 2020. Our customers should also feel confident that the products we sell have been manufactured under acceptable conditions for people and the environment. The aim is to audit all manufacturers at least once every two years. During the financial year, Clas Ohlson performed 617 factory audits to verify compliance with the Code of Conduct.

**Number of new products**



**Stock turnover, rate Distribution Centre**





Jennie  
class ohlson

# Market overview

Overall, the retail trade in Sweden, Norway, Finland and the United Kingdom showed weak growth during the year. According to Svensk Handel (employers' organisation for the trade and commercial sector), growth in Sweden was the lowest since the financial crisis in the 1990s, while the UK market continued to show low growth as a result of VAT increases and other measures designed to improve public finances. Despite the austere market climate, Clas Ohlson continued to expand during the financial year, winning market shares in all countries in which it is active. Sales rose 7 per cent during the financial year.

Clas Ohlson sells products that solve customers' everyday practical problems. The product group is readily accessible for a large target group, with more than 80 per cent of the products sold carrying a price of less than SEK 300. Clas Ohlson's broad and attractively priced range is less sensitive to economic fluctuations compared with many other retailers. The division into five product categories offers the Group favourable balance and risk diversification. If demand contracts in one of the categories, it may simultaneously increase in another

## Weak retail growth during 2011

### Sweden

During 2011, the Swedish retail sector noted lower growth than in the preceding year. According to SCB (Statistics Sweden), the average increase was 1.2 per cent in fixed prices, compared with 3.2 per cent in 2010. Growth in consumer durables rose by an average of 2.1 per cent in fixed prices, compared with 5.6 per cent in 2010.

Private consumption rose by an average of 2.0 per cent, compared with 3.7 per cent in 2010. Measured in current prices, Clas Ohlson's sales in Sweden increased 2 per cent during 2011/12.

According to HUI (Swedish Research Institute for Trade), slightly higher growth is anticipated in the Swedish retail trade. This entails an increase of 2.5 per cent in fixed prices during 2012 and 2.0 per cent in 2013, according to HUI. Sales of consumer durables are also expected to show higher growth. HUI's forecast points to increased growth of 3.5 per cent during 2012 and 3.5 per cent in 2013.

### Norway

Retail sales in Norway continued to display low growth during the financial year. According to SSB (Statistics Norway), the Norwegian retail trade rose by an average of 2.6 per cent in fixed prices, compared with 2.2 per cent in 2010. Private consumption increased 2.5 per cent during 2011, compared with 3.8 per cent in 2010. Measured in current prices, Clas Ohlson's sales in Norway increased 11 per cent in 2011/12.

According to Virke (the primary organization for the retail trade and services in Norway), a more positive trend

is anticipated during the year ahead. Measured in current prices, the retail sector is expected to grow by 4.0 per cent during 2012.

### Finland

The retail sector in Finland noted continuing growth during the financial year. According to Statistics Finland, the retail sector in 2011 expanded by an average of 2.2 per cent, in terms of fixed prices, compared with 3.0 per cent in 2010.

Private consumption rose 3.3 per cent during 2011, compared with 3.0 per cent during 2010. In terms of current prices, Clas Ohlson's sales in Finland increased 18 per cent during 2011/12.

### UK

The UK market reported continuing lacklustre growth against the background of austerity measures to improve public finances. According to National Statistics UK, the retail sector in 2011 recorded average growth of 0.6 per cent, in fixed prices, compared with 0.8 per cent 2010.

Private consumption in the UK declined 1.2 per cent during 2011, compared with an increase of 1.2 per cent during 2010. Measured in current prices, Clas Ohlson's UK sales rose 14 per cent during 2011/12.



Flags. Manufactured from 100 % woven polyester, 160 g/m<sup>2</sup>.  
Swedish 34-5192 200 cm Norwegian 31-4782 250 cm  
Finnish 31-4785 204 cm UK 18-4373 200 cm



**Asaklitt Focus LED torch.** Robust torch with aluminium casing. Adjustable beam. 3 W LED. **36-4840**

### Consumers' propensity to consume also remained sluggish during 2011

Regular studies of consumer purchasing patterns are conducted in the four countries in which Clas Ohlson is active. In Sweden, NIER (National Institute of Economic Research) is responsible for the measurement of the CCI (Consumer Confidence Index), which is viewed as an average of the net figures for four questions regarding the company's and economy's current status in current circumstances and 12 months ahead, as well as the question of whether it is beneficial to purchase consumer durables at this moment in time.

Generally, these key data were low throughout 2011. The graphs on the right show the monthly trend in each country compared with the 10-year average. During the year, the UK noted the lowest figures since measurements began.

### Market trends

#### E-commerce has doubled in five years

In 2005, 20 per cent of EU citizens bought goods and services via the Internet; this figure doubled in 2011. It has increased primarily in countries in which e-commerce was already a widespread practice, while central and eastern European consumers are less inclined to purchase online. This was confirmed in a recent study presented by the EU's Internal Market Commission. Access to the Internet is a prerequisite for online commerce and during the past five years access has almost doubled in the EU. The latest statistics from Eurostat indicate that 70 per cent of the European population is now connected to the Internet.

### International chains and super stores

The market for the types of products sold by Clas Ohlson continues to increase throughout major regions in Europe, but is nevertheless beginning to show signs of maturity. International actors are relatively rare in the Nordic region, apart from players such as Bauhaus, Hornbach and Media Markt. Weaker retail trends have also led to certain players abandoning the Swedish market. Also in the Nordic region, major store chains in recent years have captured market shares at the expense of individual specialised traders. The chains frequently focus on large stores outside the city centres, with the exception of Clas Ohlson, which also focuses on centrally located store locations that are frequented by people on a daily basis.

In addition to Clas Ohlson, examples of cross-border Nordic players are Swedish Biltema with stores in Sweden, Norway, Finland and Denmark; Swedish Jula, with stores in Sweden, Norway and Poland; plus the Finland-based K-rauta with stores in Finland and Sweden.

Another trend is the increase in retail space. In the major European countries, superstores of between 5,000 and 10,000 square metres are not uncommon in out-of-town shopping centres.

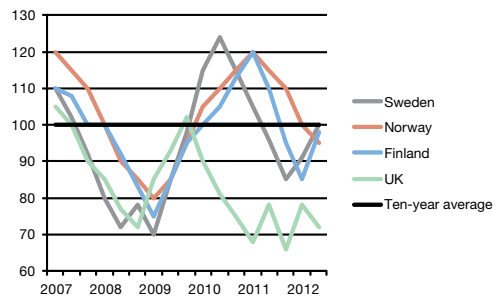
Clas Ohlson's establishment strategy is to open stores sized between 700 and 3,000 square metres, preferably in central locations in town centres or in popular out-of-town shopping centres.

### Own brand goods

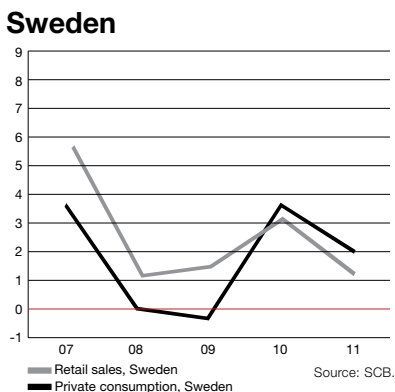
It is becoming increasingly common for retail chains to market products under their own brands.

For many years, Clas Ohlson has focused on its own brands, including Cotech, Cocraft, Coline and Exibel. At the

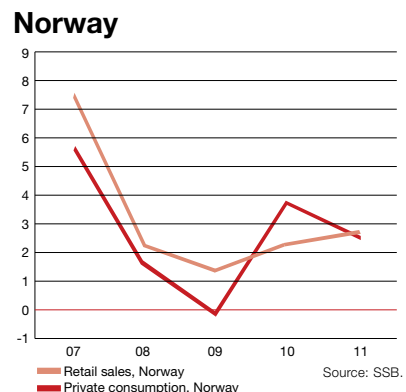
Consumer Confidence Index



Private consumption and retail sales  
Trend in private consumption and retail sales in fixed prices in Sweden 2007–2011, %



Private consumption and retail sales  
Trend in private consumption and retail sales in fixed prices in Norway 2007–2011, %



end of the financial year, own brands accounted for about 25 per cent of sales and the objective is to achieve not less than 25 per cent.

By developing own brands, we can offer high quality at lower prices, since development and manufacturing costs are lower and goods can be purchased directly from manufacturers without costly intermediaries.

## Competitors

Few competitors can rival the breadth of Clas Ohlson's product range. Those that come closest are Biltema, with stores in all Nordic countries, and Jula in Sweden, Norway and Poland. In addition to these, Clas Ohlson competes in five specific product categories with a number of companies, such as Media Markt, Järnia, Bauhaus,

K-rauta, Teknikmagasinet and Kjell & Co. The company also competes to a certain extent with supermarkets and superstores such as Coop Forum and Ica Maxi in Sweden, Obs in Norway and Anttila in Finland. Of these, only Teknikmagasinet and Kjell & Co have a store establishment philosophy similar to that of Clas Ohlson, with stores located in town centres, preferably in busy shopping centres.

In the UK, Clas Ohlson competes with such store chains as Argus, Maplin and Robert Dyas, who offer products in some of Clas Ohlson's five product categories. However, no UK competitor has a concept or product range strategy that resembles that of Clas Ohlson.

## Clas Ohlson compared with a selection of competitors

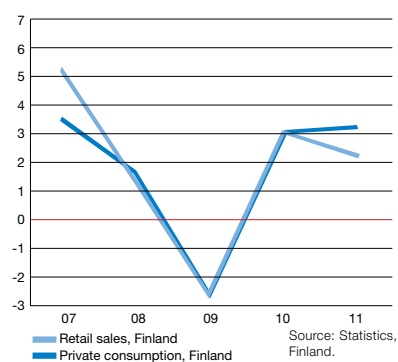
### Main competition and the number of stores in each country\*

	Sweden	Norway	Finland	UK	Year of start	Electrical	Multimedia	Leisure	Hardware	Home
<b>clas ohlson</b>	68	56	21	12	1918	•	•	•	•	•
Biltema	28	50	11		1963	•	•	•	•	•
Jula	35	13			1979	•	•	•	•	•
Teknikmagasinet	76	20	3		1989	•	•			
Kjell & Co	59				1990	•	•			
Jernia	75	165			1951				•	•
Obs		46			1907	•			•	•
Maxbo		74			1995	•			•	
Anttila			27		1953	•	•		•	•
K-rauta	22		42		1940	•	•		•	
Argos				>700	1973	•	•	•	•	•
Maplin				195	1972	•	•			
Robert Dyas				100	1872	•			•	•

\* Source: Web sites

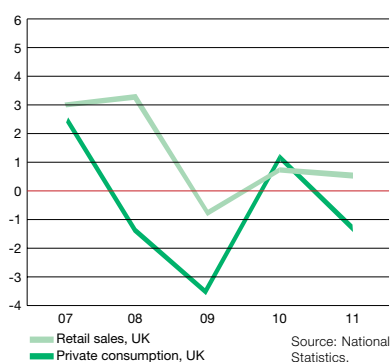
**Private consumption and retail sales**  
Trend in private consumption and retail sales in fixed prices in Finland 2007–2011, %

### Finland



**Private consumption and retail sales**  
Trend in private consumption and retail sales in fixed prices in the UK 2007–2011, %

### UK



# clas ohl



the  
swedes  
have  
arrived

clas o



# Marketing

**Clas Ohlson is one of Sweden's and Norway's most popular retail chains. But also in more recently established markets – Finland and the UK– the company is highly appreciated by a broad target group.**

**Our values, history and experience, combined with our desire to solve customers' everyday practical problems, are key cornerstones in marketing policy.**

**During the year, we continued to develop and implement our new store concept. We extended our store opening hours, further strengthened customer service, built a new platform for e-commerce in all our markets and launched the company on Facebook.**

Customers can make purchases round the clock at Clas Ohlson. We want our customers to perceive us as readily accessible, knowledgeable, friendly, positive and solution-oriented.

It should be easy, fun and inspiring to buy from us, irrespective of whether the purchase is made in a store, on the Internet, via the catalogue or telephone shopping. This is also noted in all our marketing.

## **Additional countries, a single Clas Ohlson**

Regular market surveys and analyses offer us a reliable reflection of how our customers perceive and think of the Clas Ohlson brand, stores, product range and customer service.

Public awareness of Clas Ohlson varies among the different markets and goes hand-in-hand with how long we have been active in the particular country. Thus, media investments and marketing are adjusted in line with maturity, requirements and the conditions represented in each market. We pay particular attention to highlighting our origins in communications in all countries.

In Sweden and Norway, almost the entire population (98 per cent) in the 18 to 69 age-group knows what the company is and what it offers. In these markets, the primary objective is to raise the average purchase, increase visits to stores and the website, strengthen loyalty and enhance customer satisfaction.

In Finland, about 80 per cent of the population are aware of Clas Ohlson, compared with less than 60 per cent four years ago. Here, we are continuing activities to bolster the brand, combined with sales campaigns to encourage even more customers make Clas Ohlson their first preference.

In the UK, the company remains in an establishment phase. Numerous potential customers are unaware of Clas Ohlson, what we sell and where we are located – and this we plan to change through cost-effective marketing focused on raising awareness and driving sales.

## **24/7 and several sales channels**

Clas Ohlson offers solutions to everyday problems and we do it on a 24/7 basis through various channels. As a customer, you can promptly and easily gain assistance and purchase via the sales channel that suits you best on various



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occasions. We work in line with a multi-channel strategy through which new store openings are undertaken in parallel with the development of catalogues, e-commerce, store concepts and telephone-based store sales.

The stores are our key channels. With central locations in shopping malls, pedestrian streets and in major shopping centres, we reach customers in places they frequent daily. The stores are also where customers can gain suggestions and advice.

The Clas Ohlson catalogue has been published since 1918 and continues to be popular among customers to the present day.

Our new e-commerce platform will make it even easier and more inspiring for customers to shop online and have the product delivered to their door. The Internet store offers the entire product range, spare parts, shopping guides, the opportunity to chat, make inquiries and just about everything else that facilitates the customer's everyday needs and purchasing decisions.



### The red thread in all marketing

Our marketing is designed to attract attention and create a desire to buy, in addition to inspiration and security. With some variation among the countries, campaigns in Sweden, Norway, Finland and the UK feature a red thread, with the primary message and customer pledges that are repeated in all media and sales channels.

We highlight our history, broad product range, quality and service spirit. Our customers shall feel that we assist them in solving everyday problems using products that offer the appropriate quality to meet varying requirements and at attractive prices.

We support each store opening with external communications, such as advertising, radio commercials and PR campaigns. Also, store personnel hand out catalogues and current offerings outside or near the store.

The significance of social media has increased in recent years and this is a key channel for Clas Ohlson. During the year we launched a local presence on Facebook in each

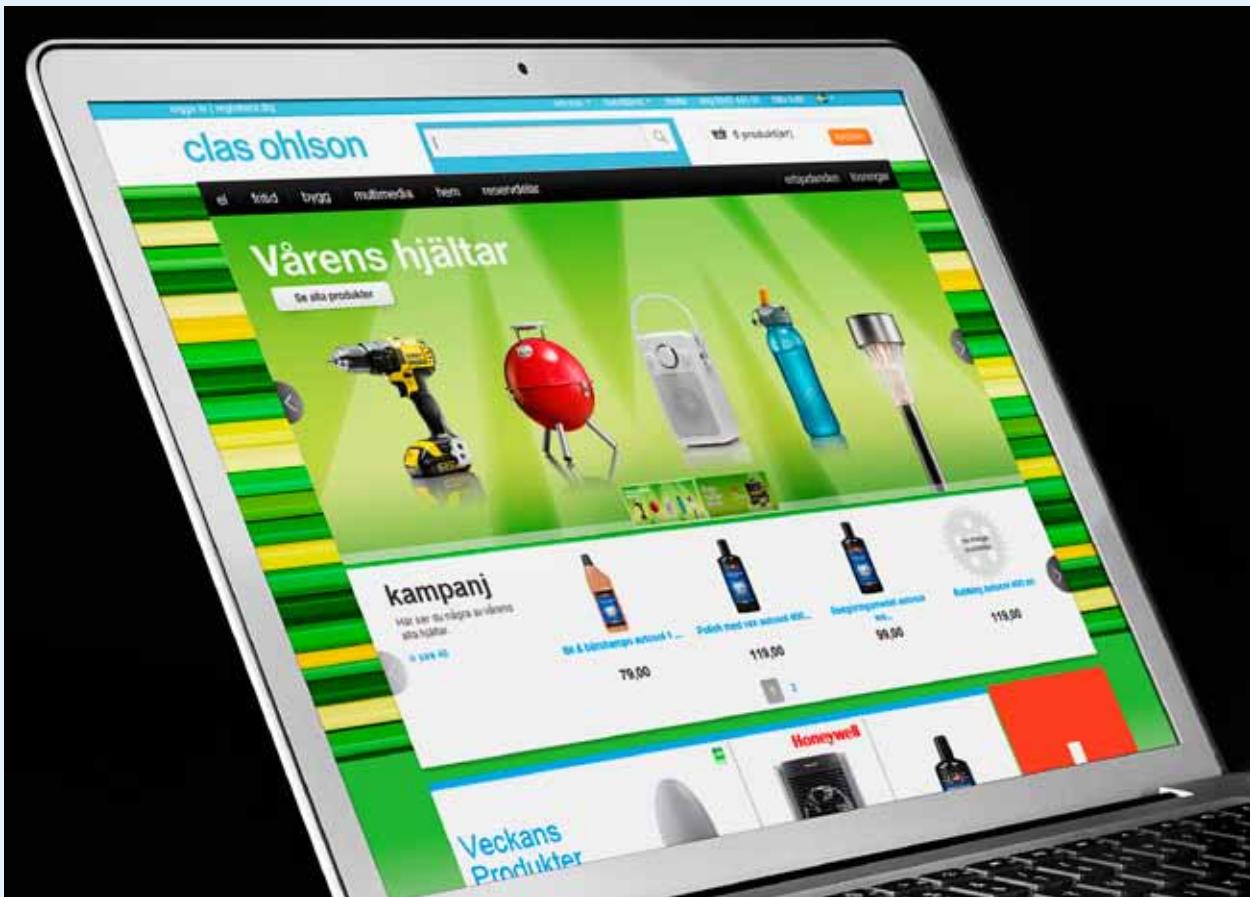
country. Our digital marketing on the Internet, via e-mail and mobile telephony is also increasing, but the main share of our investments continues to focus on printed media.

### Sponsorship and social involvement

Clas Ohlson has a lengthy tradition in supporting associations and events, primarily in the province of Dalarna, Sweden, where the company was founded and which remains the location of our largest store, headquarters and central distribution facility.

Sponsorship activities during the past financial year included sponsorship cooperation with the Leksand IF ice-hockey team, the Olympic rower Lassi Karonen and the Dalhalla music centre. Locally in Insjön, we support a variety of associations, plus sporting and cultural activities with the focus on youth activities.

During 2011/12, Clas Ohlson also conducted a fund-raising campaign on behalf of the Swedish Cancer Fund and the Save the Children Fund (read more on page 29).



## The customer meets Clas Ohlson in many channels – a multi-channel strategy

Clas Ohlson offers solutions to everyday problems and we do it in a dialogue with customers. Customers can gain prompt and no-fuss assistance with problem solving, as well as recurring information, service and the potential to select the sales and communications channel that best suit each customer.

Consequently we are working in parallel with the development and customization of our stores, e-commerce, social media such as Facebook and Twitter, search services and customer service. The entire service concept is based on the energy and competence available in Clas Ohlson. Our employees represent our external interface and build the brand on a day-to-day basis regardless of the channel used.

The launch of Clas Ohlson's new e-commerce platform, which commenced in 2012, provides the basis for completely new opportunities to reach even more customers.

"Our e-commerce venture is a key component of our multi-channel strategy in order to offer our customers even greater accessibility, service and inspiration and guide them to smart solutions to practical problems. Through an attractive mix of stores and e-commerce, we can attract more customers to existing and new markets," notes Peter Jelkeby, Deputy CEO for Clas Ohlson.

The launch in Sweden and Norway was completed in April 2012, while the launch in Finland and the UK is planned for summer 2012. Work involving market and competition surveys, translation of product manuals and production information, etc., has also commenced for the German-speaking markets. A launch in a German-speaking country is not expected to commence before the 2013/14 financial year.

The e-commerce project involved more than 100 people during the past two years and, in addition to a new technology platform, also involved the development of other peripheral systems, a strengthening of the organization and process adjustments.

"The goal is to offer our customers a really good, practical and user-friendly site that is easy to use for shopping and which also features a great deal of useful information. It will also serve as an excellent resource for those wishing to prepare their purchases on the Internet, but who choose to shop in our stores," explains Catrin Folkesson, E-Commerce Manager at Clas Ohlson.



# Our sales channels

More than 90 years of successful mail-order operations have laid the foundation for the strong position currently held by Clas Ohlson. We still sell via mail order/Internet, but the largest sales channel today is our 157 stores in Sweden, Norway, Finland and the UK. The stores account for 98 per cent of the sales.

## Stores

### Central locations

Clas Ohlson's stores should preferably be situated in strong, centrally located shopping centres, where the company works together with other stores and chains to bring about repeat visits. We own and operate our stores ourselves. Store premises are rented on long-term leases. Most of the product range in each store is easily accessible for self-service. Less than 10 per cent of products are sold over the counter.

### Three different sizes

Clas Ohlson has customers of all ages. To improve accessibility, the company offers three different store concepts based on size: 1,500 – 3,000 square metres for large cities and catchment areas, 1,000 – 1,500 square metres for medium-sized towns and 700 – 1,000 square metres for small towns or to complement the company's existing stores in large cities.

In smaller stores, the product range concentrates on Clas Ohlson's most popular products. Other products can be ordered and collected from the store within 48 hours. This concept is now in place in several towns in Sweden and Norway.

### Popular retail chain

Clas Ohlson is an attractive and popular store among customers and companies in shopping centres. Our store-

openings often result in a substantial increase in the number of visitors to the entire centre. Clas Ohlson stores attract new customer categories, and their broad range brings in visitors of all ages, both men and women. According to a survey conducted by the trade magazine Market (spring 2010), Clas Ohlson is the store that consumers between the ages of 15 and 64 would most like to see in a shopping centre (besides a liquor store and a pharmacy).

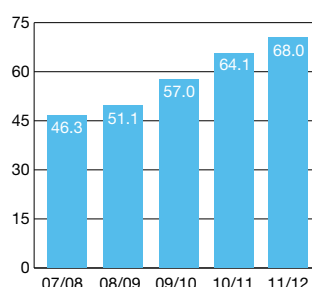
### New store concept

Our new store concept is designed to make it easier for customers to find their way around the stores. The concept includes a new décor, signs, customer terminals, information and order counters and checkouts.

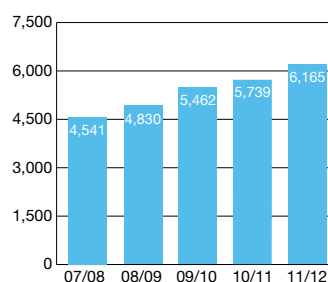
The new store concept was launched in 2008/09 and all stores opened in the past year were built according to it. Existing stores are gradually being adapted.



Number of visitors, millions



Sales in store, SEK M



## Financial commitment

A new store initially entails a financial commitment of SEK 10–13 M, broken down into SEK 2–3 M in start-up expenses, SEK 4–5 M in investments in store interiors and computer systems and SEK 4–5 M in inventories. In addition, in certain instances, investments in leased premises will be added, for which Clas Ohlson is compensated by nonrecurring remuneration and/or rent contributions.

Start-up costs for stores in the UK are initially higher, and amount to approximately SEK 5 – 6 M, mainly due to higher marketing costs. New stores in Sweden and Norway have become profitable as early as their first 12 months of operation. The same applies to some stores in Finland. It generally takes longer to achieve profitability in countries where Clas Ohlson is newly established and where the brand is new.

## Continued store expansion

Clas Ohlson continues to open new stores in markets where it has already established its presence. During the 2011/12 financial year, a total of 18 stores were opened. In the 2012/13 financial year, the company plans to open 15–20 stores. Conditions for opening new stores in the Nordic region are deemed favourable and the trend in Finland in the recent year has been positive. Clas Ohlson will continue to expand in the UK but will balance the expansion rate to match prevailing market conditions.

## Sales and profits

Store sales during the 2011/12 financial year totalled SEK 6,165 M, up 7 per cent (5,739) on the preceding year. In local currency, sales rose 7 per cent. Store sales accounted for 98 per cent of the total Group sales.

Start-up costs for new and refurbished stores, including the disposal of equipment, totalled SEK 46 M (89).

### Increase in sales

Comparable stores in local currency	- 3 per cent
New stores	+ 10 per cent
Exchange-rate effects	0 per cent
<b>Total</b>	<b>+ 7 per cent</b>



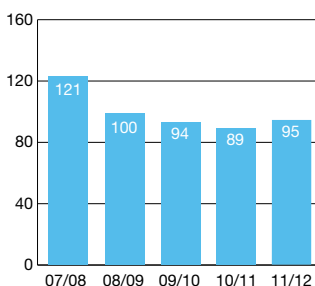
## Stores in Sweden

Clas Ohlson's stores in Sweden had 34.9 million visitors 2011/12, which was unchanged compared with the preceding financial year. Of the visitors, 16.8 million also made purchases.

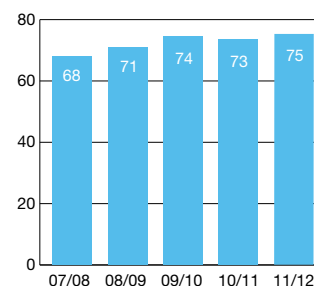
The number of stores increased by seven during the financial year, and the total number of stores in Sweden at the end of the financial year was 68.

The Swedish market still offers scope for continuing to opening new stores, despite the company's already relatively high market penetration in the country. 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.

Mail order/Internet sales, SEK M



Proportion of Internet orders, %



## Stores in Norway

Clas Ohlson's stores in Norway had 16.7 million visitors during 2011/12, up 1.9 million or 13 per cent compared with the preceding financial year. Of the visitors, 10.7 million also made purchases.

During the financial year, nine new stores were opened and the total number of stores in Norway at the end of the financial year was 56. The Norwegian market has not reached its saturation point in terms of continued openings of Clas Ohlson stores. Profitability was also strong for stores in smaller towns that have catchment areas with a population of 30 000 – 50 000.

## Stores in Finland

Clas Ohlson's stores in Finland had 7.3 million visitors during 2011/12, up 1.0 million or 16 per cent compared with the preceding financial year. Of the visitors, 3.3 million also made purchases.

The number of stores in Finland was 21, and four new stores were opened during the financial year. Potential for increasing sales in existing stores by continuing to clarify Clas Ohlson's offering in the Finnish market is considerable.

## Stores in the UK

Clas Ohlson's stores had 9.2 million visitors in 2011/12, up 0.9 million compared with the preceding year.

During the financial year, one new store was opened and the total number of stores in the UK at the end of the financial year was twelve.

Response from customers in our stores in the UK is positive and, despite the tough market climate, the number of visitors and customers in the UK stores matches the Group average. The conversion rate and the average purchase remained lower in the UK compared with the Group average, which is normal when entering new markets.

Clas Ohlson expects it will take time to establish the brand and position in an entirely new market and that the conversion rate, average purchase and sales will increase gradually in coming years.

## E-commerce and mail order/Internet sales

Our mail order sales (via e-commerce, telephone and catalogue) totalled SEK 95 M in 2011/12, up 8 per cent from the preceding year (SEK 89 M).

During the financial year, e-commerce accounted for 75 per cent of our mail order/Internet sales (73 per cent in the preceding year).

Clas Ohlson's e-commerce is of strategic significance for the Group. There is a definite trend for customers to make purchases both in stores and via e-commerce. Stores, mail order/Internet and customer service complement each other and open up new opportunities to increase sales and build stronger ties with our customers.

During the financial year a new e-commerce platform was launched that lays the basis for expansion in mail order/Internet sales (read more on page 15).



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## Expansion in the UK – our fourth market

Clas Ohlson's expansion in the UK continues but is being adapted to prevailing market conditions. During 2011/2012 another store was opened, and at the end of the financial year, Clas Ohlson had a total of twelve stores, of which four in the London area and one store each in Manchester, Leeds, Liverpool, Birmingham, Cardiff, Norwich, Doncaster and Newcastle. All stores are centrally located in strong city centres with major visitor traffic.

The first store located outside the Nordic region was opened in November 2008 in Croydon, London. The premier in the UK was a major step in Clas Ohlson's efforts to achieve its vision of becoming a leading European retailer. Through surveys in our stores, we know that our customers generally appreciate our business concept, in terms of range, prices and services, and gladly recommend Clas Ohlson to others.

A weak market adversely impacted sales during the financial year, with record-low consumer confidence in the country's economy and their own personal financial situation. Despite the tough market climate, the number of visitors and customers in the UK stores matches the Group average. The conversion rate (portion of visitors that make purchases) and the average purchase are lower in the UK than the Group average, which is normal when entering new markets. Clas Ohlson believes it will take time to establish the brand and position in an entirely new market and that the conversion rate, average purchase and sales will increase gradually in the coming years. During the fiscal year, sales were affected by a weak market, in which consumers' confidence for the country's economy and their own finances was extremely low.

### Major 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. Town-centre trading is strong, and a large proportion of shopping is carried out in centrally located shopping malls. No other chain currently offers a similar concept in town centre locations. Our product range, our stores and our service represent an innovative and appreciated feature in the UK retail sector.

At the start of the 2012/13 financial year, e-commerce was launched on the UK market. This was a key complement to Clas Ohlson's stores in contributing to higher sales as well as raising consumer awareness of the company. E-commerce's share of total retail sales accounts for more than 10 per cent in the UK, which is substantially higher than in the Nordic market (source: Forrester Research). Thanks to a combination of stores and e-commerce, Clas Ohlson will reach even more customers.

### Product range and deliveries

Some components of Clas Ohlson's range have required adaptation to the UK market since certain standards differ, such as with regard to electrical products. Of the standard catalogue range, several products had to be adapted, changed or replaced. The company also adapted the range by selecting brands with which UK consumers are familiar and used to buying. Deliveries to the UK stores are conducted from the distribution centre in Insjön. As the operation expands, Clas Ohlson will regularly assess other alternatives that entail shorter transport routes. A local British distributor who can satisfy customer demands for the prompt delivery and return of goods is initially managing the delivery of goods to UK customers who purchase via e-commerce.

### Local marketing in the stores' catchment areas

Clas Ohlson's marketing focuses on highlighting the business concept in the catchment areas in which its stores are established. Since Swedish retailers have an excellent reputation in the UK, the company places a particular emphasis on Clas Ohlson's origins and history. To clarify Clas Ohlson's offering, the company has been introduced as a modern hardware store that sells useful products that make everyday life easier. Marketing has reached consumers through outdoor advertisements, direct-mail advertising, PR, radio commercials and local distribution of the Clas Ohlson catalogue in the areas where stores are located.

# Purchasing and product range

Clas Ohlson's product range is selected and adapted to our customers in Sweden, Norway, Finland and the UK. The range reflects a high rate of renewal, focusing on technology, function and quality. Environmental and ethical issues are also key factors in the choice of products and suppliers.

## Attractive and distinct range

The product range should always be attractive, distinctive and competitive in the various markets in which Clas Ohlson operates, and must focus on meeting and solving customers' practical problems.

In addition to the approximately 15,000 items in Clas Ohlson's range, the company also offers spare parts and accessories. This philosophy is highly appreciated by our customers, who are able to receive advice, tips and repair information from our skilled staff in the stores and from our central customer service at Insjön, Sweden, for which we have received the best customer service award a number of times in the past year.

Clas Ohlson does not conduct any manufacturing operations itself. It holds no product patents and is not dependent on any single supplier.

## Thousands of new products every year

Every year, Clas Ohlson replaces approximately 2,000 products in its range. Demand, customer satisfaction and profitability are decisive factors when determining whether a product will be removed from the range. The product's lifecycle also plays a crucial role in the decision. When selecting new products, the main criteria are usually technology, function, price and quality. We also search for new products with improved environmental performance or that are able to assist customers to reduce their energy consumption.

Many of Clas Ohlson's products have a high technology content, and the company aims to be at the leading edge, without setting trends or being technological pioneers.

## Extensive quality and function tests

Before a new product is added to the range, in-depth tests are performed to assess its quality, function, safety,

lifecycle and other qualities. The tests are conducted in Clas Ohlson's own workshops. Several products are also passed on to various testing organisations, such as Intertek Semko and the Swedish National Testing and Research Institute. Clas Ohlson also focuses on minimising the use of hazardous substances in the products included in its range.

## Active purchasing work

Clas Ohlson's purchasing department is divided into five groups based on the company's product categories: Hardware, Home, Multimedia, Electrical and Leisure. Category and product managers attend large trade fairs and visit suppliers around the world to find new products and develop the existing range.

By conducting regular factory visits, Clas Ohlson, in consultation with its suppliers and manufacturers, is also able to influence product design, choice of materials, manufacturing methods and manufacturing conditions in terms of work environment, working conditions and environmental impact.

## Extensive experience and high expertise

Many employees in the purchasing department have worked at Clas Ohlson for several years. Their knowledge and experience is passed on to the next generation of employees, thus providing the company with solid continuity with regard to purchasing and range development.

The company believes it is 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 inquisitiveness is part of our culture and something that we strive to uphold.

Employees receive 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 in ensuring that the environmental properties of the products are acceptable.

## 600 suppliers in 30 countries

Clas Ohlson purchases products from approximately 600 suppliers in 30 different countries. Swedish suppliers accounted for 54 per cent of the company's total purchases during the financial year, while direct purchases from Asia accounted for 38 per cent.

The largest Swedish suppliers are trading houses or

## Clas Ohlson's five product areas



Hardware



Home



Multimedia



Electrical



Leisure



agents who hold import rights or type approvals for various products. The country of origin of these products is usually in Asia or Europe. When combined with the company's direct purchases, the proportion of products manufactured in Asia was 67 per cent, which is an increase compared with the preceding year. Clas Ohlson is working to concentrate its purchasing activities to fewer suppliers. The aim is to cut purchasing costs and develop closer partnerships with its European suppliers and Asian manufacturers. This will also facilitate monitoring of its Code of Conduct.

### 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 costly intermediaries.

### Increased share of direct purchasing

Asia, and China in particular, is Clas Ohlson's single most important purchasing market. In an effort to further strengthen our competitiveness, since 2008 Clas Ohlson has had a wholly owned purchasing organization with offices in Shanghai and Shenzhen (which opened in 2011). By combining purchases via the offices in Shanghai and Shenzhen with Asian agents, we can complete superior and more efficient purchases.

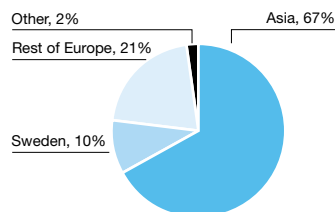
Although Clas Ohlson's partner agents have experience and contact networks that contribute value to the company, the aim is to reduce the number of agents as the company's own buyers in Shanghai begin to purchase more products directly from the manufacturer. Clas Ohlson's purchasing strategy also involves conducting continuous assessments of products that are manufactured in Asia but sold through intermediaries in Sweden and Europe to allow the company to identify alternatives that can be purchased directly from Asian manufacturers. This is important in order to offer the lowest possible prices to our customers

### Positive trend of own brands

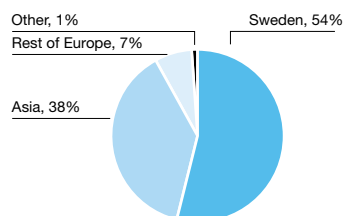
In recent years, we have focused increasingly on our own brands, which currently account for 25 per cent of sales and thus on a par with the target. The focus of our own-brand products is to offer excellent quality at attractive prices.

Offering a combination of own-brand goods and other well-known brands provides Clas Ohlson's customers with a broad selection and an opportunity to choose the price level and product features that best suit their needs.

#### Countries of origin



#### Countries of purchase



## 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. The products sold as own-brand goods are hallmarked by their high quality and attractive prices.



# Logistics, IT and safety

Efficient logistics are one of Clas Ohlson's key success factors. With a new sorting facility and the expansion of its fully automated high-bay warehouse, Clas Ohlson has one of the most modern and efficient logistics facilities in the Nordic region.

## Efficient logistics

The company's 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 the facility. Automated systems facilitate high availability in stores and for mail order/Internet sales. The average rate of stock turnover in the distribution centre during the financial year was 6.1 times (5.4). This means that the company replaced its entire stock of a full 15,000 items approximately every two months. With this high rate of turnover, the distribution centre is more comparable to a terminal than a warehouse. In recent years, Clas Ohlson has been nominated for a number of logistics awards based on its work on developing efficient logistics processes and its involvement in environmental issues.

## Extensive goods flow

The number of pallets delivered to stores during the financial year amounted to 225,150 (227,000), corresponding to approximately 900 per day. The normal delivery time to the stores is one to three days, and ordering takes place automatically via the in-store computer system when a product reaches its re-ordering point in each store. Clas Ohlson also delivered approximately 124,800 (116,000) mail order/Internet consignments, corresponding to 500 per day.

## IT system and security

Clas Ohlson has worked for many years to develop IT systems that support its operations. These systems make it easier to handle the 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. In the years ahead, we will continue to invest in our IT systems to ensure robust support for the business processes underlying operations.

### Central system

All information relating to products, customers, suppliers and so forth is registered in the company's shared central database system. Purchasing procedures, warehousing procedures and shared functions, such as financial and accounting systems, are run in this central system. Many of the programmes are customised and developed in-house

to suit Clas Ohlson's particular operation. An exception is the financial and accounting system, which is a standard system.

### 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. When an item reaches its re-ordering point, an order is automatically sent to the central system.

### Checkout system

A special checkout system that processes the sales transactions in the specific store is linked to each in-store system. The checkout systems communicate with both the in-store computer system and the central system at all times, but can also work completely independently should communication with the other systems fail. During the financial year, a completely new checkout system was procured with a number of improvements and developments for future requirements.

### IT security a high priority

Clas Ohlson's operations are based on the integrated systems working with as few interruptions as possible. All of the systems are duplicated to ensure high availability and short down time, thus enabling quicker re-starts and a higher level of security than if the systems were run in



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**Clas Ohlson's expanded distribution centre** in Insjön stockpiles, sorts and distributes goods to stores and e-commerce operations in our four markets.

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.

### Other operational systems

During the financial year, a number of key IT projects were conducted to support and develop the Clas Ohlson operation and ongoing internationalisation, including the development of a new technical platform for e-trade. The new e-commerce platform was launched during the financial year, permitting us prompt, easy and inspiring e-commerce for our customers in all markets as a complement to our stores.

### 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.

### General safety activities

During recent financial years, Clas Ohlson enhanced the general safety work conducted at the company. The safety department focuses on such issues as continuity planning, crisis management, fire safety, information security and

safety for the stores, distribution centre and head offices. Shrinkage is a problem for the retail sector as a whole. Clas Ohlson has a group with key functions that work long-term with processes and procedures, training and technical tools to minimise shrinkage within the company.

To prevent fires, stringent regulations govern all handling of flammable substances. All employees receive training in fire safety and a special emergency fire team specialising in fire prevention is also stationed in Insjön to provide rapid assistance in the event of fire.

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 all relevant requirements.

# Risks and uncertainties

Clas Ohlson's operations are associated with risks that to a varying extent could negatively impact on the Group. 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.

Both operational and financial risks can have a short and long-term impact on Clas Ohlson's ability to attain the goals set out in its business plan. Clas Ohlson works continually in updating the Group's risk situation, which is conducted through a documented systematic process in which risks are identified, valued, monitored and reported. Priority is assigned to risks deemed to have the most negative impact in terms of the probability of their occurrence and conceivable impact on operations.

Risks are compiled in risk charts to highlight overall exposure. Surveys are conducted at the Group level and represent a key feature of the executive management's and Board's strategic and operational control. The Group's risk committee performs the work involved in compiling, monitoring and developing risk management. These efforts will remain a high priority in pace with the growth and development of operations.

## Operational risks

### Expansion in the UK

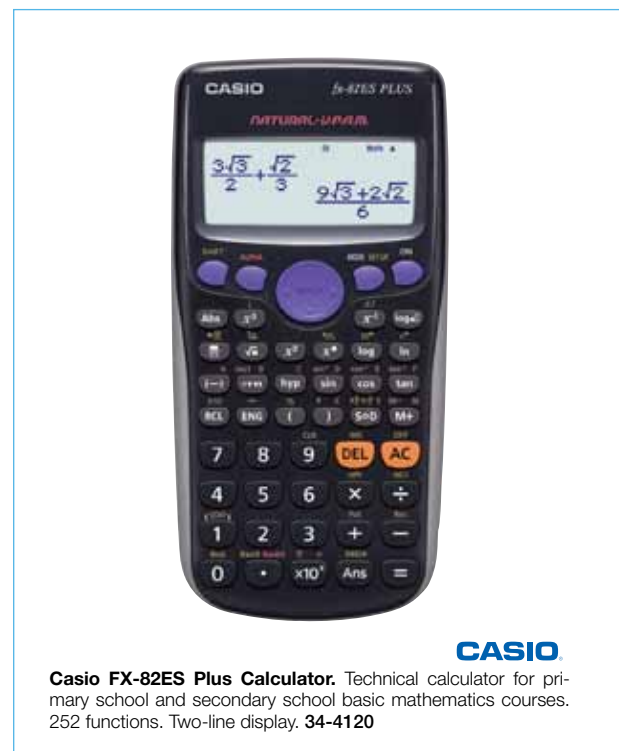
Expansion in the UK, with a population of 60 million, gives rise to opportunities for Clas Ohlson in the form of another market, but also entails risks. One of the risks is that the brand is unknown to most people and is expected to take a long time to establish. Further information on the start-up of the UK operation is provided on page 19.

### Purchasing in Asia

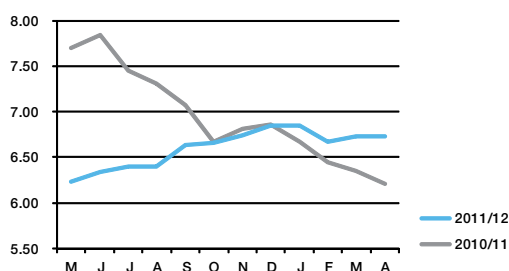
Clas Ohlson currently purchases about 38 per cent of its products from Asia, mostly from China. The percentage of purchases made in Asia is to be further increased through Clas Ohlson's own purchasing company, thus strengthening the company's competitiveness in its continued expansion. The greater exposure to a single country will entail increased risks (political risks, transport risks and so forth).

### Competition

The European retail sector is showing a clear trend toward the emergence of large, nationwide chains, generally at the expense of smaller, individual specialist dealers. The large chains are also becoming established in more countries



USD/SEK exchange rate



### The graph shows the average exchange rate for USD/SEK

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 2011 was SEK 6.04. The exchange rate gradually strengthened during the fiscal year, except for a slight weakening during the final quarter. On 30 April 2012, the rate was SEK 6.72, up 11 per cent.

The highest exchange rate during the financial year was SEK 6.99, recorded in January 2012, while the lowest was SEK 6.02, noted in May 2011. The average exchange rate for 2011/12 was approximately 6.60 (6.95).

through their own stores and acquisitions. Accordingly, the players in the market have become both fewer in number and larger in size. Competition intensified during the financial year, particularly in the Nordic region, 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 logistics chain. Goods are distributed from the centre to all of the stores and to mail order/Internet customers. In recent years, the distribution centre has been expanded to further enhance the efficiency of the company's logistics. However, having logistics concentrated in one place entails risks. This applies, for example, to interruptions to communication and infrastructure, fires or strikes. Investments in the distribution centre also involve higher overheads, which could have a negative impact on profitability if Clas Ohlson's growth rate declines. For further information, see page 22.

### Key individuals

An increasingly important factor for success is the ability to attract and retain key skills. Clas Ohlson's remuneration principles were modified during the 2008/09 financial year to include a larger percentage of performance-based variable remuneration. For further information, see page 54.

The company's geographical location necessitates flexible work patterns, which are a vital element in attracting and retaining key individuals from elsewhere.

### 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 27-43.

### Product range

The company's principal 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.

### Shrinkage

Clas Ohlson is exposed on a daily basis 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

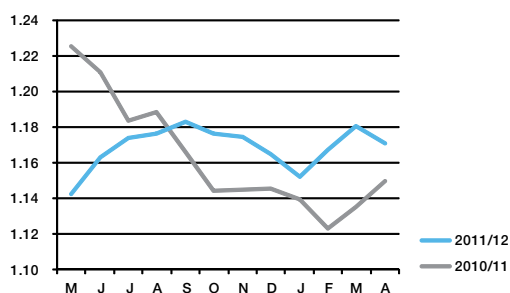
#### Economic climate

The retail sector as a whole is being adversely impacted by the weak economic climate. Although Clas Ohlson sells products that people need in their everyday lives, the company's sales are being affected by a generally weaker retail sector.

Nevertheless, Clas Ohlson'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 could rise, while demand in other diminishes.



NOK/SEK exchange rate



#### The graph shows the average exchange rate for NOK/SEK

Norway accounts for approximately 40 per cent of Clas Ohlson's sales. At the start of the financial year on 1 May 2011, the exchange rate for the Norwegian krone (NOK) against the SEK was 1.15. The exchange rate gradually strengthened during the fiscal year, except for a slight weakening during the final quarter. Another strengthening was recorded during the final quarter of the financial year. On 30 April 2012, the exchange rate was 1.17, up 2 per cent.

The highest exchange rate during the financial year was 1.20, recorded in March 2012, while the lowest was 1.13, noted in May 2011. The average exchange rate for 2011/12 was 1.17 (1.16).

## Wage inflation in manufacturing countries

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

## Commodities prices

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

## Transport costs

Clas Ohlson does not hedge transport and fuel costs for incoming transport. Freight shipping prices can vary relatively sharply, depending on the global spot market price, and thus constitute a risk.

## Currencies

The company has relatively high exchange-rate exposure through its sales in Norway and through the Group's purchasing. Approximately 46 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 approximately 40 per cent 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 Group is also increasing its exposure to the pound sterling (GBP) as its sales in the UK grow.

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 and NOK was carried out during the financial year.

## Currency movements

During the financial year, the NOK strengthened vis-à-vis the SEK. The average exchange rate for the NOK was SEK 1.17, or 1 per cent higher compared with the 2010/11 financial year when it averaged SEK 1.16. This impacted positively on sales in SEK, since about 40 per cent of sales are denominated in NOK.

The USD strengthened against the SEK during the past financial year. The average exchange rate during the 2011/12 financial year was 5 per cent lower than the previous year (SEK 6.60 compared with SEK 6.95). The average exchange rate for the HKD during the 2011/12 financial year was SEK 0.85, or 5 per cent lower compared with the 2010/11 financial year, when it averaged SEK 0.89. The average exchange rate for the Chinese currency (RMB) remained essentially unchanged from the preceding financial year (SEK 1.04 compared with 1.04).

EUR weakened slightly vis-à-vis the SEK during the past financial year. The average exchange rate during the 2011/12 financial year was SEK 9.02 compared with SEK 9.22, or 2 per cent down. Likewise the GBP weakened 3 per cent against the SEK. The average exchange rate for the GBP was quoted at SEK 10.51 during the 2011/12 financial year compared with SEK 10.85 for the previous financial year.



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## Sensitivity analysis

Factor	Change	Impact on profit before tax, SEK M
Volume of sales	+/- 5 per cent	+143/-158
Currency		
– NOK	+/- 5 per cent	+/- 54
– USD	+/- 5 per cent	-/+ 46
– HKD	+/- 5 per cent	-/+ 8
– EUR	+/- 5 per cent	+/- 4
– GBP	+/- 5 per cent	-/+ 7

The company has relatively major 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 (excluding the impact of currency hedging). The table also shows how earnings are affected by a change in sales volume for comparable units.

# Sustainable development

Clas Ohlson is a dedicated retail company with 157 stores and e-commerce in Sweden, Norway, Finland and the UK.

We offer a range of 15,000 products in Hardware, Home, Multimedia, Electrical and Leisure. Our head office and distribution centre are located in Insjön, Dalarna, and we have approximately 4,000 employees. The company does not own any factories but cooperates with approximately 600 suppliers and 750 manufacturers in 30 countries. This sustainability report describes how we work with Corporate Social Responsibility (CSR).

## Basis for Clas Ohlson's CSR work

Our business concept is to make it easy for people to solve their everyday practical problems in life. Our own operations and those of our suppliers and manufacturers are subject 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 our shareholders, customers and employees, as well as for society as a whole. Clas Ohlson aims to contribute to sustainable development and protect living conditions for current and future generations.

Efforts to contribute to sustainable social development are of critical importance to our business operations; partly due to increasing demands from customers, employees and other stakeholders, but also because sustainability generates new business opportunities for Clas Ohlson. All major investment decisions must take economic, social and environmental implications into account.

## Our sustainable vision

We shall commit the company's resources to economic, social and environmental development that contributes to sustainable living conditions for current and future generations.

## Clas Ohlson's CSR organisation and responsibility

Clas Ohlson's sustainability programmes are led by the CSR forum comprising the CEO, Director of Information, Director of Purchasing, Director of Supply Chain, Director of HR, environmental Coordinator, Internal Controller and CSR and Code of Conduct Manager.

The CSR forum makes decisions pertaining to goals, strategies and activities for the entire Group's CSR programmes and monitors whether the company is working effectively toward its set goals. The CEO has overall responsibility and the CSR programmes are to be integrated into and encompass the entire organisation.

Clas Ohlson works according to the philosophy that sustainability issues require an overall approach and that these issues must permeate the entire organisation and its various operations. This requires the involvement of the entire organisation in the efforts to achieve a sustainable society and also engage our customers and owners in this work.

## Policies and reporting period for Clas Ohlson's Sustainability Report

This is the fourth sustainability report prepared by Clas Ohlson, based on the latest guidelines issued by the Global



**Dimmable LED Bulb.** W (equivalent to 40 W). Rated life: 20,000 hours. Temperature range: -20 till +40 °C. E 27 socket. 36-4643

Reporting Initiative (GRI). Clas Ohlson has chosen to apply C-level\* disclosure (not reviewed by an external party). A cross-reference table is presented on page 43 detailing where the various GRI indicators can be identified in Clas Ohlson's Annual Report, Sustainability Report and on the website.

The information and performance indicators provided in the Sustainability Report are selected on the basis of significance and relevance from a sustainability perspective for Clas Ohlson and according to requests from our stakeholders. The Sustainability Report pertains to the 2011/12 financial year, meaning the 1 May 2011 – 30 April 2012 period. Some sections contain information, performance indicators and diagrams for the 1 January 2011 – 31 December 2011 period.

### **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 general 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. The expectations and demands placed on Clas Ohlson by stakeholders differ. An open dialogue generates increased knowledge and assists in determining the aspects of our sustainability efforts that need improvement.

We engage in 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.

The Sustainable Value Creation Initiative also contributes to providing valuable feedback from the capital market in terms of key CSR issues. During the financial year, Clas Ohlson conducted meetings with various non-profit organisations to gain familiarity with their viewpoints, experience and work with human rights and the environment. A follow-up review by the organisation Swedwatch was conducted during spring 2012 in which Clas Ohlson and other companies in the industry participated. The analysis, which was published in June 2012, was based on interviews with buyers and suppliers, and is available for reading on Swedwatch's website ([www.swedwatch.org](http://www.swedwatch.org)). We also participated in a number of research projects, including one at Lund University, as part of efforts to contribute to empirical research in the CSR area.

### **Participation in international sustainability initiative**

Since 2008, Clas Ohlson has been a signatory to the UN petition to promote work in the area of human rights, the UN Global Compact. Since 2008, we have also contributed to the international climate initiative, the Carbon Disclosure Project (CDP). This requires that we report both direct and indirect emissions of greenhouse gases from our operations that occurred in 2010.

### **Employee surveys**

Our work environment survey reveals a high level of job satisfaction and an excellent working environment. During the financial year, a Group-wide employee survey – Employee Satisfaction Index (ESI) – was conducted. The survey provides valuable feedback from our employees

in respect of workplaces, working conditions and work satisfaction (read more on pages 36-39).

### **Customer survey**

Each year, Clas Ohlson conducts an extensive customer survey encompassing Sweden, Norway and Finland. The customer survey for the financial year under review included questions relating to customers' views of sustainability and the areas that they considered most important with respect to the environment, ethics and social responsibility (see the diagram on the next page).

This year's survey shows that customers believe that our social work is most important, followed by a good personnel policy, our environmental programmes and finally our other community involvement. For the second consecutive year, Clas Ohlson participated in the Sustainable Brands Image Survey 2012. The survey gauges the Swedish population's attitude to and perception of corporate sustainability programmes, and Clas Ohlson was awarded the distinction of "Best in the Industry 2012".

The customer dialogue on sustainability issues is important and will be further developed to include customers in the development of Clas Ohlson's operations and the products we offer.

### **Our stores**

In conjunction with store establishments, Clas Ohlson cooperates with municipalities, regions and government authorities. There is a shared interest in creating a viable local industry, particularly in the city locations where Clas Ohlson primarily establishes its stores. Central locations mean that people can shop where they live and work, reducing the need for driving to business centres outside city centres. Clas Ohlson opens a large number of new stores in our current four markets every year, thus creating many new job opportunities.

### **Financial development that creates value**

Clas Ohlson has reported a profit every year since its inception in 1918. Healthy profitability and sound finances are essential for conducting long-term sustainable operations and creating value for shareholders, employees, suppliers and society at large. As the business grows and expands, new job opportunities are created and, through the taxes paid in our various markets, Clas Ohlson contributes to public finances and the financing of society's joint commitments.

### **Significant events during 2011/12**

During the financial year, we continued to make progress in our long-term programme aimed at monitoring compliance with our Code of Conduct. Over the course of the year, 617 audits were conducted of manufacturers in Asia compared with 426 in the preceding year. A programme designed to intensify cooperation with strategically significant manufacturers commenced with the objective of raising the CSR standard to the second highest or absolute highest level.

In-store energy consumption was reduced by about 50 per cent in a number of stores as a result of superior lighting plans and new lighting technology. The new lighting is used in all recently opened stores, while the system will be introduced in older stores in conjunction with their renovation.



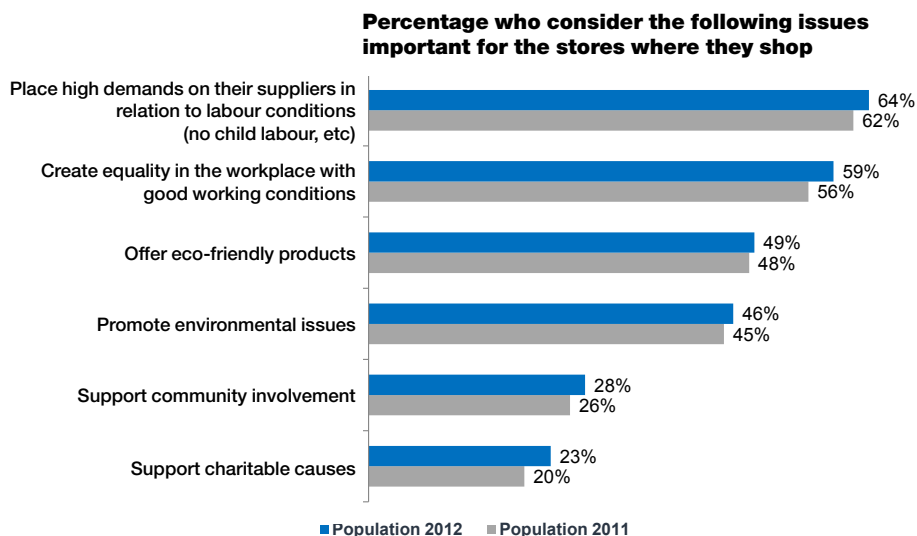
Emissions from transport have been reduced by raising the filling height for pallets used in transporting goods from the distribution centre to stores. More goods and less air in the trucks permit a reduction in carbon dioxide emissions and costs. Clas Ohlson continued the phase-out of conventional light bulbs by means of various marketing campaigns. Thanks to our competent personnel and in-store information, customers receive assistance in selecting appropriate alternatives. Clas Ohlson cooperates with Save the Children. This involves educational efforts on behalf of young workers in China in terms of meeting their special

requirements and conditions, in addition to in-store fund-raising campaigns on behalf of children in Nepal. The objective over a three-year period is to provide some 7,000 children the opportunity to attend school.

#### \*GRI application levels

The guidelines have three different application levels: A, B and C. The reporting criteria at each level reflect an increased application or coverage of the GRI Reporting Framework. A "plus" (+) can be added at each level to indicate that the item in the report has been externally verified.

### Nordic survey of the sustainability aspects considered most important



#### The strategies are as follows:

Strategy	Activity
Open dialogue with our stakeholders and opinion-builders concerning our CSR work.	<ul style="list-style-type: none"> <li>- Feedback from our stakeholders via Employee Satisfaction Index, customer surveys and participation in Sustainable Brands Image Survey.</li> <li>- Participation and dialogue with NGOs, universities, forums and other parties in relation to CSR issues.</li> </ul>
More intensive cooperation with suppliers and manufacturers to achieve gradual social and environmental improvements	<ul style="list-style-type: none"> <li>- Further developed processes to monitor, follow up and support manufacturers in Asia as regards working conditions, environmental programmes and other aspects.</li> <li>- Programmes aimed at reducing the number of suppliers and manufacturers.</li> <li>- Cooperation with other organisations to raise the efficiency and effectiveness of monitoring and development programmes.</li> </ul>
The CSR perspective shall be an integral part of our business and operations. We shall contribute to sustainable development, capitalise on existing business opportunities and strengthen our long-term competitiveness.	<ul style="list-style-type: none"> <li>- Integration of CSR issues in Clas Ohlson's strategy and business planning.</li> <li>- Development of the organisation, processes and system support for CSR programmes.</li> <li>- Internal training to raise expertise and awareness of CSR issues throughout the organisation.</li> </ul>
Develop the product range and communication, thus helping our customers in their selection of products that contribute to sustainable development.	<ul style="list-style-type: none"> <li>- Range enhancements with new products that help our customers reduce their electricity consumption and environmental impact.</li> <li>- Improved customer communication in relation to CSR issues in our stores and through other sales and communication channels.</li> </ul>
We shall make a difference in society by supporting selected non-profit organisations in countries in which we are active.	<ul style="list-style-type: none"> <li>- Long-term cooperation with, for example, Save the Children to help improve conditions for children, in the form of educational programmes in China, as well as offering children in Nepal the opportunity to attend school.</li> <li>- Community involvement for cultural and sporting activities, especially for young people living in and around Insjön.</li> </ul>

# Our work to promote human rights and better working conditions

Taking responsibility for the environment and the people who are affected by our operations is important for Clas Ohlson. Responsibility in our supply chain involves making demands and verifying compliance, but also developing long-term relationships with our suppliers and supporting their efforts to achieve sustainable improvements.

## Our supply chain

Clas Ohlson is a dedicated retailer. The company does not own any factories, and purchases its entire range from suppliers and manufacturers in 30 countries. Some 38 per cent of our range is purchased directly from factories in Asia. Direct purchasing gives us greater opportunities for influencing, verifying and supporting our manufacturers in their efforts to improve working conditions and their work environment.

The work involved in verifying and supporting our suppliers and manufacturers primarily focuses on the production taking place in countries with a high risk of non-compliance with our Code of Conduct.

## Long-term commitment and cooperation

Our ambition is to contribute to a better work environment and working conditions in our own operations and for the people involved in the production of products that we

purchase from various suppliers and manufacturers. We are also responsible for ensuring that our products generate the least amount of environmental impact possible during their lifecycle. Verifying and working for improvements in our supply chain is a long-term and complex process. It requires commitment and effort from the entire organisation as well as our suppliers and manufacturers. Since the introduction of our Code of Conduct in 2005 and the establishment of our purchasing office and CSR department in Shanghai in 2008 and in Shenzhen in 2010, we have come closer to manufacturers and taken several significant steps forward in our efforts to influence, verify and improve conditions in our supply chain.

## Integral part of the operations

CSR work is an integral part of Clas Ohlson's operations. Targets are set, planned and monitored by Clas Ohlson's CSR forum (read more on page 27).

In our work on social responsibility in the supply chain, close and effective cooperation between the purchasing office and the CSR department is essential. Both entities actively ensure that Clas Ohlson's suppliers and manufacturers sign and comply with the requirements of our Code of Conduct and that any deficiencies are addressed. In its daily work, the purchasing office can access information about our manufacturers' CSR status, audit reports and improvement work to support decisions concerning purchases of various products or the selection of a supplier or manufacturer. If suppliers or manufacturers have a serious non-compliance that is not addressed, they are blocked in the system until the problems are rectified.

## The CSR departments in Shanghai and Shenzhen

Our CSR department in China is responsible for verifying, assessing and monitoring compliance with Clas Ohlson's Code of Conduct, and for training and communication with our suppliers and manufacturers in Asia. This assignment includes CSR audits of manufacturers and supporting their efforts to improve.

Organisationally, the department reports to Clas Ohlson's GEO and, at the end of the financial year, consisted of the CSR Manager Supply Chain, the CSR team leader, administrators, and CSR auditors, who audit manufacturers and provide information and training in factories.

## Challenges and opportunities

Clas Ohlson has a broad range of about 15,000 products. The company does not have its own factories, but purchases its products from a large number of manufacturers. For many manufacturers, Clas Ohlson is a small customer that accounts for less than 5 per cent of their annual sales.

The factories in Asia represent various types of challenges, such as excessive overtime, poor working

### History of Clas Ohlson's CSR work

- 1998 Policy concerning child labour introduced.
- 2001 Environmental policy introduced.
- 2004 Launched process to develop and introduce Code of Conduct.
- 2005 Clas Ohlson's Code of Conduct for suppliers adopted by Board and published.
- 2006 Working basis for the company's systematic CSR work is prepared, approved and tested.
- 2007 First external CSR audits carried out.
- 2008 Establishment of a special Corporate Social Responsibility organisation in Shanghai.
- 2009 Expansion of the number of audits and deepening of cooperation with suppliers in regard to our Code of Conduct.
- 2010 Anti-corruption section added to our Code of Conduct.
- 2011 Purchasing office in southern China with CSR auditors.



conditions, inadequate protective equipment, no or weak unions and manipulated time sheets. Corruption, bribery and other problems can also compound verification processes. We make both announced and unannounced visits to our manufacturers. All companies operating either directly or indirectly in Asia encounter these challenges and can contribute to improvements in several ways. Clas Ohlson's strategy is to use a combination of its own CSR auditors and external audit firms. Close cooperation between our CSR department in China and our purchasing office in Insjön is also essential for achieving results.

Clas Ohlson works to prevent corruption and bribery. As a company and purchaser of goods and services, we can and must make demands on business ethics, both our own and our sub-contractors'.

The manufacturers with whom we cooperate have various skills and experience of CSR requirements and audits. Many factories have several international customers that impose demands and make recurring visits to the factory, while others have more limited experience since clear requirements and CSR audits by purchasers were previously rare. We have noticed a difference during recent years, and an increased number of purchasers now make demands and verify factories, which is the key to achieving lasting and sustainable improvement.

Joint demands by purchasing companies for better conditions for people and the environment represent a positive trend and can generate even greater effects by means of endeavours to harmonise the various tools and methods that are used. Clas Ohlson is a member of CSR Asia, an organisation that presents opportunities for us to share experiences. To enhance efficiency of follow-up and change work, we evaluate any cooperation with global organisations, such as SEDEX (SMETA), BSCI or GSCP, which have common codes of conduct, tools and processes. We also cooperate with Save the Children's Centre for Children's Rights and Corporate Responsibility in

China to help improve conditions for young workers (older than 16) (read more on page 32).

As part of this work, and in line with the UN Global Compact to combat corruption, we undertook advance training on corruption and bribery in the company during the fiscal year.

## Training

More intensive training programmes were conducted to provide basic CSR training for all company employees. Training creates a shared platform in the company, describes the various components that make up Clas Ohlson's work, and how each individual can attain the company's sustainability goals.

Our purchasing office undergoes regular training in CSR and our work in the supply chain, and purchasers participate in audits every year, thus enhancing their knowledge and experience of the process and insight into how they as purchasers can contribute to improvements.

During the year, Clas Ohlson's auditors underwent external environmental training, an introductory course on the CSR SA8000 standard, along with seminars and labour legislation. Training programmes were also conducted in factories to raise insight into various production processes, carbon emissions and greater awareness of special requirements and conditions for young workers (older than 16).

Each year, we arrange training courses in Hong Kong, Taipei and Shanghai for agents relating to our CSR programmes and monitoring of the supplier chain. Our agents, who assist with direct purchasing in Asia, also participate in audits to acquire more knowledge about the work involved in monitoring, verifying and supporting manufacturers.

## External information

Clas Ohlson's sustainability report, which is part of the annual report, is the basis of our external CSR reporting and is prepared in accordance with the Global Reporting Initiative (GRI), which makes it easier for others to monitor our work. Clas Ohlson's stakeholders can receive more information on our website, where we have also published a number of case studies with examples of our work on social, environmental and other sustainability issues. We report our CSR efforts to the UN Global Compact and CDP (Carbon Disclosure Project).

## Our tools and processes

### The Code of Conduct

The basis for our work on monitoring and improving work in our supply chain is our Code of Conduct. Clas Ohlson's Code of Conduct contains the demands we make on ourselves, and on our suppliers and manufacturers in relation to working conditions, the work environment, ethics and environmental impact.

We refer to international conventions and national laws and regulations. The requirements of the Code are based on the UN Declaration on Human Rights and Rights of the Child, and the ILO core conventions.

The Code is based on the OECD guidelines for multinational companies and also complies with the ten principles in the UN Global Compact in the areas of human rights, labour standards, the environment and anti-corruption.

Our demands in the Code include:

- We do not tolerate child labour or forced labour.
- Employees must not be discriminated against on the grounds of personal characteristics or beliefs.
- Workers' health and safety must be prioritised in the workplace, for example that proper protection is used, and equipment and buildings are safe.
- Hazardous substances and waste must be handled safely.
- Employees must have acceptable working conditions, particularly in regard to wages and working hours.

The Code is available in Swedish, Norwegian, Finnish, English, Mandarin, Vietnamese, Korean and Japanese and has been published in its entirety on Clas Ohlson's website (<http://about.clasohlson.com/en>).

### Demands on suppliers and manufacturers

All of our suppliers and manufacturers must sign our Code of Conduct. The suppliers, in turn, are responsible for ensuring that their sub-contractors and manufacturers comply with our Code. Suppliers and manufacturers that are unable or unwilling to sign our Code or comply with our

demands are not permitted to cooperate with Clas Ohlson.

Since the introduction of our Code of Conduct, a number of suppliers have chosen not to sign the Code or not qualified to be one of our partners for a range of reasons. If our partners do not give us access to audits or are unwilling to work with improvements, despite discussions and attempts, we terminate our partnership with them (read more on pages 33-34).

Manufacturers with a committed management and effective management system for monitoring, control and document management are in general best at meeting the demands of the Code of Conduct.

### Assessment and control of new factories

Before Clas Ohlson purchases products directly from a new supplier or manufacturer in Asia, a representative from the company visits the factory to make an initial assessment of various CSR aspects based on our requirements. The factory must also sign our Code of Conduct.

To identify any deficiencies, we also work with self-assessments where the manufacturer completes a comprehensive questionnaire about conditions in the factory

Targets	What we wanted to achieve 2011/12	What we achieved 2011/12	What we want to achieve 2012/13
<ul style="list-style-type: none"> <li>• Intensify our efforts in assessing, controlling and working to improve conditions for people and the environment, among our suppliers and manufacturers.</li> </ul>	<ul style="list-style-type: none"> <li>• Active work to increase cooperation with other organisations and companies in relation to harmonised tools and methods for monitoring the Code of Conduct.</li> <li>• Increase the number of external audits to make more verifications in addition to our own.</li> <li>• Increase proportion of unannounced (window) audits to acquire some idea of normal conditions for our manufacturers.</li> <li>• Deeper audits in the manufacturing area where the risk for deviations are assessed greatest.</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in the CSR Asia organisation, leading to cooperation with other retail companies active in the region.</li> <li>• We increased the number of auditors, both initially and subsequently, and raised the proportion of external auditors to control the quality of our own work.</li> <li>• We increased the proportion of unannounced (window) audits as an effective supplement in auditing activities.</li> <li>• Advanced cooperation with key manufacturers and aimed at reducing the number of manufacturers.</li> </ul>	<ul style="list-style-type: none"> <li>• Greater focus on environmental issues in CSR programmes.</li> <li>• Deeper cooperation with key manufacturers and suppliers at the "Excellent Yellow" level to raise and reward manufacturers for their CSR work.</li> <li>• Increased efforts to support manufacturers' CSR programmes vis-à-vis sub-suppliers.</li> </ul>
<ul style="list-style-type: none"> <li>• Expand our work with information and training at our manufacturers.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase the number of training sessions for factories.</li> <li>• Advanced training for our largest and the most important manufacturers.</li> </ul>	<ul style="list-style-type: none"> <li>• Our auditors supplied information for factory managers in the areas of health and safety, human resources and environment.</li> </ul>	<ul style="list-style-type: none"> <li>• Continuing training programmes for new and existing manufacturers.</li> </ul>
<ul style="list-style-type: none"> <li>• Continuous training of our CSR auditors.</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous training.</li> </ul>	<ul style="list-style-type: none"> <li>• Production process training in factories.</li> <li>• External environmental training, covering such areas as training in respect of current emissions of carbon dioxide, environmental management systems, and chemicals.</li> <li>• Introduction to SA8000 and "Young workers' special needs and rights".</li> </ul>	<ul style="list-style-type: none"> <li>• Continual further training for our CSR auditors.</li> <li>• Enhanced competence in the environmental area.</li> </ul>
<ul style="list-style-type: none"> <li>• Cooperation with other companies and organizations in order to influence and continue improving.</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperate with more companies and organisations.</li> <li>• Study various initiatives aimed at harmonising the company's CSR programmes.</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in CSR Asia.</li> <li>• Cooperation with Save the Children in China (CCR CSR).</li> <li>• Participation in various research studies in the CSR area at Lund University, for example.</li> </ul>	<ul style="list-style-type: none"> <li>• Assess the potential to cooperate with other companies and organisations in respect of audits to gain greater effect and increased potential to exert influence.</li> <li>• Greater dialogue with stakeholders in the countries in which we are active.</li> <li>• Deeper, long-term cooperation with Save the Children.</li> </ul>
<ul style="list-style-type: none"> <li>• Improved communication both internally and externally.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased internal and external communications.</li> <li>• Further development of our dialogue with stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased CSR information on Clas Ohlson's website.</li> <li>• CSR training for all personnel (May/June 2012).</li> <li>• Participation in the Sustainable Brands Image Survey – awarded the "Best in the Industry, 2012" distinction.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased communication about CSR via all channels; stores, e-commerce, catalogue, telephone and marketing.</li> <li>• Enhanced cooperation with Save the Children and campaigns to offer children in Nepal the opportunity to attend school.</li> <li>• Continual CSR information to our employees via our internal information channels.</li> </ul>

in regard to the work environment, working conditions and the environment (based on the requirements of our Code of Conduct). The most comprehensive control is carried out during audits, when our own or external auditors inspect the manufacturing facility, interview the employees and verify various documents. Clas Ohlson bears the costs of these audits (an audit is described on page 35).

The demands in the Code are based on:

- UN Convention on Human Rights.
- UN Convention on 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).

### Preventive work

Some manufacturers have very little initial knowledge about our demands and regulations or how they can proceed. During the audits, our auditors inform manufacturers of our requirements and the areas that must be improved. We produced training materials in the areas of health and safety, human resources, and the environment to support manufacturers in their efforts to improve operations. We conducted training programmes at 120 factories during the year.

Although Clas Ohlson is often a small customer for our suppliers, most of them react positively to being audited and are prepared to improve any deficiencies. However, we do meet manufacturers that for various reasons are not prepared to provide us with access for our audits or are not interested in working with the improvements that are required within the given timeframes. If we cannot convince them to change their position, despite attempts and discussions, we terminate our partnership with them.

### Recurring audits

We conduct recurring audits of our active manufacturers, who are reviewed at least every second year.

We conducted 617 audits during the financial year, both initial and recurring. Our own auditors conducted 591 audits, while 26 external audits were carried out by independent audit firms specialised in social responsibility and human rights.

An audit normally takes 1-2 days, depending on the size of the factory and the number of employees. The auditors inspect the factory's premises, interview employees and verify documents. The audit is documented in a report. If we discover non-compliance with our Code, an action plan is prepared with information about actions that must be taken by the factory within a given timeframe (read more under "The CSR audit process" on page 35).

### Assessment of the CSR level

Our manufacturers' CSR levels are assessed according to a range of colours:

- Green** – Meets the requirements of our Code of Conduct
- Yellow** – Identified non-compliance with the Code
- Orange** – Identified high-risk non-compliance with the Code
- Red** – Identified zero-tolerance non-compliance with the Code



### Remarks and improvements

In our audits, most remarks are made regarding health and safety, such as deficiencies in the use of protective equipment, evacuation and fire protection, and wages and working hours, such as excessive overtime or lack of access to social insurance.

During the year, most improvements took place in health and safety. General improvements in relation to wages and working hours take longer to achieve. This issue is complex and requires a long-term process in which both the purchasers and the manufacturers of goods in Asia, in consultation with authorities and NGOs, have to work together to find sustainable solutions.

Since many manufacturers have a colour code yellow in terms of the CSR level, with various deviations, in the future we plan to work to raise the manufacturer's level towards green, that is, without any deviations, in order to target and deepen cooperation with strategically important manufacturers who report a positive development of their CSR programmes.

### GRI (Global Reporting Initiative)

In 2009, Clas Ohlson introduced GRI – the global reporting standard for sustainability activities – which made it easier for people to monitor our sustainability efforts. The introduction of GRI has also created value for Clas Ohlson by providing a framework with well-defined performance indicators, which can be used to set targets and monitor results in selected areas.

### Reporting deviations and actions taken

A number of selected performance indicators in the human rights area can be found in the tables on page 34.

### Non-discrimination

Audits conducted during the year identified one case of discrimination and noted five remarks regarding the absence of policies against discrimination. The most common form of discrimination is that recruitment



**Radio ear defenders.** Listen to music while you work.  
40-8308

advertisements impose demands in terms of age and/or gender regarding candidates. Clas Ohlson has demanded the introduction of a non-discrimination policy and that the advertisements be changed.

### Freedom of association and collective bargaining

We identified 17 cases of restricted freedom of association and the right to collective bargaining. We have demanded that suppliers introduce systems that eliminate these obstacles.

In general, freedom of association is a major problem in Asia and represents a large and important area of development that requires collaboration between manufacturers, purchasing companies, NGOs and government agencies.

### Child labour (under 16 years)

We identified twelve cases of child labour in our audits during the year. In each case discovered in our audits in China, the workers were 15 years old (workers must be at least 16 years to start working in China). When we discover under-age workers, we work together with the child/parents and the factory to try and find the best solution for the child.

In a further 36 cases, factories did not have satisfactory ID documentation to verify the age of employees (with no suspicion of child labour at the time of the audit) and in 5 cases, factories did not have a child labour policy. In these cases, Clas Ohlson demanded that the companies introduce child labour policies and procedures to maintain records of identification documents.

### Forced labour

We did not identify any cases of risk of forced labour during the financial year. Previously identified cases in this area have pertained to wages or to workers' identification documents being confiscated by the manufacturer. Clas Ohlson demanded that these activities cease immediately and that the factory concerned introduce policies and procedures to prevent forced labour.

### Status per active manufacturers 30 April 2012

Status	Green	Yellow	Orange	Red
Per cent proportion	7%	90%	3%	0%

### Status after completed CSR audits per financial year

Year	06/07	07/08	08/09	09/10	10/11	11/12
Green			14	11	4	11
Yellow	4	24	296	332	300	438
Orange				50	82	109
Red		14	49	51	40	59
Total	4	38	359	444	426	617

### Non-compliance based on GRI indicators after completed audits:

GRI indicators	2007/08	2008/09	2009/10	2010/11	2011/12	Total
HR4K Non-discrimination		16	15	20	6	57
HR5K Freedom of association and the right to collective bargaining	1	29	9	7	17	63
HR6K Child labour	1	1	1	6	12	21
HR7K Forced labour		5	2	0	0	7

### Glossary and definitions

#### CSR (Corporate Social Responsibility)

CSR entails that companies, on their own initiative, demonstrate active commitment and responsibility in terms of social development. The term encompasses companies' social responsibility, environmental responsibility and HR policies.

#### Code of Conduct

A Code of Conduct includes 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 may also pertain to the production carried out by suppliers and manufacturers. By applying a Code of Conduct, companies aim to ensure that products are manufactured under satisfactory working conditions.

#### GRI (Global Reporting Initiative)

Global reporting standard for sustainability programmes. Introduced in 2009 at Clas Ohlson.

#### Suppliers

Companies with whom we place orders.

#### Manufacturers (factories)

Companies that manufacture our products.

#### Agents

Suppliers in Asia with whom we have a long-standing relationship and who purchase products from other suppliers and manufacturers in Asia.

**Read more:** The complete Code of Conduct and further information about Clas Ohlson's efforts to promote human rights is also available on the website at <http://about.clasohlson.com/en>.



## The CSR audit process

At Clas Ohlson's office in Shanghai and Shenzhen, six auditors are employed to check conditions in factories. Clas Ohlson performs internal audits using its own auditors and external audits through independent organisations.

An audit comprises the following components

- An audit is initiated when our auditors convene an opening meeting with the owner of the factory or a senior official. During this meeting, we provide information about Clas Ohlson, describe the audit process and the agenda for the day, the auditor collects information about the factory and reviews the documents that the factory must produce for review.
- This is followed by a visual inspection of the factory and its premises, including canteens and any housing.

Some of the items we check are:

### - Health and safety

- Fire safety (including fire equipment, escape routes, emergency exits, fire drills)
- Protective equipment for workers, including protective gloves, ear-plugs
- Ventilation, noise and light
- Drinking water
- Toilets
- Canteen and kitchen (including hygiene and certificates)
- First aid equipment
- Electric wires and cables
- Machinery equipped with safety devices

### - If the factory provides housing for the workers

- Number of people per room
- Personal space
- Toilets
- Gender-separated rooms
- Fire safety (including fire equipment, escape routes, emergency exits)
- Ventilation and light
- Hygiene and safety

### - Documents for production and other properties

- Certificates and permits
- Policies
- Attendance lists
- The practise of fines or other disciplinary actions

### - Child labour

- Pay attention to and check for young workers

### - The environment

- Report the factory's environmental impact and risks
- Relevant documents and certificates
- Hazardous substances and waste are marked and handled safely
- Access to MSDS (Materials Safety Data Sheet)
- Training and medical examinations for people who work with hazardous substances
- Recycling management
- Water purification, air purification



- Documents are verified in the next phase, including payrolls, time sheets, ID documents, employment contracts and various types of certificates and permits.
- Employees at the factory are then interviewed. The interviews are voluntary and confidential, as protection of individual workers is important.
- The visit is concluded with a closing meeting where the factory management is informed of the audit findings. If non-compliances have appeared, we discuss the improvements that must be made and the timeframe for their implementation.
- Another inspection is carried out later to ensure that the factory complies with the audit's improvement requirements. This inspection is conducted by either Clas Ohlson's own representatives or an independent organisation. We also reserve the right to make both announced and unannounced audits of our manufacturers. Clas Ohlson bears the costs of the audits.

# Clas Ohlson's values and employees

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

Clas Ohlson is continuing to expand at a rapid pace. The number of employees in our markets is steadily increasing.

With the purpose of safeguarding expertise for future growth and expansion, we place great importance on attracting and retaining the industry's best employees.

Key success criteria in this work include providing access to internal career opportunities, continuous skills development, market-based salaries, and health and diversity programmes.

## An eventful year

The following events, measures, and activities provide a brief summary of our HR and training programmes during the 2011/12 financial year.

- Continuing focus on skills development in entrepreneurship.
- Launch of our new leadership-training programme for executives, other key personnel and potential managers.
- Continuing organisational development and manning optimisation to provide quality customer service, combined with high efficiency.
- Our first group of trainees completed the programme and took up positions in goods supply, purchasing and operational development. Three of the new trainees

were recruited in autumn 2011, and a new trainee program commenced in autumn 2012.

- Follow up of the results and action plans on the basis of the Employee Satisfaction Index, (ESI) 2011.
- Continuing anchoring of our value base, with the objective that all employees are familiar with our corporate history and culture and contribute to fostering and developing the Clas Ohlson spirit.

## Proud employees

On 30 April 2012, the number of employees in the Group was 3,920. Of these, 52 per cent were full-time employees. The effect of our manning optimisation policy is that we had fewer employees in the past year compared with the preceding year. One positive effect of this strategic planning is that we can offer part-time employees a higher level of employment, which is also aimed at ensuring competence and service for our customers.

Over the course of the year, more than a thousand employees participated in some form of training programme in Insjön.

Our second Group-wide employee survey was finalised when the UK completed its survey during autumn 2011. The survey was conducted earlier during the year in Sweden, Norway, Finland and China. Overall, 85 per cent (84 per cent 2010/11) of our workforce responded to the questionnaire, which is a high participation rate.

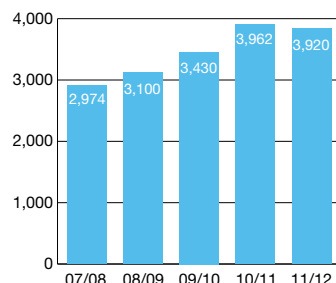
The ESI (Employee Satisfaction Index) for the Group was 74 per cent (unchanged from 2010/11), which, by external comparison, rates well vis-à-vis against other companies.

## Considerable confidence

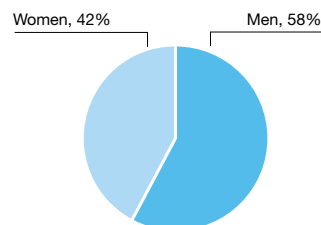
The employee survey offers an excellent basis for our efforts to attract, satisfy, stimulate and motivate employees as well as to how we can develop leadership in the company.

Among other points, the survey indicated that most

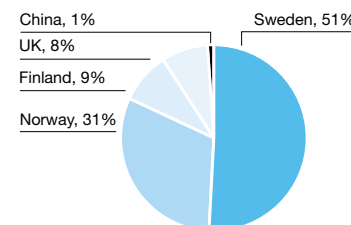
Total number of employees



Number of employees, men/women



Employees per country



Total	Store	Store managers	Salaried employees	Other managers	Ware-house	Women	Men	Total
Total number of training hours	43,541	6,484	4,221	5,900	2,557	26,723	35,980	62,703
Average per employee	15	32	6	3	6	16	16	16





## Focus on spare parts – Clas Ohlson likes wear but not waste!

A well-kept secret is that Clas Ohlson has a vast range of spare parts – comprising more than 9,000 articles – that can extend the service life of various products. The stock ranges from clock parts to drive belts and coffee pots.

To date, only a minor share of our customers have been aware that we offer spare parts and our own workshop to which they can turn for help in repairing products.

“Many customers are positively surprised when they hear that we offer spare parts and workshop services and can extend the life of a favourite product – ranging from machinery, tools and electronics to household products, multimedia and leisure products. This is an issue of service and sustainability, or, in other words, economising with resources and not dumping things unnecessarily,” says Sven-Åke Östberg, Customer Service Manager at Clas Ohlson.

A key aspect of Clas Ohlson’s new e-commerce venture is the potential to display the extensive range of spare parts accompanying the various products. Using this channel, customers can also search for spare parts for products that are no longer included in the product range – a feature that is much appreciated, especially in the case of more costly machinery and tools. And in terms of support, there is considerable expertise available at Clas Ohlson, with 25 service engineers active in various specialist areas, namely, electrical and clock parts, machinery and tools, multimedia, home and household, as well as leisure and toys.

Being able to offer spare parts and workshop services is a key feature of our service, but is also crucial in being able to contribute to sustainable development in the form of more wear and less waste.

Our aim is to always guide our customers to the right product with the right quality ambition to solve the particular task. A more basic, low-cost product can function perfectly for many years when used for simple tasks, though not too often. However, in the case of professional users who use a product every day for difficult tasks, a more advanced and frequently more costly product is required that can cope with more demanding use.

employees are proud to work at Clas Ohlson and feel involved in the decisions made. Confidence in managers and executive management is strong, and our efforts to promote diversity, equal treatment and equality are rated highly. Our challenges are linked with our growth, which requires continuing care and development in regard to our status as an attractive employer with a focus on core values, leadership, and clear feedback on employee performance and salary.

During the year, measures based on the results of previous employee surveys were introduced. Employee participation in action programme planning provides clearer target formulation and superior precision, as well as greater involvement in the implementation phase.

### Diversity enriches

We firmly believe that good results, satisfaction, commitment and teamwork are attained through diversity. Consequently, we strive to achieve an even distribution of staff with varied experiences and backgrounds.

The Group's gender equality policy underlies our diversity programmes. The objective is that neither gender will account for less than 40 per cent in any professional category. This is achieved through strategic competence development combined with the prioritisation of an even gender distribution in connection with recruitment.

During the 2011/12 financial year 42 per cent of the company's employees were women (41 per cent 2010/11). The proportion of women in senior management was 20 per cent as of May 2011 (13 per cent in 2010/11). Twenty-five per cent of our management team, including country managers and senior executives, are women (18 per cent in 2010/11). A large number of our store employees are younger than 30 years, which is natural since many of them are students who work part-time in the store during evenings and weekends.

### Skills development with a business focus

The Clas Ohlson Academy in Insjön is responsible for Group-wide training, including obligatory and voluntary training courses, covering all countries and all occupational categories. The objective is to assure the company's regeneration and growth by ensuring that employees have

the appropriate skills for their working tasks and that the organisation can give its customers an optimal product offering and service. During the year, 2,500 employees received some training in a classroom format or via video conferencing and e-learning.

In autumn 2011, a new learning portal was opened on Clas Ohlson's intranet. Via the portal, employees can conduct occupationally tailored interactive training courses in a simple and cost-effective manner, with minimal environmental impact and administration. The training assessments conducted to date have been positive.

### Competitive salaries

Clas Ohlson's pay policy is to offer a competitive total remuneration package. The fixed salary shall constitute the basis for total remuneration. The salary must be comparable to the relevant market and reflect the scope of responsibility that the work entails. The fixed salary shall be reviewed annually to ensure a market-based and competitive fixed salary.

In addition to a fixed salary, all employees – regardless of their professional role – receive some form of performance-based variable salary as well as a keep-fit allowance and staff discounts.

### Preventive healthcare programmes

Clas Ohlson offers a good work environment, where employees are satisfied, enjoy a sense of security and belonging, and physical and mental well-being at work.

Our annual employee survey shows that the work environment is good and that job satisfaction high, which, in turn, is reflected in low employee turnover in relation to the industry, a total of 18.4 per cent (including part-time employees), and low sickness absence figures. During the 2011/12 financial year, the total sickness absence amounted to 5.0 per cent. Of the total sickness absence, 2.1 percentage points of absence exceeded 14 days.

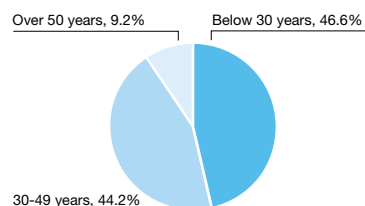
### Our shared core values

Clas Ohlson has a resilient corporate culture, a special corporate spirit and core values in which caring for employees and customers has always been a natural feature.

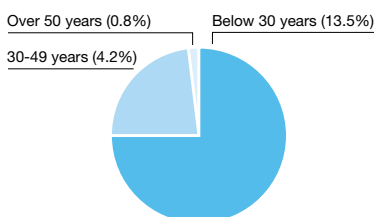
## A young organisation

A large proportion of our employees are younger than 30 years, which is natural since many of our store employees work part time. Students often work evenings and weekends in one of Clas Ohlson's stores.

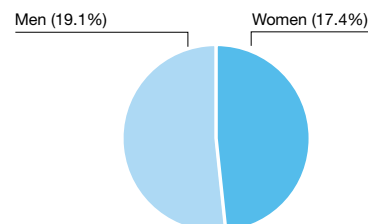
Age breakdown, Clas Ohlson Group



Employee turnover\*



Employee turnover, men/women\*



\* Current statistics (according to GRI) also include part-time employees



## New learning portal offers inspiration and know-how

Kim Andersson at Clas Ohlson's Triangle store in Malmö completed the "Advanced personal sales" course using the new learning portal.

"The course was excellent. It provided numerous suggestions as to how deal with customers in various situations," Kim comments enthusiastically.

The interactive training course, which is done from home, is based on animated customer situations that store personnel may encounter.

"This creates a link to reality, which makes it easier to remember compared with a lot of text and theory. I've already experienced lots of situations in the store that I have been able to handle thanks to the course."

The course extends over a total of 1.5 hours, and is split up into lesson sessions of 10 – 15 minutes. Participants can decide whether to do it all in one go or on several occasions.

"It's great being able to study at home in peace and quiet, instead of having to go to a store or a course centre. In my case, it worked best doing the entire course over a single evening but everybody has different times and possibilities," Kim concludes.

Salesmanship is at the centre of our core values. This means that we always seek to pursue business and always conduct it with the customer in mind. Our core values are also marked by drive, warmth, commitment and innovation.

### Drive

For Clas Ohlson, drive is the enjoyment, willingness and ability to make things happen. We find solutions to everyday problems, no matter how large or small, and turn words into action.

### Warmth

For Clas Ohlson, warmth is the friendliness, care and service-mindedness we display in all customer interaction, in meetings with each other within the company, and in our relationships with suppliers.

### Commitment

For Clas Ohlson, commitment means that each individual takes personal responsibility. Regardless of our role or area

of responsibility, everyone is equally important in attaining our common goals.

### Innovation

For Clas Ohlson, innovation means being creative, innovative and curious. We are always seeking new opportunities, products and solutions, while also feeling proud of our history.

Core values are at the heart of the Clas Ohlson brand. They provide a compass for the efforts of the entire Group and are the guiding principles for how we communicate with our customers. As the Group grows, it is important to remain clear and forceful. Core value programmes are essential in giving employees and customers in Sweden, Norway, Finland, UK and China a shared image and perception of Clas Ohlson.

Number of employees*	Sweden	Norway	Finland	UK	China	Total
Stores	1,199	1,134	278	267	-	2,878
Distribution centre	333	-	-	-	-	333
Salaried employees	472	107	49	34	47	709
Total	2,004	1,241	327	301	47	3,920
- of whom women, %	42	38	41	54	60	42
- of whom permanent employees, %	90	86	97	88	4	88
- of whom full-time, %	60	44	47	34	100	52

Average period of employment in the company, year*	Sweden	Norway	Finland	UK	China	Total
Salaried employees	6.7	7.7	5.0	1.8	3.5	6.5
Stores/distribution centre	7.1	4.0	2.0	1.6	-	5.0

Average sickness absence, %	Sweden	Norway	Finland	UK	China	Total
Total sickness absence	4.9	6.8	3.1	1.7	0.0	5.0
- long-term sick leave	1.9	3.5	0.4	0.3	0.0	2.1
- women	6.0	9.2	3.9	2.3	0.0	6.3
- men	4.0	5.3	2.5	1.1	0.0	4.0

\*April 30 2012

# Our responsibility for the environment

Clas Ohlson purchases products from approximately 600 suppliers in 30 countries. The products are transported by sea, air, road and rail to the distribution centre in Insjön in Dalarna, where they are stored and sorted for onward distribution to our stores in Sweden, Norway, Finland and the UK, and to mail order/Internet customers. The goods are mainly transported by road, but transport by sea and rail is increasing by the year.

We work actively to achieve our environmental objectives, and continuously improving the company's environmental performance is a priority. Clas Ohlson's environmental policy states that the environmental perspective must underpin all important decisions, in order to create long-term value for our customers, employees, shareholders and society at large.

This entails a lifecycle perspective that spans the entire chain, from choice of suppliers, manufacturing methods and transport modes to product materials, use, energy consumption and waste management

## Key events during the year

- The development of our in-store lighting system continues. New lighting sources mean that the installed electricity output has fallen from 35 to 15 W/m<sup>2</sup>,

representing an efficiency enhancement of 57 per cent compared with the older lighting system.

- Increased height on goods pallets from the Distribution Centre to the stores. Following an ergonomic risk analysis, the filling height pallet was raised by 20 cm. This permitted pallets to carry more goods, thereby reducing greenhouse gas emissions and transport costs.
- New model for the assessment of chemical risks in goods. Since spring 2011, Clas Ohlson has applied a new method to steer requirements, sampling and the monitoring of requirements in purchasing operations.

## Environmental work in a wider context

Our greatest challenge, from a risk and cost perspective, is our dependence on fossil fuels and their climate impact, particularly in regard to freight.

In addition to the threat of a shortage of oil in the longer term, current climate-policy efforts at government level could result in higher taxes and charges.

The impact of logistics on the climate is one of two prioritised areas in our environmental work. In partnership with the transport companies we engage, we are seeking solutions to reduce our carbon dioxide emissions.

Climate change also shifts the focus to energy consumption in society. The EU issues directives (such as ErP) in order to promote the design and development of products with higher energy efficiency.

As a step in this transition process, our product range and product information is continuously developed to help our customers reduce their own electricity consumption, thus benefiting both the environment and the economy.

Environmental goals	Outcome 2011	Analysis	Goal 2012	Activities
<b>Sea freight</b> -5% CO <sub>2</sub> /tkm (vs. 2007)	+8.6% (4.02 vs. 3.70)	Lower loading factor for container.	3.52	
<b>Road</b> -10% CO <sub>2</sub> /tkm (vs. 2007)	-2.9% (50.4 vs. 51.9)	Higher loading factor does not impact the measuring method.	46.7	Increased height for pallet loads forwarded from Distribution Centre.
<b>Train</b> +10% of the proportion of land transport (vs. 2007)	+20.5% (19.4 vs. 16.1)	Intermodal transport to stores in the UK results in a higher proportion. The goal for 2012 has been achieved.	17.7	
<b>Air</b> -10% lower share (vs. 2007)	-35% (0.0615 vs. 0.094)	The proportion of airfreight is at a reasonable level. The goal for 2012 was attained.	0.085	
<b>Business travel</b> -20% CO <sub>2</sub> /km (vs. 2007)	-13% (108.1 vs. 124.3)	Compared with 2010, the proportion of rail, air and road increased.	99.4	Max. 150 g CO <sub>2</sub> /km for new company.
<b>Consumption of operating electricity at the DC in Insjön</b> -25% kWh/pallet (vs. 2007)	-15% (20.2 vs. 23.8)	Continuing decline, despite the fact that higher loads on pallets have the opposite effect.	17.1	Optimisation of operating periods, goods flows, cooling and ventilation.

The Energy-related Products Directive (ErP 2009/125/EC). The Ecodesign Directive means that the product must offer a certain energy efficiency and resource efficiency in order to be used in the EU. The ecodesign regulation takes the form of EU stipulations with specifications for various product groups. The regulations apply in all EU countries and the requirements apply from the date stated in the document.

Explanation for the table: **CO<sub>2</sub>/tkm** = CO<sub>2</sub> emissions per tonne/kilometre. **Intermodality**, means that a freight unit, such as a container, is freighted with several different modes of transport, such as train, boat or truck. **DC** = Distribution Centre.

The EU's REACH regulation has led to a greater focus on the chemical substances that products could possibly contain. For our part, this entails clearer and more efficient procedures for specifying requirements and communicating with our suppliers. We use a risk assessment model for this work, which basically means that we classify products according to supplier category, brand, area of application and user group. We then adapt our demands on suppliers and products according to the risk classification.

### Organisation and responsibility

Environmental efforts are a feature of Clas Ohlson's sustainability work and are coordinated in a CSR forum. The forum formulates targets and strategies, and plans and monitors sustainability efforts. Each function manager is then responsible for measures relative to the environmental impact of his/her own activity. Read more about Clas Ohlson's CSR forum on page 27.

### Freight and business travel

Our overall environmental objectives entail that carbon dioxide emissions per tonne/kilometre for freight and person/kilometre for business travel must be reduced by 30 per cent by 2020, compared with the base year of 2007. The reduction applies to the total performance indicators for current transport modes.

About 85 per cent of goods arriving from Asia to Gothenburg by sea are transported by rail to the terminal at Insjön. The Purchasing Department adapts orders to fully fill entire containers, which provides the optimal load factor. Goods from Swedish and European suppliers are coordinated in several locations for onward transport by road.

Transport from the distribution centre to stores and customers mainly goes by road, but the proportion of the flow of goods that is transported by rail and sea increased from 16.4 per cent (2010/11) to 18.3 per cent (2011/12). Since July 2011, the height of pallets dispatched from the distribution centre has been increased by 20 cm, which

results in reduced costs and reduced environmental impact. The performance indicator for climate impact in conjunction with business travel by road, air and rail increased by 8 per cent, from 100 till 108 g CO<sub>2</sub>/ km. The underlying factor is a decrease in rail travel and higher road and air travel.

### Results

Clas Ohlson's total carbon dioxide emissions for goods transport decreased from 16,289 tonnes (2010/11) till 15,349 tonnes (2011/12). A higher level of sea and rail transport is the primary factor. Emissions per tonne/kilometre increased – from 5.5 (2010/11) to 6.0 grams per tonne/kilometre (2011/12), primarily due to the loading factor for sea transport from Asia.

### Product responsibility

#### Overall environmental goals

The products we sell must have properties that meet or exceed market expectations in regard to material characteristics, energy consumption, safety and quality. Product ranges and information is to be developed to help our customers reduce their own environmental impact.

#### Chemical risk substances

The number of chemical substances covered by the EU REACH regulation is rapidly increasing. Clas Ohlson has worked extensively in training suppliers as regards legislation and risk assessment of the chemical content of products and packaging. The company has also drawn up a contract with an accredited laboratory in China, through which suppliers can test their products.

#### Phase-out of risk substances

All materials and substances in products with known risks must at least meet the requirements of applicable legislation. Clas Ohlson is phasing out risk substances subject to the REACH regulation by setting a maximum

### Energy consumption\*

	2011	2010	2009
Store premises, kWh electricity/m <sup>2</sup> , year)*	139	150	139
Offices, kWh/m <sup>2</sup> , year, total	142	157	205
Distribution centre, kWh/m <sup>2</sup> , year, total	89	100	83
Distribution centre, kWh/pallet, electricity	20.2	22.6	24.2
Fuel oil Insjön, m <sup>3</sup>	0.8	9.4	19.8

\*Excluding stores in the UK.

### Total electricity consumption (GWh)

	2011	2010	2009
Store premises*	34.0	30.9	24.2
Offices	1.2	1.6	2.2
Distribution centre	4.6	5.1	4.4

### Fossil carbon dioxide (tonnes)

	2011	2010	2009
Freight	15,349	16,289	11,800
Travels	794	514	530
Heating**	11	186	286
Electricity	3,453	2,760	1,079

\*\*Carbon emissions originate from burning of fuel oil. During 2011, 1% of district heating at Insjön was based on fuel oil and 99% on biomass. Of the carbon emissions, 2.0 tonnes comes from own consumption and 9.1 tonnes from district heating production.

The performance indicators show energy consumption in four different areas: electricity consumption in stores, electricity consumption, district heating and oil consumption at the head office and distribution centre, and electricity consumption per delivered pallet.

### Carbon dioxide emissions from transport and travel

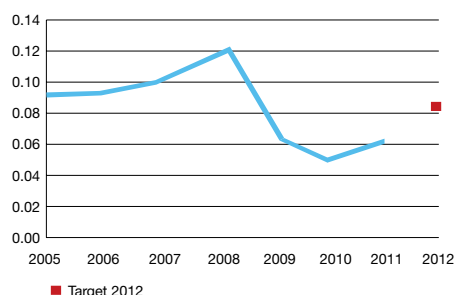
#### Transport gram CO<sub>2</sub> per tonne/kilometre

	2011	2010	2009
Outgoing freight	46.6	47.7	50.1
Incoming freight - Europe	17.1	22.5	18.9
Incoming freight - Asia	4.29	3.76	4.19

#### Business travel gram CO<sub>2</sub> per person/kilometre

	2011	2010	2009
Mean value road,air, rail	108	100	108

### Proportion of air freight (%) of total goods flow



limit of 0.1 weight per cent. We have identified additional substances for textiles and leather products beyond legal requirements, which we minimise in our products. Clas Ohlson also has more stringent requirements than the legal limit values for materials that come in contact with skin and those used by children. The REACH regulation includes a requirement that consumers must be informed of the content of hazardous chemicals in goods within 45 days of a request. We have elected to provide information that accompanies the product when we feel that a particular product may contain a hazardous chemical. However, the requirement that we set for suppliers is that products must not include any hazardous chemicals.

## Energy efficiency

The Ecodesign Directive and Energy Labelling Directive are key tools in the EU's efforts to attain a 20 per cent reduction in energy consumption by 2020. The directives entail that certain product groups must provide certain energy and resource efficiency if they are to be used within the EU and also that it must be clear for the consumer how energy-efficient the product is.

A substantial share of the products affected by the directives is included in Clas Ohlson's product range. Concrete examples are requirements in terms of reduced standby losses, increased energy efficiency in transformers and the ongoing phase-out of conventional light bulbs.

## Aftermarket service - wear, not waste

Repairing a product rather than dumping it away is a concrete example of sustainability. In addition to the extension of the service life of the product, an environmental benefit is achieved through a reduction in waste. Clas Ohlson has a product range accompanied by thousands of spare parts and its own workshop with service engineers. Our employees' product expertise is appreciated by customers, who are also offered repairs at cost price.

## Energy consumption

### Overall environmental objectives

All energy consumption in our own and leased premises and properties must be documented. Efforts are to be directed toward specified savings targets for the distribution centre, head office and stores. The use of energy from fossil sources in our own operations must be discontinued.

### Distribution Centre

The overall energy consumption at the Distribution Centre declined by some 11 per cent, returning to the 2009 level: 89 kWh per square metre per year. The favourable outcome is the result of the systematic optimisation of ventilation, cooling equipment and automated equipment.

Other performance indicators reinforce the impression of a positive trend. Energy consumption per pallet declined from 22.6 (2010/11) to 20.2 (2011/12) kWh/pallet, despite the higher load per pallet. The number of picking rows increased by 15 per cent, with an unchanged number of outgoing pallets – a definite efficiency enhancement that provides lower emissions and reduced costs.

### Head office

Clas Ohlson's head office at Insjön comprises two buildings totalling 20,000 square metres of floor space. These buildings also house the Insjön store and customer service,

with workshops, spare parts store and so forth. Since December 2009, all sections of the buildings have been connected to bio-based district heating. The performance indicator for the total consumption of electricity, district heating and oil continues to fall.

## Stores

Electricity and energy consumption varies significantly among the different stores. For example, certain stores have escalators and additional electric signage, resulting in higher electricity consumption.

Electricity consumption in our stores points to a welcome trend reversal, with a reduction of 7 per cent, from 150 kWh per square metre per year (2010/11) to 139 (2011/12), excluding the stores in the UK. In the Nordic region, cooling/heating is included in the leasing contract. However, in the UK, all property-related energy is billed separately, which means that electricity consumption in UK stores cannot be compared with that of stores in the Nordic region.

The reduction in electricity consumption results from a keener focus on lighting issues, good cooperation with suppliers and a greater portion of energy-efficient light sources and fittings.

## Waste

The WEEE Directive (Waste Electrical and Electronic Equipment) applies in all countries where we operate and Clas Ohlson accepts producer responsibility through its membership in national waste collection systems in all markets.

For many years, the distribution centre at Insjön has employed efficient systems for sorting waste at source and recycling. Surplus packaging is pressed into large bales that are sold and become raw material for new products. The same applies to various fractions of plastics. Other waste is separated into approximately ten fractions.

## Packaging

In cooperation with our suppliers, we aim to reduce the proportion of environmentally damaging product packaging. This will be accomplished by avoiding the use of plastic packaging or by replacing PVC with PE or PET plastics. As far as possible, packaging size is adapted to match the content in an effort to minimise the amount of packaging materials and reduce our transport volume and, thus, our environmental footprint.

Sales of carrier bags in our stores amount to 8.8 million (2011/12), of which about 13 per cent are paper bags. Other bags are made of polythene (PE). The introduction of sustainable re-usable bags of reinforced PP plastic proved successful, with sales rising sharply from about 80,000 (2010/11) to 198,000 bags (2011/12).

Packaging that is sent to our mail order customers is environmentally friendly due to their content of around 57 per cent recycled fibre and bio-based adhesives. Clas Ohlson accepts its producer responsibility for packaging through membership in national collection and recycling systems in Sweden, Norway, Finland and the UK.

## Printed matter

### Overall environmental objectives

When choosing communication channels, the environmental impact will influence our decisions. We

strive to increase the proportion of online customer and shareholder communications. The production of our printed matter is to take place with technology and materials that are well-documented. Our printed matter must be recyclable as high-quality fibre.

Also, all our direct mail advertising and this annual report are printed on Nordic Ecolabelled paper. The Clas Ohlson Annual Report is distributed only to shareholders who request printed information from the company, leading to a decrease in the number of issues printed by some 70 per cent, thus reducing our environmental impact.

## Legislation and guidelines

Clas Ohlson is mainly impacted by the following EU directives:

- Regulations on the use of substances hazardous to the environment and health in products (REACH, RoHS, legislation applying to materials that come into contact with food products and the Toy Safety Directive).
- Regulations on the products' energy efficiency (ErP).
- Producer responsibility for waste electrical and electronic equipment (WEEE).

### Read more

For further information on our environmental and sustainability programmes, visit our website <http://about.clasohlson.com/en>.

**RoHS:** 2002/95/EC on the Restriction of the Use of certain Hazardous Substances in Electrical and Electronic Equipment.

The RoHS Directive forbids the use of mercury, cadmium, lead, hexavalent chromium and the flame-retardant substances PBB and PBDE in new electrical and electronic products released into the market as of 1 July 2006. The quantity limit is 0.1 per cent by weight (0.01 per cent cadmium by weight) of homogeneous material. RoHS covers the product categories included in WEEE. In Sweden, the Swedish Chemicals Agency is the regulatory body.

**Reach:** 1907/2006/EC Registration, Evaluation, Authorisation and Restriction of Chemicals - The Directive came into effect throughout the EU on 1 June 2007 and REACH regulations will be introduced gradually through 2018. REACH is based on the principle that it is the party that manufactures or introduces a chemical into the market who is responsible for determining the risks associated with the chemical before it is put into use. Chemical manufacturers and users shall prepare data on the

chemicals' properties and assess the risks. A new authorisation procedure will be introduced for chemicals with properties that are seriously hazardous to the environment and health. Particularly hazardous substances are entered in a so-called candidate list.

All manufacturers, importers or sellers of goods on the candidate list containing more than 0.1 per cent by weight of a substance must present this information to their customers to ensure that the product can be handled safely.

**WEEE:** 2002/96/EC on Waste Electrical and Electronic Equipment. The aim is to design and produce electrical and electronic products in a manner that prevents waste. When waste anyway occurs, it is to be collected and reused or recycled in an environmentally sound manner. Manufacturers and importers are to pay for future recycling of products and ensure that collection and environmentally sound recycling is performed. In Sweden, the Swedish Environmental Protection Agency is the regulatory body.

## Clas Ohlson's GRI profile

A complete version is available at <a href="http://about.clasohlson.com/en">http://about.clasohlson.com/en</a> Clas Ohlson reports at C level.		
	Performance indicators	Page
	<b>Financial impact</b>	
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.	58-61
	<b>Environmental impact</b>	
EN3	Direct energy consumption by primary energy source.	41
EN4	Indirect energy consumption by primary energy source.	41
EN16	Total direct and indirect greenhouse gas emissions by weight.	41
EN17	Other relevant indirect greenhouse gas emissions by weight.	41
EN18	Initiatives to reduce greenhouse gas emissions, and reductions achieved.	28, 40, 41, 42
	<b>Social impact</b>	
LA1	Total workforce by employment type, employment terms and region.	39, 73 not 31
LA2	Employee turnover.	38
LA10	Average number training hours per employee and year 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.	38, 76-79
	<b>Human rights</b>	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights, and actions taken.	7, 33
HR4	Number of cases of discrimination and actions taken.	34
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.	34
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	34
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.	34
	<b>Product responsibility</b>	
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.	41, 42



In line with tradition, Clas Ohlson's Annual General Meeting attracts a vast number of visitors to Insjön in Dalarna, Sweden. This highly popular gathering concludes with a lunch buffet for all participants. A much-appreciated feature is the Swedish folk musicians who entertain visitors before the meeting and during the lunch.



# One of Sweden's largest Annual General Meetings

Clas Ohlson B shares are listed on the Nasdaq OMX Nordic Exchange Stockholm 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 corresponds to SEK 13.25.

During the financial year extending from 1 May 2011 to 30 April 2012, the share price rose from SEK 98 to SEK 99, up 1 per cent. The *Affärsvärlden* General Index decreased 10 per cent during the same period. The lowest price paid during the period was SEK 66.50, quoted in November 2011, while the highest price paid was SEK 106.75, recorded in April 2012.

## Share turnover

During the period, 21,560,190 Clas Ohlson shares were traded on the Nasdaq OMX Nordic Exchange Stockholm, equivalent to a turnover rate of 34 per cent. The total turnover rate on the Nasdaq OMX Stockholm during the same period was 95 per cent.

Clas Ohlson's total market capitalization on 30 April 2012 was SEK 6.5 billion.

## Share capital

The share capital of Clas Ohlson totals SEK 82 M, 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

The number of registered shares amounted to 65,600,000, which is unchanged against compared with the preceding year. On 30 April 2012, the company held 1,985,000 shares (1,890,000), corresponding to 3 per cent of the total number of registered shares (3 per cent). The number of shares outstanding, net after repurchase, was 63,615,000 at the end of the financial year.

To safeguard the company's undertaking regarding the conditional matching shares and employee stock options in connection with the long-term incentive programme in 2011 (see page 67), Clas Ohlson bought back 126,520 shares for a total of SEK 11 M at an average price of approximately SEK 88 per share during the first quarter of 2010/11.

## Shareholders

On 30 April 2012, the company had a total of 27,462 shareholders, according to the register of shareholders maintained by Euroclear Sweden, compared with 28,333 on 30 April 2011. The ten largest shareholders at that time held 63 per cent of the capital and 77 per cent of the votes.

Non-Swedish shareholders accounted for 30 per cent of the capital and 38 per cent of the votes. Swedish institutions accounted for 36 per cent of the capital and 20 per cent of the votes. Swedish private individuals accounted for 34 per cent of the capital and 44 per cent of the votes.

## Dividend policy and dividend

Financially, Clas Ohlson is to be positioned to generate continued favourable growth in its operations and to be ready to capitalise on 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 2011/12 financial year, the Board proposes that a dividend of SEK 4.25 per share (3.75) be paid. The Board's proposal is equivalent to about 70 per cent of the Group's profit after tax (68 per cent) and 15 per cent (15) of Group equity.

## Shareholder information

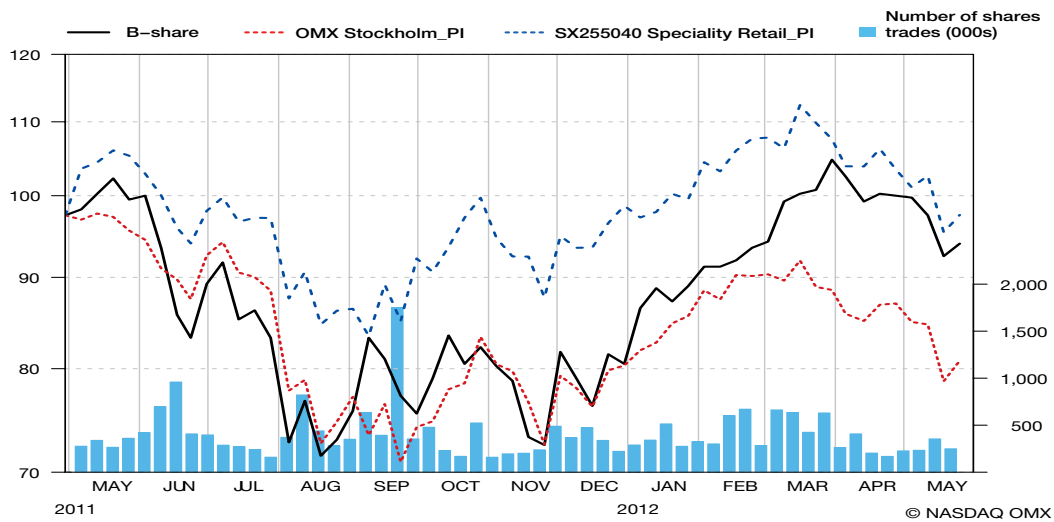
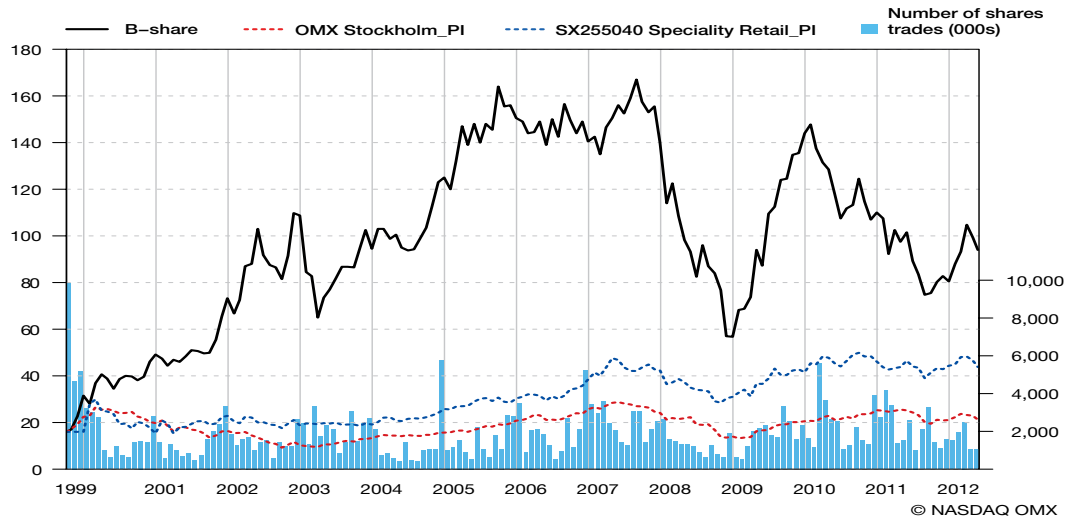
Since Clas Ohlson is intent on keeping the market continuously informed of its sales figures, these figures are reported as often as once a month. The information is issued in a press release mid-way through the following month. Clas Ohlson's financial results are presented four times a year, at the 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 delivered by e-mail or in a printed version by post, depending on preference.

The company's Annual General Meeting is also one of Sweden's most popular AGMs. Read more on page 50.

All financial information regarding Clas Ohlson is presented on the company's website. Press releases and reports appear there immediately after they are published. The website contains all of 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, <http://about.clasohlson.com/en>.

## The Clas Ohlson share



### Data per share<sup>3</sup>

	2011/12	2010/11	2009/10	2008/09	2007/08
Number of shares, millions <sup>2</sup>	63.6	63.8	64.4	65.1	65.6
Earnings per share, SEK	6.29	5.71	6.72	5.62	6.43
Gross cash flow per share, SEK	9.11	8.27	8.86	7.04	7.71
Equity per share, SEK	28.98	26.01	25.61	22.99	22.86
Share price at 30 April, SEK	99	98	128	94	98
Dividend per share, SEK	4.25	3.75	3.75	3.00	5.00
P/E ratio, multiple	16	17	19	17	15
Share price/gross cash flow, multiple	11	12	15	13	13
Price/equity ratio, %	342	375	502	409	430
Dividend yield, %	4.3	3.8	2.9	3.2	5.1
Payout ratio, %	68	66	56	54	78

<sup>1</sup> Proposed dividend.

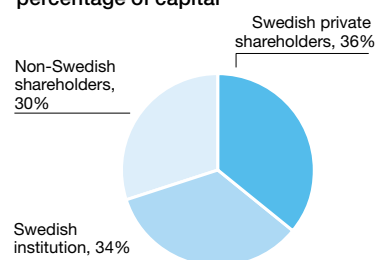
<sup>2</sup> Average number of shares before dilution.

<sup>3</sup> See KPI definitions on page 80.

## 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

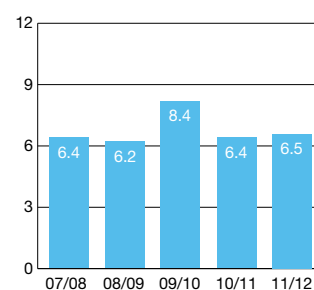
## Shareholder categories, percentage of capital



## The major shareholders\*

Shareholder	Number of A shares	Number of B shares	Percentage of capital	Percentage of votes
Helena Ek Tidstrand	1,368,060	6,179,828	11.5	16.9
Johan Tidstrand	1,368,060	900,000	3.5	12.4
Björn Haid	911,960	4,732,834	8.6	11.8
Peter Haid	911,960	3,785,243	7.2	11.0
Mary Haid	911,960	3,784,933	7.2	11.0
Håkan Thylén	288,000	530,000	1.3	2.9
AFA Försäkring		4,351,930	6.6	3.7
IF Skadeförsäkring		3,114,337	4.8	2.7
Lannebo fonder		2,318,245	3.5	2.0
Handelsbanken Fonder		1,769,367	2.7	1.5
Anders Moberg		1,400,000	2.1	1.1
Other shareholders		26,973,283	41.0	23.0
<b>Total</b>	<b>5,760,000</b>	<b>59,840,000</b>	<b>100.0</b>	<b>100.0</b>

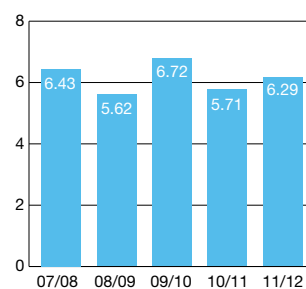
## Market capitalisation, SEK billion



## Shareholder categories\*

Shareholder	Number of A shares	Number of B shares	Percentage of capital	Percentage of votes
Swedish private individuals	3,024,120	19,496,680	34.3	42.4
Swedish institutions		23,495,740	35.8	20.0
Non-Swedish shareholders	2,735,880	16,847,580	29.9	37.6
<b>Total</b>	<b>5,760,000</b>	<b>59,840,000</b>	<b>100.0</b>	<b>100.0</b>

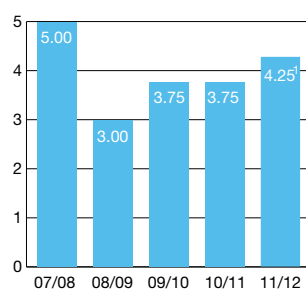
## Earnings per share, SEK



## Shareholding structure\*

Size interval	Number of shares	Percentage	Number of shareholders
1-500	3,325,582	5.1	20,702
501-1000	3,456,385	5.3	4,231
1 001-5 000	4,565,464	7.0	2,128
5 001-10 000	1,577,994	2.4	208
10 001-20 000	1,232,489	1.9	85
20 001-100 000	2,787,357	4.2	63
100 001-500 000	7,592,742	11.6	30
500 001-	41,061,987	62.5	15
<b>Total</b>	<b>65 600 000</b>	<b>100.0</b>	<b>27 462</b>

## Dividend per share, SEK



<sup>1</sup> Proposed dividend

\*at 30 April 2012

# Directors' report

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

The Board of Directors and Chief Executive Officer of Clas Ohlson AB (publ), with registered office and head office in Insjön, in the Municipality of Leksand, hereby present the annual accounts for the financial year 1 May 2011 to 30 April 2012. Unless otherwise stated, the figures relate to the Group. Figures in brackets relate to the preceding year. All figures are stated in millions of Swedish kronor (SEK M) unless otherwise indicated.

## Operation

The operation consists of the sale of products in the Hardware, Home, Multimedia, Electrical and Leisure categories, through the company's own stores and by mail order/Internet. The range is focused on reasonably priced products that are needed in everyday life. The company has operations in Sweden, Norway, Finland and the UK. The number of stores at year-end totalled 157, of which 68 were in Sweden, 56 in Norway, 21 in Finland and 12 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.

## Significant events

Eighteen new stores were opened during the financial year, of which seven in Sweden, six in Norway, four in Finland and one in the UK. To date, Clas Ohlson has established twelve stores in the UK market.

Clas Ohlson continues the establishment of its presence in the UK, but is matching its expansion rate on the basis of the current market. The austerity measures introduced to improve public finances have had an adverse impact on the UK retail market in the form of a reduced scope for consumption and a lack of confidence among UK consumers.

The response from our customers in the UK remains positive and despite the bleaker market climate, the number of visitors to UK stores is higher than the Group average. However, the conversion rate and average purchase in the UK remain lower than the Group average, which is generally the case in conjunction with the penetration of new markets. Clas Ohlson anticipates that it will take time to establish its brand name and position in a completely new market and expects the conversion rate, average purchases and sales revenues to increase gradually in coming years.

## Sales and profits

Sales totalled SEK 6,260 M, a rise of 7 per cent compared with SEK 5,828 M in the preceding year. In local currencies, sales increased 7 per cent. Mail order/Internet

sales totalled SEK 95 M compared with SEK 89 M in the preceding year, representing an increase of 8 per cent.

Sales growth during the financial year was impacted by lower sales in comparable stores.

Sales were distributed as follows:

Sales area (SEK M)	2011/12	2010/11	Percentage change	Percentage change, local currency
<b>Countries</b>				
Sweden	2,929	2,872	+ 2	+ 2
Norway	2,561	2,281	+ 12	+ 11
Finland	517	447	+ 16	+ 18
UK	254	228	+ 11	+ 14
	<b>6,260</b>	<b>5,828</b>	<b>+ 7</b>	<b>+ 7</b>

The 7 per cent increase in sales by stores is broken down as follows:

Comparable stores in local currency	- 3 per cent
New stores	+ 10 per cent
Exchange-rate effects	0 per cent
<b>Total</b>	<b>+ 7 per cent</b>

The gross margin was 42.1 per cent compared with 41.6 per cent in the preceding year. The higher margin is due primarily to positive exchange rate effects (USD), and a higher share of direct purchases via Clas Ohlson's purchasing office.

The share of selling expenses rose 0.3 percentage points to 30.5 per cent (30.2). The increase is due mainly to lower sales in comparable stores, which were partly offset by higher productivity and lower start-up costs.

During the financial year, 18 (19) new stores were opened. Start-up costs for new and remodelled stores, including the scrapping of fittings, amounted to SEK 46 M (89).

Depreciation/amortisation for the year amounted to SEK 179 M, compared with SEK 159 M for the preceding financial year. The increase was due primarily to new stores.

Operating profit amounted to SEK 561 M (507). The operating margin was 9.0 per cent (8.7).

Profit after financial items amounted to SEK 551 M (499). The increase is primarily attributable to a higher gross profit and lower start-up costs. Lower sales in comparable stores were charged to earnings, although their effects were partly reduced through higher productivity.

Spot exchange rates for key currencies averaged SEK 1.17 for NOK and SEK 6.60 for USD, compared with 1.16 and 6.95, respectively, in the preceding financial year. Currency hedging was undertaken for USD and NOK. The company's policy is to hedge 50 per cent of anticipated flows during a catalogue period.

### Prospects for the next financial year

Clas Ohlson's business concept, to offer a broad and attractively priced product range that conveniently solves the little practical problems of everyday life, is highly attractive in established markets. The concept is unique in Europe and has potential to expand in several countries and increase market shares in existing markets.

Clas Ohlson has continued to expand and has noted favourable business growth with healthy profitability in its home markets during the most recent financial year. Over the coming years, establishment in new markets is expected to have a negative effect on Clas Ohlson's operating margin in the range of 2-3 percentage points per financial year. Growth in new markets in Europe will take place in accordance with the long-term financial objectives.

During the 2012/13 financial year, Clas Ohlson plans to establish a total of 15-20 stores. The prospects for establishing new stores in Sweden and Norway continue to be favourable, despite the high-density level. Finnish operations have shown positive growth in recent years and Finland continues to offer substantial growth potential. In the UK, Clas Ohlson sees considerable growth potential in the long term, but is currently balancing its expansion rate on the basis of current market conditions.

The continuing development of Clas Ohlson's product range and sales channels – including the e-commerce platform – offers additional growth potential, both in established and new markets in Europe.

### Financial position

Cash flow from operating activities during the financial year was SEK 965 M (350). The increase is primarily attributable to a positive change in working capital, accompanied by improved stock (inventories) control. Cash flow for the year, after investing and financing operations, amounted to a negative SEK 23 M (positive: 49 M). During the year, the utilisation of credit facilities was reduced by SEK 532 M (in the previous year, these were utilised in the amount of SEK 295 M). In September 2011, a cash dividend of SEK 239 M (239) was distributed to Clas Ohlson's shareholders.

The average value of inventories during the financial year was SEK 1,291 M (1,401).

At the end of the financial year, inventories amounted to SEK 1,229 M (1,429). Compared with the same month a year earlier, 18 new stores were added. The stock (inventory) turnover rate at the central distribution facility increased 6.1 (5.4) during the year.

The company's repurchase of own shares to secure LTI 2011 (long-term incentive programme 2011) amounted to SEK 11 M (62) during the first quarter of the financial year.

The Group's net cash, that is cash and cash equivalents less interest-bearing liabilities, totalled SEK 82 M (net indebtedness of SEK 429 M in the previous year). The equity/assets ratio was 60 per cent (51 per cent).

### Investments

Investments during the 2011/12 financial year amounted SEK 207 M (296), of which new and remodelled stores accounted for SEK 93 M (193). Other investments consisted primarily of IT investments and replacement investments. Investments in e-commerce and IT-related support processes totalled SEK 56 M (34 M) during the year.

### Shares and share capital

Clas Ohlson B shares are listed on the Nasdaq OMX Nordic Exchange Stockholm. The share capital totals SEK 82 M, broken down into 5,760,000 A shares and 59,840,000 B shares, each with a quotient value of 1.25. Each A share carries ten votes, while each B share carries one vote. All shares carry equal rights to payment of dividend. Holders of A shares can request that A shares be converted to B shares. The share capital is unchanged in comparison with the preceding financial year.

On 30 April 2012, there were a total of 27,462 shareholders according to the register of shareholders held by Euroclear Sweden, compared with 28,333 on 30 April 2011. The ten largest shareholders at the same date accounted for 63 per cent of the capital and 78 per cent of the votes. For a list of shareholders, see pages 45-47 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 B shares. Apart from authorisation pertaining to the repurchase of shares stated on page 55, there are no other circumstances of the kinds the company is obliged to disclose under the provisions of Chapter 6, Section 2a (4-11) of the Annual Accounts Act. The number of registered shares amounted to 65,600,000, which is unchanged compared with the preceding year. As of 30 April 2012, the company had 1,985,000 shares (1,890,000) number of registered shares corresponding to 3 per cent (3) of the total number of registered shares. The number of shares outstanding, net after repurchase, amounted to 63,615,000 (63,710,000) at the end of the period.

To secure the company's commitment regarding conditional matching shares and employee stock options in connection with LTI 2011, Clas Ohlson repurchased 126,520 shares during the first quarter of the 2011/12 financial year for a total of SEK 11 M, at an average price of approximately SEK 88 per share.

### Employees

The number of employees in the Group averaged 2,370 (2,219) of whom 1,000 (932) were women. The distribution by country is 1,305 (1,289) in Sweden, 628 (548) in Norway, 190 (168) in Finland, 210 (181) in the UK and 37 (33) in China. Further information about employees is contained in Notes 6 and 31 to the annual accounts.

# Corporate governance (page 50-53)

The governance of Clas Ohlson is based upon Swedish legislation, primarily the Companies Act, the listing agreement with the Nasdaq OMX Nordic Exchange Stockholm and the Swedish Corporate Governance Code. 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.

## The Swedish Corporate Governance Code

The Swedish Corporate Governance Code is applicable to all major companies listed on the Nasdaq OMX Nordic Exchange Stockholm. The aim is to improve corporate governance in listed companies and foster trust in companies 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 Corporate Governance Code during the financial year.

## Compliance with applicable regulations for stock exchange trading

Neither the Swedish Securities Council nor the Stockholm Stock Exchange's Disciplinary Committee reported infringements of good stock exchange practices or of the application of stock exchange regulations.

## 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, Chairman of the Board and the auditors for Clas Ohlson AB. The AGM also decides how profits are to be appropriated. Other issues that arise are mandatory items under the Companies Act and Clas Ohlson's Articles of Association (the full text can be found at: [about.clasohlson.com](http://about.clasohlson.com), under shareholders/press). The AGM has always been very well attended, and the latest one attracted nearly 2,000 participants, making it one of the largest in Sweden.

On 30 April 2012, the company's largest shareholders, each representing at least 10 per cent of the share capital, were Helena Ek Tidstrand (16.9 per cent), Johan Tidstrand (12.4 per cent), Björn Haid (11.8 per cent), Peter Haid (11.0 per cent) and Mary Haid (11.0 per cent).

## Nomination procedure

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.

At the AGM on 11 September 2010, it was resolved that a nomination process will be introduced for electing the Nomination Committee. The Chairman of the Board is a member of the Nomination Committee along with the four largest registered shareholders or the representatives of otherwise known shareholders (record date 30 September). If a shareholder does not elect a member, the next largest shareholder will be asked. The Nomination Committee elects a Chairman from within the Committee, which, according to the Swedish Corporate Governance Code, shall not be the

Chairman of the Board or other Board member. Prior to the 2012 AGM, a Nomination Committee was elected consisting of Johan Held, Chairman (representing AFA Försäkring), Anders Moberg (chairman of the Board of Clas Ohlson AB), Carl von Schantz (representing the owner family Haid), Göran Sundström (representing the owner family Tidstrand) and Johan Ståhl (representing Lannebo Fonder AB).

The Nomination Committee fulfils the guidelines pertaining to independence as stated in the Swedish Corporate Governance Code. 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 8 September 2012 and held three 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 the Clas Ohlson Board. The evaluation made of the Board's work, which was implemented by an external party, 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 in conjunction with the publication of the notice of the AGM.

## Auditors

The Annual General Meeting appoints auditors for the Parent Company each year. The current auditors are Öhrlings PricewaterhouseCoopers (ÖPwC), who are represented by Annika Wedin (Auditor-in-Charge from the financial year 2006/07) and Lennart Danielsson (from financial year 2009/10). 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 2.9 M, SEK 2.6 M and SEK 2.2 M respectively. Remuneration for other consultations in the past three years has totalled SEK 0.2 M, SEK 0.6 M and SEK 0.9 M respectively. Work in addition to auditing relates primarily to issues pertaining to 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 eight members, including the CEO, who are elected by the AGM. As well as these members, the Board includes two representatives and two deputies for the trade-union organisations in the company. These individuals are elected by their own organisations. The present Board of Directors is described on pages 76-77 of the annual report.

## Board meetings

Immediately following the AGM, the first Board meeting is held, at which the rules of procedure for the Board are approved. 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

in conjunction with the publication of the company's financial reports, once in June prior to concluding the annual report and once during the autumn for strategic discussions. The strategy meeting usually takes place over two days, while other meetings are held on one day. The strategy meeting mainly discusses issues relating to the Group's goals and strategies, product range, store establishment strategy, major investments and so forth. 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 meets the auditors once annually without the presence of executive management. The Board held ten Board meetings during the financial year, of which one was a strategy meeting. The Board assesses its work annually.

### 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 issues that the Board dealt with during the year included strategic direction, monitoring of the business plan, a review of risk management, significant business processes, development of current markets and future expansion.

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 addressed 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. In addition, the rules of procedure also regulate 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 and in the instructions to the CEO. 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 is also responsible for 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 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 Board has issued instructions for the Committee work. The Audit Committee fulfils the guidelines regarding independence in the Swedish Corporate Governance Code. The Audit Committee is responsible for the quality assurance of financial reporting. In addition, the Audit Committee is responsible for supervising the effectiveness of risk management and internal control in respect of financial reporting. Among other matters, the meetings have dealt with issues aimed at ensuring the effectiveness of risk management and internal control in respect of financial reporting. 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.

#### Composition of the Board and attendance during the financial year<sup>6</sup>

Member <sup>7,8</sup>	Elected	Independent <sup>1</sup>	Independent <sup>2</sup>	Board meetings <sup>5</sup>	Audit Committee	Remuneration Committee
Anders Moberg	2003	Yes <sup>3</sup>	Yes	10/10		3/3
Klas Balkow	2007	No	Yes <sup>4</sup>	10/10		
Björn Haid	1990	Yes	No	10/10		3/3
Cecilia Marlow	2007	Yes	Yes	10/10	7/7	
Lottie Svedenstedt	2004	Yes	Yes	10/10	7/7	
Sanna Suvanto-Harsaae	2010	Yes	Yes	10/10		3/3
Urban Jansson	2005	Yes	Yes	10/10	7/7	
Edgar Rosenberger	2009	Yes	Yes	10/10		3/3

<sup>1</sup> Independent in relation to the company and company management according to the Swedish Corporate Governance Code.

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

<sup>3</sup> President and CEO.

<sup>4</sup> Major shareholder, see page 47.

<sup>5</sup> Chairman.

<sup>6</sup> The trade-union organisations have had two representatives on the Board.

For further information on Board members, see pages 76-77. The work of the Board and its committees is described on pages 50-52.

<sup>7</sup> For information on date of birth, work experience, assignments and shareholdings, see pages 76-77.

<sup>8</sup> Remuneration of Board members is stated in Note 6, see page 66.

The Audit Committee held seven meetings during the financial year. The attendance is shown in the table on page 51. 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. The meetings also addressed issues aimed at quality assuring risk management and internal control relating to the financial reporting. Moreover, the Audit Committee dealt with issues regarding the company's interim reports, annual report, liquidity and other issues.

### Remuneration Committee

A specific Remuneration Committee was appointed by the Board comprising the Chairman of the Board Anders Moberg and three other Board members, Sanna Suvanto- Harsaae, Björn Haid and Edgar Rosenberger. The Board has issued instructions for the Committee's work. The Remuneration Committee fulfils the guidelines pertaining to independence as stated in the Swedish Corporate Governance Code.

The Remuneration Committee submits proposals for guidelines pertaining to basic salary and variable remuneration for senior management. 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 51. The meetings were minuted and reported at the next Board meeting. The Remuneration Committee addressed such issues as fixed and variable remuneration, and evaluated the current long-term incentive programme (LTI).

### 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 President's monthly reports on the subsidiaries. These reports also include the results of operations and financial position of the company concerned.

### Remuneration

Fees paid to the Board during the financial year totalled SEK 2.8 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 0.7 M was paid to the Chairman of the Board. Edgar Rosenberg received SEK 0.1 M in consulting fees in excess of his Board assignment. No fee is paid to Board members who are employees of the company.

No remuneration is paid to members of the Nomination Committee. The company's CEO received pay totalling SEK 5.6 M, during the equivalent period, of which SEK 1.3 M was in the form of variable remuneration (STI refer to note 6). In addition, variable remuneration of SEK 0.8 M pertaining to expensed portion of long-term incentive programmes (LTI 2009, LTI 2010 and LTI 2011) was calculated for the CEO. Remuneration to the other nine senior management totalled SEK 15.8 M, of which SEK 2.6 M was in the form of variable remuneration. Eight of these, as well as the CEO, receive the additional benefit of a company car. The 2010 Annual General Meeting decided on guidelines for remuneration to senior management pertaining to the 2011/12 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 basic 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 and for other senior management is 65. The CEO has a defined-contribution pension into which SEK 1.5 M was paid during the year. Other members of senior management receive pension entitlements based on the applicable ITP plan, which also covers other salaried staff in Sweden.

### 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 basic salary, variable salary in the form of a 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 AB meets or exceeds its objectives, shall be in the upper quartile of the market. For further information about remuneration, refer to note 6 on pages 65-67.

### Risk management

The risk situation in the Clas Ohlson Group is updated regularly. This is done by means of a systematic process in which risks are identified, valued, assessed, managed, monitored and reported. Using an overall assessment, priority is given to those risks whose impact and probability are deemed to represent the most negative effect. A key aspect in this work is the measures undertaken to avoid, reduce or shift the risk to another party (insurance). The risks are entered in risk maps in order to clarify the overall risk exposure. Mapping is done at the Group level and represents a tool for operational and strategic governance by the Board and the company's executive management. By means of risk mapping, the focus can be aimed at reducing the company's risk exposure and reducing the consequences of any risks emerging. The Risk Committee pursues the work involved in compiling, monitoring and developing risk programmes. Reporting of the Group's overall risk status is made internally to the Audit Committee and the Board twice annually (refer also to Note 2, pages 64-65).

### Internal control pertaining to the financial reporting

The Board has overall responsibility for the company's systems pertaining to internal control. The responsibility is regulated by the Swedish Companies Act, which also states that the Audit Committee has a specific responsibility for monitoring quality



assurance in risk management and internal control regarding the financial reporting. 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 Group has regulations governing decision-making and authorization levels that parallel the Group's organizational structure. The focus is on clarifying who has a mandate to decide on investments, activities, signing of contracts and so forth in each function and the limits in terms of the amounts involved. In the event that the amount exceeds the function's mandate, the decision is assigned to the next level in the organisation. This has been done in order to further improve the decisions made at the various levels in the organisation. The regulations governing decision-making and authorization constitute the basis for decision-making at Clas Ohlson.

The executive management is responsible for implementing guidelines for the maintenance of good internal control. An ongoing work is being done in developing the internal control. The executive management and the Audit Committee report continuously to the Board according to approved procedures.

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. The purpose of the model is to identify a number of items in the income statement and balance sheet and processes for drawing up financial information where the risk of 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. 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 preceding year. Deviations 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.

The subsidiaries have accounting managers and controllers who ensure that financial reporting is correct and comprehensive. In addition, they ensure that legislation is observed and that financial reporting is completed within the time frames to executive management and to the Group accounting function. Moreover, there are controllers at the major Group functions with equivalent working tasks. The Group has a close and well-functioning cooperation with subsidiaries as regards reporting and closing accounts. Each month, all subsidiaries report complete closing accounts, which constitute the Group's consolidated financial reporting.

### **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 procedures. The Board also receives regular information from the CEO every month through a monthly report for the Group. This monthly report also 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 viewpoints from the auditors 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.

### **Internal revision**

Following evaluations in 2011/12 and preceding 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 to also deal with work on the company's internal control. The question of whether to establish a separate internal audit function will be re-examined annually.

### **Risks and uncertainties**

Clas Ohlson's business operations are exposed to financial and operational risks. Financial risks comprise primarily wage inflation, raw-material prices, transport costs and exchange-rate exposure, while operational risks relate to establishment in the UK, purchasing in China, competition, logistics, strike, 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.

### **Social responsibility**

Continuous work is conducted at Clas Ohlson with respect to social responsibility, including follow-up activities relating to our Code of Conduct. This work is described on pages 27-43 in the annual report and on the company website: [about.clasohlson.com](http://about.clasohlson.com).

### **Environmental impact**

The company has a duty of notification with respect to the 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, the company cooperates 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 40-43 of the annual report and on the website, [about.clasohlson.com](http://about.clasohlson.com).

### **Guidelines for remuneration of senior management**

The 2011 Annual General Meeting decided that remuneration would be paid according to the following principles, which also will be proposed for the 2012 Annual General Meeting.

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 basic salary, variable salary in the form of a 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.

### **Basic salary**

Basic 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 basic 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 basic salary, STI for results that 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 basic 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 programme (for example based on shares or share price) will be proposed to a general meeting or not. The General meeting held in September 2008 adopted the Board's proposal to introduce long-term share-based incentive programme, LTI 2009, 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 2009-2011 Annual General Meetings adopted a corresponding programme for the 2010/2011 financial year (LTI 2010), for the 2011/2012 financial year (LTI 2011), and for the 2012/2013 financial year (LTI 2012).

### **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, refer to note 6 and page 52 of the printed annual report.

## Parent Company

Parent Company sales amounted to SEK 4,924 M (4,619) and profit after financial items totalled SEK 481 M (273). Investments for the year totalled SEK 120 M (132). Contingent liabilities for the Parent Company totalled SEK 282 M (238).

## Events after the end of the year

At the end of the fourth quarter, Clas Ohlson launched its e-commerce platform in Sweden and Norway. The venture is strategically important in being able to interact with our customers through a number of parallel channels and offer maximum accessibility and customised service. The launch is the first step that will be followed by the continuing development of our offering and the technology platform to create an integrated experience among the various sales channels. The launch resulted in increased visitor traffic and higher sales. A launch in Finland and the UK is planned for summer 2012 and will be of major importance in getting new customers to discover Clas Ohlson. The investment in e-commerce creates new opportunities to cost-effectively establish operations and expand into new markets, with a combination of e-commerce and stores customised to suit the specific circumstances of each country.

Against the background of this new potential, preparations are about to commence in new markets, initially using e-commerce. Work programmes involving market and competitor surveys, translations of product manual and product information have now commenced for German-speaking markets. A launch in a German-speaking country is expected no earlier than the 2013/14 financial year.

The Annual General Meeting of Clas Ohlson AB on 10 September 2011 authorised the Board of Directors to acquire a maximum of 850,000 shares during the period up until the next Annual General Meeting in order to secure the company's undertakings in conjunction with the introduction of a share-related incentive programme, LTI 2012. The total number of shares required to secure the undertaking for LTI 2012 is estimated at 760,000. Part of the undertaking for LTI 2012 can be secured through the use of shares (394,000) that were bought back to secure LTI 2009, which has expired, and in which matching shares and 7 employee stock options per purchased share were allotted, totalling 246,008 options.

The Board has decided to utilise the AGM authorisation to buy back the remaining 366,000 shares required to secure the company's undertaking as regards LTI 2012. The acquisition will take place via Nasdaq OMX Stockholm, during the period up until the 2012 AGM, at a share price in the price range registered at all times. As per 30 April 2012, the company's holding of Clas Ohlson treasury shares amounted to 30 April 2012 to 1,985,000 shares, corresponding to 3 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.

Clas Ohlson's dividend policy entails that the dividend portion should be equivalent to approximately 50 per cent of profit after tax. In addition, the Board may propose that surplus liquidity should also be distributed.

For the 2011/12 financial year, the Board proposes that a dividend of SEK 4.25 per share be paid (preceding year SEK 3.75). The Board's proposal amounts to SEK 279 M (246) which is equivalent to around 70 per cent of the Group's net profit.

## Proposed allocation of earnings

The following earnings (SEK 000s) are at the disposal of the Annual General Meeting:

Profit brought forward	513,574
Net profit for the year	246,434
<b>Total</b>	<b>760,008</b>
The Board and Chief Executive Officer propose:	
Dividend payable to shareholders	
SEK 4.25 per share	278,800
Carried forward to new account	481,208
<b>Total</b>	<b>760,008</b>

The record date for payment of dividend is proposed as 12 September 2012. It is anticipated that the dividend decided upon by the Annual General Meeting will be dispatched on 17 September 2012.

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 60.3 per cent before payment of dividend and 51.2 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 total

SEK M	2011/2012	2010/2011	2009/2010	2008/2009	2007/2008
<b>INCOME STATEMENT</b>					
Net sales	6,260.0	5,828.0	5,555.8	4,930.2	4,661.6
Operating profit	560.6	507.1	590.5	502.8	577.5
Profit before tax	551.0	499.0	588.2	503.8	587.8
Income tax	-150.5	-134.6	-155.4	-138.3	-166.0
<b>Net profit for the year</b>	<b>400.5</b>	<b>364.4</b>	<b>432.8</b>	<b>365.5</b>	<b>421.8</b>
<b>BALANCE SHEET</b>					
Non-current assets	1,518.5	1,480.4	1,366.5	1,197.5	852.0
Inventories	1,228.7	1,429.2	1,204.1	1,117.2	952.6
Current receivables	197.5	176.7	173.4	164.5	107.1
Cash and cash equivalents, current investments	111.8	132.6	98.8	92.0	280.3
<b>Total assets</b>	<b>3,056.5</b>	<b>3,218.9</b>	<b>2,842.8</b>	<b>2,571.2</b>	<b>2,192.0</b>
Equity	1,843.8	1,656.8	1,646.1	1,493.1	1,499.5
Non-current liabilities, interest-bearing	-	300.0	100.0	65.0	-
Non-current liabilities, non-interest-bearing	195.7	165.9	90.3	86.4	26.9
Current liabilities, interest-bearing	30.0	261.7	171.4	208.6	-
Current liabilities, non-interest-bearing	987.0	834.5	835.0	718.1	665.6
<b>Total equity and liabilities</b>	<b>3,056.5</b>	<b>3,218.9</b>	<b>2,842.8</b>	<b>2,571.2</b>	<b>2,192.0</b>
<b>CASH FLOW</b>					
Cash flow from operations	964.9	350.3	602.8	339.7	480.0
Investments	-206.1	-295.3	-315.8	-433.1	-250.6
<b>Cash flow after investments</b>	<b>758.8</b>	<b>55.0</b>	<b>287.0</b>	<b>-93.4</b>	<b>229.4</b>
Financing activities	-781.5	-6.0	-267.9	-109.2	-295.2
<b>Cash flow for the year</b>	<b>-22.7</b>	<b>49.0</b>	<b>19.1</b>	<b>-202.6</b>	<b>-65.8</b>
<b>KEY RATIOS</b>					
Growth in sales, %	7.4	4.9	12.7	5.8	13.7
Gross margin, %	42.1	41.6	40.8	40.8	40.2
Operating margin, %	9.0	8.7	10.6	10.2	12.4
Return on capital employed, %	27.9	24.6	32.6	32.6	41.8
Return on equity, %	23.1	22.5	28.0	24.4	29.4
Equity/assets ratio, %	60.3	51.5	57.9	58.1	68.4
Sales per square metre in store, SEK 000s	34	34	38	38	44
Number of stores at year-end	157	139	120	106	86
Number of full-time equivalent employees	2,370	2,219	2,048	1,938	1,801
<b>DATA PER SHARE</b>					
Average number of shares before dilution	63,635,998	63,802,230	64,383,906	65,065,008	65,600,000
Average number of shares after dilution	63,702,052	63,870,584	64,432,321	65,075,701	65,600,000
Earnings per share before dilution, SEK	6.29	5.71	6.72	5.62	6.43
Earnings per share after dilution, SEK	6.29	5.71	6.72	5.62	6.43
Gross cash flow per share, SEK	9.11	8.27	8.86	7.04	7.71
Equity per share, SEK	28.98	26.01	25.61	22.99	22.86
Dividend, SEK	4.25 <sup>1</sup>	3.75	3.75	3.00	5.00

<sup>1</sup> Proposed dividend.

# Comments

## Sales

Sales amounted to SEK 6,260 M compared with SEK 5,828 M in the preceding year, an increase of 7 per cent. In terms of local currencies, sales increased 7 per cent. Mail order/Internet sales totalled SEK 95 M compared with SEK 89 M for the corresponding period a year earlier.

Sales growth during the financial year was adversely affected by lower sales in comparable stores.

## Number of stores

During 2011/12, 18 new stores were opened (19). The number of stores at the end of the period was 157, of which 68 were in Sweden, 56 in Norway, 21 in Finland and 12 in the UK.

## Operating profit

Operating profit totalled SEK 561 M (507 M). The increase was primarily attributable to an improvement in gross profit and lower start-up costs. Lower sales in comparable stores were charged to profit, but the effect of this was partly offset by higher productivity.

## Gross margin

The gross margin was 42.1 per cent compared with 41.6 per cent in the preceding year. The higher margin was primarily attributable to positive exchange-rate effects (USD), combined with a larger share of direct purchases via Clas Ohlson's purchasing offices.

## Operating margin

The operating margin was 9.0 per cent (8.7). The increase was mainly attributable to a higher gross margin and lower start-up costs. Lower sales in comparable stores were charged to profit, but the effect of this was partly offset by higher productivity.

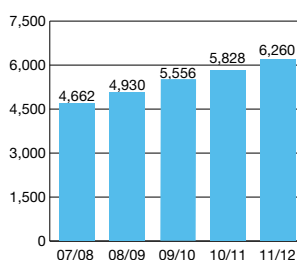
## Cash flow

Cash flow from operating activities during the financial year totalled SEK 965 M (350). The increase was primarily due to a positive change in working capital, with superior stock (inventory) control. Cash flow for the period after investment and financing activities totalled a negative SEK 23 M (positive: 49). During the period, the utilisation of credit facilities declined by 532 M (during the preceding year, utilisation increased by SEK 295 M). The cash dividend paid to Clas Ohlson's shareholders in 2011 totalled SEK 239 M (239 M).

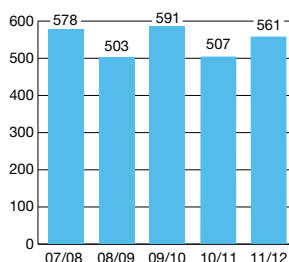
## Return

The return on capital employed amounted to 27.9 per cent (24.6) and the return on equity was 23.1 per cent (22.5).

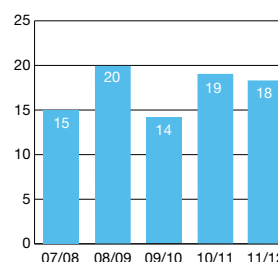
Sales, SEK M



Operating profit, SEK M



Number of new stores



# Group

## Income statement

SEK M	Note	1 May 2011 –30 Apr. 2012	1 May 2010 –30 Apr. 2011
	1, 2		
Net sales		6,260.0	5,828.0
Cost of goods sold	4, 5, 6	-3,623.7	-3,401.7
<b>Gross profit</b>		<b>2,636.3</b>	<b>2,426.3</b>
Selling expenses	4, 5, 6	-1,906.6	-1,761.6
Administrative expenses	4, 5, 6, 7	-168.4	-156.9
Other operating income	3	23.2	3.1
Other operating expenses	3	-23.9	-3.8
<b>Operating profit</b>		<b>560.6</b>	<b>507.1</b>
<i>Financial items</i>			
Financial income	8	6.0	3.2
Financial expense	8	-15.6	-11.3
<b>Profit before tax</b>		<b>551.0</b>	<b>499.0</b>
Income tax	9	-150.5	-134.6
<b>Net profit for the year</b>		<b>400.5</b>	<b>364.4</b>
Number of shares, million		63.6	63.8
Earnings per share, SEK (before and after dilution for earnings attributable to the Parent Company's shareholders during the year.)	10	6.29	5.71
Proposed dividend per share, SEK	11	4.25	3.75

## Comprehensive income, Group

SEK M		1 May 2011 –30 Apr. 2012	1 May 2010 –30 Apr. 2011
Profit for the year		400.5	364.4
Other comprehensive income, net after tax:			
Exchange-rate difference		20.9	-52.3
Cash-flow hedging		8.0	-6.3
Other comprehensive income, net after tax:		28.9	-58.6
<b>Comprehensive income for the year</b>		<b>429.4</b>	<b>305.8</b>

## Cash flow statement

SEK M		1 May 2011 –30 Apr. 2012	1 May 2010 –30 Apr. 2011
<i>Operating activities</i>			
Operating profit		560.6	507.1
<i>Adjustment for non-cash items</i>			
– depreciation		179.1	159.3
– profit from sale/disposal of fixed items		-0.6	2.9
– other non-cash items		10.0	8.5
Interest received		6.0	3.2
Interest paid		-16.6	-10.3
Tax paid		-77.3	-127.7
<b>Cash flow from operating activities before changes in working capital</b>		<b>661.2</b>	<b>543.0</b>
<i>Cash flow from changes in working capital</i>			
– accounts receivables		-1.1	13.5
– inventories		209.1	-255.0
– other receivables		-1.1	-16.6
– accounts payables		66.0	-69.2
– other current interest-free operating liabilities		30.8	134.6
<b>Cash flow from operating activities</b>		<b>964.9</b>	<b>350.3</b>
<i>Investing activities</i>			
Investments in intangible assets		-55.5	-33.9
Investments in tangible assets		-151.4	-262.5
Sale of equipment		0.6	0.9
Amortisation of financial assets		0.2	0.2
<b>Cash flow from investing activities</b>		<b>-206.1</b>	<b>-295.3</b>
<i>Financing activities</i>			
Changes in current interest-bearing liabilities		-231.7	90.3
Bank loans			
- new loans		-	200.0
- amortization		-300.0	0.0
Change in long-term liabilities, non-interest-bearing		-	5.0
Repurchase of own shares		-11.2	-62.4
Dividend to shareholders		-238.6	-238.9
<b>Cash flow from financing activities</b>		<b>-781.5</b>	<b>-6.0</b>
<b>Cash flow from the year</b>		<b>-22.7</b>	<b>49.0</b>
Cash and cash equivalents at start of year		132.6	98.8
Exchange-rate differences in cash and cash equivalents		1.9	-15.2
<b>Cash and cash equivalents at end of year</b>		<b>111.8</b>	<b>132.6</b>

# Group

## Balance sheet

SEK M	Note	30 Apr. 2012	30 Apr. 2011
<b>Assets</b>			
Non-current assets	12		
<i>Intangible assets</i>		87.4	33.5
<i>Tangible assets</i>			
Land and buildings		542.6	571.1
Equipment, tools, fixtures and fittings		885.0	864.9
Construction in progress		0.0	0.0
<b>Total tangible assets</b>		<b>1,427.6</b>	<b>1,436.0</b>
<i>Financial assets</i>			
Shares and interests		0.1	0.1
Deferred tax assets	9	3.2	10.4
Non-current receivables		0.2	0.4
<b>Total financial assets</b>		<b>3.5</b>	<b>10.9</b>
<b>Total non-current assets</b>		<b>1,518.5</b>	<b>1,480.4</b>
<b>Current assets</b>			
Inventories	13	1,228.7	1,429.2
Accounts receivables	14	17.1	15.7
Other receivables	17	27.1	30.5
Prepaid expenses and accrued income	15	153.3	130.5
Cash and cash equivalents	16	111.8	132.6
<b>Total current assets</b>		<b>1,538.0</b>	<b>1,738.5</b>
<b>Total assets</b>		<b>3,056.5</b>	<b>3,218.9</b>

## Balance sheet

SEK M	Note	30 Apr. 2012	30 Apr. 2011
<b>Equity and liabilities</b>			
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
Other reserves		-47.0	-75.9
Profit brought forward including net profit for the year		1,718.4	1,560.3
<b>Total equity</b>		<b>1,843.8</b>	<b>1,656.8</b>
<b>Non-current liabilities</b>			
Deferred liabilities	9	190.5	160.8
Bank loans	20	-	300.0
Pension obligations	19	0.3	0.3
Other long-term liabilities		5.0	4.8
<b>Total non-current liabilities</b>		<b>195.8</b>	<b>465.9</b>
<b>Current liabilities</b>			
Utilised credit facilities	20	30.0	261.7
Accounts payable	20	396.8	329.5
Tax liability		101.1	70.9
Other current liabilities	17, 20	65.3	37.3
Accrued expenses and deferred income	21	397.4	373.4
Other provisions	22	26.4	23.4
<b>Total current liabilities</b>		<b>1,016.9</b>	<b>1,096.2</b>
<b>Total equity and liabilities</b>		<b>3,056.5</b>	<b>3,218.9</b>

## Change in Group equity (note 18) Attributable to Parent Company shareholders

SEK M	Share capital	Other contributed capital	Translation difference	Hedging-reserve	Profit brought forward	Total
Opening balance at 1 May 2010	82.0	90.4	-18.7	1.4	1,491.0	1,646.1
Comprehensive income						
Profit for the year					364.4	364.4
Other comprehensive income						
Cash-flow hedging after tax <sup>1</sup>	0.0	0.0	0.0	-6.3	0.0	-6.3
Exchange-rate differences	0.0	0.0	-52.3	0.0	0.0	-52.3
Total other comprehensive income	0.0	0.0	-52.3	-6.3	0.0	-58.6
Total comprehensive income	0.0	0.0	-52.3	-6.3	364.4	305.8
Transactions with shareholders						
Repurchase of own shares	0.0	0.0	0.0	0.0	-62.4	-62.4
Employee stock options plan: value of employees' service	0.0	0.0	0.0	0.0	6.2	6.2
Dividend	0.0	0.0	0.0	0.0	-238.9	-238.9
Total transactions with shareholders	0.0	0.0	0.0	0.0	-295.1	-295.1
<b>Closing balance at 30 April 2011</b>	<b>82.0</b>	<b>90.4</b>	<b>-71.0</b>	<b>-4.9</b>	<b>1,560.3</b>	<b>1,656.8</b>
Opening balance at 1 May 2011	82.0	90.4	-71.0	-4.9	1,560.3	1,656.8
Comprehensive income						
Profit for the year	0.0	0.0	0.0	0.0	400.5	400.5
Other comprehensive income						
Cash flow hedging after tax <sup>2</sup>	0.0	0.0	0.0	8.0	0.0	8.0
Exchange-rate differences	0.0	0.0	20.9	0.0	0.0	20.9
Total other comprehensive income	0.0	0.0	20.9	8.0	0.0	28.9
Total comprehensive income	0.0	0.0	20.9	8.0	400.5	429.4
Transactions with shareholders						
Repurchase of own shares	0.0	0.0	0.0	0.0	-11.2	-11.2
Employee stock options plan: value of employees' service	0.0	0.0	0.0	0.0	7.4	7.4
Dividend	0.0	0.0	0.0	0.0	-238.6	-238.6
Total transactions with shareholders	0.0	0.0	0.0	0.0	-242.4	-242.4
<b>Closing balance at 30 April 2012</b>	<b>82.0</b>	<b>90.4</b>	<b>-50.1</b>	<b>3.1</b>	<b>1,718.4</b>	<b>1,843.8</b>

<sup>1</sup>Tax has been taken into account at SEK 2.3 M. <sup>2</sup>Tax has been taken into account at SEK 2.8 M.

# Parent Company

## Income statement

SEK M	Note	1 May 2011 –30 Apr. 2012	1 May 2010 –30 Apr. 2011
	1, 2		
Net sales	23	4,924.3	4,619.4
Cost of goods sold	4, 23	-3,451.1	-3,388.6
<b>Gross profit</b>		<b>1,473.2</b>	<b>1,230.8</b>
Selling expenses	4,5,6	-866.0	-829.4
Administrative expenses	4,5,6,7	-128.5	-121.0
Other operating income	3	23.1	2.7
Other operating expenses	3	-23.9	-1.4
<b>Operating profit</b>	<b>4,5,6,7</b>	<b>477.9</b>	<b>281.7</b>
<i>Financial items</i>			
Interest income	8	22.2	6.8
Interest expenses	8	-19.5	-15.4
<b>Profit after financial terms</b>		<b>480.6</b>	<b>273.1</b>
Appropriations	25	-148.6	-114.9
<b>Profit before tax</b>		<b>332.0</b>	<b>158.2</b>
Income tax	9	-85.6	-52.0
<b>Net profit for the year</b>		<b>246.4</b>	<b>106.2</b>
Proposed dividend per share, SEK (before and after dilution)	11	4.25	3.75

## Comprehensive income, Parent Company

SEK M		1 May 2011 –30 Apr. 2012	1 May 2010 –30 Apr. 2011
Profit for the year		246.4	106.2
Other comprehensive income, net after tax:			
Income from hedge of net investment in foreign operations		12.4	-29.5
<b>Comprehensive income for the year</b>		<b>258.8</b>	<b>76.7</b>

## Cash flow statement

SEK M		1 May 2011 –30 Apr. 2012	1 May 2010 –30 Apr. 2011
<i>Operating activities</i>			
Operating profit		477.9	281.7
<i>Adjustment for non-cash items</i>			
– depreciation		112.7	106.4
– profit from sale/disposal of fixed assets		1.0	1.1
– other non-cash items		20.5	6.8
Interest received		22.2	6.8
Interest paid		-20.5	-14.5
Tax paid		-52.3	-119.2
<b>Cash flow from operating activities before change in working capital</b>		<b>561.5</b>	<b>269.1</b>
<i>Cash flow from changes in working capital</i>			
– accounts receivable		-2.8	-0.4
– inventories		182.2	-154.4
– other receivables		-14.2	5.5
– accounts payable		60.1	-44.5
– other current interest-free operating liabilities		129.6	186.0
<b>Cash flow from operating activities</b>		<b>916.4</b>	<b>261.3</b>
<i>Investing activities</i>			
Investments in intangible assets		-55.5	-33.9
Investments in tangible assets		-64.0	-98.2
Sale of equipment		0.5	0.6
Change in financial assets		-	-115.7
<b>Cash flow from investing activities</b>		<b>-119.0</b>	<b>-247.2</b>
<i>Financing activities</i>			
Repurchase of shares		-11.2	-62.4
Overdraft facility		-231.7	90.3
Bank loans			
– new loans		-	200.0
– amortization		-300.0	0.0
Change in long-term liabilities, non-interest-bearing		-	5.0
Dividend to shareholders		-238.6	-238.9
<b>Cash flow from financing activities</b>		<b>-781.5</b>	<b>-6.0</b>
<b>Cash flow for the year</b>		<b>15.9</b>	<b>8.1</b>
cash and cash equivalents at start of year		70.2	62.1
<b>Cash and cash equivalents at end of year</b>		<b>86.1</b>	<b>70.2</b>



# Parent Company

## Balance sheet

SEK M	Note	30 Apr. 2012	30 Apr. 2011
<b>Assets</b>			
<b>Non-current assets</b>			
	12		
<i>Intangible assets</i>		87.4	33.5
<i>Tangible assets</i>			
Land and buildings		541.3	569.6
Equipment, tools, fixtures and fittings		528.1	548.5
Construction in progress		0.0	0.0
<b>Total tangible assets</b>		<b>1,069.4</b>	<b>1,118.1</b>
<i>Financial assets</i>			
Receivables, Group companies		413.3	400.9
Participation in Group companies	24	33.3	45.7
Shares and participations		0.1	0.1
<b>Total financial assets</b>		<b>446.7</b>	<b>446.7</b>
<b>Total non-current assets</b>		<b>1,603.5</b>	<b>1,598.3</b>
<b>Current assets</b>			
<i>Inventories</i>			
Merchandise	13	838.5	1,020.7
<b>Total inventories</b>		<b>838.5</b>	<b>1,020.7</b>
<i>Current receivables</i>			
Accounts receivables	14	12.2	9.4
Receivables from Group companies	23	104.7	107.0
Other receivables		1.5	0.8
Prepaid expenses and accrued income	15	73.9	69.2
<b>Total current receivables</b>		<b>192.3</b>	<b>186.4</b>
Cash and bank balances	26	86.1	70.2
<b>Total current assets</b>		<b>1,116.9</b>	<b>1,277.3</b>
<b>Total assets</b>		<b>2,720.4</b>	<b>2,875.6</b>

## Balance sheet

SEK M	Note	30 Apr. 2012	30 Apr. 2011
<b>Equity and liabilities</b>			
<b>Equity</b>			
	18		
<i>Restricted equity</i>			
Share capital, 65,600,000 shares with a quotient value of SEK 1.25		82.0	82.0
Statutory reserve		106.8	106.8
<b>Total restricted equity</b>		<b>188.8</b>	<b>188.8</b>
<i>Non-restricted equity</i>			
Fair value fund		-32.0	-44.4
Profit brought forward		545.6	681.8
Net profit for the year		246.4	106.2
<b>Total non-restricted equity</b>		<b>760.0</b>	<b>743.6</b>
<b>Total equity</b>		<b>948.8</b>	<b>932.4</b>
Untaxed reserves	27	723.1	574.5
<b>Provisions</b>			
Other provisions	22	13.9	13.3
<b>Total provisions</b>		<b>13.9</b>	<b>13.3</b>
<b>Non-current liabilities</b>			
Other non-current liabilities	20	5.0	5.0
Bank loan	20	-	300.0
<b>Total non-current liabilities</b>		<b>5.0</b>	<b>305.0</b>
<b>Current liabilities</b>			
Utilised overdraft facilities	20	30.0	261.7
Accounts payable	20	341.9	281.9
Liabilities from Group companies		357.0	248.7
Tax liability		70.5	28.8
Other current liabilities	20	13.8	11.2
Accrued expenses and deferred income	21	216.4	218.1
<b>Total current liabilities</b>		<b>1,029.6</b>	<b>1,050.4</b>
<b>Total equity and liabilities</b>		<b>2,720.4</b>	<b>2,875.6</b>
Pledged assets	28	0.0	97.0
Contingent liabilities	29	281.5	237.9

## Change in Parent Company equity

SEK M	Share capital	Statutory reserve	Non-restricted equity	Total
Opening balance at 1 May 2010	82.0	106.8	962.0	1,150.8
Dividend			-238.9	-238.9
Repurchase of own shares			-62.4	-62.4
Employee stock options plan: value of employees' service			6.2	6.2
Other comprehensive income			76.7	76.7
<b>Closing balance at 30 April 2011</b>	<b>82.0</b>	<b>106.8</b>	<b>743.6</b>	<b>932.4</b>
Opening balance at 1 May 2011	82.0	106.8	743.6	932.4
Dividend			-238.6	-238.6
Repurchase of own share			-11.2	-11.2
Employee stock options plan: value of employees' service			7.4	7.4
Other comprehensive income			258.8	258.8
<b>Closing balance at 30 April 2012</b>	<b>82.0</b>	<b>106.8</b>	<b>760.0</b>	<b>948.8</b>

# Accounting policies and notes

Amounts are in SEK M unless stated otherwise

## Note 1 Accounting and valuation policies

### Compliance with standards and legislation

The consolidated financial statements for Clas Ohlson have been prepared in accordance with the Annual Accounts Act, RFR 2 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 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.

### New and revised standards from 1 May 2011

The IASB (International Accounting Standards Board) has issued new and revised IFRS and interpretations. However, they had no appreciable impact on the consolidated income statements and balance sheets.

### Forthcoming standards and revisions

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 19 "Employee benefits" has been revised, which means that the Group will refrain from using the "corridor method" and instead report all actuarial profits and losses in other comprehensive income as they arise. The Group intends to apply the revised standard for the financial year beginning 1 May 2012. The amendment is deemed to have only a negligible effect on the Group's profit and financial position.

IFRS 9 "Financial instruments" replaces those parts of IAS 39 that are related to the classification and valuation of financial instruments. IFRS 9 states that financial assets are to be classified into two different categories; valuation at fair value or valuation at amortised cost. On the first accounting occasion, classification is determined on the basis of the company's business model and the characteristic features in contractual cash flows. In the case of financial liabilities, there are no major changes compared with IAS 39. The Group intends to apply the new standard no later than the financial year beginning 1 May 2015 and has not yet evaluated the effects.

IFRS 13 "Fair value measurement" provides an exact definition and joint source in IFRS for all fair value valuations and accompanying information. The Group intends to apply the new standard for the financial year beginning 1 May 2013 and has not yet assessed the effect on financial reporting.

Other new standards, revisions and interpretations of existing standards have not yet come into effect and are not relevant for the Group or are deemed not to have any effect on consolidated profit or financial position.

### 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 Ltd (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 monthly 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 other comprehensive income. Intra-Group sales and intercompany 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 or loss. An exception is when transactions represent hedging that fulfils the conditions for hedge accounting of cash flows and net investment in non-Swedish operations in which case gains/losses are recognised in other comprehensive income. 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.

### Income taxes

Income taxes comprise current tax and deferred tax. Income taxes are recognised in profit or loss except when an underlying transaction is recognised directly in other comprehensive income including the associated tax effect. 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, recognition of untaxed reserves, valuation of inventories and provisions for pensions.

Deferred tax assets liabilities are offset when there are legal offsetting rights for the particular tax assets and liabilities and when the deferred tax assets and liabilities pertain to taxes by the same tax authority and pertain to the same tax subject or different tax subjects and for which there is a plan to settle the balance through net payments.

### Assets

Assets are recognised at cost less accumulated depreciation/amortisation 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/amortisation is based on the cost

and estimated useful life of the assets. Straight-line depreciation/ amortisation is used for all assets. 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:

Intangible assets	5-7 years
Equipment, tools, fixtures and fittings	5-15 years
Buildings	20-33 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. 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 recognised 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).

### Capitalised IT and software costs

Costs for the maintenance of software are expensed when they arise. Development costs directly attributable to the development and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria have been fulfilled:

- It is technically possible to complete the software so that it can be used,
- The company's intention is to complete the software and use or sell it,
- The conditions for using the software exist,
- How the software generates probable financial advantages can be proven,
- Adequate technological, financial and other resources for completing the development and for using or selling the software are available, and
- The costs attributable to the software over the course of its development can be reliably calculated

Directly attributable costs are capitalised as a portion of the software and include costs for employees and a reasonable share of indirect costs.

Other development costs, which do not meet these criteria, are expensed when they arise. Development costs that were previously expensed are not recognised as an asset in subsequent periods.

Development costs for software recognised as an asset are amortised of the software's estimated useful life.

### Leasing

In the Group and in the Parent Company, lease contracts occur primarily 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.

Operational leases, in which the Group is the lessee, are recognised in consolidated profit and loss as an operating expense straight line over the leasing period. In cases in which the Group is the lessor, the revenue is recognised as a sale in the period to which the leasing pertains. Depreciation is recognised in operating income.

### Loan expenses

Loan expenses attributable to the forming of what is known as qualified assets are capitalised where appropriate as part of the qualified asset's cost. A qualified asset is an asset that as a necessity takes a significant amount of time to complete. There are currently no qualified assets.

Other loan expenses are charged against earnings during the period in which they arose.

### 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 other comprehensive income 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 are regarded as

current assets. Receivables are recognised at the amount expected to be paid after individual testing.

Accounts receivable are recognised initially at fair value and then at amortised 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 or loss.

### Financial instruments

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 or loss. If the market for a financial asset is not active (and for unlisted securities), the Group will establish the fair value by applying such valuation methods as 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.

### Loan receivables and accounts receivable

Loan receivables and accounts receivable are recognised at amortised cost with application of the effective interest method.

### Cash-flow hedging

The effective portion of changes in the fair value for a derivative instrument identified as the cash flow hedge portion and which meets the conditions for hedge accounting is reported in other comprehensive income. The gain or loss attributable to the ineffective portion is reported immediately in the income statement among the items operating income and other operating expenses - in net form.

### Hedging of net investments

The hedging of net investments in foreign operations is recognised in a similar manner as in the case of cash flow hedging.

The portion of gain or loss attributable to a hedging instrument viewed as an effective hedge is reported in other comprehensive income. The gain or loss attributable to the ineffective portion is reported in the income statement.

Accumulated gains and losses in equity are reported in the income statement when non-Swedish operations are partly or totally divested.

### 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

Both defined-benefit and defined-contribution pension plans exist. There are both defined-contribution and defined-benefit pension plans in the Parent Company. However, in accordance with statement UFR 3, the defined-benefit ITP pension plan (Alecta) is treated as a defined-contribution pension policy. Defined-benefit pension plans are available in the Norwegian subsidiary. Future obligations with regard to defined-benefit pension 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 so called 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.

Furthermore, long-term incentive programmes (LTI) that entitle employees to acquire shares and require the approval of the Annual General Meeting (AGM). LTI 2009, LTI 2010 and LTI 2011 are recognised 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.

### 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 amortised cost applying the effective interest method.

### Borrowing

Borrowing is initially recognised at fair value, net after transaction expenses. Borrowing is thereafter recognised at amortized cost and any difference between the amount received (net after transaction costs) and the repayment amount is recognised in profit or 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

Clas Ohlson has the following segments: Sweden, Norway, other segments (Finland and the UK) as well as Group-wide. The Group-wide segment pertains to the group-wide functions in Sweden that assist sales organisations with purchasing, distribution, marketing, management and other support. A large portion of the Group's value is generated in the Group-wide segment. The Group's internal pricing was adapted to these prerequisites.

### Parent Company accounting policies

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and Recommendation RFR 2 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 regulations in IAS 39 pertaining to financial guarantee agreements are not

applied with respect to guarantee agreements for subsidiaries. In the Parent Company, loan expenses are charged against profits for the period to which they refer. Shares in the subsidiaries are recognised at cost less deductions for any impairment.

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 46 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 before tax, SEK M
NOK	+/- 5 per cent	+/- 54
USD	+/- 5 per cent	-/+ 46
HKD	+/- 5 per cent	-/+ 8
EUR	+/- 5 per cent	+/- 4
GBP	+/- 5 per cent	-/+ 7

Cash and cash equivalents are also exposed to currency risk since a certain proportion of the funds is invested in the subsidiaries.

#### Refinancing and liquidity risk

Refinancing and liquidity risk pertains to the risk that Clas Ohlson is unable to receive existing loans or meet payment obligations due to insufficient liquidity. Refinancing requirements are regularly reviewed by Clas Ohlson's central finance function, which is responsible for external borrowing. Refinancing requirements are primarily contingent on market trends and investment plans.

#### Interest-rate risk

The interest-rate risk is low since the company's interest expense is low in relation to total earnings.

#### 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 five financial years for either the Group or the Parent Company.

Cash and cash equivalents are invested in various bank accounts, mainly at Nordea 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 60,3 per cent.

The goal of the Group's capital structure is to be able to continue to report a favourable return to shareholders, value for other stakeholders and to maintain an optimal capital structure to ensure that capital costs are minimised. The capital structure can be adapted to meet the requirements that arise by altering the dividend to shareholders, buying back shares, issuing new shares or disposing of assets in a bid to reduce liabilities. The assessment of capital requirements is conducted using relevant key data such as the relationship between net indebtedness and equity.

## Note 3 Other operating income and operating expenses

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
<i>Other operating income</i>				
Rental income	22.7	2.3	22.7	2.3
Gain/loss on sale or disposal of property, plant and equipment	0.5	0.8	0.4	0.4
<b>Total</b>	<b>23.2</b>	<b>3.1</b>	<b>23.1</b>	<b>2.7</b>
<i>Other operating expenses</i>				
Leasing expenses	-22.4	0.0	-22.4	0.0
Gain/loss on sale or disposal of property, plant and equipment	-1.5	-3.8	-1.5	-1.4
<b>Total</b>	<b>-23.9</b>	<b>-3.8</b>	<b>-23.9</b>	<b>-1.4</b>

## Note 4 Depreciation

Group	2011/12	2010/11
<i>Depreciation broken down by type of asset</i>		
Intangible assets*	1.6	0.4
Land and building	29.1	29.0
Equipment, tools, fixtures and fittings	148.4	129.9
<b>Total</b>	<b>179.1</b>	<b>159.3</b>
<i>Depreciation broken down by function</i>		
Cost of goods sold	65.0	64.3
Selling expenses	108.3	91.0
Administrative expenses	5.8	4.0
<b>Total</b>	<b>179.1</b>	<b>159.3</b>

Parent Company	2011/12	2010/11
<i>Depreciation broken down by type of asset</i>		
Intangible assets*	1,6	0,4
Land and building	28,9	28,7
Equipment, tools, fixtures and fittings	82,2	77,3
<b>Total</b>	<b>112,7</b>	<b>106,4</b>
<i>Depreciation broken down by function</i>		
Cost of goods sold	65,0	59,0
Selling expenses	41,9	43,4
Administrative expenses	5,8	4,0
<b>Total</b>	<b>112,7</b>	<b>106,4</b>

\* Depreciation on intangible assets belongs to selling expenses

## Note 5 Expenses distributed by type of cost

The item "Cost of goods sold" includes all costs incurred in conveying the goods to the Distribution Centre and subsequently to the store shelf, such as product costs, freight to the Distribution Centre and stores, customs duty, environmental charges and handling costs at the Distribution Centre and stores. The item "Selling expenses" includes primarily stores costs as well as payroll costs, rents, marketing and costs for the sales-related support function at the head office. The item "Administrative expenses" includes costs for other support functions at the head office.

Payroll expenses including social security expenses during the financial year totalled SEK 1,300.0 M (1,204.9) in the Group and SEK 762.9 M (752.9) in the Parent Company. Depreciation during the financial year totalled SEK 179.1 M (159.3) in the Group and SEK 112.7 M (106.4) in the Parent Company.

## Note 6 Expenses for employee benefits

	2011/12	2010/11
<i>Salaries and other remuneration</i>		
Parent Company	557.2	556.0
Subsidiaries	464.5	388.6
<b>Group total</b>	<b>1,021.7</b>	<b>944.6</b>

	2011/12		2010/11	
	Social security expenses	of which pension expenses	Social security expenses	of which pension expenses
<i>Social security expenses</i>				
Parent Company	205.7	37.7	196.9	35.2
Subsidiaries	72.6	18.5	63.4	15.4
<b>Group total</b>	<b>278.3</b>	<b>56.2</b>	<b>260.3</b>	<b>50.6</b>

Of the Parent Company's pension expenses, SEK 2.2 M (2.2) pertained to the group consisting of the Board, CEO and Deputy CEO. Of the subsidiaries' pension expenses, SEK 0.8 M (0.9) pertained to managing directors of subsidiaries.

In the Group, expenses for defined-contribution pensions amounted to SEK 48.2 M (42.5) and defined-benefit pensions to SEK 0.3 M (0.3).

The Parent Company only has defined-contribution pensions (including Alecta) for which the year's expenses amounted to SEK 30.0 M (27.4). In the Parent Company, the year's expenses for special employer's contribution on pension premiums totalled SEK 7.7 M (7.8). For more information on the defined-benefit pension plans in the Group, refer to note 19.

Note 6 cont.

## Remuneration of Board members, managing directors and other senior management

	2011/12	2010/11
<b>Parent Company</b>		
Salaries and other remuneration	28.0	19.5
– of which variable remuneration	0,0	0,0
Pension expenses	5.3	4.4
Number of individuals in group	17	14
	2011/12	2010/11
<b>Group</b>		
Salaries and other remuneration	34.6	26.0
– of which variable remuneration	0.0	0.0
Pension expenses	6.1	5.3
Number of individuals in group	21	18

### Board remuneration

Fees are paid to the members of the Board according to AGM resolutions. The fees are paid in the form of salary or by invoice. Board members who are employed in the company do not receive director fees. No pensions or other incentive programmes are paid to the company's Board. No director fees were paid in the subsidiaries.

	2011/12		2010/11	
	Director fees	Other remuneration	Director fees	Other remuneration
<b>The Board</b>				
Anders Moberg, Chairman	0.55	0.12	0.55	0.12
Björn Haid, member	0.28	0.06	0.28	0.06
Cecilia Marlow, member	0.28	0.07	0.28	0.07
Sanna Suvanto-Harsaae, member	0.28	0.06	0.28	0.06
Klas Balkow, member and CEO	0.00	0.00	0.00	0.00
Lottie Svedenstedt, member	0.28	0.07	0.28	0.07
Urban Jansson, member	0.28	0.14	0.28	0.14
Edgar Rosenberger, member*	0.28	0.06	0.28	0.06
<b>Board total</b>	<b>2.20</b>	<b>0.58</b>	<b>2.20</b>	<b>0.58</b>

\* In addition, the above received SEK 0.1 M (0.0 M) in consulting fees.

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 five men and three women. In percentage terms, the distribution was thus 62.5 per cent male and 37.5 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 nine 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 2012, see page 78-79 of the printed annual report.

	2011/12				2010/11			
	Vari. remu.		Bene-fits		Vari. remu.		Bene-fits	
	Basic salary	STI	LTI <sup>1</sup>		Basic salary	STI	LTI <sup>1</sup>	
<b>Salaries paid to senior management</b>								
Klas Balkow, CEO	4.3	1.3	0.8	0.2	4.2	0.6	0.6	0.2
Deputy CEO	2.5	0.6	0.5	0.1	2.4	0.3	0.4	0.1
Other senior management (8 and 5 2010/11)	10.7	2.0	1.5	0.7	6.2	0.5	0.8	0.4
<b>Management total</b>	<b>17.5</b>	<b>3.9</b>	<b>2.8</b>	<b>1.0</b>	<b>12.8</b>	<b>1.4</b>	<b>1.8</b>	<b>0.7</b>

<sup>1</sup> LTI (Long term incentive program) pertains to a reported cost for LTI 2009, LTI 2010 and LTI 2011. Refer below to the description of STI (Short-term incentive programme) and LTI.

	2011/12		2010/11	
	Defined-contribution	Defined-benefit	Defined-contribution	Defined-benefit
<b>Pension expenses for senior management</b>				
Klas Balkow, CEO	1.5	0.0	1.5	0.0
Deputy CEO	0.7	0.0	0.7	0.0
Other senior management (8 and 5 2010/11)	3.1	0.0	2.2	0.0
<b>Management total</b>	<b>5.3</b>	<b>0.0</b>	<b>4.4</b>	<b>0.0</b>

Under the contract of employment with the Chief Executive Officer, the mutual period of notice is six months. Twelve months' salary is payable should employment be terminated 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 1.5 M.

Salary and other remuneration payable to the CEO are decided by the Board and prepared by the Remuneration Committee appointed within the Board. Salary is reviewed at the end of each calendar year.

Salaries and other remuneration for other senior management are decided by the Chief Executive Officer, supported by the Remuneration Committee within the framework decided by the Board.

The principles for variable remuneration are resolved by the AGM. The performance targets are prepared by the Remuneration Committee and decided by the Board. During the year, two different types of variable remuneration, STI and LTI, were payable.

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. The retirement age is 65 years.

The gender distribution among senior management of the Parent Company, and of the Group, is eight male and two female. In percentage terms, the distribution is thus 80 per cent male and 20 per cent female. The distribution in the preceding year was 87 per cent men and 13 per cent women.

Further information on decision-making processes in the Group is presented on pages 50-53 in the printed annual report.

### 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 is to consist of basic salary, variable salary in the form of a short-term incentive based on annual performance objectives, long-term incentives based on performance over several years, pension and other benefits. In addition, notice of termination and severance pay are subject to terms and conditions.

Clas Ohlson aims 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 AB meets or exceeds its objectives, shall be in the upper quartile of the market.

### Basic salary

The basic salary is to comprise the basis for total remuneration. The salary should be related to the relevant market and reflect the extent of the responsibilities included in the position. The basic salary is to be reviewed annually to ensure that it is market-based and competitive.

### Short-term Incentive "STI"

In addition to basic salary, senior management are to qualify for 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 programmes is to create the prerequisites for retaining and recruiting competent employees to the Group, provide competitive remuneration and unite the interests of shareholders and senior management.

Long-term incentive programmes that entitle employees to acquire shares are subject to AGM approval. LTI 2009, LTI 2010 and LTI 2011 were in effect during the financial year. LTI 2009 was concluded after the close of the financial year and LTI 2012 was launched. LTI 2009, LTI 2010, LTI 2011 and LTI 2012 are share matching and profit-based employee stock option plans.

### Long-term incentive programmes LTI 2009, LTI 2010 and LTI 2011

LTI 2009, LTI 2010 and LTI 2011 were approved at the Annual General Meetings 2008, 2009 and 2010. The programmes encompass 38-45 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) 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 is calculated at 110 per cent of the average of the volume-weighted average price paid for the series B Clas Ohlson share on the Nasdaq OMX Stockholm established for each day during a period of 10 trading days prior to the acquisition period. The exercise price for the LTI 2009, LTI 2010 and LTI 2011 has been set at SEK 98.10, SEK 141.30 and SEK 108.10 per share. The options may be exercised not earlier than three years and not later than seven years from the date of allotment. 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 plan, and whether the company's growth and profit growth during the first three 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: fifteen 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.

The qualification and performance periods for the LTI 2009 were valid from 1 May 2009 until 30 April 2012. A total of 30,751 shares were allotted on 2 May, after the close of the financial year, in accordance with the AGM's resolution regarding share matching of one share per share purchased to those participants who remained employed after the three-year qualification period. On the basis of the set criteria in terms of sales and profit growth during the period 2009 to 2012, the participants were allotted 7 options per purchased share. The value of an option is SEK 98.10.

It was not possible to exercise any of the options in the remaining programmes on 30 April 2012. The number that may be exercised after three years is based on the achievement of growth and profit targets in accordance with the above. The sum that is expensed is based on the level of 7 options per share for LTI 2009, 8 options per share for LTI 2010 and 10 options per share for LTI 2011.

In accordance with the above, LTI 2010 and LTI 2011 will include the following number of series B shares and employee stock options for the various participant categories if the target level is achieved (refer to the table below).

The cost recognised in profit or loss for 2011/12 totalled SEK 9.3 M, of which social security contributions accounted for SEK 1.9 M.

### Share repurchase for the LTI programmes

During 2009, 2010 and 2011, Clas Ohlson repurchased series B Clas Ohlson shares to fulfil the company's long-term obligations under the incentive programmes. The shares will be allotted or sold to participants. 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	
	2011/12	2010/11	2011/12	2010/11
<i>Öhrings</i>				
<i>PricewaterhouseCoopers</i>				
Remuneration for audit engagements	2.6	2.4	1.6	1.1
Remuneration for other consultations	0.3	0.2	0.2	0.2
Tax consultations	0.1	0.5	0.0	0.2
Other	0.1	0.1	0.1	0.1
<b>Total</b>	<b>3.1</b>	<b>3.2</b>	<b>1.9</b>	<b>1.6</b>

### Long-term incentive programmes LTI 2010 and LTI 2011<sup>3</sup>

Participants	LTI 2010			LTI 2011		
	Matching shares No. of B shares <sup>1</sup>	No. of employee stock options <sup>1</sup>	Target value SEK M <sup>2</sup>	Matching shares No. of B shares <sup>1</sup>	No. of employee stock options <sup>1</sup>	Target value SEK M <sup>2</sup>
CEO	3,197	31,970	1.4	4,264	42,640	1.4
Other members of Group management	6,895	68,950	3.1	11,552	115,520	3.8
Other participants	17,669	176,690	8.0	22,582	225,820	7.4
<b>Total</b>	<b>27,761</b>	<b>277,610</b>	<b>12.5</b>	<b>38,398</b>	<b>338,398</b>	<b>12.6</b>

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

<sup>2</sup> 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 116.49 (LTI 2010)/ SEK 85.9 (LTI 2011) and the fair value of the option was SEK 33.47/24.22. To calculate the fair value of the options, the binomial model for option valuation was used. Valuation has been conducted using an initial share price of SEK128.49/98.31, an exercise price of SEK 141.30/108.10, an expected dividend per share annually, an anticipated lifetime for the options of five years, an interest rate of 2.35 per cent /2.98 per cent, a volatility of 41.04 per cent /40.92 per cent and annual withdrawals of 5 per cent. Volatility is measured as the standard deviation for the expected return on the share price based on a statistical analysis of daily share prices during the past three years. The values were adjusted for the discounted value of future dividends.

<sup>3</sup> Initially, at the start of the programme, the participants acquired 30,614 and 38,398 shares under the frameworks of the LTI 2010 and LTI 2011 respectively.

## Note 8 Financial income and expenses

Financial income and expenses are broken down as follows:

Group	2011/12	2010/11
Interest income	6.0	3.2
<b>Group total</b>	<b>6.0</b>	<b>3.2</b>

Parent Company	2011/12	2010/11
Interest income	1.0	0.2
Interest income, subsidiaries	21.2	6.6
<b>Parent Company total</b>	<b>22.2</b>	<b>6.8</b>

Financial expenses are broken down as follows:

Group	2011/12	2010/11
<b>Interest expenses</b>	<b>-15.6</b>	<b>-11.3</b>

Parent Company	2011/12	2010/11
Interest expenses	-15.4	-11.3
Interest expenses, subsidiaries	-4.1	-4.1
<b>Parent Company total</b>	<b>-19.5</b>	<b>-15.4</b>

## Note 9 Income tax

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
<b>Tax on net profit for the year</b>				
Income tax on net profit for the year	113.7	73.8	85.6	52.0
	113.7	73.8	85.6	52.0
<b>Deferred tax</b>				
Deferred tax pertaining to temporary differences	38.8	58.8	0.0	0.0
Deferred tax pertaining to the tax value in capitalised loss carry forwards	-2.0	2.0	0.0	0.0
	36.8	60.8	0.0	0.0
<b>Total reported tax expense</b>	<b>150.5</b>	<b>134.6</b>	<b>85.6</b>	<b>52.0</b>
<b>Reconciliation of applicable tax rate and effective rate</b>				
Reported profit before tax	551.0	499.0	332.0	158.2
Income tax calculated according to national tax rates pertaining to profit in each country (26-28%)	-147.6	-134.2	-87.3	-41.6
<b>Tax effect of:</b>				
Non-deductible expenses	-3.8	-2.8	-1.4	-2.4
Temporary differences	1.2	2.6	3.1	-7.8
Adjustment earlier taxation	-0.3	-0.2	0.0	-0.2
<b>Recognised tax expense</b>	<b>-150.5</b>	<b>-134.6</b>	<b>-85.6</b>	<b>-52.0</b>

Applicable tax rate for income tax, %	26.6	26.9	26.3	26.3
Effective tax rate, %	27.3	27.0	32.9	32.9

Deferred tax items recognised directly in equity	0.0	0.0	0.0	0.0
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Group	2011/12	2010/11
<b>Recognised deferred tax assets and tax liabilities</b>		
Equipment, tools, fixtures and fittings	-1.9	-2.1
Inventories	0.0	0.0
Inter-company profit in inventories	-5.0	-7.7
Allocations	6.6	8.2
Pensions	0.3	0.2
Accelerated depreciation	-85.1	-74.1
Tax allocation reserve	-105.1	-77.0
Deficit in subsidiaries	0.0	2.0
Other	2.9	0.0
<b>Total deferred tax asset (+)</b>		
<b>Deferred tax liability (-), net</b>	<b>-187.3</b>	<b>-150.5</b>
Deferred tax asset	3.2	10.4
Deferred tax liability	-190.5	-160.9

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

Group 2011/12	Amount at start of year	Recognised in profit and loss	Amount at the end of year
<b>Change in deferred tax in temporary differences during the year</b>			
Equipment, tools, fixtures and fittings	-2.1	0.2	-1.9
Inventories	0.0	0.0	0.0
Inter-company profit in inventories	-7.7	2.7	-5.0
Allocations	8.2	-1.6	6.6
Pensions	0.2	0.1	0.3
Accelerated depreciation	-74.1	-11.0	-85.1
Tax allocation reserve	-77.0	-28.1	-105.1
Deficit in subsidiaries	2.0	-2.0	0.0
Other	0.0	2.9	2.9
<b>Total</b>	<b>-150.5</b>	<b>-36.8</b>	<b>-187.3</b>
Group 2010/11	Amount at start of year	Recognised in profit and loss	Amount at the end of year
<b>Change in deferred tax in temporary differences during the year</b>			
Equipment, tools, fixtures and fittings	-4.7	2.6	-2.1
Inventories	1.1	-1.1	0.0
Inter-company profit in inventories	31.9	-39.6	-7.7
Allocation to period for tax purposes	2.7	5.5	8.2
Pensions	0.1	0.1	0.2
Accelerated depreciation	-60.4	-13.7	-74.1
Tax allocation reserve	-60.4	-16.6	-77.0
Deficit in subsidiaries	0.0	2.0	2.0
<b>Total</b>	<b>-89.7</b>	<b>-60.8</b>	<b>-150.5</b>



## Note 10 Earnings per share

	2011/12	2010/11
<b>Earnings per share before dilution, SEK</b>		
Net profit for the year	400.5	364.4
Average number of shares outstanding before dilution	63.6	63.8
<b>Earnings per share before dilution, SEK</b>	<b>6.29</b>	<b>5.71</b>
<b>Earnings per share after dilution, SEK</b>		
Net profit for the year	400.5	364.4
Average number of shares outstanding after dilution	63.7	63.9
<b>Earnings per share after dilution, SEK</b>	<b>6.29</b>	<b>5.71</b>

### 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 400.5 M (364.4) and on a weighted average number of shares outstanding before and after dilution during both 2010/11 and 2011/12.

## Note 11 Dividend per share

The dividends paid in 2011/12 and 2010/11 totalled SEK 238.6 M (SEK 3.75 per share) and SEK 238.9 M (SEK 3.75 per share). A dividend pertaining to 2011/2012 of SEK 4.25 per share, totalling SEK 279 M, will be proposed at the Annual General Meeting to be held on 8 September 2012. The proposed dividend has not been recognised as a liability in these financial statements.

## Note 12 Non-current assets

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
<b>Property, plant and equipment</b>				
<b>Land and buildings</b>				
Opening cost	737.5	681.3	735.7	678.9
Acquisitions for the year	0.6	25.3	0.6	25.3
Reclassifications	0.0	31.5	0.0	31.5
Translation differences	0.0	-0.6	0.0	0.0
<b>Closing accumulated cost</b>	<b>738.1</b>	<b>737.5</b>	<b>736.3</b>	<b>735.7</b>
Opening depreciation	166.4	137.9	166.1	137.4
Depreciation for the year	29.1	29.0	28.9	28.7
Translation differences	0.0	-0.5	0.0	0.0
<b>Closing accumulated depreciation</b>	<b>195.5</b>	<b>166.4</b>	<b>195.0</b>	<b>166.1</b>
Closing residual value according to plan	542.6	571.1	541.3	569.6
Carrying amount, land	6.5	6.5	6.5	6.5
<b>Equipment, tools, fixtures and fittings</b>				
Opening cost	1,301.5	1,139.7	849.3	790.4
Acquisitions for the year	151.0	219.2	63.6	54.8
Reclassifications	0.0	21.0	0.0	21.0
Sales and disposals	-22.4	-34.3	-22.0	-16.9
Translation differences	31.9	-44.1	0.0	0.0
<b>Closing accumulated cost</b>	<b>1,462.0</b>	<b>1,301.5</b>	<b>890.9</b>	<b>849.3</b>

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Opening depreciation	436.6	352.1	300.9	239.0
Depreciation for the year	148.4	129.9	82.2	77.3
Sales and disposals	-21.1	-32.5	-20.3	-15.4
Translation differences	13.1	-12.9	0.0	0.0
<b>Closing accumulated depreciation</b>	<b>577.0</b>	<b>436.6</b>	<b>362.8</b>	<b>300.9</b>
Closing residual value according to plan	885.0	864.9	528.1	548.4
<b>Intangible assets</b>				
<b>Activated IT and program costs</b>				
Opening depreciation	33.9	0.0	33.9	0.0
Acquisitions for the year	55.5	33.9	55.5	33.9
<b>Closing accumulated cost</b>	<b>89.4</b>	<b>33.9</b>	<b>89.4</b>	<b>33.9</b>
Opening depreciation	0.4	0.0	0.4	0.0
Depreciation for the year	1.6	0.4	1.6	0.4
<b>Closing accumulated depreciation</b>	<b>2.0</b>	<b>0.4</b>	<b>2.0</b>	<b>0.4</b>
Closing residual value according to plan	87.4	33.5	87.4	33.5
<b>Construction in progress</b>				
Opening cost	0.0	34.5	0.0	34.5
Acquisitions for the year	0.0	18.0	0.0	18.0
Reclassifications	0.0	-52.5	0.0	-52.5
<b>Closing accumulated cost</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Other financial assets</b>				
Opening cost	0.5	0.7	446.7	360.5
Decrease/increase in non-current receivables	-0.2	-0.2	12.4	86.2
Decrease/increase in participation in Group companies	0.0	0.0	-12.4	0.0
<b>Closing accumulated cost</b>	<b>0.3</b>	<b>0.5</b>	<b>446.7</b>	<b>446.7</b>
Fair value	0.3	0.5	446.7	446.7
<b>Investment commitments</b>				
Contracted investments on the balance-sheet date not yet recognised in the financial statements total the following amounts:				
Land and buildings	0.0	0.1	0.0	0.1
Equipment, tools, fixtures and fittings	88.0	116.5	27.0	47.5

## Note 13 Inventories

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Merchandise	1,228.7	1,429.2	838.5	1,020.7
<b>Total</b>	<b>1,228.7</b>	<b>1,429.2</b>	<b>838.5</b>	<b>1,020.7</b>
Cost of goods sold	3,623.7	3,401.7	3,451.1	3,388.6
Of which, obsolescence	24.0	20.4	16.1	14.8

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	
	2011/12	2010/11	2011/12	2010/11
Accounts receivables	17.1	15.7	12.2	9.4
<b>Total</b>	<b>17.1</b>	<b>15.7</b>	<b>12.2</b>	<b>9.4</b>
Fair value	17.1	15.7	12.2	9.4

## Note 15 Prepaid expenses and accrued income

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Prepaid rent	88.8	65.6	43.3	35.5
Prepaid costs of materials	17.5	28.3	17.5	26.9
Other prepaid expenses	47.0	36.6	13.1	6.8
<b>Total</b>	<b>153.3</b>	<b>130.5</b>	<b>73.9</b>	<b>69.2</b>

## Note 16 Cash and cash equivalents

Group	2011/12	2010/11
Cash and bank balances	111.8	132.6
<b>Group total</b>	<b>111.8</b>	<b>132.6</b>

At the end of the year, utilised overdraft facilities, which are not included in cash and cash equivalents, totalled SEK 30.0 M (261.7), refer to note 20.

Unutilised overdraft facilities in the Group, which are not included in cash and cash equivalents, amounted to SEK 320.0 M (88.3) 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 <sup>1</sup>	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
Sell/buy						
NOK/SEK	1.8	-1.6	293.8	183.1	1.6	2.0
USD/SEK	0.4	-7.0	73.9	84.1	2.4	2.0
<b>Total</b>	<b>2.2</b>	<b>-8.6</b>	<b>367.7</b>	<b>267.2</b>	<b>1.8</b>	<b>2.0</b>

<sup>1</sup> Maturity ranges from 9 May - 27 July for USD/SEK and 8 May - 30 August for NOK/SEK.

Forward contracts belong to the derivative category, which is used for hedging purposes. All derivatives are measured at fair value, established by using forward contract prices on the balance-sheet date, meaning, level 2 in

the fair value hierarchy according to IFRS 7. As per 30 April, there are both positive and negative market values in the currency pairs.

Forward contracts with negative market values totalled SEK 0.8 M (8.6), which was recognised in the item Other current liabilities. Forward contracts with a positive market value amounted to SEK 3.0 M (0.0), which is reported in the item Other current receivables.

Deferred tax of SEK 0.6 M was taken into account and the remaining fair value of SEK 1.6 M was recognised in the hedging reserve within equity.

## Note 18 Equity

The total number of ordinary shares is 65,600,000 (2010/11: 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 share carries ten votes, while each series B share carries one vote. All issued shares are fully paid up. The company has outstanding stock option plans, whose outcome was hedged through the repurchase of 1,985,000 B shares. The number of shares outstanding at the end of the year was 63,615,000 (63,710,000). The average number of shares before and after dilution is reported in Note 10.

The Groups other reserves contains of exchange-rate differences of SEK -50.1 M (-71.0 M), and hedging reserve after tax of SEK 3.1 M (-4.9).

## 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	2011/12	2010/11
<b>Surpluses (-)/obligations (+) in the balance sheet for:</b>		
Pension benefits	0.3	0.3
<b>Group total</b>	<b>0.3</b>	<b>0.3</b>

Group	2011/12	2010/11
<b>Recognition in profit and loss pertaining to:</b>		
Pension benefits	0.3	0.3
<b>Group total</b>	<b>0.3</b>	<b>0.3</b>

### Pension benefits

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

	2011/12	2010/11	2009/10	2008/09	2007/08
Present value of funded obligations	9.4	8.7	9.0	9.7	9.4
Fair value of plan assets	-9.4	-8.6	-9.3	-8.0	-6.6
Unrecognised actuarial gains/losses	0.3	0.2	0.6	-1.6	-3.4
<b>Asset/liability in balance sheet</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.1</b>	<b>-0.6</b>

The amounts recognised in the balance sheet are as follows:

	2011/12	2010/11	2009/10
Expenses for service during current year	0.3	0.4	0.5
Interest expense	0.3	0.4	0.3
Expected return on plan assets	-0.3	-0.5	-0.3
Actuarial gains/losses reported during the year	0.0	0.0	0.1
<b>Total, included in personnel expenses</b>	<b>0.3</b>	<b>0.3</b>	<b>0.6</b>

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

	2011/12	2010/11
At the start of the year	0.3	0.3
Exchange-rate differences	0.0	0.0
Total expenses recognised in profit and loss	0.3	0.3
Contributions paid	-0.3	-0.3
<b>At end of year</b>	<b>0.3</b>	<b>0.3</b>

The principal actuarial assumptions used were as follows:

	2011/12	2010/11
Discount rate, %	2.6	4.0
Expected return on plan assets, %	4.1	5.4
Future pay increases, %	3.5	4.0
Future pension increases, %	0.1	1.3
Estimated average remaining period of service, years	6	6

#### Defined-contribution plans

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

	2011/12	2010/11
Group	48.2	42.5
Parent Company	30.0	27.4

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 2011, Alecta's surplus in the form of the collective funding ratio was 113 per cent (2010: 146 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

#### Financial instruments by category

	Loans and accounts receivable	Hedging: Forward contracts	Total
Assets 30 April 2012			
Derivative instruments	0.0	3.0	3.0
Accounts receivable	17.1	0.0	17.1
Cash and cash equivalents	111.8	0.0	111.8
<b>Total</b>	<b>128.9</b>	<b>3.0</b>	<b>131.9</b>

	Hedging: Forward contracts	Other financial liabilities	Total
Liabilities 30 April 2012			
Derivative instruments	0.8	0.0	0.8
Bank loans	0.0	0.0	0.0
Accounts payables and other liabilities	0.0	492.1	492.1
<b>Total</b>	<b>0.8</b>	<b>492.1</b>	<b>492.9</b>

	Loans and accounts receivable	Hedging: Forward contracts	Total
Assets 30 April 2011			
Derivative instruments	0.0	0.0	0.0
Accounts receivables	15.7	0.0	15.7
Cash and cash equivalents	132.6	0.0	132.6
<b>Total</b>	<b>148.3</b>	<b>0.0</b>	<b>148.3</b>

	Hedging: Forward contracts	Other financial liabilities	Total
Liabilities 30 April 2011			
Derivative instruments	8.6	0.0	8.6
Bank loans	0.0	300.0	300.0
Accounts payables and other liabilities	0.0	628.5	628.5
<b>Total</b>	<b>8.6</b>	<b>928.5</b>	<b>937.1</b>

#### Financial liabilities

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Accounts payables	396.8	329.5	341.9	281.9
Other short term liabilities	65.3	37.3	13.8	11.2
<b>Total</b>	<b>462.1</b>	<b>366.8</b>	<b>355.7</b>	<b>293.1</b>
<b>Fair value</b>	<b>462.1</b>	<b>366.8</b>	<b>355.7</b>	<b>293.1</b>

The average period of credit is 45 days (44 days) for accounts payable and 20 days (19 days) for other current liabilities.

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
<b>Non-current portion</b>				
Bank loans	0.0	300.0	0.0	300.0
<b>Current portion</b>				
Overdraft facilities	30.0	261.7	30.0	261.7
<b>Total borrowing</b>	<b>30.0</b>	<b>561.7</b>	<b>30.0</b>	<b>561.7</b>

All bank loans and overdraft facilities are denominated in SEK. During the financial year, the Parent Company had a bank loan that was repaid in full. During the financial year, the bank loan carried an average annual interest rate of 2.89 per cent. The overdraft facility carries floating interest rates. During the year, the average interest rate was 2.91 per cent.

The total borrowing includes secured bank loans and overdraft facilities totalling SEK 0.0 M (97.0). Collateral for the bank loan consisted of the reporting of financial covenants, for which the terms and conditions were met by a wide margin. The credit limit on the overdraft facilities totalled SEK 350 M (350). The Parent Company's credit is included in a cash pool for the Group in which utilised credit totalled SEK 30.0 M (261.7).

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	
	2011/12	2010/11	2011/12	2010/11
Accrued salary expenses	85.0	73.1	44.6	40.9
Accrued holiday pay expenses	140.8	125.7	82.3	77.8
Accrued social security contributions	83.1	65.8	70.7	54.6
Other items	88.5	108.8	18.8	44.8
<b>Total</b>	<b>397.4</b>	<b>373.4</b>	<b>216.4</b>	<b>218.1</b>

## 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	
	2011/12	2010/11	2011/12	2010/11
Guarantee commitments				
Opening provisions	7.9	7.3	4.5	4.4
Utilised during the year	-7.9	-7.3	-4.5	-4.4
Allocated during the year	8.6	7.9	4.6	4.5
<b>Total</b>	<b>8.6</b>	<b>7.9</b>	<b>4.6</b>	<b>4.5</b>
Open purchase and unredeemed gift cards				
Opening provisions	15.5	14.3	8.8	8.2
Utilised during the year	-15.5	-14.3	-8.8	-8.2
Allocated during the year	17.8	15.5	9.3	8.8
<b>Total</b>	<b>17.8</b>	<b>15.5</b>	<b>9.3</b>	<b>8.8</b>

## Note 23 Intra-Group transactions

Of the Parent Company's invoiced sales, intra-Group sales accounted for SEK 1,995.7 M (1,747.9). Of this sum, SEK 1,666.6 M (1,543.7) related to sales to Clas Ohlson AS in Norway, SEK 314.3 M (191.8) to sales to Clas Ohlson OY in Finland and SEK 14.8 M (12.4) 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 (50,475).

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. The carrying amount was SEK 18.0 M (30.4 M), of which the value of shareholder contributions was SEK 13.3 M (25.8 M). Repayment of shareholder contributions during the year totalled SEK 12.5 M (0.0 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 (4.0). 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 11.3 M (11.3).

## Note 25 Appropriations

Parent Company	2011/12	2010/11
<i>The difference between recognised depreciation and depreciation according to plan :</i>		
- Equipment, tools, fixtures and fittings	-42.6	-52.9

- Land and buildings	1.0	1.0
<i>Provision for tax allocation reserve</i>		
Taxation 2013 and 2012	-107.0	-63.0
<b>Total Parent Company</b>	<b>-148.6</b>	<b>-114.9</b>

## Note 26 Cash and bank balances

Parent Company	2011/12	2010/11
Cash and bank balances	86.1	70.2
<b>Total Parent Company</b>	<b>86.1</b>	<b>70.2</b>

Utilised overdraft facilities, which are not included in cash and bank balances, totalled SEK 30.0 M (261.7 M). The credit is included in a cash pool for the Group in which utilised credit totalled SEK 30.0 M.

Unutilised Group overdraft facilities, which are not included in cash and cash equivalents, totalled SEK 320.0 M (88.3) for the preceding year.

## Note 27 Untaxed reserves

Parent Company	2011/12	2010/11
<i>Accumulated difference between recognised depreciation and depreciation according to plan on:</i>		
- Equipment, tools, fixtures and fittings	317.7	275.1
- Land and buildings	5.8	6.8
<i>Provision for tax allocation reserve</i>		
Tax 2010	71.6	71.6
Tax 2011	158.0	158.0
Tax 2012	63.0	63.0
Tax 2013	107.0	-
<b>Total Parent Company</b>	<b>723.1</b>	<b>574.5</b>

## Note 28 Pledged assets

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Cash and cash equivalents	13.9	14.0	0.0	0.0
Property mortgages	0.0	23.0	0.0	23.0
Floating mortgages	0.0	74.0	0.0	74.0
<b>Total pledged assets</b>	<b>13.9</b>	<b>111.0</b>	<b>0.0</b>	<b>97.0</b>

Security reported in the preceding year for own obligations was pledged to credit institutions as general security for currency forward contracts and the utilisation of overdraft facilities. During the past year, these have been removed and replaced by financial covenants, for which the company met the terms and conditions by a healthy margin. At year-end, overdraft facilities totalled SEK 30.0 M (261.7) in the Group and Parent Company. During the year, unutilised overdraft facilities amounted to SEK 320.0 M (88.3) in the Group and Parent Company.

## Note 29 Contingent liabilities and commitments

	2011/12	2010/11
<i>Contingent liabilities Parent Company</i>		
Guarantee in favour of Group companies pertaining to future rental commitments	281.5	237.9

### Commitments

All store premises, with the exception of Insjön, are leased and treated as operating leases. The company's policy is that rent should be fixed and not based on store turnover. The average contract period at 30 April 2012 was five years.

Agreed leases have been calculated according to rent levels for 2012.

Parent Company	2011/12	2010/11
Rents and lease payments in financial year	221.1	193.5

	2012/13	2013/14	2014/15	2015/16	2016–
Contracted future rents	237.6	233.5	205.4	183.5	648.6

The Group has no 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 2012 was six years. Agreed leases have been calculated according to rent levels for 2012.

Group	2011/12	2010/11
Rents and lease payments in financial year	565.3	476.7

	2012/13	2013/14	2014/15	2015/16	2016–
Contracted future rents	604.9	589.4	548.8	489.7	1,762.9

## Note 30 Related-party transactions

The number of shareholders in the company totalled 27,462. The major shareholders are Clas Ohlson's descendants Helena Ek-Tidstrand, Björn Haid, Peter Haid, Mary Haid and Johan Tidstrand, who hold 38 per cent of the capital and 63 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 No. of employees

	Group		Parent Company	
	2011/12	2010/11	2011/12	2010/11
Sweden	1,305	1,289	1,305	1,289
– of whom women	(548)	(542)	(548)	(542)
Total Norway	628	548		
– of whom women	(239)	(208)		
Total Finland	190	168		
– of whom women	(78)	(67)		
Total UK	210	181		
– of whom women	(113)	(92)		
Total China	37	33		
– of whom women	(22)	(25)		
<b>Total</b>	<b>2,370</b>	<b>2,219</b>	<b>1,305</b>	<b>1,289</b>
– of whom women	1,000	932	548	542

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, refer to pages 36–39 in the printed annual report.

## Note 32 Segment reporting

Clas Ohlson reports segment information distributed in Sweden, Norway, other segments (Finland and the UK), as well as Group-wide. The Group-wide segment pertains to the Group-wide functions that assist sales organisations with purchasing, distribution, marketing, management and other support. A large portion of the Group's value is generated in the Group-wide segment. The Group's internal pricing was adapted to these prerequisites. Transactions between Group-wide and sales organisations consist primarily of deliveries and payment for goods, internal invoicing of services rendered and interests on Group-wide loans. The income measure recognised per segment consists of operating profit. Clas Ohlson has no customers that individually account for more than 10 per cent of the Group's sales.

	2011/12	2010/11
<b>Net sales per segment (SEK M)</b>		
Sweden	2,928.6	2,871.5
Norway	2,560.8	2,281.5
Finland and UK	770.6	675.0
Group-wide	1,995.7	1,747.9
Elimination of sales to other segments	–1,995.7	–1,747.9
<b>Total</b>	<b>6,260.0</b>	<b>5,828.0</b>

#### Operating profit per segment (SEK M)

Sweden	95.6	91.5
Norway	84.1	69.0
Finland and UK	19.6	16.0
Group-wide	361.3	330.6
<b>Total</b>	<b>560.6</b>	<b>507.1</b>

#### Assets per segment (SEK M)

Sweden	557.1	512.8
Norway	486.7	466.3
Finland and UK	408.4	357.6
Group-wide	1,492.5	1,749.6
<b>Total</b>	<b>2,944.7</b>	<b>3,086.3</b>

Cash and cash equivalents are not included in the above tables.

#### Investments and depreciation per segment (SEK M)

	Investments		Depreciation	
	2011/12	2010/11	2011/12	2010/11
Sweden	34.2	36.2	30.1	27.6
Norway	48.8	85.9	36.2	30.3
Finland and UK	29.7	79.6	30.0	22.2
Groupwide <sup>1</sup>	93.4	94.7	82.8	79.2
<b>Total</b>	<b>206.1</b>	<b>296.4</b>	<b>179.1</b>	<b>159.3</b>

<sup>1</sup> Investments in intangible assets amounts to SEK 55.5 M (33.9). Depreciations regarding intangible assets amounts to SEK 1.6 M (0.4).

## Note 33 Events after the end of the period

Sales during May rose 5 per cent to SEK 434 M (414). In local currency, sales increased by 3 per cent. Compared with the same month in the preceding year, 20 stores (19) have been added and the total number of stores at the end of May 2012 totalled 159 stores. Mail order/internet sales totalled SEK 15 M (6).

Sales channels (SEK M)			Percentage change,	
	2012	2011	change	local currency
Countries				
Sweden	207	203	+ 2	+ 2
Norway	172	161	+ 6	+ 2
Finland	36	33	+ 9	+ 8
UK	19	17	+ 13	+ 3
<b>Total</b>	<b>434</b>	<b>414</b>	<b>+ 5</b>	<b>+ 3</b>

On 10 september 2012 the Board was authorised by the Annual General Meeting of Clas Ohlson AB to acquire, during the period up to the next Annual General Meeting, not more than 850,000 shares to secure the company's commitment in connection with the introduction of a share-based incentive programme, LTI 2012. The total number of shares required to secure LTI 2012 was estimated at 760,000. Part of the commitment regarding LTI 2012 can be secured through the use of 394,000 shares bought back to secure LTI 2009, which has concluded and in which matching shares and 7 options per share were allocated, totalling 246,008 options.

The Board of Directors has decided to use the authorisation of the AGM to buy back the remaining 366,000 shares required to secure the company's obligation in respect of LTI 2012. Acquisition will be conducted via Nasdaq OMX Stockholm, during the period up until the 2012 AGM, at a price within the quoted price interval. The company's holding of Clas Ohlson treasury shares at 30 April 2012 totalled 1,985,000 shares, corresponding to 3 per cent of the total number of registered shares.

# Certification of the annual report

The consolidated financial statements have been prepared in accordance with the IFRS standards as adopted by the EU and provide 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 provide a true and fair view of the Parent Company's financial position and results of operations. The Directors' Report for the Group and Parent Company provides a fair overview of the development of the Group's and Parent Company's operations, financial position and earnings, and also describes material risks and uncertainties facing the Parent Company and companies included in the Group.

Insjön 27 June 2012

**Anders Moberg**  
Chairman of the Board

**Björn Haid**

**Sanna Suvanto-Harsaae**

**Lottie Svedenstedt**

**Urban Jansson**

**Cecilia Marlow**

**Edgar Rosenberger**

**Klas Balkow**  
Chief Executive Officer

**Mikael Öberg**  
Employee representative (Handels)

**Henrik Andersson**  
Employee representative (Unionen)

Our audit report was issued on 2 July 2012  
Öhrlings PricewaterhouseCoopers AB

**Annika Wedin**  
Authorised Public Accountant

**Lennart Danielsson**  
Authorised Public Accountant

The balance sheets and income statements are to be adopted at the Annual General Meeting to be held on 8 September 2012.

# Audit report

To the Annual General Meeting of Clas Ohlson Aktiebolag (publ)  
Corporate Registration Number 556035-8672

## Audit report on the annual accounts and consolidated accounts

We have examined the annual accounts, and the consolidated accounts for Clas Ohlson AB (publ) for the financial year 1 May 2011 – 30 April 2012. The company's annual accounts and the consolidated accounts are included in the printed version of this document on pages 48-74.

### The responsibility of the Board of Directors and CEO for the annual accounts and consolidated financial statements

It is the responsibility of the Board of Directors and CEO for preparing annual accounts that provide a fair and true view in accordance with the Swedish Annual Accounts Act, and consolidated accounts that provide a fair and true view in accordance with the international accounting standards, IFRS, as adopted by the EU, and the Swedish Annual Accounts Act, and for the internal control that the Board of Directors and CEO deem necessary in preparing annual accounts and consolidated accounts that do not include material misstatements, irrespective of whether these are due to falsifications or errors.

### Auditors' responsibility

We conducted the audit in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with professional requirements and plan and conduct the audit to gain reasonable assurance that the annual accounts and consolidated accounts do not include material errors.

By means of various measures, an audit includes obtaining accounting records regarding amounts and other information in the annual accounts and consolidated accounts. The auditor selects the measures to be applied, including assessing risks of material error in the annual accounts and consolidated accounts, irrespective of whether these are due to falsifications or errors. In this risk assessment, the auditor takes into account the aspects of internal control that are relevant to how the company prepares the annual accounts and consolidated accounts in order to provide a true and fair view in order to design audit measures that are appropriate to the circumstances, but not for the purpose of making a statement regarding the effectiveness of the company's internal controls. An audit also includes an evaluation of the appropriateness of the accounting principles that have been applied and the reasonableness of the estimates of the Board of Directors and CEO in the accounts, as well as an evaluation of the overall presentation in the annual accounts and consolidated accounts.

We believe that the accounting records we have obtained are sufficient and appropriate as the basis of our statement.

### Statement

We are of the opinion that the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and provide in all material respects a true and fair view of the Parent Company's financial position as of 30 April 2012 and of its financial results and cash flows for the year in accordance with the Swedish Annual Accounts Act, and that the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and in all material respects reflect the Group's financial position as of 30 April 2012 and of its results and cash flows in accordance with international

accounting standards, as adopted by the EU, and the Swedish Annual Accounts Act. A corporate governance report has been prepared. The 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.

### Report on other requirements according to legislation and other statutes

In addition to our audit of the annual accounts and consolidated accounts, we have also examined the proposal regarding the appropriation of the company's profit or loss, as well as the administration of the Board of Directors and CEO of Clas Ohlson AB (publ) for the financial year 1 May 2011 – 30 April 2012.

### Responsibility of the Board of Directors and CEO

The Board of Directors is responsible for the proposed appropriation of profit or loss, and the Board of Directors and the CEO are responsible for the administration of the company pursuant to the Swedish Companies Act.

### Responsibility of the auditors

Our responsibility is to make a statement, with a reasonable degree of assurance, regarding the proposed appropriation of the company's profit or loss and of the administration of the company based on our audit. We have conducted the audit in accordance with generally accepted accounting practice in Sweden.

As the basis for our statement regarding the Board of Directors' proposal for the appropriation of the company's profit or loss, we have examined the explanatory statement of the Board as well as a selection of underlying accounting material in order to assess whether the proposal complies with the Swedish Companies Act.

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 the accounting records we have obtained are sufficient and appropriate as the basis of our statement.

### Statement

We recommend to the Annual General Meeting 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 2012

**Annika Wedin**  
Authorised Public Accountant

**Lennart Danielsson**  
Authorised Public Accountant

# Board of Directors



## Anders Moberg

Chairman of the Board since 2004. Board member since 2003. Born in 1950.

**Professional experience:** CEO of the retail company Majid Al Futtaim Group in Dubai 2007-2008, CEO of Royal Ahold 2003-2007. Division President of Home Depot 1999-2002. Previously employed for a number of years by IKEA, where he was CEO 1986-1999.

**Other significant directorships:** Sweden: OBH Nordica AB (chairman), Husqvarna, Byggmax AB, ZetaDisplay AB, Rezidor AB, ITAB AB. Denmark: Biva A/S, DFDS. Finland: Ahlstrom OY. Netherlands: Hema B.V. Germany: Amor GmbH.

**Number of shares in Clas Ohlson AB:** 1,400,000<sup>1</sup>. Independent\*.

## Klas Balkow

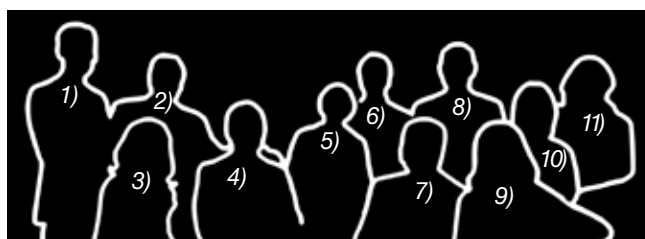
President and CEO from 8 September 2007. Born in 1965.

**Professional experience:** Formerly managing director of a subsidiary of the Axel Johnson Group, where he was responsible for Aximage, a business area comprising several store chains and the agency for Fujifilm in both Sweden and Norway. Previously at Bredbandsbolaget. Prior to that a number of senior positions in Procter & Gamble in both the Nordic countries and the United States.

**Other significant directorships:** Board member of Inflight Service Group.

**Number of shares in Clas Ohlson AB:** 22,324. Dependant\*\*.

<sup>1</sup> Owned through endowment insurance



1) Klas Balkow, 2) Anders Moberg, 3) Lottie Svedenstedt, 4) Johan Åhlberg, 5) Caroline Persson (replaced by Henrik Andersson), 6) Edgar Rosenberger, 7) Björn Haid, 8) Urban Jansson, 9) Cecilia Marlow, 10) Emma Lindqvist, 11) Sanna Suvanto-Harsaae.

## Björn Haid

Board Member since 1990.

Born in 1945. Grandson of Clas Ohlson.

**Professional experience:** Product range development at Clas Ohlson 1965–2006.

**Number of shares in Clas Ohlson AB:** 5,644,794

Dependent in relation to major shareholders pursuant to the Swedish Corporate Governance Code. Independent in relation to the company and executive management.

\*Independent in relation to the company, executive management and major shareholders pursuant to the Swedish Corporate Governance Code.

\*\*Dependent in relation to the company and executive management pursuant to the Swedish Corporate Governance Code. Independent of major shareholders



### Urban Jansson

Board member since 2005.

Born in 1945. Advanced banking education (Skandinaviska Enskilda Banken).

**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 significant directorships:** Chairman of HMS Networks and Svedbergs. Board member of Höganäs and SEB.

**Number of shares in Clas Ohlson AB:** 20,000. Independent\*.

### Cecilia Marlow

Board member since 2007.

Born in 1960. MSc in Business and Economics, Stockholm School of Economics.

**Professional experience:** President of Kronans Droghandel 2008-2011. Formerly CEO of JC/J-Store 2006-2007. CEO of Polarn&Pyret 2004-2006. CEO of Ordning&Reda 2001-2003. CEO of Publicis Welinder 1997-2001

**Other significant directorships:** Chairman of Hand in Hand Sweden. Board member of Svenska Spel and Nordea Fonder.

**Number of shares in Clas Ohlson AB:** 500. Independent\*.

### Lottie Svedenstedt

Board member since 2004.

Born in 1957. Master of Laws, Uppsala University.

**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. Deputy General Manager Inter IKEA Systems BV 1996-1998. President of Inter IKEA Systems AS 1993-1996. Regional Manager H&M 1989-1992.

**Other significant directorships:** Chairman of the board of MiL Institute. Board member of Stampen AB, Global Health Partner AB, Byggmax AB, Thule Group AB and Swedavia AB.

**Number of shares in Clas Ohlson AB:** 3,300. Independent\*.

### Sanna Suvanto-Harsaae

Board member since 2010.

Born in 1966. MSc in Business and Economics, Lund University.

**Professional experience:** President of ReckittBenckiser Norden 2004-2008. Marketing and Business Development Director Synoptik 2001-2004. European Marketing Manager and other senior positions at Procter & Gamble Nordic, Germany and Europe 1991-2001.

**Other significant directorships:** Chairman of Babysam AS, Health and Fitness Nordic/Sats AB and Sunset Boulevard AS. Board member of Jetpak AB, CCS AB, Paulig AB and Upplands Motor AB.

**Number of shares in Clas Ohlson AB:** 0. Independent\*.

### Edgar Rosenberger

Board member since 2009.

Born in 1953. Master of Business Administration, Mannheim University.

**Professional experience:** President of consultancy company Retail Brand Services since 2002. President of IPURI GmbH 1991-2002. President of Esprit Europe GmbH 1987-1991. President of H&M Germany GmbH 1980-1987.

**Other directorships:** Member of German-Swedish Chamber of Commerce.

**Number of shares in Clas Ohlson AB:** 0. Independent\*.



### Henrik Andersson

Board member since 2012.

Born in 1971. Employee representative (Unionen).

**Number of shares in Clas Ohlson AB:** 0



### Mikael Öberg

Board member since 2009.

Born in 1963 Employee representative (Handels).

**Number of shares in Clas Ohlson AB:** 2

### Deputy member

#### Emma Lindqvist

Board member since 2006.

Born in 1976 Employee representative (Handels).

**Number of shares in Clas Ohlson AB:** 0

### Deputy member

#### Johan Åhlberg

Board member since 2009.

Born in 1969 Employee representative (Handels).

**Number of shares in Clas Ohlson AB:** 100

\*Independent in relation to the company, executive management and major shareholders pursuant to the Swedish Corporate Governance Code.

# Senior management



## **Klas Balkow**

President and CEO. Employee since 2007.  
Born in 1965.

**Professional experience:** Formerly managing director of a subsidiary of the Axel Johnson Group, where he was responsible for Aximage, a business area comprising several store chains and the agency for Fujifilm in both Sweden and Norway. Previously at Bredbandsbolaget. Prior to that a number of senior positions in Procter & Gamble in both the Nordic countries and the United States.

**Number of shares in Clas Ohlson AB:** 22,324



## **Peter Jelkeby**

Executive Vice President. Employee since 2008.  
Born in 1963. MSc in Business and Economics, School of Business, Economics and Law at the University of Gothenburg.

**Professional experience:** Deputy Head of IKEA in the UK, 2006-2008. Previously held senior positions at IKEA in sales, marketing and purchasing since 1989.

**Number of shares in Clas Ohlson AB:** 9,050



## **Susanne Löfås-Hällman**

Director of HR. Employee since 2001.  
Born in 1964. MA, Business Administration, University of Gävle.

**Professional experience:** HR Manager, Würth Svenska AB, 1998-2001. Recruitment and Staffing, Resursen i Dalarna AB, 1997-1998. Financial assistant, Profilium Fastighets AB/Domberg & Andersson, 1990-1992.

**Number of shares in Clas Ohlson AB:** 4,805



## **John Womack**

Director of Information and IR. Employee since 2008.  
Born in 1966. BA, Economics, Lund University. Marketing Communication Program, Stockholm University.

**Professional experience:** Senior Vice President Communications and IR, IBS 2003-2008. Senior Consultant, Spider Relations/Sund Kommunikation, 2000-2003. Head of Investor Relations, NCC 1998-2000. Press Officer, Postgirot Bank 1995-1998.

**Number of shares in Clas Ohlson AB:** 10,500

**Göran Melin**

CFO. Employee since 2010.  
Born in 1962. MSc in Business and Economics, School of Business, Economics and Law at the University of Gothenburg.

**Professional experience:** Employed at Öhrlings Pricewaterhouse Coopers 1987-2010. Authorised Public Accountant 1991-2010 and partner 2001-2010.

**Number of shares in Clas Ohlson AB:** 6,201

**Ulrika Göransson**

Director of Business Development. Employee since 2008.  
Born in 1970. MSc in Business and Economics, Stockholm University.

**Professional experience:** Marketing Director Clas Ohlson, 2008-2011. Head of Marketing Nordics, Novartis, 2007-2008. Brand Strategist, LynxEye, 2003-2007. Consumer Insight Specialist Asia Pacific, Kraft Foods, 2003-2003. Senior Marketing Manager, General Mills, 1999-2002.

**Number of shares in Clas Ohlson AB:** 7,220

**Magnus Højman**

Director of Supply Chain. Employee since 2011.  
Born in 1967. MSc in Business and Economics, Lund University and University of California.

**Professional experience:** Employed at Accenture over a period of 10 years, where Magnus was a member of the senior executive group in Management Consulting. He has also worked in strategic development with a major retail company in Sweden and throughout the Nordic region. Prior to his appointment, he was Venture Manager at venture capital group, Real Venture Group, as well as having spent five years in sales and management at Procter & Gamble Scandinavia.

**Number of shares in Clas Ohlson AB:** 1,521

**Bo Heyman**

Director of Establishment. Employee since 1983.  
Born in 1952.

**Professional experience:**

Director of Establishment at Clas Ohlson in Sweden and Finland, 2002-2007. Head of Marketing and Business Area Clas Ohlson Sweden, 1996-2002. Sales Manager and Store Manager for our Swedish stores, Establishment Manager in Sweden 1992-1996. Seller, interior decorator, supervisor and store manager at Clas Ohlson 1983-1992.

**Number of shares in Clas Ohlson AB:** 5,855

**Lars Andréason**

Director of Sales and Communication. Employee since 2008.  
Born in 1971. MSc in Business and Economics, Lund University.

**Professional experience:** Head of Business Area Sweden, Clas Ohlson 2008-2011. Nordic Sales Director, Siba 2004-2008. Marketing Manager, Fujifilm Sweden 2002-2004. Head of Business Area Consumer Services, Bredbandsbolaget 2000-2002.

**Number of shares in Clas Ohlson AB:** 3,894

**Tony Dahlström**

Director of Purchasing. Employee since 1982.  
Born in 1964.

**Professional experience:** Category Manager, Clas Ohlson 2009-2010. President of OS Technology Nordic 2008-2009. Product Manager, Clas Ohlson 1996-2008. Various positions in stores, warehouses and customer service at Clas Ohlson 1982-1996.

**Number of shares in Clas Ohlson AB:** 4,540

# Quarterly results

SEK M	2011/12				2010/11			
	Q 1 1 May 2011 –31 July 2011	Q 2 1 Aug 2011 –31 Oct 2011	Q 3 1 Nov 2011 –31 Jan 2011	Q 4 1 Feb 2011 –30 Apr. 2011	Q 1 1 May 2010 –31 July 2010	Q 2 1 Aug 2010 –31 Oct 2010	Q 3 1 Nov 2010 –31 Jan 2010	Q 4 1 Feb 2010 –30 Apr. 2010
Sales	1,387.0	1,552.5	2,048.6	1,271.9	1,323.5	1,434.9	1,906.0	1,163.6
Cost of goods sold	-795.8	-896.5	-1,179.7	-751.7	-769.0	-840.2	-1,097.6	-694.9
Gross profit	591.2	656.0	868.9	520.2	554.5	594.7	808.4	468.7
Selling expenses	-427.9	-490.8	-517.2	-470.7	-369.9	-442.0	-493.7	-429.0
Administrative expenses	-43.4	-41.4	-43.8	-39.8	-40.2	-35.3	-42.7	-38.7
Other operating income/expense	-0.3	-0.2	-0.7	0.5	-1.9	1.1	-2.5	2.6
Operating profit	119.6	123.6	307.2	10.2	115.5	118.5	269.5	3.6
Net financial items	-3.6	-2.8	-2.6	-0.6	-1.2	-2.3	-1.7	-2.9
Pre-tax earnings	116.0	120.8	304.6	9.6	114.3	116.2	267.8	0.7
Income tax	-31.3	-32.7	-84.2	-2.3	-29.9	-30.4	-73.7	-0.6
Profit for the period	84.7	88.1	220.4	7.3	84.4	85.8	194.1	0.1
<b>KEY RATIOS FOR THE PERIOD</b>								
Gross margin, %	42.6	42.3	42.4	40.9	41.9	41.4	42.4	40.3
Operating margin, %	8.6	8.0	15.0	0.8	8.7	8.3	14.1	0.3
Earnings per share, before dilution, SEK	1.33	1.38	3.46	0.11	1.32	1.35	3.05	0.00
Earnings per share, after dilution, SEK	1.33	1.38	3.46	0.11	1.32	1.35	3.04	0.00

## 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.

# Addresses

## Head office

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

## Head office Norway

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

## Head office Finland

Clas Ohlson OY  
Annegatan 34-36 A  
FIN-00100 Helsingfors  
Phone +358 (0)20 111 2222  
Fax +358 (0)20 111 2234  
www.clasohlson.fi

## Head office United Kingdom

Clas Ohlson Ltd  
Goodwillie  
13 Kensington Square  
W8 5HD London  
Phone +44 (0)845 671 8215  
www.clasohlson.co.uk

## Mail order/Internet sales Sverige

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

## Mail order/Internet sales Norway

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

## Investor Relations Contacts

**John Womack**  
Director of information and IR  
Phone +46 247 444 00

**Klas Balkow**  
President and CEO  
Phone +46 247 444 00

**Michael Ehrling**  
IR-produktion  
Phone +46 247 444 00

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

## Sweden

Borås – Knalleland  
Eskilstuna – Cityhuset  
Falun – Falan Gallerian  
Gävle – Affärshuset Nian  
Gävle – Valbo Köpcentrum  
Gothenburg – Bäckebo  
Gothenburg – Nordstan  
Gothenburg – Partille  
Gothenburg – Sisjön Centrum  
Gothenburg – Västra Frölunda  
Halmstad – Combihuset  
Halmstad – Flygstaden handelsplats  
Helsingborg – Kullagatan  
Helsingborg – Väla centrum  
Hudiksvall – Gallerian Fyren  
Insjön – Dalarna  
Jönköping – City  
Jönköping – A6  
Kalmar – Baronen  
Karlstad – Mitt i City  
Kiruna – Centrum  
Kristianstad – Domus-huset  
Kungsbacka – Kungsmässan  
Lidköping – Centrum  
Linköping – Centrum  
Luleå – Smedjan  
Luleå – Storhedens handelsområde  
Malmö – Burlöv  
Malmö – Triangeln  
Motala – Centrum  
Norrköping – Domino  
Norrköping – Hageby Centrum  
Nyköping – Nyckeln  
Piteå – Gallerian Piteå  
Skellefteå – Citykompaniet  
Skövde – Centrum  
Stockholm – Bromma  
Stockholm – Drottninggatan  
Stockholm – Farsta  
Stockholm – Gallerian  
Stockholm – Haninge  
Stockholm – Häggvik  
Stockholm – Kista Galleria  
Stockholm – Liljeholmen  
Stockholm – Nacka  
Stockholm – Sickla  
Stockholm – Skärholmen  
Stockholm – Solna Centrum  
Stockholm – Täby  
Stockholm – Vällingby Centrum  
Stockholm – Väsby Centrum  
Strömstad – Nordby  
Sundsvall – Birsta  
Sundsvall – Nya hamnen  
Södertälje – Lunagallerian  
Trelleborg – Valen  
Uddevalla – Centrum  
Umeå – MVG  
Uppsala – Gränby Centrum  
Uppsala – S:t Per Gallerian  
Visby – Centrum  
Västerås – Erikslund Shopping Center  
Västerås – Igor  
Växjö – Affärshuset Tegnér  
Örebro – Marieberg  
Örebro – Krämaren  
Örnsköldsvik – Magasinet  
Östersund – Mittpunkten

## Norway

Alta – Amfi Alta  
Arendal – Amfi Arena  
Asker – Trekanten Kjøpesenter  
Bergen – Bergen Storsenter  
Bergen – Laguneparken  
Bergen – Sartor  
Bergen – Åsane  
Bryne – M44  
Bodø – Sentrum  
Drammen – Buskerud Storsenter  
Drammen – Gulsbogen Kjøpesenter

Elverum – Kremmertorget  
Fredrikstad – Dikeveien  
Fredrikstad – Torvbyen Kjøpesenter  
Gjøvik – CC Mart'n  
Hamar – Maxi Kjøpesenter  
Harstad – Sjøkanten Senter  
Haugesund – Oasen Storsenter  
Horten – Sjøsidan Kjøpesenter  
Hønefoss – Sentrum  
Jessheim – Jessheim Storsenter  
Kongsberg – Stortorget senter  
Kristiansand – Sentrum  
Kristiansand – Sorlandssenteret  
Kristiansund – Amfi Futura  
Larvik – Sentrum  
Lillehammer – Strandtorget Kjøpesenter  
Lørenskog – Lørenskog Storsenter  
Molde – Moldegård Storsenter  
Moss – Amfi Senter  
Narvik – Narvik Storsenter  
Oslo – Alna Senter  
Oslo – Bogstadsveien  
Oslo – Bryn Senter  
Oslo – Oslo City  
Oslo – Lambertseter Senter  
Oslo – Storo Storsenter  
Oslo – Torggata  
Porsgrunn – Down Town  
Sandnes – Kvadrat  
Sandvika – Sandvika Storsenter  
Sarpsborg – Storbyen  
Ski – Ski Storsenter  
Skien – Herkules  
Stavanger – Kilden  
Stavanger – Madla  
Stavanger – Mediagården  
Steinkjer – Amfi  
Strømmen – Strømmen Storsenter  
Tromsø – Jekta Storsenter  
Trondheim – City Syd  
Trondheim – Lade Arena  
Trondheim – Solsiden  
Trondheim – Trondheim Torg  
Tønsberg – Farmandstredet  
Ålesund – Stormoa Kjøpesenter

## Finland

Esbo – Entresse köpcentrum  
Esbo – Sello  
Helsinki – Kamppi  
Helsinki – Mannerheimvägen  
Helsinki – Östra Centrum  
Joensuu – Centrum  
Jyväskylä – Palokka  
Kokkola – Chydenia köpcentrum  
Kuopio – Centrum  
Lahti – Karisma köpcentrum  
Lappeenranta – Gallerian köpcentrum  
Lembois – Ideapark  
Mikkeli – Akseli  
Oulo – Centrum  
Rovaniemi – Rinne köpcentrum  
Seinäjoki – Centrum  
Tampere – Centrum  
Vaasa – Rewell Center  
Vantaa – Jumbo köpcentrum  
Vantaa – Myyrmanni köpcentrum  
Turku – Forum köpcentrum

## United Kingdom

Birmingham – Merry Hill Centre  
Cardiff – St Davids Centre  
Croydon – The Whitgift Centre  
Doncaster – Frenchgate Shopping Centre  
Kingston – Market Place  
Leeds – The Headrow  
Liverpool – Clayton Square  
Manchester – Arndale Centre  
Newcastle – Northumberland Street  
Norwich – Chapelfield  
Reading – Broad Street  
Watford – The Harlequin Centre

For information on the addresses and telephone numbers of stores, see [www.clasohlson.se](http://www.clasohlson.se)

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Corporate identity number: 556035-8672

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